A SHORT COURSE OF ECONOMIC SCIENCE

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Revised and supplemented by S. M. Dvolaitsky in conjunction with the Author. Translated by J. Fineberg

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TRANSLATOR'S PREFACE

THE Fourth Congress of the Communist International has just passed a resolution calling for more intense and systematic Marxian education of the Communist rank and file.

The necessity for this has been recognised in Great Britain, as is evidenced by the work of the Labour colleges and the number and popularity of the economic classes scattered over the country.

It has been generally recognised, however, that this excellent work has been considerably hampered by the absence in the English language of a suitable textbook for the study of social science from the Marxian viewpoint.

There are, it is true, a number of useful books dealing in a popular manner with various phases of the Marxian theory, but to my mind none show in their construction the integral character of the Marxian theory, nor are they sufficiently systematised to serve as a guide to the further studies of the student.

Comrade Bogdanoff's book is a comprehensive and popular introduction to the study of the profound and enthralling principles of Marxian philosophy. In fact, it is a textbook on Marxism.

It was, as the author says in his Preface, written in the dark days of the Tsarist reaction for the use of secret workers' study circles; and it serves to-day as a textbook in hundreds, if not thousands, of party schools and study circles now functioning in Soviet Russia, training the future administrators of the Workers' Republic.

I hope it will serve the same useful purpose for the workers in English-speaking countries.

J. FINEBERG,
Translator.

Moscow,
December 6, 1922.

PREFACE

THE first edition of this book was published in 1897 and the ninth in 1906. During these years this work was frequently revised, and the text of the last edition was very different from the first exposition, which was built up during the studies in the workers' study circles in the forests of the Tula Government, and later was ruthlessly mutilated by the censor. Throughout the period of the reaction there was no demand for a new edition. Since the revolution there has been an increased demand for this book and it speedily went out of print. The preparation of a new edition, however, was very difficult. So long a time had passed and so much had happened in life and in science that considerable revision was necessary. It is sufficient to say that this was the period in which the new phase of capitalism—the domination of finance capital — had completely defined itself, the period in which it had reached its highest form and developed into that prodigious crisis, the world war. These twelve or thirteen years probably exceeded the whole of the previous century in wealth of economic experience.

Comrade S. M. Dvolaitsky agreed to undertake the greater part of the task of revising this course, and the work was conducted by us jointly. The majority of the additions were made to the last part of the course : the sections on the circulation of money, taxation, finance capital, the fundamental conditions of the collapse of capitalism, &c., being written almost entirely by Comrade Dvolaitsky. He also introduced a number of new practical illustrations into all parts of the course. It was necessary considerably to re-group the material dealing with previous periods of economic development in accordance with modern views on these questions. The history of economic views

scattered through the course has been eliminated. This was done in the interests of completeness, as this history refers particularly to another science—the science of ideology—and it is better to deal with that in a separate work. The introduction, dealing with fundamental conceptions, has been considerably abbreviated in view of its extreme dryness. The necessary material has been distributed among other sections in connection with the historic development of the corresponding elements of economics.

Besides this course there is in existence a similar work, entitled " A First Course in Political Economy," written in the form of question and answer, by A. Bogdanoff, and a large two-volume course by A. Bogdanoff and E. Stepanoff (the second volume—in four parts—of which should appear almost simultaneously with this work). The " Short Course " serves as a link between these two, as a systematic textbook, briefly embracing the most important facts and fundamental theories.

The chapters on ideology in this and the other courses by no means serve as supplements to the main subject. Ideology is an instrument for organising economic life, and is consequently an important condition in economic development. Only within these limits and in this connection is it touched upon here. It is dealt with independently in a special textbook —" The Science of Social Consciousness "—which is written in a form similar to this.

Amidst the stormy events of the revolutionary epoch it is more than ever necessary to have a firm and complete economic knowledge; without that, system in the social struggle and in social construction is impossible.

A. BOGDANOFF.

August 24, 1919.

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A SHORT COURSE OF ECONOMIC SCIENCE

INTRODUCTION

1. Definition of Economic Science

EVERY science represents a *systematised understanding of the phenomena of a definite sphere of human experience.* To understand phenomena means to understand their mutual connections, to establish their inter-relationship, and in that way to make it possible to use them in the interests of Man. The same striving arises in the economic activity of man in the process of the labour struggle of humanity—the struggle which humanity unceasingly carries on with nature for its existence and development. In his labour experience, man comes into contact with the fact, for example, that by rubbing two dry pieces of wood against each other with sufficient force and for a sufficient length of time fire is produced, and that fire possesses the remarkable capacity of producing a change in food which eases the work of the teeth and the stomach and at the same time renders it possible to be satisfied with a smaller quantity of food. The practical requirements of humanity thus urge it to establish connection between these phenomena; understanding their connection, humanity begins to make use of them as a weapon in its labour struggle. However, such an understanding of phenomena does not yet, of course, represent science. Science presupposes a *systematised* understanding of the whole sum of phenomena in a definite branch of labour experience. In this sense the understanding of the connection between friction, fire, &c., may be regarded only as the embryo of science, that is

of the science which at the present moment unites the physical-chemical processes.

The subject with which our economic science or political economy[1] deals is the *sphere of social-labour relations between men.*

In the process of production men, as a consequence of natural necessity, stand in certain relations with each other. The history of humanity does not know of a period in which men lived completely isolated from each other and individually secured their means of livelihood. Even in the most remote times the hunting of savage beasts, the transport of heavy weights, &c., demanded simple co-operation; the growing complexity of economic activity brought with it the division of labour among men by which, in the work of the community, one man carried out one piece of work necessary for all, another man another, &c. Both simple co-operation and division of labour place men in definite connection with each other and establish the first elementary productive relations. The sphere of such relations is not exhausted of course by simple co-operation and division of labour; it is much more complex and much wider.

Passing from the lower stages of development of humanity to the higher, we come across facts like these: the serf gives part of the product of his labour to his lord; workers work for capitalists; the craftsman produces not for his own personal consumption, but mostly for the peasant, who in his turn gives part of the product of his labour to the craftsman, either directly or through a merchant. All these are social-labour connections which form a complete system of *productive relations* in the broad sense of the word. Consequently they embrace the acquisition and distribution of products in society.

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[1] Economic science is also known as "National Economy" (in German "Nationaloekonomie"). The most widespread term "Political Economy" is composed of two Greek words, "economy," which means the science of management, and "political," *i.e.*, "civil," in the sense of "social."

The complexity and width of productive relations stand out with particular clearness in developed commercial society: for example, under capitalism permanent social relations are established between people who never see each other, and frequently have not the slightest idea of the firm threads which bind them. A Berlin stock exchange broker may own shares in a South American factory. By the mere ownership of these shares, he, every year, receives profits from this undertaking, *i.e.*, part of the product created by the labour of the South American worker, or what is practically the same, part of the value of his product. In this manner, between the Berlin stock exchange broker and the South American worker there is established an invisible social relation which social science must study.

"In social life men, independently of their will, enter into certain productive relations; these relations always correspond to the stage of development of their material productive forces,"[1] *i.e.*, social-technical or social-labour relations of men towards external Nature. This means that men in the process of struggle against external Nature necessarily stand in such relations to each other as correspond to the methods of that struggle: hunting, for example, demands other methods of co-operation than the construction of great irrigation works in sparsely-watered districts; modern machine production places the workers in mutual relations other than those in manufacture based on hand labour. "The sum of these productive relations," continues Marx, "forms the economic structure of society; it is the real basis upon which is built up the juridical and political superstructure and which corresponds to the definite forms of social consciousness. The methods of production determine the process of social, political, and spiritual life in general."

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[1] Karl Marx, "Critique of Political Economy."

From the point of view of these ideas which form the essence of the theory of historical materialism, economic relations are vitally necessary; they inevitably form themselves in accordance with the degree of development of productive forces, and therefore form the basic structure of society—the canvas upon which is drawn the varied and complicated design of the social-labour life of humanity. Political economy therefore may quite correctly be termed the science of the *basic structure* of society.

Irrespective of whether we speak of broad historical perspectives or of the development of social consciousness, whether we discuss questions of foreign politics or religion, we can never avoid dealing with the economic ties of society, with its basic structure: we must unfailingly employ the conclusions of economic science. Our science therefore may be regarded as the basis in the system of social sciences. In these sciences it plays the same rôle as physics and chemistry in the study of all organic and inorganic processes. Just as the botanist, the zoologist, the astronomer, and the agriculturist would be disarmed, as it were, if they did not learn the conclusions of physics and chemistry, so would the sociologist, the historian, and the jurist find themselves in the same position if they were not acquainted with political economy.

More than that, every citizen desiring to take an active part in the social struggle and social work would, under the same circumstances, find himself in the same position.

Like all science, political economy originally arises out of the practical requirements of humanity in its labour-struggle with Nature. At a certain stage of the development of society a situation is created where men come under the power of their social-labour relations. There begins to dominate over man, over his labour and welfare, a market, competition, fluctuation of prices, and a number of other economic

phenomena; man at all costs must adapt himself to these relations; they as it were convert him into their slave. Naturally, this must give birth to a striving to understand all these phenomena—to an understanding which would create the possibility of foreseeing these phenomena and influencing them. This explains the fact that political economy as a science began to develop only in the sixteenth and seventeenth centuries—just at the time when the growth of the commercial system brought with it the elemental power of the market and money over Man.

The fundamental task of economic science is to study the social-labour relations between men, but it cannot fail, however, to touch other aspects of the process of production. It must necessarily take into consideration its technical and ideological aspects in so far as its development is dependent upon them.

We have already pointed out that it is the development of the technical means of production that defines economic relations in general. It is clear then how important for our study are the facts of technical life. If we do not take into consideration such phenomena as the technical revolution at the end of the eighteenth century—the invention of the steam engine, the mechanical weaving loom, or the application of steam to navigtion, &c.—we shall fail to understand a number of economic phenomena of first class importance.

The same thing applies to ideology: all its forms—speech, knowledge, custom, law, morality, political structure, &c.—in fact represent in society *instruments of organisation*. Speech, for instance, in the process of production, represents an instrument by the aid of which a worker has indicated to him his place and function in labour, and without which that labour would be as fruitless as the building of the Tower of Babel. A similar organisational rôle is played by law when it establishes and secures profits; even rhythmic

music or the singing of "Doubinoushka"[1] play this rôle when they serve to co-ordinate the labour efforts of Man. Ideological forms themselves, as has been said above, arise out of the technical conditions of production and economic relations. But having once risen they, like the instruments of organisation, in their turn influence technique and economics, *i.e.*, they assist or lay the path for the development of production. Speaking generally, economic science does not concern itself with the dogmas of the Catholic Church; but immediately this Church becomes a bulwark of obsolete feudal relations, immediately, as such, it stands across the path of the more progressive—from the point of view of political economy—capitalist relations, our science cannot fail to take this fact into consideration.

Social relations do not represent something that is permanent, immutable. They are continually changing, like all Nature. These changes express either the progress or the decline of the forces of society, either the victory of society over Nature or the victory of Nature over society. Time was when men lived in small compact communes independent of each other. At that time productive relations were very narrow and simple, and distributive relations took the form of direct distribution. Now human society is enormous, economic relations are to a high degree complex; but between the past and the present there is a continuous chain of development. Events of quite a different nature have occurred—when the forces of society in the struggle with nature declined, the broad social ties broke down, economic relations became narrower and simpler; here science has to trace a different chain of changes, a chain not of development, but of decline, of degeneration. The

[1] "Doubinoushka" (the "beam") is a Russian song of labour to the rhythm of which Russian labourers adapted their movements while at work tugging a heavy load in gangs.—TRANS.

interest of science is concentrated on questions of development and degeneration, for science is one of the weapons of humanity in the struggle for existence, for development.

This defines the essential features and order of our further exposition.

2. The Methods of Economic Science

Economic science, like other sciences, employs two methods of investigation : (1) The *inductive* method, the method of generalisation, working from the particular to the general, and (2) the *deductive*, the method of *applying generalisations*, which applies the conclusions from the general to the particular.

The inductive method expresses itself in generalising descriptions. Observing a number of phenomena we endeavour to find that which is common to them all, and in this way we make the *first generalisation*. In discovering other common features we make a generalisation of a second order, and so on. If we, for example, examine a number of smiths' workshops we may discover features common to them all, and taking these common features we can create for ourselves a general conception of a smith's workshop. We can do the same thing with regard to a bookbinder's workshop, a bakery, a tailor's shop, &c. Comparing these first generalisations and taking all that which is common to them all, we may then obtain a conception of artisans' workshops in general. We shall then have a generalisation of the second order. Taking the general features of this, and also another generalisation referring to peasant farming, we arrive at a broader generalisation, that of the "economy of small producers." When we denote the general features of such a number of similar phenomena we get a generalised description.

The processes of life are so complex and varied that a simple description easily becomes confusing : in

phenomena closely related to each other one finds certain symptoms sometimes present and sometimes absent; sometimes they are expressed strongly and sometimes weakly; all this frequently renders a generalisation extremely difficult and complicates the description. Under such conditions we must resort to another method, that of *statistical induction.*

The statistical method enables us to see *how frequently* one or other symptom is met with in a given group of phenomena, and to *what degree* these symptoms are expressed. With the aid of a generalised description of the ownership of property we distinguish in society two groups: "property owners" and "non-property owners." The statistical method may bring clearness and exactness in our investigation, *i.e.*, it will show with what frequency and to what extent we shall meet people in society belonging to one or the other group. By employing the statistical method, we may arrive at the conclusion that out of a hundred million people, say eighty million are similar to each other in that they own property, and twenty million are similar to each other in that they do not own property; and further we may learn how many among these property owners are millionaires, rich, or poor. But our method is not limited to this function. Such calculations could, for example, establish the fact that ten years ago in this same society there were eighty-five property owners out of every hundred, and that ten years previous to that there were ninety out of a hundred. In this way we perceive also the tendency of development, *i.e.*, the direction in which the changes in the facts observed are going. But from whence this tendency originated and how far it may go still remains unknown to us: our statistics cannot show *why* the number of people who have become poor during this period is greater than the number of non-property owners who have become property owners during this same period.

The fact is that while the statistical method gives

us a more complete, more perfect, description of facts, it does not, however, *explain* them. Every phenomenon, particularly an economic phenomenon, represents a complex result of many causes. The statistical method cannot isolate these causes from their chain, it cannot define which of them is more common and fundamental, which of them is secondary and casual, and, finally, it cannot tell us how any of the causes unite with each other in actuality. In the example we have taken it may appear that the number of property owners which for a period of several years declined, later on gradually or suddenly begins to increase: this may happen, for example, as a consequence of an agrarian revolution, which may have divided the large estates of several thousand owners among millions of labourers, and thus converted the latter into property owners. The statistical method cannot find the *basis* of phenomena, and for this purpose we must resort to the *abstract-analytical* method.

Essentially this method *simplifies* facts by *analysis*. In investigating facts, various complicating conditions are isolated and removed so that the very basis of the phenomenon is revealed. The isolation or the making an abstraction of these conditions is done either practically or mentally. Practical abstractions are made very frequently in natural science. They are done in this way: the natural phenomena being investigated are artificially reproduced in the laboratory, which makes it possible to isolate these phenomena from a number of conditions which usually complicate them. Let us take, for example, the falling of bodies: the majority of them fall vertically, some fall rapidly, others slowly, some bodies fall in a zig-zag fashion, while others not only do not fall, but even rise. Observing the dependence of all these phenomena upon, for example, the direction of the wind, it is not difficult to guess that the resistance of the air plays the part here

of a complicating condition. From this automatically arises the task of as far as possible abstracting this condition. We reproduce the process of falling in an artificially created environment, *i.e.*, we cause bodies to fall in a tube from which the air has been pumped out. Then it appears that lead, a feather, and paper all fall vertically and with equal rapidity. In this manner we discover the *fundamental and permanent tendency* of a given group of phenomena, we discover their basis; we say that all bodies fall in the direction of the centre of the earth with equal rapidity. Having this law we can proceed further to investigate the influence of the resistance of the air—the most complicating tendency—and then the influence of the wind, casual impetuses, &c., and the phenomena become more and more completely and exactly "explained" to us.

To make such practical abstractions is not always possible and this method cannot be applied to all phenomena. It cannot be applied, for instance, to such a science as solar mechanics, and it cannot be applied to our science. In this case we have to resort to the *mental* abstraction of the complicating conditions of the facts under observation. The best way to explain the essence of this method is by example. Statistics establish the fact that in capitalist countries over a long period big capital increases, that the number of middle and particularly small capitals decrease, and that the number of proletarians having no capital during the same period increases. The rapidity of this process, however, varies in different countries. In one it will develop rapidly, in another slowly, in the third an opposite tendency is observed, and in a fourth the amount of small capital temporarily exceeds the large. The statistics convince us that the phenomenon indicated exists in all capitalist countries; but pure capitalism does not exist anywhere; it always contains some survivals of the feudal system, of the handicraft system, and even some

forms of the more distant past. These undoubtedly are complicating circumstances of the phenomenon we are investigating. In order to abstract them, we divide our statistics into columns in the following manner : in the first we place those countries in which obsolete forms of society are most pronounced, like Persia and Turkey; in the second, we place countries where these survivals are less pronounced, like Russia and Japan, &c.; and then such countries as England and the United States, where capitalism is least of all complicated by the survivals of previous economic relations. We find then that the process we are investigating—the concentration of capital—goes on most distinctly and correctly, in its purest form, in those countries where the survivals of obsolete pre-capitalist forms are least pronounced. Mentally continuing our columns until we have completely abstracted these survivals, we arrive at a conception of pure capitalism, and we come to the following conclusion : the fundamental and permanent tendency of capitalism is the concentration of capital. This *abstract conclusion* is the *abstract law of capitalism.*

The essence and significance of the three forms of the inductive method are : the exact description of phenomena, the determination of their number, and the establishment of their fundamental laws; these "explain" the phenomena. At the same time they prepare firm ground for scientific *forecasts*, which are made by means of the *deductive method.*

This method implies the application of generalisations and laws obtained by induction to particular cases, and thus we draw our inferences and make our forecasts in connection with them.

There are *simple* and *complex* deductions. If, for example, it is established that the development of capitalism is bound up with the process of concentration of capital, then, with reference to Japan, which has entered the path of capitalist development, we may assert that small producers will die out, that the proletarian masses will increase, &c. Here we

apply only one premise obtained by induction. The case is, therefore, one of *simple* deduction. But for the purpose of understanding and forecasting a definite particular case, science most frequently has to apply several inductive generalisations or laws simultaneously. If, for example, we have to forecast the movement of the prices of commodities we must take into consideration a number of generalisations and abstract laws relating to the changes of the labour values of these commodities, the changes in the value of money, the influence of private capitalist monopoly, &c., &c. This is *complex* deduction.

It is quite clear that the reliability and exactness of our deductions depend upon the general premises from which we draw our inferences. For that reason the power of deduction rests entirely upon the reliability of what we obtain from our inductive methods. In this sense, an inference (deduction) drawn from a generalised description is less reliable than an inference drawn from a statistically established premise; the most strict and exact inferences are those which are based on the general laws of phenomena, but as the latter are obtained by the abstract-analytical method, it is the chief and best support for the deductive method.

When the abstract laws of a phenomenon are established, *i.e.*, when its chief tendencies are distinguished, and when the ties of the latter with definite conditions are known, it is sufficient to know the fundamental condition in order to be able to forecast the essential features of the progress of the corresponding events; in this lies the whole power of science in general, and economic science in particular.

3. The System of Exposition

The social relations of production and distribution change gradually and consecutively. Rapid transitions do not take place, and sharp dividing lines between the preceding and that which follows are not

observed. Nevertheless, in studying the economic life of any society it is generally possible to divide it into several periods, considerably differing from each other in the construction of their social relations, although not sharply separated from each other.

What is of greatest interest to us—and what is at the same time most studied by science—is the development of those societies which have entered into the composition of "civilised" humanity of our times. In its main features the path of development of these societies is the same. Up to the present day we observe two main phases which in some cases and some particulars have developed unequally, but in essentials have developed almost equally; and a third phase which belongs to the future.

1. *Primitive Natural Self-sufficing Society.*—Its distinguishing features are: the weakness of the social man in the struggle against nature, the narrowness of separate social organisations, the simplicity of social relations, the absence or the insignificant development of exchange, and the extreme slowness of change in social forms.

2. *Commercial Society.*—The extent of social production and the variety of its elements grow. Society represents a complex whole composed of separate enterprises which only in a comparatively insignificant degree satisfy their requirements by their own products, but mostly by the products of other enterprises, that is by means of exchange. Development proceeds through the struggle of interests and social contradiction; the rapidity of development increases.

3. *Socially Organised Society—A Stage of Development not yet Attained.*—The extent and complexity of production continues unceasingly to grow, but the variety of its elements is transformed to the tools and methods of labour, while the members of society develop in the direction of uniformity. Production and distribution is systematically

organised by society itself in a single purposeful system which bears no trace of separateness, contradiction, or anarchy. The process of development proceeds more and more rapidly.

In analysing the social relations of each period it is necessary to explain *why and in what manner* they arose, and *why and in what manner* they changed and became transformed into new relations.

Owing to the inseparable connections of economic phenomena with juridical and ideological phenomena, economic science cannot avoid the question of the mutual connection between the development of these three spheres of social-human life.

NATURAL SELF-SUFFICING SOCIETY

I

PRIMITIVE TRIBAL COMMUNISM

THE data on the basis of which one has to study the lives of primitive men can by no means be called rich. No literature has come down to us from primitive man because in his day there could not have been any literature. The only memorials of that period are the bones, tools, &c., found in the earth, as well as traces of prehistoric social relations preserved in customs, cults, folk-lore and roots of words.

There is yet another source to which one can resort in studying the life of primitive man, and that is the lives, relations, and customs of modern savages, particularly those who are still in the lowest stages of development. But while resorting to this source, one must observe great caution in the conclusions one draws. We can no longer find savages who have not come into contact with more developed people, and it is easy to fall into serious error by taking for survivals of primitive customs those which, in fact, have been acquired in comparatively recent times. It is possible to fall into another error. A tribe which had reached a certain stage of culture may lose the greater part of its acquirements as a consequence of unfavourable historical conditions. By taking such a retrograde tribe for a primitively wild tribe one may draw many incorrect conclusions.

In any case, the stock of information on the life of primitive man in our possession at the present moment is sufficient to explain the main features of the social relations of "prehistoric" epochs.

1. The Primitive Relations of Man to Nature

In the struggle with Nature man was armed very badly, worse even than many beasts. The weapons of Nature—hands, feet, teeth—were much weaker in

man than, for instance, in large beasts of prey. The artificial weapons, which to-day give man the decisive advantage over the rest of animate and inanimate Nature, at that time were so crude and the number at the disposal of man so small that they could not help him much in the struggle for existence.

In this difficult struggle primitive man was far from being the master of Nature. Quite the contrary. The first period of the life of man is the period of the oppression and the slavery of man, only the oppressor and dominator is not some other man, but Nature.

The first weapons used by man were undoubtedly stones and sticks. These weapons, taken straight from Nature, can be found even among the higher apes. Nowadays there are no savages who do not know some other kind of weapon.

The brain of primitive man was weak and undeveloped; no time was left to him for mental work in the continual, exhausting struggle in which the menace of death never disappeared for a single instant.

Nevertheless, man developed. The dull oppressed slave of Nature, hunting for his means of life, fighting for his existence, in the process of labour became acquainted with the subject and forces of nature, from generation to generation transmitted and accumulated experience and improved his weapons. With terrible slowness, during the course of many thousands of years, inventions and discoveries were made. Things were invented which to present-day man seem extremely simple, but they were not cheaply acquired by primitive man. By tying stones to sticks, by working them up, by adapting them to various uses, these primitive weapons eventually evolved into many other tools—stone axes, hammers, knives, spears, &c.

The discovery of fire must be ascribed to the very earliest stage of the existence of humanity. Man could

have made the acquaintance with fire as a consequence of lightning, the eruption of volcanoes, or forest fires, which frequently occur without human cause. The examination of the scene of a fire taught our distant forefathers the heating properties of fire, and experience taught them to observe that fruits and meat under the operation of a moderate fire became more palatable and softer and that it was practical to make use of these properties. We imagine that at first fire was not obtained artificially, but was simply maintained. Producing fire by means of friction and creating sparks from flints was done at a much higher stage in the development of technique.

Primitive man did not have any permanent dwelling. He protected himself from the cold or heat and rain under thick leafy trees, in bushes, and in caves. For this purpose he also used hollow trees or pits in the earth covered with twigs, at the bottom of which burned a fire protected from the wind. Various kinds of huts, portable and permanent dwellings, were undoubtedly the product of a much later period.

These are the general features of the stock of means which man employed in his struggle for existence. The more perfect, but, from the point of view of modern man, certainly primitive, tools appeared later; among these must be included, for example, hooks made from fishbones, rafts, which later developed into boats, and finally bows and arrows, which placed man on a level with the strongest animal.

Thus, little by little, productive labour progressed in that early period of the life of humanity.

Industry consisted in securing fruits from trees, hunting the smaller animals, fishing, making crude tools from stone, wood, and bone, and crude clothing from skins. This type of production may be described as *hunting*, understanding by that term the securing from external Nature of the means of life directly supplied by her—either animals in the

forest, fish in the waters, or fruits from wild vegetation. The chief feature of such industry is that it does not completely secure to man the means of life. The gathering of fruit, hunting, fishing, are occupations in which accident plays too great a part. Primitive man did not know how to and, owing to his nomadic life, could not gather a reserve; he had not yet achieved those branches of production—agriculture and cattle breeding—which give man security for the morrow.

All man's efforts were devoted to securing the necessities of life. His daily labour was hardly sufficient to feed him. Man's whole time was spent in the struggle for life. No surplus labour time remained to him which could be employed in working for another or improving the conditions of his own existence. Labour did not create any surplus product above that necessary to maintain life.

One day the savage hunter may have secured more than was enough for him for that day, while on the morrow he may have secured nothing, or else may have fallen in an unequal battle with some strong beast.

Under such conditions, it is evident that exploitation, *i.e.*, the acquisition of the fruits of the surplus labour of another, was impossible as there was no such thing as surplus labour. Under such conditions only the crudest, most primitive method of gaining some advantage out of another man was possible, and that was to eat him.

2. The Construction of the Primitive Family Group

Modern science does not know of any people who, either in the present or the past, did not live in society. Already in the primitive epoch there existed ties between men, although not nearly as broad as now. It was as impossible for a man in those days to dispense with the assistance of others, in the struggle for

existence, as it is now. Face to face with hostile Nature, an isolated person would be doomed to speedy and inevitable death.

However, the strength of social alliances was extremely insignificant. The main reason for this lies in the very low development of technique, and this, in its turn, created another reason, viz., the extreme narrowness of social ties, the insignificant extent of separate societies.

The lower the stage of technical development, the less perfect are the methods of the struggle for existence, the more land space—"fields of exploitation"—does man require for securing the means of life. Primitive hunting was so little productive that under average natural conditions a square mile of land could not feed more than twenty persons. Such an insignificant group of people had to spread themselves over such an enormous territory that the maintenance of social ties would have been a highly difficult task; and if we take into consideration the primitive technique of means of communication, the absence of any kind of roads, the absence of domesticated animals upon which it might be possible to ride, the tremendous danger accompanying the shortest journeys, it will become clear that the extent of social alliances at that time, at the most, affected a score or so of people.

To unite for the purpose of jointly conducting the struggle for existence in those times was possible only for such people whom Nature herself had united by a common origin—the blood relation. Persons, not related by blood, did not enter into free alliances for productive activity: primitive man could not think of such a complex thing as a contract. Most important of all, the terrible severity of the struggle for existence taught man to regard with hostility all those who were not bound to him by birth and co-habitation. For that reason the social organisation of the primitive period had the form of *blood alliance* or the

gens. The limits of this form also limited the economic relations.

The fundamental productive relation of the gens is *simple co-operation*. Social labour activity is so limited and simple that everyone is able to do everything that everyone else is able to do, and everyone separately carries out approximately the same kind of work. This is the weakest form of the ties of co-operation. In certain cases ties of a more close character appear upon the scene: the collective execution of certain tasks which an individual could not carry out by himself, but is carried out with the aid of the mechanical force which is created in the combined activity of a whole group, as, for example, joint defence against some strong beast, or hunting such a beast.

Later, but quite early, there developed within the gens a certain *division of labour*. At first, this division was based upon the physiological differences of sex or age; hunting represented the occupation of the adult male, the gathering of fruits was the work of women and children, &c.

The distribution of labour among individuals could not have been left to the choice of each individual; the stern struggle with Nature did not permit that: the activities of the workers necessarily had to be strictly co-ordinated in order that there should not be any fruitless waste of effort. Labour had to be organised by the general will of the gens, in accordance with its common interests. The progress of the development of the primitive blood alliance at this moment can only be established approximately and in its most general features. In its first form, the gens consisted probably of the mother, and her children, who in their youth required her assistance. After a time, the advantages of co-operation made the ties of such a family more permanent; the children did not leave their mother, even when they reached the age of puberty. The habit of co-habitation developed and the people strove more and more to keep together.

The gens grew, of course, only to such an extent as the development of technique permitted; exceeding those limits in its size the gens inevitably split up.

The forms of distribution in the primitive gens completely corresponded to the productive relations. If the distribution of *labour* in production depended not on the individual, but on the collective will, so the division of the *products* of that labour must have been the task of the whole group. The group gave to each according to his requirements. To give to any of the members of the group less than was necessary for them was impossible, because such conduct would have led to the deaths of members of the gens and to the weakening of the group itself, and to give more than was necessary was possible only in very rare cases. Generally this was prevented by the insignificant development of production and the absence of surplus labour (*i.e.*, labour producing a surplus above that which was necessary to maintain life).

Consequently primitive distribution bore an organised communist character. There were no traces of private individual property. What was produced in common was distributed in common and immediately consumed. There was no accumulation.

3. The Rise of Ideology

The first ideological phenomenon was speech, which began to develop in that distant period in the life of man when he began to leave the zoological state. The origin of speech is closely connected with the process of labour : it arose out of the so-called *labour cries*. When a man makes some exertion it is reflected in his voice and breathing apparatus, and involuntarily he gives utterance to some cry which corresponds to the effort he is making. The sound "ha" uttered by a woodman wielding an axe, the sound "ouch" accompanying the exertions of the Volga bargees tugging at the chain of the barge, the cry "ai-ai" which one hears uttered by Tunis paviers as they raise and

drop the heavy "driver" are all labour "ejaculations" or cries.

The organisms of the individual members of the gens were extremely similar because they were closely related by birth and lived together amidst the same natural conditions. It is quite natural, therefore, that the labour cries of all the members of the primitive commune should be the same, and that these cries should automatically become the names describing the particular action which gave rise to them. Thus arose the first few primitive words. Changing and becoming complex as their basis—labour activity—developed and became more complex, it was only after thousands of years that these words developed into the numerous dialects of later times which philologists reduce to a few roots of several no longer existing languages.

Thus primitive words represented collective human effort. There is not the slightest doubt about their significance as organising forms for the labour process. At first they regulated labour, infusing vigour and correctness to the movement of the workers, and subsequently acquiring the sense of imperative obedience, or call to labour.

Thinking is a later ideological phenomenon. It represents, as it were, inward speech. Thinking is composed of conceptions expressed in words and comprises "thoughts" or ideas. In order to think, therefore, it is necessary to have words, symbols which can describe the thoughts contained in man's mind. In other words thinking arose from speech. (If we assume the contrary—that speech is the product of thought, that separate individuals "think" words before they had been previously expressed among men—we arrive at a very stupid conclusion : a language thus created would not be understood except by the one who created it.) If that be so, then we have to admit that not only words but also thoughts undoubtedly arose out of the social process of production.

As we saw, words and conceptions served as rally-

ing cries to work, and for combining labour efforts, but this did not limit their function. Words very early became a means of handing down and preserving in the group the continually accumulating labour experiences. The adult members of the primitive communistic group have to explain to the younger members their economic functions. For that purpose, they point to some edible vegetation and utter a number of words expressing a series of consecutive actions: "seek," "pluck," "bring," "break," "eat." The young savage remembers the instructions given him, and later is able to employ the *technical rules* communicated to him, which are the result of the accumulated experience of the older members of the commune.

Later on these same words are applied to non-human actions, to the spontaneous movements of animals and inanimate objects. From this follows the *description* of the phenomena of external Nature. In the process of the struggle with Nature man observes a certain consecutiveness in her events. This consecutiveness he expresses in a corresponding combination of words, and creates for himself and his fellow members of the gens the "technical rules," as it were, of the phenomena of Nature which eases the struggle for existence. Among these technical rules must be included "custom," *i.e.*, the established living relation between members of the gens—the method of distributing the spoils of wars, the order established during joint hunting expeditions, &c.

These are the general features of the forms of the primitive ideology which, as we see, were organised by the forms of production.

It would be absurd to seek for a "philosophy" in the modern sense of the word in primitive man. Philosophy first of all presupposes systematised ideas, whereas the ideas of primitive man are scattered and scrappy; they were only bound by the labour processes and natural phenomena to which they directly

referred. If there were no philosophy, of course there could be no religion, which represents a system, and is always based on definite laws of existence.

From the point of view of our science, it is particularly important to observe the collectivism of primitive thought. Man did not put himself mentally outside the group to which he belonged; he did not regard himself as a centre of interest or striving; he did not think of himself as "I," as modern man does, but merged himself with the gens as part of a whole. Thinking at that time was "compact," like the commune itself, that is, it was equal for all the members of the group. There was no individuality, no personality; for centuries generations imitated each other, and this imitation served to strengthen these stagnant inert living forms.

Primitive thinking was of a very conservative character. This resulted from the conditions of that labour life in which these thoughts grew. For the development of life it is necessary to have a surplus of energy, and, as we saw, the primitive communes did not possess that.

It is perfectly clear, therefore, that the conservatism of thought and ideas in general as organisers of the forms of production were the cause of the extraordinary slowness of economic development. Only an elemental and powerful force over man could overcome this inertness and conservatism of primitive ideology and give an impetus to further development. That force was absolute over-population.

4. Forces of Development in Primitive Society

The size of the gens was strictly limited by the level of the productivity of labour: with the existing methods of production the group inevitably had to break immediately increase of population brought the numbers beyond a certain limit. Instead of having one group, we have two, and each of these occupying a certain field of exploitation may increase the popula-

tion to the limit when it will again inevitably split up into two, and so on. Thus the increase of population tends indefinitely to increase the number of inhabitants of a given country. But the area of a country is limited, and with the existing means of production it can only maintain a definite number of people. When the density of the hunting population has reached, say, twenty to the square mile, any further increase of the population will be superfluous and the growing population will be faced with a shortage of the means of life. This is what is called *absolute over-population*.

Absolute over-population brings with it hunger, disease, and greater mortality—a whole series of sufferings. The force of suffering somewhat overcomes the dull inertness of custom, and the progress of technique becomes possible. Hunger compels man to overcome his revulsion to everything that is new, and the embryo of the new methods in the struggle for existence commences to develop. These may include methods which had clearly been known but never applied, as well as those newly discovered.

The most important obstacle to the development has been overcome, but another still remains, and that is the lack of knowledge, the inability consciously to seek new methods in the struggle against Nature. Owing to this, development proceeds unconsciously, spontaneously, and so slowly that modern man can only imagine it with difficulty.

The improvement of technique only temporarily eases the sufferings that arise as a consequence of absolute over-population. The new methods of social labour in their turn prove inadequate where the population has still further increased, and again the power of hunger compels man to take a step further along the path of development.

One of the first consequences of absolute over-population is usually an intensification of the conflicts between gens, and later the migration of whole tribes to a new country. Such migration is as difficult a

task for the dull minds of primitive men as every change in technique.

The causes of development in primitive society are as follows : The inertness of the forms of production, sooner or later, inevitably leads to absolute over-population, and this in its turn breaks down the inertness. Owing to the extreme conservatism of primitive social psychology the progress of technique almost always lags behind the increase in the population, and the shortage of the means of life is, generally speaking, chronic.

II

AUTHORITARIAN TRIBAL COMMUNES

1. The Rise of Agriculture and Cattle Breeding

THE force of absolute over-population compelled primitive man little by little to perfect his weapons and methods of hunting. This in the course of time compelled him to go beyond the limits of this form, and take up such new methods of struggling for existence as would to a considerable extent remove his dependence upon the elemental caprices of external nature.

Agriculture and cattle-breeding arose in various countries, evidently independently, and at first were separated from each other in accordance with local and natural conditions.

We can in all probability regard the discovery of agriculture as the result of a series of "accidental" facts, which no doubt repeated themselves from time to time. Chancing to throw away some grain gathered from some wild grain-bearing plant, after a few months man discovered shoots of corn growing in the place where he had thrown the grain. This must have happened thousands of times without being understood; but sooner or later the connection between these two phenomena must have forced itself into the mind of the savage, and necessity compelled him to make use of the connection. In all probability, this discovery was made by the woman, who as a consequence of having to take care of the children led a less wandering life than the hunter-man, and was engaged more in gathering fruits and grain.[1]

Primitive agriculture was very unlike modern

[1] Among certain American ants has been discovered the embryo of agriculture in the following form: The ants do not sow, but carefully weed out the grass from around the wild herbs the seeds of which they eat. It is possible that man's first steps in agriculture were similar.

agriculture in its condition and the unreliability of its methods. The plough is an invention of much later times; in the comparatively recent past, in by no means primitive times, ploughing was carried on with the aid of a tree trunk from which all the branches except one had been lopped off, sharpened at the end, and this made the furrow as the log was dragged along the ground. The earliest agricultural tool was a sharpened stick with which holes were made in the ground to contain the seeds. We meet the same form of land cultivation at the present time in South Africa and in Angola, where a plant bearing the name of mamoka is very widely cultivated by digging up the ground with the sharpened end of a stick; the woman plants the stalks of the mamoka, which after a few years give a plentiful harvest. Of course, there could not have been any question of any more perfect methods in the first stages of the development of agriculture. We must assume that the cultivation of corn, so widespread among the Slavs, was at first conducted by them by the same methods as those adopted by the Angolian woman. In fact the word "sokha" (plough) in some of the Slav dialects means simply a stick or a stake.

As for cattle-breeding, this in all probability arose out of the custom of domesticating animals for the sake of diversion. (Even to-day there are many savage peoples, nomadic hunters, living at the lowest stages of development, who have domesticated many wild animals which are a burden rather than a source of material advantage.) Later on, of course, the advantages to be obtained from some of these animals came to be understood, and their domestication was conducted systematically.

Like agriculture, cattle-breeding gave men a certain security of existence, and released a certain portion of human strength, thus facilitating further development. The primitive forms of agriculture and cattle-breeding, even separately, increased the limits of the size of the population of the country three or four

times (in the average condition of the temperate zone to seventy people to the square mile).

Agriculture at first very little affected the nomadic form of life of savage tribes; it merely supplemented hunting, and the tribe, submitting to the requirements of the chase, usually continued to migrate from place to place, only staying in one place long enough to allow for the sowing, ripening, and harvesting of crops. Cattle-breeding at first makes a nomadic life even necessary. The cattle require pasturage, and when grazing in one place is exhausted, it is necessary to move to another.

In the course of time, the growth of the population compels men to combine agriculture with cattle-breeding, and to adopt a settled form of life. This followed from the possibility of improving agricultural instruments, and employing the strength of animals in the work. The growth of the productivity of labour permitted an increase of the density of the population another three times (in temperate climates to 200 to the square mile). From that time the life of man became comparatively secure. Unlike primitive man he no longer had to spend *all* his labour time in securing the immediate means of life. The labour of agriculture and cattle-breeding became more productive: the degree of productivity during a definite period continually increased. Man has now spare time to devote to the improvement of the means of production and technique generally. Furthermore, conditions are created in which some of the members of society can be relieved from physical labour. The means of existence are provided for them by the other members of the commune.

Thus over and above necessary labour there appears *surplus* labour, which hitherto could only have existed in a casual and temporary manner, but now has become a permanent phenomenon.[1]

[1] "Necessary labour" is that part of social-labour which serves to create and maintain the labour-power of society; "surplus" labour is the remaining part of social-labour which produces "surplus products."

2. The Development of the Productive Relations in the Gens

The increase in the productivity of social-labour rendered possible a considerable increase in the size of the gens; cattle-breeding in particular, by creating more efficient means of travelling (riding with reindeer, on horses and camels), permitted the maintenance of social connections over a wider area than hitherto, which still further permitted the extension of the borders of the group. Thus the size of a society began to be measured not in tens but in hundreds. The Patriarch Abraham, for instance, could count on 417 men capable of bearing arms in his nomadic group.

The considerable growth in extent and complexity of production gave birth to new forms of division of labour. One of these is most important for further development, and that is the work of organising production.

While group production is insignificant in extent, extremely simple, and calculated upon direct consumption in the immediate future, the work of organisation can be a common task, conducted simultaneously with the work of execution, as such work does not exceed the intelligence of the average member of the group. When, however, it is necessary to divide hundreds of various tasks suitably among individual workers, to calculate the requirements of the group several months ahead, carefully to co-ordinate the expenditure of social-labour energy with these requirements, and closely control this expenditure, then the task of organisation is separated from the tasks of execution and the carrying out of both by the same individuals becomes impossible; the former task now far exceeds the mental capacities of the average worker, and becomes the special function of the most experienced and able persons. First, in each group it becomes concentrated in the hands of one man, usually the oldest in the group—the patriarch.

In the first stages of organising labour, the functions

of the person carrying out the work are hardly to be distinguished from the activities of the other members of the gens. The organiser continues to perform the same work as the others. As the most experienced person, people rather copy him than subordinate themselves to him. But as the division of labour develops and communal production becomes more complex the work of organisation becomes completely differentiated from the work of execution. The attitude towards the patriarch, divorced from the direct process of production, is now that of unquestioned obedience. Thus in the sphere of production there arises personal authority and subordination—a special form of division of labour which has enormous importance in the further development of society.

From the point of view of separate groups war must be regarded as a special branch of production—as social-labour struggles with external Nature—for human enemies, to societies of Nature, represent external elements just like wolves and tigers. In the patriarchal-tribal epoch this sphere of production acquired considerable importance because, more than ever, the density of the population caused more frequent conflicts between men; among nomad cattle-breeders the conflicts arising out of disputes over pasturage became almost permanent. War considerably facilitates the increase and strengthening of the authority of the organiser. War demands compact organisation and strict discipline. The unquestioned obedience to leaders in war is little by little transformed to peace times. It is quite possible that the authority of the organiser first arose in the sphere of war and the chase, and later spread over branches of production in proportion as it became more complex. What must have particularly facilitated the extension of the sphere of authority of the organiser of war and the chase was the fact that upon him depended the distribution of the spoils of the one or other enterprise, and this in itself gave him considerable economic power and authority within the group.

Evidently, organising labour represents historically the earliest form of complex (skilled) labour. Labour in the primitive communist group, where each one could do everything that every one else could do, can be regarded as *simple* labour. This is what the labour of the majority in the patriarchal-tribal groups consists of. The function of the organiser is the only function that cannot be carried out irrespectively by any member of the group. This function demands special experience, and, perhaps, more than usual capacity. This labour is *complex* "skilled" labour, it represents a greater expenditure of energy equal to *multiplied simple labour*.[1]

The organiser was guided in his actions, at any rate at first, by the common interests of the group. Basing his calculations on the general sum of the requirements of the group on the one hand, and the general sum of labour at the disposal of the group on the other, he distributed the work, and established the forms of co-operation and division of labour. Of course he carried out his complicated task very largely spontaneously, following established custom and the example of ancestors; only in the minor branches of production, where custom did not give any direct guidance, did the organiser act on his own initiative and according to his own judgment.

The growing complexity of the task of organisation in the course of time caused new changes in the structure of the gens. The expansion of the group and of its production rendered the task of organisation impossible for one man, and gradually part of this work was necessarily transferred to other members of the group, usually to the older and more experienced. Each one of these became an organiser, although secondary and subordinate, of some part of the group—for quite understandable reasons, that part to which he was

[1] *Simple* labour is that labour which can be carried out without special training by the average (in strength and development) worker of a given society. With the progress of economic and cultural life, simple labour, of course, progresses.

most closely related by birth. Thus, within the group there began gradually to develop *families* grouped around the partial organisers, at the head of which stood the patriarch. The differentiation into families, however, did not develop very far in the patriarchial epoch; the unity of the group always prevailed over the separateness of its parts.

Gradually the family of the patriarch acquired special importance. The members of this family were in closer contact than any of the others with the general work of organisation, and had more facilities than the others for training themselves in that work. For that reason it was from among the members of this family that other organisers were elected when the old organiser died or became inefficient. Naturally, the patriarch strove to render such a state of affairs permanent, and trained beforehand his nearest relatives for the task of organising and the other members of the group to elect them. In time this effort was crowned with success; the election of the organiser became an empty formality, and the patriarch began himself to appoint his successor; the function of organiser in a single family became hereditary.

Such are the productive relations within the patriarchal tribe. Besides these the inter-tribal connections of human labour acquire considerable importance in the patriarchal period.

With the break up of the tribe the ties between the newly-established groups did not break up completely. In certain cases where the strength of an individual group proved inadequate, groups that were related to each other (belonging to the same tribe) united for joint action—for defence against invading strangers, the hunting of large herds of animals, &c. At the head of such enterprises stood either a council of elders (organisers) or a specially selected leader.

Side by side with such organised co-operation there appear upon the scene other forms of ties between groups, viz., unorganised social division of labour. As surplus labour becomes rather a common, and with

the combination of agriculture and cattle-breeding, even a permanent feature, so there arises a surplus of products, stocks. Owing to the varying climatic conditions in which the various groups live, or to accidental circumstances, these stocks vary between the various groups. The first forms of exchange possibly arise out of the custom of related groups to concede mutually these stocks to each other. Exchange expresses the unorganised productive relations between groups; actually one group produces objects not for itself but for others, and the others produce for the first. To a certain extent labour is common between the groups, but there is no organisation in this common labour, each group being organised quite independently.

This form of social division of labour in the period of the patriarchal-tribal relations does not play a great part in the lives of the individual communes: each group produces most of the things required by it independently. As a general rule the things are produced to satisfy the requirements of the commune. Of commodity production in which the whole labour process consists in producing for sale there can be no question here. The patriarchal or the authoritarian tribe therefore belongs to the period of *natural* (self-sufficing) economy.

Thus the main features which distinguish the productive relations of the patriarchal tribe from those of primitive communism are as follows:—differentiation between organising and executive work; the extension of co-operation and division of labour within the group, and to a less extent between the groups; and owing to the existence of surplus labour that unorganised form of division of labour which expresses itself in exchange begins to play an observable rôle.

All these forms evolve very slowly and their complete development is conditional upon a settled form of life over a long period and the combination of agriculture and cattle-breeding. When this combination has not yet been achieved these features are less pronounced. Frequently pastoral nomads developed new forms of

life more rapidly than pure agriculturists. This is due in the first place to the greater productivity of cattle-breeding than primitive agriculture, and secondly to the more mobile life of the nomads which results in more frequent contact and closer relations between peoples.

3. The Development of Forms of Distribution

To the extent that the organising activity in production passed from the groups as a whole into the hands of a single person—the patriarch—it necessarily followed that the power of organising distribution should also pass into his hands. Only the organiser could without error decide in the common interests what part of the social product could be immediately consumed, what part could be used for further production, and what part had to be put by for reserve ; only he, taking into consideration the functions of the individual members in the general work of the group, could apportion to each as much as would be necessary for the extension of those functions.

The more unaccustomed the majority of the members of the tribe became to actual participation in organisational work, and to watching over distribution, the less conditional became the right of the patriarch to dispose of the surplus product. The more the general sum of surplus labour increased, the more considerable became that part of it which the patriarch employed for his own use, and consequently the inequality in distribution between him and the rest of the members of the group grew also. This already is the embryo of exploitation, but only the embryo; for the man who carried out such a complicated task as that of organiser actually carried out a far larger quantity of work than any other man, and with him there necessarily developed more extensive requirements than with others. The extent of exploitation was limited by the general insignificance of production and the small variety of the products. The organiser had to be satisfied with the same provisions as the rest, and

even if he did select for himself the best that was produced, he could not eat ten times more bread and meat than the others. It is true he could exchange part of the surplus products for some special article of consumption with another group, but this happened comparatively rarely owing to the insignificant development of exchange.

Furthermore, in those cases where the individual groups united into tribal organisation for some specially extensive enterprise, the product of the common labour (the spoils of the common chase or the plunder of war) was distributed by the same persons who organised the enterprise, usually the council of elders; the distribution among the groups took place in proportion to the extent to which they respectively took part in the common labour.

4. Development of Ideology

The rise of an organiser of production within a group gradually changed the relations of the individual to the group and changed its psychology.

Although the power of Nature over men had decreased, a new power had arisen, viz., the power of one man over another. In reality this was the power previously wielded over the individual member by the group, now transferred into the hands of one person —the patriarch.

Equality of distribution was lost; the whole product of surplus labour remained at the disposal of the organiser. But this inequality did not bear a very pronounced character; the organiser simply did what the group did previously—apportioned to each what was necessary to maintain life and to carry out his particular function in production. The organiser, in the development of his requirements, did not greatly exceed the other members of the group.

The ties of mutual aid, the compactness of the group in the struggle against the outside world, still grew in comparison with preceding periods. In the first place, the more advanced form of co-operation and division of

labour within the group more closely united its members than formerly, when the greater part of the every-day work could be done by a member of the group independently, when simple "joint labour" prevailed; secondly, the unity of the group was partly strengthened owing to the fact that it found concrete living embodiment in the person of the patriarch.

At the same time, as a consequence of the same condition there arose the beginnings of individualism, which expressed itself in the individual distinguishing *himself* and *his own* from the group; *personal* interests began to reveal themselves, whereas formerly there were only the interests of the commune.

The function of the organiser of production was a *special* function and belonged to the organiser *alone*; this is the main cause which gave birth in his mind to individualist sentiments and ideas. From this main cause developed others which operated in the same direction.

The organiser had all the common stocks and the whole of the surplus product at his disposal, which gave him the opportunity of extending his requirements, thus making him a still more outstanding figure in his group. In carrying on any exchange he acted as the actual owner of the property of his group, and having business with another organiser he began to regard the latter and later on himself as *owners* of the things that were being exchanged. Thus gradually developed private property; at first exchange between groups, in which the group acted as the owner of its goods, must have created the conception of *tribal private property*; later the special function of the organiser in exchange transformed the minds of men and created the idea of *personal private property.*

However, the idea of personal private property could become firmly fixed in the mind of the organiser only when that function became hereditary, when the group ceased to elect its patriarch, and consequently when all traces of the origin of this authority from the commune had disappeared. Individualism then found

a firm basis for development. The idea of regarding the property of the tribe as his own property became still more firmly fixed in the mind of the organiser, and the idea that he was the distributor of this property under the control of the commune disappeared more and more into the background. At the same time, to the extent that actual control of the group over the organising activities of its chief disappeared, the latter more and more demanded the unconditioned obedience of his tribesmen, and imbued his mind with the idea of his *personal* authority over them. In their development these ideas could not but meet with the resistance of the other members of the group, and probably more than one of the communes experienced severe internal struggles. However, sooner or later, the strivings of the organiser secured the upper hand because they corresponded to the actual relations: the organiser commanded *actual* authority over the products and over the people, and this was *necessary* for the group. Thus the patriarch was converted into the sole owner and complete master of the group.

Essentially the psychological distinction which had arisen between the organiser and the other members of the tribe was not very great because the bases which moulded men's minds remained common, *i.e.*, the complete unconditional subordination to custom and the conception of the group as a single indivisible whole outside of which personal existence was impossible. Even the patriarch himself, in spite of the greater wealth of his mind, could not consciously raise himself above the century-old foundations of tribal life and felt no impulse to come into conflict with them. The organiser was not a genius, he was not a man with exclusive abilities, but the oldest in the tribe, a man with many years of experience. His organising activity was based, first of all and mainly, upon what his predecessors had done, and only to an insignificant degree did he employ his own inventiveness or reason. Custom reigned in his soul as imperatively as it did in that of his distant ancestor, the primitive communist.

The conception of the individuality of the group equally dominated the mind of the organiser, because for him, too, under no circumstances was it possible to live alone outside of the tribe, because he knew of no other social ties but the tribal, and life outside society meant death. The same consideration applied to the other members of the group to an even greater degree. Generally speaking, conservative custom had not yet been shaken by the new relations, and individual consciousness had only just begun to distinguish itself from group consciousness. The only thing that had disappeared was the conception of the *uniformity* of the group.

Thus the general mould of the mind of the patriarchal group is little distinguished from that of the primitive gens. Consequently *the former obstacles to all development still remained to a considerable extent.* Nevertheless, forces were created which reduced these obstacles. Temporary intercourse and ties with other groups, although weak, widened the horizon of individuality beyond the limits of its own group, and the contact between various forms of custom weakened their conservatism.

Now arises another question: how rich and how suitable as material for further development was human knowledge at that period?

Of course the thousands of years of life of tribal societies did not pass in vain, men's mental stock became wider and more varied. The development of speech made considerable progress. Primitive man, as we saw, possessed very few words, and these had an extremely indefinite meaning. At that time it was quite sufficient. But the new stages of development brought with them complicated labour operations and tools, and above all division of labour—a whole economic system guided by the chief of the authoritarian-tribal commune, the patriarch. Speech became an extremely necessary instrument of organisation and had to be enriched by additional words and their combinations. Previous words became differentiated, changed their

form, and little by little acquired more definite sense. Such a development of speech became a mighty ideological instrument for progress in general, and for facilitating the task of organising labour in particular. This instrument was particularly necessary for the organiser of the authoritarian-tribal commune. With the expansion of production and the increase in the size of the commune it became impossible to guide all the processes of labour by means of gesture and mimicry. Besides this, the development of speech became an extremely valuable means for preserving the whole of the accumulated labour experience. In order that this experience might be to an extent permanently preserved in the memory of the tribe, either in the form of recollections or *oral tradition*, it was necessary to have a more or less developed speech.

It would not be erroneous to assume that it was during the period we are examining that man first began to *explain* Nature to himself, and to seek the connections between phenomena, and that this was the first time that anything approaching a "philosophy" arose. The essence of this philosophy was *natural fetishism*.

All the time man strove to explain to himself the distant by the near, the unusual by the usual, what was strange by what was understandable. New phenomena appeared to be explained if they could be fitted into the framework of old observations. What was nearest to man and most customary were his relations to the people surrounding him. Hence, throughout this epoch, the general form of the philosophy of man bore the impress of his social relations. Sometimes this was more and sometimes less clear and evident. Natural fetishism is that view of nature in which the *relations between things are regarded as the relations between men.* The separation of organising work from the work of executon created a peculiar duality in the internal relations of the tribal society; the mental forces, as it were, separated themselves from the rude physical forces, conscious beginnings from the spontaneous. The first was personified by the patriarch, the second by the rest

of the members of the group. At the same time both elements were quite inseparable from each other, and the one was impossible without the other. The work of execution lacks all purpose without an organising will, and the latter is quite useless without the former.

In the activities of the people surrounding him, man was accustomed to see the influence of the will of the organisers upon the ruder executing forces. In accordance with that he explained other activities, which he observed in the external world. Every phenomenon to him connected itself into an inseparable combination of two elements, a will which commanded and a material form which obeyed. Even if he could only see the latter, he was nevertheless quite unable to conceive it without the former, and *presumed* the existence of an organising force where he did not see one. Thus arose the " souls of things." They took the place of causes of phenomena, and upon them knowledge could temporarily rest: man sought them in everything, in stone, in vegetation, in animals and in human beings, in fire and in water. Nature in all its forms appeared to him as an homogeneous duality.

We saw that with the further development of the authoritarian commune the function of organiser reveals a certain division of labour; a complete system of organisers is created headed by the patriarch. Fetish thinking inevitably transfers these actual relations to man's natural surroundings. To a member of an authoritarian-tribal commune the whole universe appears to be directed by good organisers with a supreme god at their head. This is the essence of his religious conceptions.

Religion arose from the reverence for organiser-ancestors. The succeeding patriarch recognised the authority of his predecessor; he recognised his superiority, and transmitted this attitude towards patriarchs of past generations to his successors. Owing to this, the dead patriarchs appeared the more superior the more distant they were; the most distant patriarch being connected with a deity raised up high above

men and commanding the whole of the phenomena of surrounding nature. All the teachings of the ancestors, all oral traditions preserved in the commune, were regarded as a revelation of these gods and represented the "religion" of that epoch. Religion at that time consequently was the general organisation of experiences. Uniting into one whole the scattered data of labour experience, it assisted in preserving in the memories of men a mass of practical knowledge. The religious myths, establishing the causes of the connection between a number of phenomena of nature, rendered it much easier to remember these connections and the consecutiveness of phenomena.

Closely bound up with religion is another instrument of organisation, and that is custom—the rules of co-habitation, or social standards. Custom at first existed simply as the teachings of the ancestors; but later, with the development of religious cults, it was con verted into the commands of the gods whose inexorable will is now obeyed as was formerly the authority of the patriarch.

While organising experience and establishing technical rules and standards of custom, religion at the same time acts as a brake on further development. The "teachings of ancestors" and "commands of gods" are all guiding rules made sacred by conservative thought for centuries and even for thousands of years. If in our age a departure from customary standards frequently calls forth a struggle with the older generation, then one can imagine what a degree of resistance must have been roused to any innovation in authoritarian-tribal life.

An elemental force on the one hand and a tremendous wealth of experience on the other is necessary in order to overcome this ideological conservatism.

5. Forces of Development and New Forms of Life in the Patriarchal-Tribal Period

In view of the fact that social consciousness in the epoch we are studying essentially represented the same natural obstacles to development as in the

previous stages of human existence, then the motive power of social development must also have been the same elemental force of absolute over-population. To the extent that the growth of population caused an insufficiency of the means of life, conservative customs had to give way; technique improved and social relations changed. The rise and gradual expansion of exchange was an extremely important acquirement for this development. The progress of exchange or, to be exact, the social division of labour, perfecting itself on the basis of the development of technique, itself represents a mighty driving force for all development that followed.

Another but less important acquirement of the period was the appearance of "slaves." Owing to the rise of surplus labour, the organiser in many instances considered it advantageous to increase the number of the group. In doing so, he increased the sum total of the surplus products at the disposal of the organiser. For that reason it frequently happened in patriarchal society that enemies taken in battle were no longer killed, but included in the particular group and compelled to take part in its production. These became the slaves of the group.

It must not be imagined, however, that in patriarchal society the slaves were reduced to the position of chattels. They were *almost* on an equality with the other members of the group to which they were joined; the joint character of the work closely bound them to the rest and gradually wiped out the memory of past struggles. It is doubtful whether the organiser "exploited" them any more than his own kin; they worked as the others worked. The slaves were not sold, and generally the attitude towards them was similar to that of American Indians to their adopted prisoners.

The rise of exchange and the appearance of slavery, at a first glance two extremely different facts, represent a single very important feature: both represented a violation of the old form of co-operation based exclusively on kinship and the tremendous psychological

similarity of individuals arising from it. Ties of kinship are naturally saturated with the spirit of extreme exclusiveness and a spirit of intolerance towards all that which exists beyond its limits; the new forms of life, to a certain extent, contradicted this intolerance and limited it. Out of this arose a number of other social facts.

The domination of the ties of pure kinship was the complete and unconditional domination of custom. The force of custom in relation to the established forms of life was so strong and personal self-consciousness so weak that an individual was simply *unable* to come into contradiction with and violate custom; he could not even imagine such a thing. There was no such thing as crime. If anything happened that did not accord with custom it was not regarded as modern man regards a crime or an offence, but as an abnormality. If a child was born with two heads it was killed as a monstrosity; if a person violated custom he was *treated* in the same way: he was killed, or exiled, which meant the same thing. This was not a punishment, but instinctive self-defence against an inexplicable and dangerous phenomenon. Ideas of law and the violation of laws, of morality and immorality, absolutely did not exist; men followed custom by force of the same natural necessity as that by which they ate, drank, or slept.

With the development of new social ties not based on kinship, affairs changed. Violations of custom ceased to be exceptional accidents. In the first place, various customs began to come in contact with each other, and the carrying out of the customs of one group frequently meant the violation of the customs of another. Thus a slave prisoner in carrying out his ancient tribal customs might easily interfere with the normal progress of production in the group to which he had been joined, and thus cause considerable embarrassment to his new comrades. In the same way the proper carrying out of exchange relations must frequently have violated the old deep-rooted habit of regarding all alien peoples with hostility. The viola-

tion of custom became a frequent phenomenon, and society could no longer regard it as it had done hitherto.

A new form of life is thus created—the law of custom, "*common law*," the essence of which is to protect custom from violation. Crime is no longer combated spontaneously, but more or less consciously; it is tried according to custom. A whole system of punishments is established for various offences, and in general a series of measures is adopted particularly with regard to the violation of custom: these measures consist in rectifying the damage already caused by some offence and preventing its repetition. A conception arises of the legal—just, and the illegal—unjust; the first means conduct which is in accord with custom, and the second that which is not in accord with custom. Thus arise those elements from which subsequently develop morality and "law."

The sphere of "law" is usually sharply distinguished from the economic sphere: for modern science this distinction is conditional. Essentially, society's struggle against non-compliance with its laws is not to be distinguished from other forms of fighting against external nature; crime is an external social force, hostile to the life of society, like cold or beasts of prey. Thus law is a definite sphere of the struggle against Nature. This special form of struggle has to be studied in its technical aspects (methods of dealing with the criminal as an element of external Nature), in its economic aspect (the mutual relations between members of society in the process of dealing with criminals), and in its ideological aspect (the views of men on law and the violation of law). Thus law lies within *the sphere of production* and not outside of it. In this sense the appearance of common law was of considerable importance in the economic life of the patriarchal-tribal commune.

Thus, one after another, appeared the embryos of new forms of life. Generally speaking the patriarchal-tribal form is the level on which the most backward races are living at the present day.

III

FEUDAL SOCIETY

1. Development of Technique

PATRIARCHAL-TRIBAL society formed itself as a consequence of the *rise* of new methods of production which secured to man the means of life. Feudal society had its basis in the *further development* of these means of production.

The technical conditions of the feudal period are: the predominance of agriculture in production, with cattle-breeding as a subordinate part, and a settled life upon a limited area of land.

When the nomadic tribes of cattle-breeders first took up agriculture it was to them a second-rate, subsidiary branch of production, and was adapted to the conditions of cattle-breeding, so that the areas cultivated frequently changed. But as the density of the population increased the area of land upon which they could wander was curtailed; the sphere of nomadic life was reduced also in proportion as cattle-breeding became limited in its development by the insufficiency of pasturage; agriculture became an important element in the struggle for life. With a completely settled form of existence it became the main sphere of the struggle for existence, and cattle-breeding lost its connection with the nomadic form of life; henceforth it adapted itself to the conditions of agriculture and became as it were a branch of it. Among those races which, from the very first, took to pure agriculture, agriculture gradually developed, lost its primitive semi-nomadic character, and included cattle-breeding. When the amount of free land became insufficient to allow for the transference of the cultivated area to another place as the land was exhausted, there developed a new and more correct system of agriculture, viz., that of "alternate fields" in which a piece of land that has become exhausted is allowed

to lie fallow, while the other land at the disposal of the commune is cultivated, and when that is exhausted the previous land which in the meantime had become "rested" is put to use. The next improvement that followed was that of the "three-field system," *i.e.*, arable land is divided into approximately three parts, of which two are cultivated, one for winter crops and the other for spring crops, the third being allowed to lie fallow; while recuperating for the next year's cultivation the land serves as pasturage for cattle. Side by side with the three-field system there developed the first form of artificial manuring—with animal dung.

These advances in agricultural technique, which represented an undoubted progress, prevailed throughout the whole of the feudal period, and the three-field system outlived it in Europe by more than a century.

The other branches of the extractive industries (hunting, mining) and the manufacturing industries in the feudal period were in a very undeveloped and partly embryonic stage. War in that period played an important rôle as a necessary means of protecting production as a whole and as the only means of extending the territory of society.

Generally speaking, the variety of products was as yet inconsiderable (conditions unfavourable for the development of exchange), while surplus labour represented a comparatively large proportion of production (conditions favourable for the growth of exploitation).

2. Production and Distribution Relations in the Feudal Group

(*a*) *The Agricultural Group*

The increase in the productivity of labour led to such an expansion of social organisation that the commune now frequently consisted, not of hundreds, but of thousands of inhabitants. At the same time the condition of agricultural technique caused a certain breaking-up of production within the commune.

Already in the patriarchal-tribal group a partial breaking-up into families was observed. This was caused, as we have said, by the impossibility for the patriarch individually to carry out the whole of the work of organisation, and the necessity for him to transfer some of it to subordinate organisers. These subordinate organisers, however, enjoyed very little independence, and production in the community was carried on more or less as a single unit. With the prevalence of settled agricultural life, production in the form of small economic units—families—acquired considerable independence in economic life.

In agricultural work, the work of the members of a single family is usually sufficient, the co-operation of the whole of the group is not required. Furthermore, small family production in this case is more productive than that of a large group. When crude methods of cultivation are employed the application of the concentrated attention and effort of a small group on a small plot of land will be more able to draw out the natural qualities of the soil than a large crowd spreading their collective activity over a wide area.

Thus the agricultural commune bordering on the feudal period consisted of numerous family groups related by kinship, each of which, to a considerable degree, individually conducted their farms. In their size these groups represented something between the ancient patriarchal tribe and the modern family; they corresponded to something like the Slav "large family" of a score or so of members which have survived in some places even to our times.

Considerable productive ties, however, still remained between the family groups. In many instances when a particular family was unable to cope with its work it was assisted by the neighbouring family, and even by the whole commune. This happened usually in constructing dwellings, and in clearing forest-land for a new plot for cultivation, &c. The advantage of collectivism in cattle-breeding was so considerable that from the spring to the autumn all the cattle on the

commune united into one herd, which grazed on the common grazing lands under the observation of a common herdsman. Included in the indivisible common pastures was all land lying in fallow and land from which the harvest had just been reaped; thus every allotment of land served the individual productivity of the family group only during the period of pure agricultural work. Mowing on the common meadows was done collectively, and the hay divided among the families in accordance with the size of their allotments.

Furthermore, even the right to use arable land within certain limits was regulated by the commune; family production was not bound to a particular allotment of land; from time to time redistribution of land among families took place. Then each family either received a piece of land equal in size to that which it formerly held, but in a different part of the common lands, or the size of the allotment altered in accordance with the size and labour power of the family. This distribution probably took place at first every year, and later every few years. The advantage of these redistributions lay in equalising the advantages and disadvantages of good and bad soils in the various allotments. It should be mentioned that from the earliest times the lands that were cleared from forest by the individual labour of a family were not redistributed. Consequently the fact stands out that the commune at first assumed ownership of the common lands by the joint labour of the commune, either by clearing uncultivated lands or by conquest.

It should be added that in certain cases the joint labour of individual families was not everywhere maintained in the same forms and to the same degree according to local natural and historical conditions.[1]

[1] Traces of agricultural communism in the form of "the common ownership of land" have been preserved until recent times in Switzerland, Southern Germany, in the Pyrenees, and among the South Slavs.

In most cases agricultural communism was preserved in those places where peculiar conditions existed demanding collective labour in agriculture. Thus in the East Indies agriculture is

In the agricultural commune of the beginning of the feudal epoch there are also artisans, who, however, do not specialise at their trades but combine them with agriculture. Furthermore, each family individually carries on some kind of craft, particularly spinning, weaving, and the making of clothes. Where the family cannot supply some want by its own labours, it resorts to the artisan. The first artisans to arise were millers and smiths; later came tanners, dyers, bakers, joiners, tilers, potters, and even "surgeons." But these werenot artisans in the more modern sense of the word. In the first stages of their gradual separation from the commune, they did not execute orders, and still less produce for the purpose of selling, but were public officials of the agricultural commune. At first the artisans carried on agriculture, and only to a small extent devoted their time to their craft. If, as a consequence of that, the product of their agricultural work proved insufficient for their maintenance, it was made up at the expense of the "peasant mir" as they would say in

based on artificial irrigation, on an extensive system of canals which necessarily represents the work of a large group and not that of an individual family. In these places it was possible to observe agricultural communism in its purest form even in recent times. In such communes the cultivation of the soil is conducted by collective labour and the product is later divided among the families. Spinning and weaving, however, is carried on by each family individually as a subsidiary domestic occupation. The commune has its artisans (smith, joiner, potter, barber, calenderer, &c.) and officials (elder, keeper of accounts, inspector of reservoirs, priest, &c.); these are *appointed* by the commune, do not engage in agriculture, and are maintained at the public expense. The function of organiser (official post) is not only separated from executive labour, but divided among several persons; the control, however, is conducted by the whole commune. This is due to the peculiar compactness of the commune, which in its turn is caused by the peculiar agricultural technique. Owing to this compactness the group preserves a clearly *tribal* character. The commonness of origin continues to define the limit of the economic ties.

Russia. They received regular maintenance in the form of corn, vegetables, meat, and other products of agriculture, in return for which they performed the necessary work at their particular crafts required by their neighbours. Later on the artisans ceased to work at agriculture, and commenced to conduct their own workshops and receive orders. Thus arose the social division of labour, the beginnings of the modern branches of industry. Under feudalism industry was but weakly developed. But from the earliest stage of this period some artisans, like millers and smiths, served several neighbouring communes, and in this way was created a certain productive tie between separate communes.

The growth of the size of the commune and the considerable individualisation of the family groups led to the ties of kinship between the various families gradually disappearing and being forgotten; purely economic ties represented the cement which bound the commune as a whole.

(*b*) *The Rise of the Feudal Lord*

Where the development of the feudal group from the agricultural commune was most gradual and most typical, the consecutiveness of this development took the following form :—

At first the construction of the commune was distinguished by a comparative uniformity, the difference in the size of the various establishments not being sufficiently great to secure to the largest of them any decisive economic predominance over the others. Business affecting the whole of the commune was decided by a council of elders—heads of households; if collective enterprises had to be undertaken demanding a single organiser (particularly in case of war), the council of elders elected a chief from their midst who carried out the task temporarily, *i.e.*, for as long as circumstances required it. When war was conducted—

as usually was the case—not by a single commune, but by an alliance of kindred tribes, the chiefs in their turn elected a temporary general chief.

However, the embryo of economic inequalities already existed. One of these was represented—although only temporarily—by the putting forward of an organiser of common enterprises. The other was the private ownership of land which existed side by side with common ownership. The land that was cleared by the individual labour of a particular family remained the property of that family. In the same way, land acquired by war, if divided among those who had participated in that war, was not redistributed.

Nothing could be clearer than that the households, distinguished from the rest by the superiority of their economic power, under such conditions must have acquired power more rapidly than the rest. In the first place, such households could with greater facility extend the area of their lands by clearing new unoccupied land: secondly, persons belonging to those larger households generally occupied a more prominent post in the organisation of military enterprises, and consequently received a more considerable share of the spoils—animate and inanimate.

Thus the inequality among economic units increased and gradually destroyed the uniformity of the commune. The influence of the richer families upon the course of life of the commune increased more and more, owing to the fact that their economic superiority enabled them to place the others to a certain extent in a position of dependence upon them; the larger households could undertake the construction of such undertakings as the others were not able to do, for instance, the construction of large mills or bakeries, &c. Being more stable, the large establishments suffered much less from all kinds of economic shocks, from famines or other natural calamities, which were by no means rare when technique was undeveloped. It often happened,

therefore, that the richer families under such circumstances assisted the poorer ones out of their stocks ; this the poor peasant repaid by working on the rich one's land, which thus allowed the latter considerably to increase his area of cultivation and his production generally.

In the course of time the actual power of the richer families led to organisers of military detachments being elected only from among their number, and, naturally, these families took advantage of their economic influence to render such a state of affairs permanent. They energetically resisted any individual attempt to alter this system and gradually managed to convert a custom into a *law*, the authority of the chief became hereditary in his family, the temporary organiser of war became a permanent one.

This period can be considered as the beginning of the feudal period proper. The large landowner, separating himself from the commune, firmly secured for himself the function of military organiser, and by various means succeeded in placing the commune in economic dependence upon himself. This is the typical feudal lord. He is the "seignior" of the commune, *i.e.*, its powerful chief (literally "seignior" means the eldest).

There were other instances where the rise of the feudal lord took place much earlier, during the period of transition from the nomadic patriarchal commune to the settled agricultural commune. This happened where the acquirement of land for settlement needed particularly long and stubborn wars, so that war quite early left its impress upon the construction of the commune.

Feudal relations developed rapidly and became strengthened ; on the one hand the positive and socially useful rôle of the feudal lord in the life of the commune, and, on the other, the economic and juridical subordination of the peasants to him grew and became more permanent.

The feudal lord built a strong castle to which the

peasants under his protection fled in the event of an attack by enemies. He saw to the construction of roads and bridges, &c., for the commune. In every case when the peasant homesteads could not cope with their affairs with their own resources, the feudal lord came to their assistance ; he organised systematic support for them in the event of bad harvests or destruction by war. All this required the expenditure of resources, and, of course, the feudal lord was not inclined to sacrifice the resources of his estate for the sake of his peasants gratis. The peasants paid for all the care which the feudal lord devoted to them with their labour.

Feudal exploitation had two main forms : the first, compulsory labour, the basic and earliest form ; the second, the payment of dues. When the feudal lord was little more than a rich peasant, forced labour existed as the customary form of repaying debts ; when the power of the feudal lord became stable, it became a permanent obligation on the peasant ; the peasant had to work a certain number of days in the year on the feudal lord's estate. Sometimes the feudal lord found it more advantageous to receive his dues not in the form of labour, but in the form of finished products. These dues were imposed mainly, and to an increasing extent, upon the products of handicraft labour. The extent of these feudal dues in kind, as well as of the feudal labour service established, was preserved by customary law. Of course, in case of necessity, the seignior could easily secure an increase in his dues.

Feudal labour service (serf labour) and feudal dues are forms of exploitation which are simple and frank. Feudal labour service is the direct and obvious acquisition of *surplus labour*, and feudal dues is the acquisition of *surplus product*.

Based on feudal labour service and feudal dues the seignior's estate, like the small peasant's homestead, was almost exclusively self-sufficing. Of course the feudal lord, to a greater extent than the peasant,

could resort to exchange for the purpose of satisfying his more refined requirements, but even for him this was exceptional—exchange was still very weakly developed—and most of what he required he received from his serfs.

As long as the feudal estate was run on self-sufficing lines—on a basis of consumption—the extent of serf labour and feudal dues was limited by the requirements of consumption of the feudal lord. For that reason the burdens of the dependent population were comparatively not great; naturally they increased with the progress of exchange, as a consequence of which the requirements of the feudal lord developed.

The relations between the feudal lord and those under his authority were not quite uniform; one section of the peasants were in a state of greater economic dependence, bore greater burdens, and accordingly were juridically more subject to the feudal lord than others; the other part were in comparatively more favourable conditions; custom preserved these differences and transmitted them from generation to generation to the descendants of the peasants.

These differences depended partly on the character of the obligations borne; a smith, for instance, who paid only dues to the lord, and having practically no other business with him, could naturally be more free, economically and legally, than an agriculturist who had to perform serf labour and consequently for a certain period would be in a position of complete servitude. Sometimes the distinctions in obligations were due to historically created relations. Later, settlers whom the feudal lord had invited to settle on his estate on conditions of exemption were to a less extent serfs than the old members of the commune.

Some of the lord's subjects dwelt in the manor as his personal servants and did not engage to any extent in productive work. Their servitude reached the highest degree, because, unlike the peasants, they did not have their own homesteads, but lived entirely

by the grace of the lord. These were domestic slaves—menials.

Only the most dependent of the lord's subjects were deprived of the right of migration, to go to a place outside his authority. Others could do so, but in doing so they were deprived of their land and stock. In order to understand the logic of such relations it is necessary to take into account the following considerations.

The most general position of the economic dependence of the population upon the feudal lord expressed itself in that the latter was regarded as the *lord of all the land* upon which his subjects lived. Because agriculture played such an important part in the productive life of society, it was natural that the feudal lord should strive to acquire complete domination over the land, which meant at the same time domination over men. With the economic superiority of the feudal lord, his efforts could not but be crowned with success. It often happened in those disturbed times that a free peasant owner voluntarily gave up his land to the neighbouring feudal lord in order to enjoy his protection, and immediately receive it back in fief, *i.e.*, on conditional possession. The title of supreme owner of the land did not mean, however, that the feudal lord could arbitrarily dispose of the land ; in practice he submitted to custom.

The economic independence of the feudal group was very considerable, but not absolutely so. In war above all it was found that the forces of an individual group were insufficient to resist the surrounding enemies as, for instance, in the attacks made by the nomadic races which frequently made raids on feudal Europe, or by the more powerful neighbouring feudal lords.

On this ground there developed between the feudal lords relations similar to those existing on the feudal estate between the lord and his peasants. Just as the requirements of military defence compelled the peasants to submit to the feudal lord, so did they compel the weaker feudal lords to submit to the stronger. Voluntarily, or after an unsuccessful struggle, the seignior recognised the more powerful seignior as his

lord and protector—suzerain. Together with his followers he fought under his over-lord in war—his form of feudal service—and sometimes paid him definite dues. In certain cases he was subject to the court of the suzerain. Generally the suzerain did not meddle in the internal affairs of his vassal.

The suzerain in his turn was usually a vassal to a still more powerful seignior, &c., right up to the king.

The king was but the last link in the chain of feudal lords. The king did not interfere in the internal affairs of his vassal states, nor for that matter was his influence on their external affairs very great. Frequently the authority of the kings and of the suzerains existed only in name.

Under such conditions—the split-up character and the weakness of the ties between the parts of the social organisation—the undeveloped technique which continually created "absolute over-population"—the feudal world was doomed to constant wars.[1]

[1] In speaking of "absolute over-population" of the feudal period, it should be observed that the meaning of the term over-population is now slightly changed. Over-population of the feudal period not *only* means that some sections of society have not enough of the means of life, and that this affects *only* the lower classes of society; it means also the over-population of the feudal classes. Even if the family of the feudal lord did not increase, the stagnation in technique and the increase in the number of the peasantry would make it more difficult for the feudal lord to secure the means for satisfying his own external requirements from the peasants on his own estate. This would become even more difficult if the family of the feudal lord increased. Here again it is a question, as before, of the discrepancy between the quantity of articles of consumption possible to produce with the given technique, and area of land and the requirements of a growing population; we must take into consideration, however, not only the daily requirements of the mass of the population, but also the highly developed demands of the feudal lord.

As the extensive demands of the feudal lord are determined by the social relations of the given society, we can regard over-population as originating not only from the stagnation in the relations between man and Nature, but from the character of the developing relations between men (the transition to the "relative" over-population of the subsequent periods, which depends almost exclusively upon the second cause).

(c) *Individualisation of the Priest Class*

In the early stages of the development of the authoritarian-tribal commune, the patriarch was the organiser, not only of peaceful labour, but also of war; even if he did not himself possess the qualities of military chief he elected a temporary chief, as circumstances required, but retained general control and leadership in his hands.

The development of feudalism put forward the chief as independent and hereditary military organiser. The tribal commune split up into family groups and was converted into a community of neighbours. The labour activity of the family groups was conducted under the guidance of its head, the master of the house. What, then, remained of the organising functions of the patriarch?

In spite of the considerable independence of the family groups considerable economic and social ties were nevertheless retained. The *general* control over their activities and the ties between them, the unifying peaceful organisational functions which were formerly carried out by the patriarch, could neither to any extent be transferred to the feudal lord to be specialised in his own particular activities, nor to the head of the large families, the sphere of whose leadership was too narrow. This general control, the general peaceful organisational functions, were transferred to the successor of the patriarch—the *priest.*

The priest was the conservator of the accumulated experience of society handed down by the ancients. As this experience was handed down in a religious form of commandments and revelations of deified ancestors, the priest appeared as the representative of the gods and as the link between them and the people. But the main function of the priest was of an economic-organisational character and was of tremendous importance in life.

Thus, it was extremely important for every agriculturist to know when to begin ploughing, sowing, &c. The fruitfulness of the work depended entirely

upon the proper distribution of the seasons. But an exact distribution of the seasons of the year is possible only with a knowledge of astronomy. Only the priests had this knowledge, for, owing to the accumulation of the observations of the sun, moon, and the stars, handed down to them throughout centuries, they were able to draw up a calendar sufficiently exact for agriculture.

In some countries like Egypt, Mesopotamia, and Hindustan, considerable exactness was required in determining the seasons. In these countries, owing to the melting of mountain snows or to tropical rains, the rivers periodically overflow their banks and flood wide expanses of territory bordering them. These floods, while making the soil very fertile, at the same time like a seething element threaten destruction to man and all that he has created. In order to take advantage of one and avoid the other it is necessary to have a strict calculation of the seasons and complete knowledge of the connections between the seasons of the year and the level of the water in the rivers. This was the business of the priests, who in these countries developed astronomy and kept an exact record of the floods. But to observe the floods was not sufficient; it was necessary, as far as possible, to regulate them. For this purpose it was necessary to cut canals, construct dams and sluices, artificial ponds and lakes. It was necessary to construct them and keep them in good order, and later to use them for increasing the field of labour by irrigating adjacent waterless districts. In this respect the ancients performed real miracles of technique. Information has been preserved, for instance, of the famous lake Meridu, with the aid of which it was possible to cultivate a tremendous area of ancient Egypt which now represents a waterless sandy desert in Libya. For such work it was necessary, of course, to have engineers with considerable knowledge of mathematics. These were the priests who were particularly distinguished by their knowledge of geometry.

The work of peaceful organisation did not exhaust all the functions of the priest. Continuing the work of the patriarch, he usually had charge of social hygiene and medicine, *i.e.*, helped in preserving the labour power of the community. The priests also undertook the education of the youth, and thus trained future members of the society. They also sanctified marriages and burials and gave advice in family affairs.

They carried all their stock of knowledge in their heads and orally transmitted it from one generation of priests to another. In the course of time the art of writing developed, which, so to speak, was monopolised by the priests. In ancient times, and partly in the Middle Ages, they were the only literate people. The hieroglyphics and cuniform inscriptions which describe the social life of the ancient East were made by priests. Such also was the case in the feudal world of mediæval Europe, where the ability to read and write was the distinctive feature of the clergy.

They were not only organisers in the narrow sense of the word, but were also scientists, legislators, doctors, and teachers; in some countries they developed their control over all relations between men to such an extent that they controlled even the thoughts of their flock. This is evidenced by the practice of the "Confessional" in the Christian and in some other religions.

The organisation of the priests developed side by side with that of the secular organisation of the feudal lords: in the majority of cases, military combinations were followed by ecclesiastical combinations. The type of organisation of the clergy was that of the secular authoritarian organisation, *i.e.*, a chain of subordinates and superiors, a hierarchy of priests; in mediæval Europe, for instance, deacons, priests, and above them abbots, bishops, cardinals, and above them all, the Pope. Unlike the secular feudal lords, the clergy were always distinguished by their compactness and discipline. The peaceful character of their main

functions did not create grounds for quarrels and differences such as occurred among the secular feudal lords, but it was precisely these differences and struggles within the feudal world which imperatively demanded particularly close unity in the functions of peaceful organisations.

The clerical organisations, church, monastery, &c., were a considerable social force and became the feudal owners of large estates, and frequently the suzerains of secular feudal lords. Like the secular feudal lords they lived on the surplus labour of the peasants, who gave them either part of the products of their labour in the form of feudal dues, or part of their labour time in the form of serf labour. This surplus labour served as the source of income of the priests, to which was added a special tax on the faithful, like the tithes of Europe.

In their domains the priests not only organised productive work, but also military defence. Monasteries, for example, were like the feudal castles, fortified points which frequently put up extraordinary resistance against attacks from without. Things went so far that cathedrals and monasteries organised their own armed forces.

The social-economic functions of the Catholic Church in mediæval Europe gave her unparalleled power over the minds of the people. As a consequence of this, apart from its usual revenues, the Church received numerous offerings of property, land, labour, and products. All this, of course, facilitated the economic power of the Church. In order to have a conception of her wealth, it is sufficient to say that towards the end of the Middle Ages she managed to concentrate in her hands nearly a third of the known world.

This was facilitated by the manner in which the Church employed its revenues. It is necessary to bear in mind that feudal society as a whole was a self-sufficing system, and that the revenues of the Church consisted mainly of the products of agriculture. The clergy itself was unable to consume this mass of products, and she was able to sell only a small part

owing to the weak development of exchange. This laid the basis for the wide philanthropy of the Church. The monasteries organised relief in cases of famine, which, owing to the weak development of technique, was a permanent guest in mediæval Europe, and took under their care the poverty stricken and cripples, who, owing to the incessant wars, were numerous in feudal society. All this, of course, *increased* the influence of the clergy.

The relations between the clergy and the secular feudal lords varied considerably. In most cases they were in a state of peace and alliance, but sometimes they waged stubborn wars against each other. For the defence of its economic power, and the maintenance of its authority amidst the unceasing convulsions of feudal society, the clergy had to resort to the organised military power of the secular feudal lords ; the latter, however, required the material aid of the clergy. Feudal society represented a system of naked and avowed exploitation, and for the maintenance of their authority the feudal lords had need of a force that would keep their subjects in submission. Such a force was the Church, which possessed enormous influence over the masses. The feudal priests always preached humility and slavish submission to the powerful of the earth. By this means they strengthened the authoritarian basis of the feudal world.

But the source of existence for both the clerical and secular feudal lords was the same—the surplus labour of the subject peasants—which they divided among themselves. This division was frequently the cause of differences which even led to open conflicts. These struggles sometimes continued for centuries, and in accordance with conditions were decided at one time in favour of the secular and at another in favour of the clerical feudal lords. If the historical conditions are such that the country is subjected to frequent attacks from outside, then the functions of peaceful organisation become of minor importance and power is concentrated in the hands of the military organisers,

the secular feudal lords. That is what happened in Russia, for example, where the dukes proved stronger than the clergy. But in those cases where the functions of peaceful organisation acquired greater importance in life than the functions of the organisation of war, there the clergy secured the upper hand over the secular feudal lords. This happened in Western Europe where the clergy subordinated feudal power to itself. In a number of cases, like ancient Judea, East India, and ancient Egypt, domination passed from the priests to the secular lords and back again.

In general the economic structure of feudal society can be represented in the following form. On the basis of petty, technically weak agricultural production, from which the manufacturing industries had not yet developed, were created small but rather compact natural economic (self-sufficing) organisations — the agricultural communes. In those spheres of communal production which demanded a single organising mind arose the power of the feudal lords, who combined the rôles of partial organisers of production with that of partial distribution. The necessity for a wider military corporation created a complex, unstable organisation of suzerainty based on the limited subordination of one feudal lord to another. A number of other social requirements which the military feudal organisation, owing to its specially military character, could not satisfy were supplied by the general organisational functions of the priests, though here again not in the sphere of production but in distribution. At the same time, exchange, linking up the ends of these economic and organisational ties, played an unobserved but necessary rôle in social life, mainly in the embryonic form of exchange between neighbouring groups, but partly also between more distant groups and even various countries.

The origin of the feudal system is frequently explained as a result of the conquest of one race by another. In some cases this is true. The feudal lords were conquerors, and the subject population were the

conquered; it is quite understandable that under such conditions it was very easy for two sharply-distinguished estates—classes—to arise. But in order to establish the feudal system in the conquered countries it must first of all have existed in the land of the conquerors, as was, indeed, always the case.

3. The Development of Ideology in Feudal Society

In the sphere of ideology feudal society made enormous progress.

Growing out of a comparatively small tribal commune, the social organisation of feudal society spread over an enormous territory and united hundreds of thousands and sometimes millions of people. Technique progressed, and production became more complex than in preceding periods. In order to maintain the productive ties between men, in order to express and establish the complex inter-relations of their operations, their tools, materials, and labour, it was necessary that the fundamental means of organisation —*speech*—should develop; and, indeed, during the period with which we are dealing speech acquired an enormous power of expression and flexibility. Not only did the number of words increase many times, but they also acquired many forms of combination and aspects, as, for instance, declensions and conjugations in the Aryan and other languages.

In its general construction, feudal society—like the preceding society—was based on authority and subordination, only in considerably complicated forms. Society represented an hierarchical ladder in which each lower rung was subordinated to the higher. This social economic structure of feudalism determined the character of human thought which essentially remained authoritarian, only considerably developed and more complex. In the sphere of thought, primitive animism—ascribing life to all inanimate objects, which in the mind of the savage act according to the dictates of their "spirit"—is supplanted by a more

subtle and flexible creed. Instead of the direct orders of the organiser and the execution of these orders, man sees in life a long chain of ties ; orders are given, for example, from the pope to the king, from the king to his more powerful vassals, and from them to the lower orders, and so on to the lowest peasant. In accordance with the " terrestrial " *i.e.*, social, world, the world of imagination is constructed ; the world is filled with demi-gods, gods, and superior gods which in the hierarchy of the feudal chain direct the various elements of Nature and the universe as a whole. Thus in the religion of the Greeks, which arose in the period of early feudalism, the supreme lord of the universe was Zeus, after him came his most powerful vassals, Poseidon and Pluto, to whom in their turn were subordinated thousands of the most varied kinds of gods. In some feudal religions the places of the minor gods are taken by saints to which a definite sphere of activity is allocated, but here there is only a difference in name. Thus in Slav creeds St. Elijah takes the place of the ancient god Perun and is supposed to command the thunder and lightning ; Nicholas " the miracle worker " is the successor of Dazhbog, the god of fertility of the soil, &c.

The relations between the gods are repetitions of the relations between the "earthly gods," *i.e.*, the feudal powers. Through the agency of the priests, dues are paid to the gods in the form of sacrifices, and serf labour in the form of votive offerings to the church.

Authoritarian, feudal ideology saw in everything the " finger of god " and was remarkable for its extraordinary completeness. It was clothed entirely in religious conceptions which united practical and theoretical knowledge and legal and political ideas. It thus played the rôle of universal organiser in life. At the same time, and for that very reason, it was a weapon of the domination of the priests who were the possessors of the most important technical and socio-organisational knowledge of the feudal epoch.

The sphere of ethics, *i.e.*, the rules regulating the inter-relations between men, was also wholly imbued with religious ideas. No clear dividing line had yet been drawn between "law" and "morality," "sin" and "crime," "virtue" and "duty." What was condemned by society as displeasing to the gods, an evil deed, may become an object of persecution; every law was sanctified by religion, which always demanded subjection to the earthly authorities as representatives of the heavenly authorities.

Under the class structure of feudal society, the functions and the organisation of each class were different from one another, and for that reason the standards of law and morality, as instruments of organisation, were different with each class. The "rights" of one class differed from the "rights" of all other classes. In the same way their "virtues," "honour," and "decency" differed also. What was regarded as a terrible crime in one class was regarded as a mild offence in another. A feudal lord could kill a peasant almost with impunity, but if a peasant, even in self-defence, killed a feudal lord he was subjected to the severest punishment. The "virtues" of a feudal lord were brutal courage and pride of birth, both of which were necessary for his military functions and the preservation of his power; the virtues of a peasant were humility and patience. All this was necessary for the preservation of the existing class society, and feudal religion sanctified it all as being established by the gods.

Taken as a whole feudal ideology, like authoritarian ideology, was extremely conservative. All that which was not clothed in religious conceptions, *i.e.*, tradition, the commandments of ancestors and of fetishised ancestor-gods, was rejected and was frequently persecuted as atheism and heresy. Anything new in technique, in the organisation of life, in ideas, complicated and embarrassed the position of the governing classes and threatened the pillars of their authority; they were deeply interested in the preservation of the old.

The clergy, the guardians of religious tradition, were

particularly imbued with this spirit. It was the clergy who frequently sent the inventors and thinkers of that epoch to the block and the stake.

In spite of the deep conservatism peculiar to the feudal society it developed nevertheless, and much faster than patriarchal-tribal society. The conservative ideas were opposed by the growing and more complex social system and the tremendous experience accumulated through thousands of years. The forces of development now began to operate much more intensively than before, and to these were ever added new forces.

4. The Forces of Development and Their Tendency in Feudal Society

The elemental conservatism of the feudal period, like the conservatism of the tribal group, but less firm and stubborn, had to give way before the operation of an elemental force. This force was absolute over-population, produced as a consequence of the absence of progress in technique and the insufficiency of means for satisfying the requirements of society.

The first effects of absolute over-population or "land shortage" were the innumerable wars of the feudal world. As has been explained, it was these wars that mainly led to the conversion of the free agricultural communes into the feudal groups and created the type of organisation of feudal society. To the extent that feudal society grew and developed, the scale of war increased also. Thus the unification of the feudal world of Western Europe under the Papacy was followed by the Crusades. These were wars directed towards overcoming the continually increasing land shortage.

In any case war was the least advantageous method for feudal society of ridding itself of its surplus population, for by destroying the productive forces of feudal society it thereby created a new surplus population, if not among the conquerors, at any rate among the conquered. Therefore there necessarily had to be some, even if very slow, technical progress. In agriculture, until the end of the Middle Ages,

progress was very inconsiderable; in this sphere human understanding represented the greatest obstacle to development. Things were different, however, with manufacture where conditions for development were much more favourable. There, progress was much more rapid; technically improved methods of production were developed, such as were possible in view of its petty handicraft character, and handicraft gradually separated itself from agriculture and became specialised. Thus the social division of labour became more pronounced, and consequently exchange increased. The artisan strove to live nearer to the place where he could sell his products, and moved gradually to the growing centres of exchange—the towns.

In briefly defining the general tendencies of the changes taking place in feudal life, it should be said that, operating by various means, absolute over-population led the feudal world to one goal—to the development of social division of labour which is expressed in exchange.

Even the wars of feudal society necessarily result in the growth of connections, and consequently of productive ties, between feudal groups. The invasions of feudal armies into foreign territories led to the abolition of their exclusiveness and acquainted people with products that were not produced in their native land. This created the conditions for subsequent exchange. Partly, the expansion of ties operated in the direction of developing the requirements of the feudal lords. The possibility arose of exchanging the surplus product of their own peasants for various foreign products. In this, of course, the feudal lords strove to acquire articles of luxury.

The wars of mediæval Europe with the Mohammedan nations is a striking example of this. Acquaintance with the Arabs, and later with the Saracens and Turks—the cultured peoples of the East—and later still with the Byzantine Empire, lying across the path of the Crusaders, gave a strong impetus to the social division of labour. In the first place directly, by widening the

circle of exchange relations, and secondly, indirectly, by allowing Europeans to acquire several new technical methods and improvements. In those times this necessarily led to the progress of exchange, as more perfect technique requires a greater division of labour and specialisation.[1]

The development of handicraft, being connected with the gradual separation of handicraft from agriculture and the specialisation of trades, signifies the development of exchange from the mere fact that no handicraftsman can live directly on the production of his own labour, and, producing these in considerably greater numbers than he requires, he must sell them in order to purchase the things he requires.

The self-sufficiency economy of the feudal world gradually developed into a system based on exchange.

N.B.—Feudal relations developed in the East and in the classic world many centuries before the Christian era, and in Western Europe approximately from the fifth to the ninth centuries, *i.e.*, from the period of the end of the Roman Empire to the decline of the empire of Charlemagne. The most flourishing period of the feudal system was the tenth and the eleventh centuries. After that period its decline began, as a consequence of the development of exchange. In Russia the feudal system prevailed in the period of the appanaged princes. The feudal lords were named "Boyars," "appanaged princes," "Grand Dukes," but in essence they were the same as the feudal barons of Western Europe.

5. General Characteristics of the Natural Self-Sufficing Societies of the Past

(1) In the sphere of productive technique, natural self-sufficing society in the past was distinguished by

[1] Thus many improvements were learnt from the Arabs in the sphere of agricultural technique: fruit-growing, vegetable-growing, artificial irrigation, &c.; also in the sphere of engineering much important knowledge was acquired with regard to technical chemistry (preparation of acids useful in production), and finally in the technique of navigation.

the power of external nature over man, and the little command of men over external nature. This applies to a greater extent to primitive communist society and to a less extent to feudal society.

(2) In the sphere of productive relations these societies are distinguished by the narrowness and organised character of the productive ties. Nevertheless, from time immemorial unorganised productive ties have also existed which established a certain connection between individual groups. The extremes in this case are: primitive society, an almost completely isolated highly compact group of a score or so of people, in which unorganised (exchange) ties are almost completely absent; and feudal society much less compact but embracing hundreds of thousands and even millions of people, united for the struggle for life not only by organised, but partly also by exchange, relations.

(3) In the sphere of distribution the characteristic features are the prevalence of an organised form of distribution and the absence of extremes of wealth and poverty. In this respect primitive society alone is typical; feudal society stands on the borders of new forms of life.

(4) The social consciousness of natural self-sufficing society of the past is distinguished by its elemental conservatism (the dominance of custom) and the poverty of the materials of knowledge. It would be almost correct to regard the primitive period as having had no philosophy of any kind; the two subsequent periods are distinguished particularly by natural fetishism which reflects the power of nature over society, but a power which is tottering and not absolutely overwhelming.

(5) Corresponding to such a character of social consciousness, the forms of development in such societies are elemental. Absolute over-population is the fundamental driving force of social development.

COMMERCIAL SOCIETY

IV

THE DEVELOPMENT OF EXCHANGE

1. Conception of Exchange Society

WE have seen that natural self-sufficing societies existed practically without exchange, or at all events were able to dispense with it. Compact, and economically isolated from the rest of the world, they produced all that was necessary to satisfy their requirements—food, clothing, and tools. Exchange society presents quite another picture. There, one is unable to speak of the independent existence, not only of single productive units, workshop, farm, mine, &c., but of whole territories and even whole countries. Thus, for instance, when, after the World War, Russia was isolated from the rest of the world, it began to experience an extreme shortage of a number of products necessary for the satisfaction of some of its most important requirements. If some districts of Russia, like Petrograd or Moscow, were cut off from the rest of the country as a consequence of the extreme dislocation of transport, the majority of the population of these cities would be doomed to certain death. This applies to a greater degree to individual economic enterprise in the exchange system.

The fact is that developed exchange society is distinguished from natural self-sufficing society by the extensive *social-division of labour.* This means that exchange society is composed of an enormous number of enterprises, formally independent of each other, each of which is engaged in producing a particular product: ironworks and machine construction works, textile and match factories, boot and hat factories, corn and dairy farms, &c., &c. In a word, the whole of production is divided into a number of branches, and these again into numerous separate enterprises. It is true that already in primitive communist society there existed the embryo of the division of labour. In examining

the economics of authoritarian-tribal and feudal societies we pointed out the existence of separate branches of production, cattle-breeding, agriculture, and handicraft. This, however, was division of labour *within the limits* of a group united by a common plan of organisation. For instance, in the tribal commune labour was divided by the patriarch and the other organisers subordinated to him according to the existing labour power; some of the members of the commune were sent to tend the cattle, others to plough the land, &c., in order in this manner as far as possible to satisfy the requirements of the whole commune. This type of division of labour recalls the *technical division of labour* which may be observed in any modern enterprise. In a modern printing works, for example, one section of the workers sets up type, another reads proofs, another makes up, another prints, &c., but the relations between all these functions are established and regulated by the management of the enterprise in the same way as was done in the authoritarian-tribal commune by the elder members.

Social division of labour in exchange society is quite different. There is no single organising mind and no plan of production. This is a system of separate and apparently independent enterprises, which are bound to each other by *exchange*, without which they could not exist. Let us assume the existence of several enterprises, one producing bread, one clothing, a third boots, &c. If those directly connected with the first enterprise, the employer and his workers, for some reason or other were isolated from the other enterprises they would not be able to satisfy their requirements in clothing and boots and inevitably have to close down. The same would apply to the other enterprises. This state of affairs did not exist in natural self-sufficing economy in which, as we know, at a certain stage of development exchange relations between groups were also established; but if these relations suddenly collapsed for some reason or other society would still have continued to exist.

Under the natural self-sufficing system of economy things are produced for the satisfaction of the needs of the producing group; under the exchange system things are produced as a rule, not for the satisfaction of the needs of the producer, but for *sale*. Things produced for sale are called *commodities*. In exchange society products are primarily commodities. For that reason the system of producing for exchange is frequently called *commodity production*.

2. Three Forms of Exchange

Of course, exchange did not immediately assume the form in which we know it to-day. During the course of the many centuries of the existence of humanity it went through a long process of development.

In order that exchange could arise—which happened away back in antiquity or, most probably, in the early stages of the authoritarian-tribal commune—it was first of all necessary that there should be a surplus of products produced by that commune, or, in other words, a certain degree of development of the productivity of labour. But that is not all. If two communes produced the same products in the same degree of plentifulness there would be no sense in exchange and nobody would resort to it. Nor can there be any thought of exchange if two contiguous communes possessed surpluses of varying products, but the relations between them were hostile; the only thing that could take place in that event was that one commune would plunder the other, as indeed frequently happened.

From this it is clear that two conditions are necessary before exchange can take place between two communes, viz., a variety in the products produced by each of them and the existence of friendly relations (social ties) between them. The first condition existed to a large extent owing to the variety in the means of production given to various communes by external nature. An agricultural commune whose land was good for the production of corn, but not for flax,

would enter into exchange with a commune whose soil was good for the cultivation of flax but not of corn. A nomadic group of cattle-breeders would exchange meat for the corn of the agriculturists, &c. The second condition existed in the ties of tribal kinship between individual communes which had been maintained as a result of collective undertakings. Subsequently, with the greater development of exchange, the variety of products was to a greater degree determined, not by natural conditions, but by the variety in the development of technical skill. Friendly relations also were frequently established apart from kinship.

In its historical development exchange passes through three phases and assumes three different forms: simple or casual exchange, complete or developed exchange, and fully developed or money exchange.

The first, the *simple* or *casual* form, applies to the period when exchange was still a rare phenomenon. Two men, usually the representatives of the two tribal communes, casually meet. Each has a product for exchange which happens to be required by the other. On the scene there are just two products, say, an axe and spears. This exchange we can present in the following form:—

One axe = two spears.

In this case the axe quite accidentally proves to be not a simple product, *i.e.*, an article intended for direct use, but a commodity. Apart from its use value as a tool, it revealed a new quality having a social character. It turns out that in return for it, it is possible to receive the product of another's labour—two spears. Of the general mass of axes produced by the given commune the superfluous axe has acquired a *value in exchange* or "exchange value."

In the course of time exchange becomes less casual and acquires a more permanent character, because the peaceful meeting of the representatives of various tribes becomes a common practice. These meetings now take place at definite places specially for the purpose of making exchanges—the embryo of the

market. We now find not two, but a larger quantity of commodities which, with the growth of production and inter-communal ties, indefinitely increases. The form of exchange could, for example, be put thus :—

One axe = 2 spears = 10 arrows = 2 earthenware pots = 1 sheep = 2 oz. of amber, &c. This form is called *complete* or *developed* form of exchange. It differs from the first not only by its dimensions, but with it is connected a deeper change in the character of exchange.

Every commune naturally offers to the others on the market such articles as are particularly plentiful in its own territory, but of which the other communes suffer a shortage. Thus the tribes living near Lake Erie, in America, gave copper in exchange for the things they needed. The Germanic tribes inhabiting the shores of the Baltic Sea used amber for the same purposes. Many of the tribes of north-east Siberia right up to recent times exchanged furs for arms, iron manufactures, vodka, &c. From the standpoint of such a tribal commune exchange becomes more and more uniform : it offers one particular product in exchange for a number of others of various kinds. Exchange relations which arise under such circumstances, from the point of view of the tribe, may be expressed as follows :—

$$\text{2 oz. of amber} = \begin{cases} \text{1 axe} \\ \text{or 10 arrows} \\ \text{or 2 spears} \\ \text{or 2 earthenware pots} \end{cases}$$

The article that represents the left side of the equation—amber—now *more or less permanently* acquires the special quality which, in the simple form of exchange, is inherent in products only on special occasions, *i.e.*, exchange value.

In the developed form of exchange the proportion in which products are exchanged acquires greater stability than in the simple form of exchange. In the example quoted above the tribal commune exchanges amber not only for products which it does

not produce, but even for such as are made by its own members. It learns by experience that it requires as much expenditure of labour to produce ten arrows or two pots as two ounces of amber. It is quite natural therefore that this commune will maintain the same proportion, and in making exchange two ounces of amber will be the limit beyond which it cannot give for ten arrows or two axes. In the event of the other side not agreeing to these conditions the first will decline to make the exchange and will produce arrows and axes itself. But it is by no means opposed to giving less and receiving more than the limit, and if the other commune does not produce any amber, which it prizes as a beautiful adornment, it will not strive to maintain any definite proportion—for it, this proportion will be accidental and natural, and in the majority of cases will be to its disadvantage—it will then give a larger quantity of its labour than it receives from the first, thus giving birth, as it were, to casual "exploitation" through exchange.

The developed form of exchange introduces something new into the internal life of the commune, too. If we examine the above example, we will see that our commune is producing amber not only for its physical properties, not only to satisfy its own needs for adornment, but for its exchange value. It begins, so to speak, to specialise on one branch of production, and to an increasing extent to satisfy its own needs by the labour of adjacent communes. This process, it is true, does not reach such an extent that the independent existence of the commune becomes impossible, but as other communes also intensify the production of one or other product the inter-tribal connections become wider and wider: there begins to develop social division of labour.

Exchange does not stand still at its developed form. Tribal communes which come into contact not with the collectors of amber, but with their neighbours, also take amber in exchange for its products, and in this way the latter becomes more and more widespread.

At the same time its social function develops further. Frequently the following occurs :—

We will assume that the producer of axes needing pots does not meet a potter who needs axes. He, however, meets a number of other sellers. One offers him spears for his axe, another arrows, a third amber, &c. What is he to do ? Thinking the matter over a little he takes amber. This is quite understandable : he does not want the axe, but there is a great demand for amber—savages, like children, love ornament—and there is a greater probability of his exchanging it for pots than of his meeting a potter who is in need of an axe. Under the same circumstances other producers think and act in the same way. Amber turns out to be a special commodity which everybody most willingly accepts, and finally it becomes a custom for *all* commodities first of all to be exchanged for amber in order later to obtain necessary products. Direct exchange gradually disappears, amber becomes a permanent and obligatory intervening link, an *instrument of exchange* or a means of *circulating commodities*. Exchange under such conditions takes the following form:—

1 axe
10 arrows
2 spears
2 earthenware pots, &c. } =2 oz. amber

As will be easily seen from the above formula, it would be natural that the value of all other commodities would begin to be measured and expressed by amber. Amber would then become the *measure of value*. As the permanent and necessary participant in every act of exchange it may be called the *money commodity*, and this third form of exchange is called *fully developed or the money form* of exchange.

Exchange value expressed in the money form is called *price*.

3. Money

The history of the money form of exchange represents the consecutive substitution of one commodity after another in the capacity of money.

At first this function was always imposed upon some commodity, which for some reason or other was particularly widespread, such as amber, hides, salt, cocoa-beans, cowrie shells, &c. At the present time it is quite common to meet savage tribes who use as money such commodities as are the most permanent articles of import and export, and it frequently happens that two neighbouring villages will have varying money commodities. Among nomadic tribes *cattle* usually serves as money. This was still the case in southern Europe at least up to the tenth century B.C. In the poems of Homer one can find references to the valuation of one copper tripod to twelve bulls, a golden set of armour at one hundred bulls, &c. Among some peoples the very word "money" originates from the word cattle. The Latin word *pecunia* undoubtedly originates from the word *pecus* which means "cattle." The Indian word *rupee* and the Russian word *rouble* also originate from the same root word which stood for cattle.

Gradually, however, cattle-money was squeezed out by metal money. At first iron and copper money appeared. This metal evidently was bought as eagerly as cattle, because metal tools and weapons were articles of first-rate importance in every commune. At the same time metal has many advantages, thanks to which it is much more convenient for the function of money. In the first place it can be easily divided into pieces of smaller value, which could not be done with cattle without killing them. Secondly, one piece of metal possesses the same value as any other piece of the same metal, whereas with other commodities, including cattle, this is not so; one sheep cannot be exactly the same as another. Thirdly, metal can better be preserved than other materials, although even copper and iron spoil to some extent as a consequence of the operation of the air and dampness. Fourthly, metal takes up less bulk and weight in a given value as compared with other articles, owing to the fact that it demands a comparatively greater amount of labour to produce it.

Subsequently iron and copper are substituted by

silver and gold. In the precious metals all the above-mentioned technical advantages are expressed particularly strongly. At a first glance it may appear difficult to explain how these metals, almost useless in production, became to be purchased as willingly as cattle, iron, &c. But it can be explained in this way: silver and gold are used mainly for ornament. Even in present times articles for adornment find a ready sale. Uncultured peoples, particularly uneducated women, are prepared to deny themselves necessities in order to be able to don some trinket. Uncivilised and semi-civilised peoples particularly love ornament and prize it very much. European merchants, for instance, for a string of beads were able to purchase a large quantity of fish, game, fruits, &c. Thus the demand for articles of ornament allows for the transition from iron and copper money to silver and gold.

It must not be thought, however, that metal money arose immediately in the neat, well-made form of modern money, having exact weight and a definite standard of quality. Metal was at first nothing more than the money commodity; it differed from other commodities only in that it was accepted in exchange for any other commodity.

"When one goes to market in Burma," relates a traveller, "one provides oneself with a piece of silver, a chisel, a hammer, a pair of scales, and some weights. 'What is the price of these pots?' asks a purchaser. 'Show me your money,' replies the merchant, and in accordance with its aspect he will name one or another price in a certain weight of silver. The merchant will loan the purchaser a small anvil, and he will cut off a piece of silver, then he will weigh the piece in his own scales, for one cannot trust the scales of the merchant, and will add a piece or take off a piece as is required until the weight named has been obtained. In large purchases, which are paid for in the very best silver, the process is still more complicated: it is necessary to call in an assayer to test the silver, for whose services, of course, it is necessary to pay."

Consequently, metal money represents a definite kind of commodity, which is weighed and tested, *i.e.*, is regarded on every occasion from the standpoint of its quality and quantity. With the development of exchange such a state of affairs becomes extremely inconvenient. For that reason the formless ingot of metal money was gradually transformed into some shape or other, either the form of rings, brickets, discs, or squares. Engraved with some design and an indication of its weight and value, it now serves as the predecessor of modern money, the minting of which is carried to the highest stage of technical perfection.

With the expansion of exchange it must frequently happen that a prospective purchaser is temporarily embarrassed for the want of money. He must have goods immediately, but he has no, or not enough, money, although he can prove that in a little time he will have the money. Under such circumstances the merchant will agree to give his goods *on loan or credit.* The word "credit" signifies "confidence." A credit operation obviously presupposes confidence, first of all in the honour, and secondly in the solvency, of the debtor.

At the appointed time the debtor repays the money which now plays a new rôle, *i.e.*, *a means of payment.*

For the normal progress of the life of exchange society it is absolutely necessary that there should be a sufficient quantity of the means of exchange and payment in the market. Let us see how much is required.

With the simultaneous sale for cash, the amount of money required is obviously as much as the total price of the goods sold on the market. But for a definite period, and for a number of transactions for cash, the amount of money required may be less than the total price of the commodities.

We will assume that a shoemaker bought corn from a peasant to the value of £1. With the £1 the peasant bought a ploughshare from a smith, and the smith bought a table from the joiner. All these transactions took place within the course of one week, and only £1 was required, although the total price of all these

commodities is £3. The reason for this is that during this week the same £1 changed hands three times. In general the amount of money required by the market for cash transactions is determined by dividing the total price of the commodities sold by the number of transactions made during the period in which these commodities were sold. Commodities sold on credit are transferred from hand to hand without the assistance of money. Subsequently, however, these goods will have to be paid for. In order to determine how much money is required for the credit market it is not only necessary to take into consideration the rapidity of the circulation of money, as in the case quoted above, but another circumstance.

We will assume that the joiner bought corn to the value of £1 from the peasant on credit, and the latter bought a table from the joiner, also on credit, to the value of 18 shillings. When the accounts are settled the joiner will pay the peasant 2 shillings, although the total debts amounted to 38 shillings—or say A owes B £10, B owes C £10 ; now C buys goods on credit from A to the value of £10. These accounts are therefore settled without any money passing at all, A paying B's debts to C with the goods he transfers to him. Thus, in settling debts, the amount of means of payment necessary is diminished by the number of payments which cancel each other. The remainder is paid by the amount of money required in accordance with the rapidity of the circulation of money.

Generally the sum of money required for the market in a given period of time—*the demand for money*—is determined in the following manner : The total price of the commodities sold, excluding those that are sold on credit, is added to the sum of postponed payments which have to be made at a certain date—excluding those which actually cancel each other. The sum thus obtained is then divided by the number of times the money changes hands during the given period.

The actual amount of money in exchange society, generally speaking, is never less than the " demand

for money" on the market; on the contrary, apart from the money in circulation on the market there is a surplus, which as a "hoard" or financial reserve peacefully reposes in the pockets or the coffers of its owners, ready to appear when there is an increased demand for money for purchasing goods or for the payment of debts.

4. Labour Value and its Significance in the Regulation of Production

In exchange society every producer exchanges his product—his commodities—for the commodities of other people. First he exchanges his commodities for money, and with this money he buys other commodities which he requires; but money, as we have seen, is also a commodity, and therefore there is no need to speak of it particularly. The question is, therefore, what quantity of commodities does the producer receive in exchange for his own? In other words, what is the exchange value of his commodities?

We will assume that society is quite homogeneous, that its various members are equal in the extent of their requirements, and that the quantity of labour power expended by each of them in production is also equal. If there are a million members, then each one will represent one-millionth part of the requirements of society, and the labour of each will represent one-millionth part of the social expenditure of labour power. If at the same time the whole of the social production completely satisfies the whole of the social requirements, then for the complete satisfaction of his needs each member must receive one-millionth part of the social product. If one of them will receive less, he will begin to weaken and decline, and will be unable to continue his former social function of providing one-millionth part of social labour power for the struggle against Nature. If some of them will receive more than one-millionth part each, then others will suffer as a consequence and receive less.

The quantity of labour power which society requires to

produce a definite quantity of products is called social value, or simply the value of that product. By employing this term we can present the preceding argument in the following form :—

For a homogeneous society with division of labour to maintain its production, it is necessary that every member in exchange for his products receive a quantity of products *equal in value* for his requirements. In the example we have given the value of the commodities of a given member is one-millionth part of the whole value of the social product, and the value of the commodities required for the use of the member is equal to one-millionth part of the whole of social labour power.

Social value is measured by the duration and intensity of the labour of the men who have engaged in the production of the product. If it is necessary to expend thirty hours of social labour to produce a certain product, and 300 hours of labour, twice as intense as the former, to produce another product, it is obvious that the social value of the second product—the quantity of labour embodied in it—will be twenty times that of the first.

Social value does not depend on the amount of labour which any individual worker has expended on a given product. If, as a consequence of lack of skill, the lack of proper tools, and some other accidental circumstances, a worker spends more than the usual time required in that society for the production of a commodity, then the value of that commodity will not for that reason be any greater than usual. On the other hand, the value does not become less if, owing to some special skill, or to the employment of special tools not yet generally employed in society, a workman can produce a commodity in less than the usual time. *Social value represents the quantity of labour power which is normally necessary to produce commodities under conditions of labour customary for that society.*

Thus it is necessary to distinguish between social or normal value and individual or accidental value—between that quantity of labour power which is

generally necessary in a given stage of social development and between labour power expended in any individual instance. For economic science only normal value is of importance; it can devote attention to individual value only to the extent that is necessary in order to understand any deviation from the normal.

If we examine various forms of labour separately it will not be difficult to see that one form is more complex and that another is more simple. Thus the labour of a scientist is more complex than that of a watchmaker, and the labour of a watchmaker is more complex than that of a shoemaker, &c. It is necessary to take into consideration the degree of complexity of labour in investigating the social value of commodities.

The variety of the forms of labour and their unequal complexity arise from the unequal training of workers and consequently the unequal development of organisms. The more complex forms of labour correspond to higher development, the simpler forms to a lower development. It is obvious that a more highly developed organism while at work expends more labour power in a given time than a less developed organism. Therefore more complex labour should be regarded as a greater expenditure of labour power than less complex labour: complex labour is multiplied simple labour. Thus one hour's labour of a scientist in expenditure of labour power may be equal to three hours of that of a mechanic and twelve of that of an unskilled labourer.

We will call "simple labour" the least complex form of labour that exists in a given society. In comparing values, simple labour represents a natural measure with which to gauge more complex forms of labour. One hour's simple labour of the average intensity in a given society is a natural unit of labour power. If a product produced in 100 hours of social labour of such a complexity that one hour of such labour represents four hours of simple labour of average intensity, then the value of that product will express itself in 400 units, &c.

It is obvious that for societies standing at varying levels of development the units of labour power will also vary.

Thus, as a unit of measurement of social labour power we must take one hour's labour of average intensity. If a commodity costs twelve such hours then it must exchange for a commodity which also contains twelve "hours," for example, for a corresponding quantity of money metal. If exchange is conducted on any other basis, then some enterprises must suffer and decline. Prices of commodities on the market, on the average, must correspond to their values, otherwise the existence of society as a whole will become extremely unstable.

But exchange society possesses a certain stability, although prices of commodities continually, to a more or less extent, deviate from their values because there is no organising mind to direct exchange. Nevertheless the very structure of society contains a peculiar regulating mechanism, the operations of which direct the fluctuations of prices in such a manner that deviations to one side are compensated by deviations to the other side, and thus, on the average, establishes an equilibrium. This mechanism possesses enormous power, crude and elemental: it is called *market competition.*

If a producer agrees to sell his commodities below their value, his business will suffer; if other producers agree to purchase his commodities above their value they will suffer materially. A conflict of interests arises between buyer and seller. As a consequence of the struggle everyone strives to demand *never less* than the value for his commodities, and to give *never more* than the value for the commodities of others. In this manner the idea of "prices" that develops in society really corresponds (approximately) to their value.

A producer, however, is not always able to sell his commodities at the value; sometimes he is compelled to sell them cheaper. We will assume that 1,000 shoemakers have brought 200,000 pairs of boots to

market and society can only buy 150,000 pairs; the shoemakers would then find themselves in a very embarrassed position. *Supply* is then greater than *demand*, all the boots cannot be sold, and each of the sellers risks being left without a customer. As a consequence a severe struggle commences between the sellers; each one would be willing to sacrifice one portion of the value in order to attract purchasers and not have to return home with unsold goods. The prices of commodities drop: boots which cost fifty "hours of simple labour" are sold for a sum of money which represents forty or thirty-five of such units of labour power. The shoemakers' businesses weaken, some collapse entirely; some of the shoemakers are forced to reduce their output because their business no longer satisfies their needs, *i.e.*, they cannot purchase enough food or the same quantity of raw materials as previously; others again entirely give up the shoemaking business for some other, or find themselves without business altogether. The result is that on the next occasion the market is not only not overstocked with boots, but indeed the contrary is the case; with a demand for 160,000 pairs of boots the supply only amounts to 120,000 pairs. In that case a struggle commences between the purchasers. Not wishing to be left without boots many purchasers agree to pay more than the value for them—to give sixty or sixty-five units of labour in the shape of money instead of fifty. These advantageous prices permit the producer to expand his business, the number of shoemakers may again increase, and again there will be a change in the relations between supply and demand, and prices will again fluctuate in the other direction, &c.

Thus competition on the market between purchaser and seller on the one hand, and between the sellers of similar commodities on the other, as well as between purchasers, tends, in the continual fluctuation of prices, to maintain them about the level of their value, lowering prices which have risen too high, raising prices which have fallen too low. If the production of a given

commodity exceeds the social demand for it, it will be sold for less than its value, and the production of this commodity is diminished; if, on the other hand, the output of that commodity does not fully meet the demand, then it will be sold above its value, and its production will increase. Thus, through the market, value regulates social production and co-ordinates it with social demand.

This co-ordination is brought about, however, by means of continual fluctuations; at any given moment it may not be anywhere near complete, and this causes loss to the producer and fruitless expenditure of social energy. At any given moment a producer may find himself out of harmony with his social environment. It is poor comfort for the artisan who has been ruined owing to his failure to sell his commodities that in the course of time the equilibrium between supply and demand will automatically establish itself on the market. Thus social relations dominate men in exchange society, although perhaps less severely than the relations of external nature over men in natural self-sufficing society.[1]

[1] The view of price and value in exchange society explained above dominates in modern scientific thought under the name of the "labour theory of value." There are still preserved, if not in science at least in scientific tracts, views which are relics of undeveloped conceptions, and support the interests of certain groups of society, theories more or less complicated and confused which give a different "explanation" of the life of exchange society. Let us see, therefore, whether any of the theories can be true. In exchange commodities of the most varied kinds are compared: axes, corn, books, ornaments, &c. In order to compare various articles it is necessary that they have something in common which could serve as a measure. Both a man and a stone have weight, therefore it is quite possible to compare man with stone by weight. What is there common to all the various commodities which are compared during the act of exchange? The most superficial glance will show that it is not size, weight, or hardness, or any "natural" quality. Consequently it is their *social* quality. But precisely what social quality? Of these there are two, social utility and social value. Is it their social utility? No. The *quality* of an axe is that it is a tool, the *quality* of corn is that it is a means of maintaining labour power, &c., but there is no place here for quantitative comparison, and it is precisely

The mechanism of competition cannot always freely operate in exchange; under certain circumstances *monopoly* comes upon the scene. The term monopoly really means not only the insufficiency of competition, but the complete absence of it, but usually it is applied to any considerable degree of absence of competition. If in the production of a particular socially necessary commodity only one producer, or a few producers acting in alliance, is engaged, the purchaser may be compelled to pay a disproportionately high price for that commodity.

Then it appears that an individual group, taking advantage of its exclusive position, is exploiting the rest of society.

Monopoly also explains the fact that in exchange society some things which are not the product of labour and have no labour value, nevertheless have price, such as, for instance, uncultivated land, water power (when a river is leased to drive a mill), honorary titles, author's royalties, remission of sins, sanctifying of marriages, and other ecclesiastical services (the articles of trade of the clergy), &c.

This happens when articles not created by labour and having some utility, and at the same time existing in limited quantities, become the private property of a few individuals who refuse to allow the use of them to others without some reward in the shape of a certain value, *i.e.*, a certain sum of money. The price of such articles cannot be determined by their values, because they do not possess value. Like all exploitation, the prices of these commodities are determined by the relation of forces of social classes: in this case, the sellers and purchasers of such articles. Of course, in the last resort these relations are explained on the basis of historic conditions, that is on the development of the relations of man to nature.

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the latter that counts in exchange. Obviously it must be the social value, the quantity of social labour power necessary to produce each commodity. From this point of view the quantitative equality of the most varied commodities, material and even non-material, becomes quite clear.

V

THE SYSTEM OF SLAVERY

1. The Origin of Slave-Owning Organisations

THE development of feudalism may proceed along two different directions according to historical conditions. As happened in mediæval Europe, it may develop into serfdom; but under special conditions it develops in another direction and lays the basis for the system of slave-ownership.

The difference between slave and serf relations by no means consists in the degree of exploitation and personal liberty; in certain cases slavery is much less onerous than serfdom, and in others the contrary is the case. The fundamental difference in the two systems must be sought in the position which the dependent class occupies in the productive process. The serf, like the slave, is deprived of personal liberty, but he has his small homestead, together with his family; he cultivates his own allotment, or works at some craft in his own workshop, paying his feudal lord feudal dues or rendering feudal service. The slave, however, not only does not possess his own allotment or workshop, but does not even own his labour power.

Slaves already existed in the patriarchal commune. These were prisoners of war, forcibly introduced into a group alien to them in blood, and then as it were adopted by the latter. These embraced that section of the dependent population which, cut off from agriculture and deprived of their homes, lived in the houses of the suzerains and served as "menials." But slavery of that period did not play any great part in economic life. In the system of slavery, however, things are different; here slavery plays a definite function in production.

Slavery originates in the capture of prisoners of war.

One of the elements of external nature for every

productive organisation is the organisations that are hostile to it and against which it has to fight. These struggles frequently demanded the expenditure of a considerable portion of the energy of society. This applies particularly to those societies which were the first to take the path of development and stood higher than their neighbours from the point of view of material well-being. It frequently happened that backward "barbarian" tribes and races conquered more highly developed societies and partly destroyed, or partly changed, their culture. But some societies, thanks to the early development of division of labour, and consequently of exchange, succeeded in developing a high military technique, which gave them considerable superiority over the backward and still partly nomadic races. Such advanced societies, for a number of centuries, managed successfully to resist the seething pressure of the lower races. These victories usually led to the increase of the productive power of the more cultured social organisations which converted their numerous prisoners into slaves.

The first to develop in this direction were several Eastern societies disposed in the fertile valleys of great rivers (the Nile, Tigris, Euphrates, &c.) and later the societies of antiquity which present the highest and most perfect types of slave-owning systems.

The starting point, however, of the development of the slave-owning systems both in the Eastern despotisms and in the world of antiquity was the existence of systems of feudal relationships. If we turn to Greece of the period of the Trojan wars we shall see the familiar picture of feudal society. The "king" as described by Homer has nothing in common with the future monarchy of centralised States. He is nothing else than the military suzerain of an alliance of feudal groups united for some common military enterprise and bearing the name of "clan" or "fratria." Slavery at that time already existed, but it was a rather mild form of subjection and led in the main to the acceptance of the prisoners into the

conquering tribe. The same is observed in the organisation of the Roman tribes.

It is true that feudalism in the world of antiquity did not succeed in developing into that form into which it developed in mediæval Europe. This is particularly observable in the peculiar democratism in the social organisation of the Greeks of the period of Homer. The feudal alliances were united in peace time through the councils of tribal chiefs, and the king-suzerain acquired important influences only during war. Apart from the council of elders, there were also the popular assemblies, which limited the power of the elders and the king. All these are clear traces of the preceding epoch of patriarchal-tribal society. For that reason the economic life of the Greeks described in the "Iliad" and the "Odyssey" should be properly defined as feudal-tribal relations. This system served as the basis for the future slave-owning system which developed in the womb of feudalism as exchange developed.

As long as exchange was weakly developed, the surplus product was used in its direct natural form; exploitation was limited, because the requirements of the dominant family are limited; of what use is an enormous quantity of corn to it if it is not able to eat it all? But the process of exchange permitted the almost unlimited development of the requirements of the dominant family. Every surplus product could be exchanged for some new article of consumption not produced by the group itself. For that reason the more surplus products, the better it was for the lord. The subordinates of the organiser are now for him not only tools of production, but tools of production of surplus products, objects of exploitation. The satisfaction of the requirements of those who laboured is now forced to the background. The most important thing is the extraction of the greatest possible profit, and the greatest profit demands that the requirements of the worker be reduced to the lowest possible minimum and that the quantity of his labour be increased to the

maximum. Under such conditions the feudal organiser had to resort in his activity to methods of crude forcible compulsion such as were formerly applied to slaves newly accepted into the group. The feudal lord now began to regard the slave exclusively as a source of surplus labour, and strove to extend his domains by the mass exploitation of slaves.

Slaves were obtained mainly by capturing barbarians in war. In the course of time this was supplemented by the purchase of slaves from the barbarians, who conducted unceasing war among themselves and for good prices sold their prisoners of war to the societies of antiquity. But war was not only conducted between the barbarians. Isolated Greek and Roman States made repeated attacks upon each other, and in the event of victory treated their prisoners of war in the same way as did the barbarians, that is, converted them into slaves. The same fate was meted out to vassals who fell into debt. Intensifying the exploitation of dependent elements of the population, ruining and enslaving them, particularly by means of usurious loans, the feudal lords reduced them either to the position of serfs or to that of slaves. The latter happened frequently in those places where the fundamental conditions for the development of slavery existed.

Sometimes feudal dependence was preserved and developed to a wide extent side by side with slavery, as, for example, in Eastern societies. But even in these the system of slavery was of overwhelming importance in social life. At other times, as happened in the societies of antiquity, the transition to the cultivation of the land with the aid of slaves took place very early, and this left no room for the development of feudal relations.

It is true that, side by side with slave economy, for a long time there continued to exist comparatively small family economy in which slavery did not exist. This applies to the numerous artisan workshops and peasant farms, which even in the most flourishing period

of the slavery of antiquity were still very widespread. But the general form of life was determined by the relations of slave-owning groups which represented the greatest economic force in ancient society.

The number of slaves reached colossal proportions. Thus in the possession of Rome at the most flourishing period of slave ownership there were from thirteen to fourteen million slaves, whereas the number of free citizens did not exceed six or seven millions. The same preponderance of slaves over freemen for a certain period existed in ancient Greece. It is quite understandable therefore that slave ownership dominated the market, and in this sense played the part of great capitalist enterprises having tremendous advantages in competition. This compelled the smaller enterprises to adapt themselves to these conditions and aroused in them a striving to acquire slaves for the purpose of increasing their productivity.

Co-operation and division of labour were applied to a wide extent in large slave undertakings. In Greece even before the fifth century B.C. there existed extensive factories—*ergasteria*—in which slaves worked. Later in Italy and Sicily there developed enormous farms where frequently hundreds of slaves worked on one field. It should be observed that the division of labour rarely exceeded certain limits, *i.e.*, the production of certain products by certain workmen; the various stages of production of a given product were only in exceptional cases divided among different workmen (for instance in the tanning yards). This is explained by the fact that the market was not very extensive, demand was not sufficiently large to call forth the production of goods in mass, and it is only in mass production that increased division of labour is advantageous.

In the course of time, with the growth of slave economy the function of organiser also became divided. As long as the enterprise was not very large, the owner could direct production himself. He personally distributed the work and product of his

enterprise, and in this sense was an organiser of production. But when his enterprise expanded and the number of slaves considerably increased, the owner was then compelled to select assistants and transfer part of his functions to them. Side by side with the master there appear slave-organisers, overseers, assistant managers, &c. The only function left to the master under these conditions is that of supreme control, and that not for long. Isolating himself more and more from the process of production, he finally transfers even the last function to the technical staff selected from among the slaves. The slaveowner is now converted into a pure parasite whose "activity" consists in the most refined enjoyment of life.

The dominant family stood over the mass of slaves who were deprived of all rights, but slavery left its sharp impress even upon the organisation of the family. The head of the family had enormous power, and even had the right to sell his children into slavery. In fact, this latter was by no means a rare occurrence, even in the most flourishing period of the classic world.

Thus the slave-owning group was composed of two opposite elements. At one end there stood the despot slaveowner, dominating over his subjects and squeezing surplus labour out of them; on the other there was the mass of slaves, without rights, converted into tools of production, and reduced to the position of commodities.

2. Inter-Group Productive Ties

In the first stages of its development the slave system principally bore the character of the natural self-sufficing system. In its developed form, however, it presents itself as a mixed natural-exchange system. The requirements of the slaves, reduced to the physiological minimum, are satisfied mainly by the products of the slaveowner's group; the greater part of the requirements of the slaveowner, on the other hand, are acquired by exchange. Purple cloth, utensils,

particularly clay vases, valuable household furniture, all kinds of articles of luxury were produced in separate undertakings for the satisfaction of the needs of the slaveowners. Some of these products were brought from great distances. Purple clothes and carpets, for instance, were brought to Greece from Italy. Sicily supplied a large area with its beautiful chariots. This was the predominating character of trade, and those drawn into the sphere of exchange were chiefly the upper classes of the slave-owning groups.

It is true that there existed slave enterprises which did not engage in agriculture at all. Such were many ergasteria of the Greek towns and mining undertakings (the silver mines of Attica), which sent to the markets their products of industry. In so far as these enterprises were obliged to purchase the means of satisfying their needs and that of the slaves, they existed entirely in the sphere of exchange, but generally it was the agricultural enterprises that predominated.

Be that as it may, the epoch of the slavery of antiquity is connected with the considerable development of money circulation. It was in those times that money first took the form of *coins*. The newly-arisen social-economic organisation—the State—undertook or, to be more exact, assumed the right to coin money metal ingots into a definite form, weight, and value which served as a *universal legal means of the circulation of commodities*.

The business of exchange gradually developed into an independent occupation of a special class of merchants, who, purchasing commodities from producers and selling them to consumers, lived on the difference in the exchange values between the first and second operations.

Generally the extent of trade was insignificant as compared with modern trade. This can be judged by the amount of money which was required for the circulation of commodities. The output of gold and silver in Asia even in the most flourishing period of the classic world was incomparably less than at the

present moment. At the same time the technique of exchange was weakly developed. The employment of money in exchange transactions was not lessened by the highly-perfected machinery of exchange employed to-day (the circulation of credit notes, bank notes, the cheque system, &c.).

Credit, or, to be more exact, the embryo of credit—usury—gradually developed to wide dimensions during the period we are studying. It played an important rôle in the building up of the enormous wealth of the Greek, and later the Roman, aristocracy.

In accordance with the development of exchange in the world of antiquity, considerable progress was made in the organised ties between groups.

The beginnings of the State which arose already in the feudal world were developed and transformed into extensive political alliances which sometimes embraced tens of millions of people. The progress of the social division of labour expressed in the growth of exchange created a necessity for economic union for protecting and facilitating exchange relations, *i.e.*, the establishment of a uniform currency, uniform measures for commodities, the military protection of roads and markets, control over the payment of debts, the protection of the persons and property of merchants living in foreign countries, &c. The great part played by war in acquiring slaves and new territories demanded stable and extensive military organisation for which purpose the weak feudal-tribal relations reflected in the heroic poems of Homer proved insufficient. The sharp division of ancient society into two classes, oppressors and oppressed, of which the second was much more numerous than the first, and the further division of the first class into two separate groups whose interests were antagonistic, gave rise to the imperative necessity for a centralised military power. These necessities were met by the ancient State.

The development of the ancient State proceeded along two different roads and led to two quite dissimilar types of organisation.

In some cases an extensive political whole developed mainly as a consequence of war. This took place owing to the existence of two conditions: first, when the very conditions of external nature created the necessity for extensive social organisation, as, for instance, when the fate of production depended upon the successful regulation of the level of great rivers (the fertile valleys of the Nile, the Tigris, the Euphrates, and the Hoang-Ho were the places where the first despotic monarchies arose), or when it was necessary to combine to resist the continuous attacks of strong hostile races. Secondly, when the exchange relations were not yet sufficiently developed, nor yet sufficiently wide and stable to create a strong political alliance. During the innumerable wars of the feudal period individual groups succeeded in subjecting many neighbouring groups. At first the conquered groups were directly incorporated in the victorious groups and converted into slaves. But having reached a certain limit the complete incorporation of conquered groups becomes impossible, the economy of the group becomes too large to be conducted by a single lord. Then the conquerors would be satisfied with imposing upon the conquered groups their political domination and compelling them to pay tribute, at the same time leaving them a considerable share of independence in their internal affairs.

Expanding more and more, the individual group became converted into one of the enormous despotic States of the ancient world, like the Egyptian, Assyrian, Babylonian, Persian, and other States. The power of the despot in reality represented the unlimited power of a slaveowner. Between the despot and the simple head of a slave-owning family there were numerous intermediary stages, such as satraps, governors of provinces, &c., and every official had enormous power over his subordinates whose activities he had to organise. The type of organisation of such States was everywhere the same.

The character of ancient States which developed

on the basis of firm and extensive exchange ties with other groups was different. These were alliances of kindred and equal communes, the primary aim of which was to conduct joint military undertakings and the protection of exchange and private property.

Owing to the permanent relations and the development of social division of labour, business between individual groups of such an alliance increased more and more—the ties between them became closer and firmer. The common affairs of the group were decided by a council of the lords, and subsequently by those they appointed, who, however, remained under the control of the council. In the internal affairs of the group every free head of a family remained, as before, complete master. Of course, the slaves did not take any part in the administration of public affairs. Of such a character were the numerous republics of ancient Greece and partly of Italy.

Owing to the numerous wars of the ancient world, the organisation of the second type proved to be not particularly firm, and frequently changed into organisations of the first type. War demands a strict unity of power which is very difficult to achieve in aristocratic republics. In this manner Republican Rome changed into the Rome of the Cæsars. Furthermore, it frequently happened that as a consequence of the conflict of economic interests the internecine wars in the republics led to similar forms: many Greek republics were frequently transformed into autocracies. When the petty slave-owning peasants, artisans, and merchants took up arms against the large compact slave-owning autocracy they usually remained under the banner of the king, or the tyrant, as only the strict centralisation of forces could secure victory for them.

The prevailing relations among slaves was that of equality—the equality of course of the unfranchised. However, as the slave lord transferred part of his organising functions to some of his trusted slaves, there arose the power of slave over slave.

Family ties among slaves were created or destroyed according to the interests of the slave lord.

The interests of the slave lord also determined the amount of the means of life that went to the share of the slaves. With the wide development of systematic trading in slaves, it became more advantageous to the slaveowners to interest themselves not so much in the complete satisfaction of the fundamental needs of the slave, but chiefly in intensifying and prolonging his every-day labour. In this way the slave soon became "worn out," and was replaced by a fresh one who was comparatively cheap. Consequently the interests of the slave lord regulated the length of the life of a slave in the same way as their multiplication was regulated.

In the despotisms of Asia every subject was a slave of the State. Economically, this was expressed in the exploitation of private enterprises by the State enterprises, by the collection of enormous tribute and taxes. Juridically, this was expressed in the complete absence of the rights of the individual before any of the "cogs" of the administrative machine serving the purpose of collecting the tribute and taxes. Masses of the population knew nothing of civic life. The yoke of oppression that lay on their shoulders became ever heavier as the organisation of the officials became more perfect. Instead of executing the orders of the higher authorities, and serving them as living tools of exploitation, these officials more and more began to live by exploitation themselves. Such a change took place in proportion as the higher class of the Asiatic bureaucracy transferred their social-organisational functions to the lower, and thus transformed itself from a class of productive members of society into a class of parasites like the slaveowners of Greece and Rome. Furthermore, in endeavouring to make the position of their successors secure, the bureaucracy created an enormous number of socially useless offices. In such Eastern despotisms as China and Persia the monstrous power of the administrative apparatus was the source of the greatest economic and legal oppression.

Under such conditions the development of individuality becomes impossible not only for the slaves. The spiritual depression of the slave lord is not much to be distinguished from that of the slave.

Individuality stood in quite other relations to the public whole in States of the European type.

There, individuality was not oppressed, the very form of the political alliance did not permit that. At first the wealthiest and most prominent slave-owning families succeeded, politically and economically, in subjecting demos—the mass of poorer citizens, peasants, and artisans. The economic dependence of the latter expressed itself in their indebtedness to the former, and their political dependence in the insignificant influence they wielded in the administration of the State. But when the development of exchange relations strengthened the mutual ties among the elements of demos, and a newly developed group appeared on the scene—the merchants—then demos combined against the large landed aristocracy and conducted a stubborn struggle against it for political rights and to compel them to make economic concessions. The struggle ended in a complete victory for demos, which secured complete equality in political rights.

At no other time in history did civic life flourish so well as in Athens between the sixth and the fourth centuries B.C. Juridical equality was absolute : every one had the right to participate in the discussion of, and give his vote in, the decisions of State affairs. In fact, this went so far that certain offices were not filled by election, but by drawing lots. Such was the democratism of the republics. But this was only one side of the social life.

Behind the few tens of thousands of citizens, freely developing in an atmosphere of wide civic life, there were the many hundreds of thousands of unfranchised oppressed " human tools." The essence of the political activity of the freemen was the sharing of the spoils created by the labour of slaves and taken from them.

This was the position in ancient Rome during the

course of several centuries of democracy—the plebeians fought against the upper classes—the patricians—for the same economic aims as those of demos in Athens. Step by step, with wonderful energy, democracy compelled its strong, organised opponents to make concessions on the side of equality. But during the whole of this struggle not a single voice was raised for the amelioration of the lives of the slaves. On this point there was no difference between the most covetous demagogue and the most honourable utopist like the Gracchi, whose lives were spent in the most self-sacrificing struggle in the " people's " interest.

For the slaves there was no possibility for development, but all the conditions existed for their degeneration. In the weak exchange societies of the East the conditions for the development of the slave lord were only a little better than that of the slave. In the societies of the West, on the other hand, where exchange was widely developed, the freedom of the individual possessed complete scope to develop its strength.

3. Ideology

Social consciousness in the epoch of slavery was not, of course, homogeneous. It was considerably different for each of the opposite elements of which the slave-owning group was formed, and depended on the position which each held in the process of production.

The conditions of life of the slave were incredibly hard. With brands burnt on their bodies, and frequently in heavy chains, from early morning until late at night they had to work on the fields or in the industrial enterprises of their owners. Their work proceeded under the strict observation of cruel overseers, who only thought of keeping in the good graces and earning the generosity of their master by inhuman conduct towards the slaves. After working a whole day the slaves were led at night to their barracks, which were frequently underground.

The slaves were generally looked upon as means of

production, as cattle. In this respect the various categories in which means of production were divided in that period were :—

(1) Instrumenta muta—mute, or inanimate, instruments, such as axes, lathes, &c. ; (2) Instrumenta semivocalia—that is animate instruments, but which can only half or imperfectly express their feelings, *i.e.*, domestic animals ; and (3) Instrumenta vocalia—instruments gifted with the power of speech, *i.e.*, human tools—slaves.

Thus slaves were reduced to the level of cattle ; they were simply stock.[1] Under such circumstances there could not have been much ideology among the slaves ; there can be no doubt that it was extremely poor, void, narrow, and limited. It would be futile to seek here for any elements of development. The mentality of the class at best (in the case of the educated slaves) was a weak reflection of the mentality of the slaveowners.

The slave-owning class was in a different position. Here psychological poverty need not necessarily exist. The very function of organising demands a certain mental development, and the exploitation of the slaves gave the slaveowners the opportunity to devote their time not only to various pleasures, but also to mental exercise.

The extensive period of slavery embraces a long series of dissimilar social functions. In comparing the level of spiritual life in the various stages of the period, and among the various peoples, it will be possible to find all the stages of transition from complete barbarism to that high stage of civilisation reached by Greece and Rome at their most flourishing period.

There is no need to dwell at length on the mentality

[1] Not knowing any other social system the ancients regarded slavery as a *natural and immutable law of Nature.* The most intellectual people, and even the geniuses of those times, were not able to think otherwise. " Nature creates some people to be free and others to be slaves " (Aristotle in ' Politica "). Plato, one of the most noble minds of antiquity, when planning a perfect State, could not conceive it, however, without slaves !

of the dominant class in those societies which developed amidst weak exchange relations and which were limited to the forms of the Eastern despotisms. In these, at a certain stage of development, the difference between the psychology of the slave and slaveowner is hardly to be distinguished. The similarity in the oppression which lays on both gives rise to the same narrowness, voidness, and immobility of thought. The difference in degree is so insignificant that it is hardly worth attention.

Slave-owning society with a considerable development of exchange presents quite a different picture. Free and widespread exchange ties widen the mental horizon of men, give an impetus to knowledge, and free the mind from the chains in which it was bound in the natural self-sufficing groups of earlier times. The absence of external oppression on the one hand, and the comparatively small power of nature over man on the other, created a favourable soil for the development of thought and for the more intensive development of knowledge.

The classical world, for the period of its existence, undoubtedly succeeded in highly developing knowledge. But was this progress in the direction favourable for the development of technique and economics? Was the knowledge acquired useful in the direct struggle with nature, in the endeavour to seize power over her?

Here it is necessary to distinguish two stages in the life of the classical world. As long as the large slave-owner remained the organiser of production in his group, and side by side with him the free peasant and artisan was preserved, social thought tended in the direction of acquiring practical knowledge. It is true that this was in the earlier period of slave-owning culture, when the forces of developing knowledge were still insignificant and when the conservatism of feudal life still hung to a considerable degree over the mind. Then the progress of practical knowledge could only have been very slow.

But in comparison with previous epochs the progress

was extremely rapid. During the course of a few centuries many technical improvements were made and inventions discovered. In the latter centuries of the history of the world of antiquity there was accumulated a large stock of scientific practical knowledge, and in some spheres of production things were most expediently managed and based on a comparatively deep knowledge of the laws of phenomena.

This applies first of all to the mass of practical knowledge in the sphere of construction and engineering, in ship building, in the working of metals, and weaving, which reached a high degree of perfection. Oversea and overland trade assisted the development of geography and astronomy, so necessary for keeping correct bearings at sea, and called forth the study of atmospheric phenomena, which is of tremendous importance in navigation. Particularly important successes were achieved in the sphere of elementary geometry; this was so highly developed that subsequent epochs had little to add to what had already been achieved under the pressure of the every-day experience of the classic world. Furthermore, one must note the enormous progress in agricultural technique expressed in the rotation of crops, selection of crops, and improved instruments. It is true that much of the knowledge was acquired independently. Most of it was acquired from the great nations of the East (Egyptians, Phœnicians, and Babylonians). But if we take into consideration the existence of authoritarian religion and ideology, still strong at that time, hostile, as is known, to all innovations, we must come to the conclusion that the acquirement of this knowledge was tantamount to independent invention.

In the following stage the actual functions of the large slaveowner in production rapidly diminish and the work of organisation is transferred to a certain section of the slaves. At the same time the progress of events destroys the peasant and artisan class and converts them into a parasitic proletariat (in what manner will be shown later). Then the direction of the mental life of the

dominant class naturally alters. It isolates itself from the struggle against nature, from the sphere of production, and passes to a "higher sphere." As the social function of the dominant class tends more and more to consumption, so their thinking tends more and more towards refined self-indulgence.

All interest disappears in technical science which directly serves productive labour, *i.e.*, the occupation of slaves and not that of lords. The progress of the natural sciences is held up at the very beginning, because the observation and experiment of every-day phenomena are not considered occupations worthy of a lord. Of the social sciences there is nothing to be said; just the very beginning of it appears in the form of the superficial history of the heroes and wars, but the study of material and economic culture is completely absent, for the reason that social science deals with unimportant and contemptible affairs—production.

In the second stage of development of slave-owning society, the ancients with particular eagerness occupied themselves with the most abstract of the natural sciences, mathematics and logic. Among more concrete sciences which were respected was astronomy, which was regarded as a sublime, lofty subject. To apply such sciences to the practical purpose of life was regarded as a degradation. In the opinion of Plato the application of geometry to the solution of some mechanical problem would be an insult to the dignity of geometry.

In hardly any other period has philosophy engaged the attention of men to such an extent as it did that of the ancient world, particularly of Greece. Greek philosophy was the most brilliant product of ancient civilisation. But even here the dominant features are the isolation of philosophy from every-day life, an insufficient striving to lay down the study of actualities as its basis, and its prevailingly speculative character.

In general, in the later period of the ancient world the wealth of knowledge was almost useless for technical progress, and consequently for economic development.

The development of the fine arts was another characteristic product of the spiritual life of the ancient world, a product also almost useless for economic progress, although highly valuable for the upper classes for the enjoyment of life.

Ideological creativeness therefore was isolated from life and soared in lofty spheres far from contemptible labour. The only sphere in which it for a long time preserved its connection with production was in the sphere of law. The upper classes of the classical world, as we have seen, were involved to a considerable degree in exchange relations, the normal development of which demands strictly definite organisational rules—legal standards. And so Rome created its famous system known as "Roman Law," which subsequently rendered good service to bourgeois society, which, like the society of antiquity, was based on private property. It must be admitted, however, that even in the sphere of law ancient society in the period of its decline was engaged mainly in summarising and formulating what had been done in its most flourishing period.

The separation of ideology from production was one of the causes that hastened the collapse of ancient society.

4. The Causes and Process of the Decline of Slave-Owning Society

For the development of every society it is necessary to have a surplus store of energy, which might be used for extending production, for improving technique, and generally for increasing the productivity of social labour. Those societies which do not possess such a surplus of energy, and which employ it unproductively, are doomed to a slow but sure destruction. Among the societies of this type were the Eastern despotisms composed of two opposing elements—the centralised bureaucracy and the lower masses wholly subjected to it. These lower classes—not only the innumerable slaves of the Eastern despots, but also the remnants

of the independent or feudally dependent small producers—lived under incredibly hard conditions. Oppressed by unbearable labour, they were kept in continual poverty by the unlimited demands of the rulers, and even if any spare time remained to the lower classes above that which was necessary to maintain the extremely low standard of life it was used to satisfy the whims of the satraps and despots. The rulers stood far away from productive labour, and their social function was to invent methods of exploitation. Immersed in idleness and wallowing in the fabulous depravity and luxury of the East they became pure parasites.

All this led to the Eastern despotisms beginning to undergo a process of slow degeneration, which was usually completed by the intervention of a more virile external force.

The structure and life of slave-owning society of the world of antiquity was considerably more complex and varied, and corresponding with that the process of its economic and general decline was more complex.

Technical progress—the basis of all development of society—began to slow down considerably from the moment the slave-owning class abandoned its organising functions in production. In fact this was the only class whom the conditions of life gave an opportunity to develop. As it become converted into a socially parasitic class, so its development began to change; it proceeded now along parasitic consuming lines and not upon productive lines. The slaves, owing to the condition of their lives, could not develop the forces of society in the struggle with nature.

But this is not all. These slaves deteriorated, they became degraded mentally and physically. A man reduced to a tool of production rapidly loses his vital energies. Ruthless exploitation shortens his life and leads to the rapid degeneration and destruction of his descendants. With the continued and systematic trading in slaves, it was more advantageous to demand the greatest possible exertion of the slaves without bothering about *completely* restoring their exhausted

strength by rest, food, or the general satisfaction of their needs. It is true that the human tools soon became worn out, but the gains squeezed out of them were sufficient and more to purchase others.

As a consequence the slaves necessarily died out, their number decreased, the death rate among them exceeded the rate of increase. During the course of many centuries the death rate among the slaves was made good by the flow of fresh prisoners of war secured in the wars with the barbarian neighbours of the cultured slave-owning societies. As long as this source of slaves lasted, slave-owning society did not deteriorate. It maintained itself at one level. Production did not decrease in extent because there was a sufficiency of labour power.

Such a state of affairs could not last for ever. A time arrived when success in the war with the barbarians rapidly declined, the acquisition of slaves in sufficient quantities became very difficult, and finally impossible. Victories over the barbarians were replaced by a series of defeats; the wars from offensive became defensive. The source of labour had disappeared. What were the causes of such a change in the fortunes of war?

The reason lies in the rapid decline in the military strength of slave-owning societies.

War—the production of slaves—was the only sphere of production which could not under any circumstances be transferred to the slaves, and for that reason it remained the occupation of freemen. The armies could only be composed of freemen, and for that reason the decline of the freemen class meant the decline of the army, the decline of the production of slaves. At the same time the inherent economic contradictions of the ancient world broke the power of the free class.

The class of freemen was composed first of all of typical large slaveowners, who were in the minority, and secondly, of small property owners whose enterprises frequently were of a family character, that is to say, were managed without slaves, and maintained principally by the personal labours of the owner and the members

of the family. The majority of such enterprises were agricultural and the rest artisan.

Thus the principal part of the military strength of the ancient world was composed of small-owning agriculturists, in other words, the peasantry. Rome, uniting under its power the whole of the ancient world, in the period when its aggressive policy was developing represented a peasant State. As long as a strong numerous free peasantry was preserved, as long as the classical world could maintain its high military technique, it was not difficult to secure victories over the barbarian races—brave, compact, but unacquainted with the art of war.

The peasantry bore the whole of the burdens of war, not only in the sense that they had to shed their blood, but also in that they had to bear almost the whole of the taxation and expenditure entailed by these wars. The upper class—the large slaveowners—were able to avoid these burdens because, together with their wealth, they possessed political power. The peasants shared in the gains of the wars only to an insignificant degree, the largest share going to the rich slaveowners because they occupied the most important and influential posts in the army and controlled the distribution of the booty (chiefly slaves and land), and made themselves rulers of the conquered provinces, &c.

The ruination of the peasantry was hastened also by the growth of large-scale agriculture. Employing many hundreds of slaves in agriculture, the large landowners of Sicily and southern Italy supplied the market with huge quantities of cheap corn. Frequently the conquered peoples sent enormous quantities of corn to Rome gratis in the form of tribute. For the majority of small agriculturists the production of corn for the market became positively unprofitable.

War and the competition of slave-owning latifundia ruined the peasants and compelled the latter to throw themselves into the arms of the usurers. Usury was an extremely profitable business, and, besides, it did not require any expenditure of labour. It was quite natural

therefore that many slaveowners, brought up in idleness, readily took to usury. The interest which had to be paid on loans was incredibly high. In the flourishing period of Athens 18 per cent. per annum was quite a usual figure. In Rome such persons as Pompey, Sulla, Antony, and even such idealist patriots as Brutus and Cassius did not hesitate to lend money at the enormous interest of from 48 per cent. to 70 per cent. per annum. The slave-owning creditors possessed a powerful apparatus to compel their debtors to pay the interest imposed. This apparatus was the State—the organ of the class domination of the slaveowners. The State applied the severest measures to defaulting debtors, including selling them into slavery and even putting them to death. Falling into the hands of such creditors the peasants were completely ruined.

Thus everything combined against the small peasant : the burdens and heavy taxation and constant war, the power of usurers' capital, and the force of competition of large slave-owning agriculture with its higher technique. The ruination of the peasantry proceeded rapidly. The small farmer lost his land for debts, and frequently voluntarily abandoned it owing to the impossibility of making it pay.

His holding passed into the possession of the large landowner. Thus the ownership of the land became concentrated in the hands of the rich. Already about the first century B.C. the whole of Italy represented a few enormous estates—latifundia.

Side by side with the ruination of the peasantry proceeded the ruination of the artisans. It is true that the competition of the large slave-owned enterprises was not so destructive to the artisans as large-scale farming was to the peasants, because the technique of slave production in industry was not higher than that of the artisan, and the productivity of labour depended upon the individual art and skill of the artisans. But the slave system undermined the position of the artisans by destroying their greatest support—small peasant farming. The fact is that the chief

customers of the artisans were the peasants. Until the peasants were caught in the net of usurers' capital, until competition and war reduced their standard of life to a physiological minimum, they formed a wide market for the products of the artisans. But with the economic decline of the peasantry began the degeneration of the artisans which added to the general picture of the degeneration of the world of antiquity.

Small property owners became more and more converted into "proletarians," *i.e.*, freemen deprived of the means of production. In the rural districts where the rich dominated, and where production was conducted by slave labour, the proletarians had nothing to do; they fled to the towns to seek the means of life. Hundreds of thousands of such homeless people accumulated in the towns, but even there found no productive occupation.

The State had to maintain them, and political parties used them in their struggles against each other. The main source of existence of the proletarians was charity given by the rich, State aid, and selling their votes to political parties. This applies particularly to the proletarians who lived in Rome. They always served the side that paid most. They were the real "proletarian parasites," acting as the servitors and fawners upon the dominant political power and individual economically powerful persons. To these were added freed slaves who had been released for some special service to their masters or for a ransom. This lower element of the proletariat hastened its moral degeneration by uniting to all the existing vices of free people the baseness of slave psychology.

Thus the peasants and artisans were ruined; they lost their previous social functions and became demoralised. They were transformed into proletarian parasites. At the same time the military power of slave-owning society began to wane. The parasitic proletariat were incapable of taking the place of the energetic and courageous peasants in the army; a parasite cannot bear the heavy labour and the

stern discipline of war; he never wishes to leave the town where he can secure the means of life without working. In this connection the proletarian was very much like his opposite—the effeminate large slave-owner.

And the barbarians, strong in the compactness of tribal ties, free and proud, indefatigably continued their struggle against the slave-owning world, against its military organisation—the Roman army. And this at one time indomitable bulwark of ancient culture began gradually to give way before the pressure of wave after wave of barbarians. From offensive the wars of the Roman Empire became defensive and victory was substituted by defeat. The military production of slave labour power diminished, and at the same time the very basis of ancient culture was being undermined.

A general decline in production began as a consequence of the insufficiency of labour power, and the first to suffer was agriculture. At first there was observed in the latifundia a transition from agriculture to cattle-breeding, which latter requires fewer labourers. Things did not rest there; the villages became deserted and the pastures which took the place of the former fields in their turn became a waste. The decline of agriculture in itself undermined other spheres of industry for which the country served partly as a source of raw materials and food and partly as a market. But apart from that the same shortage of fresh slaves that led to the collapse of agriculture also led to the decline of manufacturing industry. Step by step the ancient world approached towards complete collapse. But it still struggled for its life and culture and strove to adapt itself to changing conditions.

The Roman Empire endeavoured to make good the shortage of labour power in the main branches of production, war and agriculture, by free barbarians.

The composition of the Roman legions changed; they were recruited more and more from among

Gauls and Teutons, and in the course of time whole detachments of barbarian mercenaries were hired to guard the frontiers. Thanks to this Rome could for some time longer resist the barbarians with the aid of barbarians, but the Roman army ceased to be Roman in composition, and even the Roman captains were squeezed out gradually by Teuton chiefs and Teuton detachments. When in the year 476 the barbarian Odoacer overthrew the Roman Emperor Romulus Augustula, it was but the outward expression of the already completed conversion of the Roman army into the Teutonic.

The same thing took place in agriculture. The government of the Empire endeavoured to attract settlers to the deserted land and granted them holdings on favourable conditions in return for certain dues and taxes. Private landowners acted in the same way and leased their land to those who desired to take it in return for certain dues. Thus arose the free colonists —the class of small farmers who conducted their independent farms on State or private land for the payment of certain dues. The greater part of the free colonies in the Roman Empire were composed of barbarians, from whom, consequently, there developed the germs of a new peasantry.

Side by side with the free colonies, the decline of large-scale agriculture gave rise to colonies that were not free. In many cases slaves became leaseholders of land. When the conditions of the corn market became considerably worse, the previous mass production in the latifundia could not continue even where there was not a shortage of slaves. Cultivation on a small scale by tenant farmers was more advantageous because the latter undertook all the care and payment of dues. Thus it became more advantageous for the master to allow the slave independently to conduct a farm in return for the payment of dues than to exploit him directly. Furthermore, the comparative freedom of labour raised its intensity and productivity in comparison with

the usual slave labour, which permitted the possibility of increased exploitation.

And so the causes of the degradation of ancient culture lie in the fact that the basis of this culture consisted in the military exploitation of barbarous races which represented, as it were, the raw material for the production of human tools—the slaves. The consecutive stages of the process may be outlined in the following manner: degradation of slaves by excessive exploitation; the degradation of freemen by converting them into parasitical elements of society; the decline of military power and military production; the decline of production in general as a consequence of the shortage of labour power; the installation of barbarian elements into the decaying society; and the final victory of these elements over its remains.

5. Serfdom

As has been stated, the second line of development led from feudal society to the system of serf relations. That happened where the military exploitation of backward races did not play a great part and did not leave a deep impression on the process of historical development: in western Europe of the Middle Ages, in Russia, and in Japan. The basis of the change was the complete development of exchange which created firm and permanent economic ties over an extensive territory of the feudal world. The market expanded, the variety of the goods that appeared upon it increased, the social division of labour became greater, and the money form became predominant. Upon this basis the relations of the feudal lord to the subject population, and particularly the degree and character of exploitation, altered.

In the period of natural self-sufficing economy the greed for acquisition had its limits in the constant consumption of the feudal lord. With undeveloped exchange the most powerful feudal lord cannot extend his consumption beyond that which his own estates

are capable of producing. There would be no sense in his increasing the dues of his peasants to 100,000 bushels of corn, say, because his household would be incapable of eating it all and the corn would lay in his barns and rot. Things are altogether different under a system of wide social division of labour, under a money system. Consumption, then, can develop without land, as it were, if only there is money enough. Money can do everything; but a given sum of money cannot secure everything, but only a limited quantity of things. This function of money gives birth in men to a desire to increase money wealth to an unlimited degree. This desire seized hold of the feudal lord more and more in proportion as they passed over to the exchange system.

(The development of such a desire was facilitated by the further fact that money can be saved and accumulated, which cannot be done with means of production.)

Thanks to this there arises for the feudal lord a powerful motive for intensifying exploitation, for increasing the feudal dues and feudal labour. The dependent position of the peasants deprived them of all possibility of putting up any resistance to this. Gradually the feudal dues and labour became extreme. The feudal lord, who formerly was the solicitous patriarchal ruler over the peasants, began more and more to regard them exclusively as sources of income.

The most typical example of this development is the exploitation by the Rumanian boyars in the first half of the last century. The possibility of the wide sale of corn led to the ruthless exploitation of the labour power of the peasants. This was formulated in a collection of laws known as the "code of feudal labour." In addition to a number of compulsory payments in kind, the code above all laid down that the peasants were obliged to render twelve days' work per year. But a day's work was not calculated according to the customary understanding of that term, but

according to the length of time necessary to execute the "daily task." The code frankly stated that twelve labour days must be taken to mean thirty-six days of hand labour. In addition to this the peasants had to add another twenty days for carting wood and other work. Thus the peasant had to render fifty-six days of feudal service in the year. If holidays and the time when it is not possible to carry on agricultural work be taken into account, it will be seen that the peasant had to devote two-fifths of his labour time to the feudal lord. It should be observed, however, that the figures quoted do not give an exact representation of labour service rendered by the peasants for the Rumanian boyars, for the interpretation of the "law" and the determination of the daily task was of course not left to the peasant. One Moldavian boyar frankly stated that according to the feudal code "twelve feudal service days comprise 365 days in the year."

In Russia in the eighteenth and the first half of the nineteenth centuries three days' labour service per week was regarded as being moderate.

With the development of exchange relations, the extension of his own cultivation became one of the main strivings of the feudal landowner. With this aim in view he gradually cut down the area of the peasant land and curtailed the common lands and forests which formerly the peasants used jointly with himself. When this proved insufficient he simply deprived the peasants of part of their allotments and added them to his own private estates, in this way intensifying the development of land shortage in peasant culture and at the same time increasing the labour service for the cultivation of his enlarged estates.

Meanwhile, as exploitation increased and became more intense, the socially useful functions of the feudal lord declined. The deepening of economic ties based on the development of exchange caused the strengthening of political ties. The more powerful feudal lords subdued the smaller ones, put an end to their innumerable wars of plunder, deprived them of

the rights of independent "rulers" of their domains, and subjected them to their own courts and laws. A *central State* was thus created which undertook the defence of the country from foreign foes and the protection of public safety. It gradually formed a national army composed of the troops of the former small feudal lords and their peasants, supplemented by mercenaries. In this way the independence of the feudal lords was finally brought to an end; after a long struggle they were compelled to submit, and from petty rulers they were converted into simple *land-owners*.

With this the feudal lords lost their functions as organisers of the military defence of the peasants—their main and fundamental economic function. At the same time the character of their other social functions changed also. The seignorial mills, bakeries, &c., which formerly were means for assisting peasant agriculture, now became means for exploiting it. Formerly, the feudal lord established these undertakings for his dependent peasants simply because they were not in a position to establish them themselves; he established them in their interests and not only for his advantage. Now, however, he converted them into his monopoly and demanded a high price for their use; he converted them into an important and secure source of income for himself without bothering in the least about the convenience of the rest of the population. If, as frequently happened, a feudal lord did not have a mill of his own, he charged the peasants for the right to take their corn to be ground at the mill on another estate, on the ground that the grinding of corn at another's mill was a violation of his seignorial rights.

Oppressed by an unbearable yoke, the peasants more and more frequently fled from the land. The feudal lord then found it necessary to bind them to the land, and this he was able to do by means of his political power, by his influence on the legislature. From semi-freemen, as some of the peasants had been up till now, they were converted into *serfs*.

The subjection of the peasants to serfdom took place gradually. It usually began with those who had fallen into debt to the feudal lord. Formerly the feudal lord assisted the peasants in bad years and in periods of natural calamities by loans of seeds, stock, or cattle. Of course these loans were not granted gratis, but with the moderate exploitation that existed at that time they did not lead to the ruin of the peasants. With the intensification of exploitation, the necessity for resorting to borrowing became more frequent. At the same time lending began to acquire a severely usurious character and it became more and more difficult to repay the debts. This indebtedness increased year by year and hung like millstones round the necks of the peasants. Debtors were prohibited from leaving their allotments. Later, the right to leave was withdrawn even after repayment, and subsequently the prohibition was applied, first in actual practice and later by the legislature, to all peasants.

Thus the force of exchange relations caused a transition from the feudal system to the system of serfdom. In these new conditions the character and functions of the peasant commune changed also. In order to exploit it the better the landowner gradually diminished its independence ; in the place of the elected communal elders and courts he appointed one of his protégés, and all decisions adopted by the general meeting of the commune had to be confirmed by him or his representative. In general the landowners preserved the communal form, in so far, of course, as it did not run counter to their interests. In the period of extreme oppression of the peasantry, the communal form became quite advantageous for the landowner, so that he not only carefully preserved them, but even artificially created them where they did not exist. He imposed collective responsibility upon the peasants; that is to say, the whole commune (in Russia the "Mir") was responsible for the carrying out of the various obligations of each individual peasant. In this manner the communes had to assist every farm that was

deteriorating, for the ruin of the one would increase the burdens of the others, and for the same reason the commune itself would strive to hinder any peasant from leaving the place. In a word, although the form of the new serf commune recalls the former feudal commune, its rôle was essentially different. The former tended towards the equality of each individual peasant homestead in wellbeing, the latter towards equality in the distribution of the burdens of oppression.

The forces of development of the serf system were extremely limited.

Severing direct connection with the process of production, the landowner was gradually converted, from being a participant and organiser, into a parasite living exclusively upon the labour of the peasants. The unpaid labour of the serfs, from among whom he appointed his steward, gave him the possibility of throwing off all care for the development of the technique of agriculture. He strove, not for the improvement of the methods and organisation of farming, but for devising means for squeezing out surplus labour and surplus products from the peasants. The projects of the former Russian agriculturists, thoroughly imbued with the ideology of the landowners, are extremely characteristic of this. They troubled, not about perfecting the methods of cultivating the soil or economising labour, but about the discipline and the exploitation of the muscular power of the peasants. The serf system was thus converted into a senseless waste of labour power. For example, the landowners of Riazan sent corn to Moscow by road, whereas transport by the rivers Oka and Moskva undoubtedly required much less expenditure of labour. The merchants, taking this into consideration, of course used these waterways for transporting their goods to Moscow, but not so the landowners. To send their corn by the river Oka they would have to buy barges and hire bargees, whereas their serfs would transport the corn gratis upon their own horses and waggons.

Neither could the peasants improve the technique

of their farms. Working under the whip, and knowing beforehand that any increase in the productivity of their labour would be taken by the landlord, they had no incentive to increase it. Furthermore, the peasants had neither the means nor the strength to improve their technique. The products that remained to them were barely sufficient for a semi-starvation existence. In reducing the necessary labour time of the peasants, the landowner compelled them to work at night, to give up their holiday rest-days, and finally to put their children to the heavy exhausting work, and in spite of all this they could not produce sufficient to feed their families. Underfeeding became permanent and led to the inevitable result, the degeneration of the peasants. In Russia, for instance, the peasant population during the twenty years prior to the reform of 1861 was quite stationary.

Where the dominant class degenerates as a consequence of parasitism, and the subject labour class degenerates from exhaustion resulting from extreme exploitation, there can be no development to higher forms: the serf system of itself would lead to stagnation and then to decline. The only forces that could drive it forward are those operating upon it from without. This is what happened in mediæval Europe. The mediæval agricultural world collapsed because side by side with it there arose another world, the towns, whose economic ties transformed the former, and became distinguished from it by its higher progressive conditions and relations.

VI

THE TOWN HANDICRAFT SYSTEM

1. The Development of Technique

WE have seen that the decay of the self-sufficing system of feudal society and the rise of new serf relations in the village were closely connected with the development of exchange. Exchange became wider in extent as the mediæval *towns* individualised themselves from the rest of the feudal world and gave rise to new economic conditions.

This individualisation, apart from the towns which the mediæval world inherited from the world dominion of the Romans, proceeded very slowly. In most cases the embryo of the towns was a trading village. A village favourably situated from the standpoint of ways of communication, near the junction of navigable rivers, the outlets of mountain passes, the crossing of main roads, or the fordings of rivers, became the centres of exchange, the places where periodical fairs were held. The wealth which, as a consequence, was concentrated in them roused the greed of their neighbours, and it was necessary to build walls (the distinctive feature of the mediæval town) to defend it from frequent attacks. Owing to the ease with which things could be sold, handicraft developed in the new towns. The dependent artisan of the feudal group strove to get into the towns in order to be nearer the market. The feudal relations in this connection did not embarrass the artisan, for he could live in the town and still carry out his labour obligation to the feudal lord. At first the artisans still conducted their farms in addition to their craft; the early mediæval town was surrounded by fields and pastures, and town life was not much to be distinguished from that of the village, but as handicraft becomes more and more profitable for the city dwellers so agriculture becomes of less importance. The specialisation of the city

artisans developed their crafts to such a degree that there could be no comparison with those carried on by the village craftsmen. Subsequently the feudal lords preferred to purchase their manufactures from the city artisans. Their peasants then had no longer to provide these goods, but to provide the means with which to procure them. This is how the individualisation of the town from the village took place. The slowness with which this took place can be judged by the fact that, according to the Duke of Bavaria of that day, the citizens of the town of Munich in 1589 could not have existed without ploughing and pasturage.

At the period of the rise of the towns the extent of production increased many times. In the first place, labour became more productive, and, secondly, the quantity of social labour increased, for society had become more extensive. With the increasing variety of social products the sphere of production engaged in the *transportation* of products began rapidly to develop. An increasing quantity of goods were required in places where they were not produced. A special social class arose who were engaged particularly in transporting products and distributing them among consumers—the merchant class. The technique of transporting products and communications generally improved, roads were laid, bridges built across rivers, larger and stronger ships were built capable of performing long voyages, and armed forces were placed along roads and at storing centres for the protection of goods under conveyance.

As for industrial technique, that improved during this period by the numerous specialisations of technical methods. This was due to the fact that handicraft migrating from the village into the town, in the course of time, under the influence of expanding demand, split up into an increasing number of subdivisions. In the first stages of the development of the towns an artisan would be engaged at the same time in the several branches of his industry. In England, for instance, a smith would at the same time do joiner's

work, a shoemaker would also do tanning. Subsequently handicraft split up into a number of special crafts; tanning became specialised from shoemaking; instead of the clothier we had the spinner, weaver, fuller, and dyer; the smith's craft became divided into the cutler's and locksmith's and nailmaker's and armourer's crafts, and the latter split up into the manufacture of shields, of swords, and of helmets. Such a wide specialisation caused the adaptation of the previously universal instruments to definite and special operations, which, of course, facilitated the growth of productivity of labour. Hand tools, however, remained predominant and this placed a certain limit on the increase of the productivity of labour. The strength and speed of movement of the human hands, even allowing for the greatest skill of the workmen, cannot exceed a certain physiological limit.

In general the progress made was enormous. With the growth of the extent and variety of social production, with the development of the transport industry, with the improvement of the technique of communication between men, the power of nature over the social man weakened more and more. The material environment, the social life of man, ceased to depend wholly upon the natural conditions of the particular place. If the natural resources of one country were not sufficient to conquer nature, these means could be procured through other people from another country. Each new conquest in the struggle against nature spread much more rapidly than the previous one. This broke the domination of elemental forces and the economic ties of the mutual relations between men extended. The crude power of nature gave way before expanding, although not closely compact, social union.

2. The Development of Towns

To the extent that the material forces of the town population increased the actual dependence of the town upon the seignior, upon whose land it is situated,

grew less. Sometimes by means of payments and sometimes by direct fighting the townsfolk acquired increasing independence in the internal affairs of the town. The conflicts between the feudal lords weakened their power, and thus frequently created favourable opportunities for the town dwellers to settle their affairs with their feudal lord. Relying on their military power and strong walls, the town in many cases played a decisive rôle in this struggle by supporting one or another feudal lord. The town did not give its assistance for nothing, but in return for some new right or privilege. During the Crusades, when large numbers of feudal lords fell into financial embarrassment, many towns were able to purchase their independence and land from the seignior and free themselves from feudal dues and obligations and the interference of the seignior with the internal affairs of the city.

The struggle of the towns against the feudal lords who strove to maintain their power over them continued throughout the whole of the second half of the Middle Ages. The group first to take the lead in this struggle were the city merchants whose occupation developed in them great energy, pugnacity, and organising ability. Grouping around the oldest, richest, and most powerful merchant families, the richer merchants organised into the so-called guilds. These guilds in form had the usual religious character, but in reality had for their purpose the joint defence of common economic interests. Under the banner of the guilds the town long continued the struggle for independence. The structure of the guild and the relations between the rich families at the head and the remaining members of the organisation strongly recalled the relations of the seignior and his vassals.

In the course of time, the further development of handicraft and the growing strength of the artisan class led to another grouping of the town population—the formation of the *craft guilds.*

Essentially the guild organisation represents a relic

of the patriarchal relations, that communal guardianship over the individual and individual enterprises which existed in the agricultural communes of the feudal period. What forces could have caused these relics of former relations to assert themselves and develop among new social formations ?

In small handicraft production mutual aid and support among producers is essential in order to make their position firm and secure. Without such aid, the small producer, as a consequence of his economic weakness, always stood in danger of losing his all at the first misfortune, such as a temporary fall of prices, the breaking of some tool, a fire or theft.

The position of the handicraftsmen becomes particularly shaky when there is free competition between them. Competition would mean ruin for the weakest, and these are the majority. It was, therefore, necessary for those working in a particular craft to unite in order to abolish competition.

In all probability the origins of the guild organisation must be sought in the communal relations of the feudal agricultural world. Historical traces of the rise of the guilds may be found between the eleventh and thirteenth centuries. Sometimes guilds arose in the form of temporary combinations between the craftsmen of a given town working at a given craft, or at several allied crafts. Such temporary unions became more stable as the advantages of unity became obvious to their members, and finally they became permanent.

Permanent guilds developed not only as a consequence of the fact that the guilds had to organise the struggle for the emancipation of the town from feudal oppression, but also because the old aristocracy of the towns did not readily abandon their dominant position in political life, and the guilds had to exert considerable effort to break their stubbornness.

Developing amidst approximately the same social conditions, the main features of the construction of the various guilds were of one type, although, of course, may have differed in some details.

Each guild had its elected administration and its rules. The rules of the guilds were rather varied, rather democratic in general, but bearing traces of aristocratic tendencies. These traces at first, in the period of the struggle against the old civic aristocracy and against feudalism, were inconsiderable and hardly noticeable. Even serfs had the right to become equal members of the guild if they had lived a year and a day in the town. In the course of time, as the guilds acquired the actual domination in public affairs and secured the possibility in their turn of becoming the aristocracy of the town, the democracy of the guilds began to decline. The guilds began to divide into different groups; one had more rights than the other, as, for instance, those who were not yet independent masters or those who had not fully served their period of professional training. The first are journeymen (appearing in Germany in the thirteenth century) and the second apprentices (appearing in Germany in the fourteenth century).

From that time only "master craftsmen," *i.e.*, those who independently follow their craft, are full and equal members of the guild. These are a peculiar kind of artisan aristocracy; but this aristocracy was based not on birth or wealth, but on the art of handicraft, on the degree of skill at their craft. Every craftsman with a certain amount of energy and ability could aspire to the position of master craftsman. For this purpose he had first of all to serve as an apprentice with some master craftsman; then he had to pass an examination of his skill at his craft as a journeyman. This, however, does not give him the right to open a workshop of his own; he must work as a wage worker for a certain number of years. Only after he had done this could he go up for examination as a master craftsman, and if he passed he could then carry on his trade independently. His rights in the sphere of public affairs increase parallel with the rise in his economic position.

The essence of the system obviously consists in avoiding excessive competition among craftsmen arising from a too rapid increase in the number of businesses.

Many other measures were taken to reduce competition. Thus the number of journeymen and apprentices which each master craftsman could employ was limited to two or three, and was rarely more than five. Consequently the master craftsman could not at will extend his business, and could not greatly increase the productivity of labour in his business by means of increased co-operation and division of labour; he could not by these means squeeze other artisans out of the market and compel them to starve. His business was doomed to remain a small one, and for that reason there was room for all in the market.

As the number of employed workers was small, the profits received from their labour were insufficient to allow the master craftsman to live comfortably by limiting his functions merely to that of organising. He had to work side by side with his men, as a consequence of which in the first period of the guilds, before new forces had come to the front to break up the old forms, the relations between the master craftsman and his workmen were friendly and domestic.

Furthermore, in order to avoid inequality in competition, the length of the working day and the number of working days in the year were strictly defined by rule. Nor is there any difference in the length of the working time of the master craftsman and of his men, for both permanently work side by side. The working time varies in the various guilds, usually between fifty and sixty hours a week (in England in the fifteenth century it was eight hours a day). In addition to the numerous holidays in the Catholic Church Calendar, the Monday of each week was also kept as a holiday.

The wages to be paid to a workman, the minimum price of commodities, and the qualities it must possess before the master could sell them were also usually fixed by the rules of the guild.

Production was regulated and defined by rules down to the minutest details. All these regulations tended to one thing, viz., that all master craftsmen conducted their

businesses equally and under equal conditions; no one was allowed to produce a better quality or greater quantity of commodities than the others. Of course, these rules developed gradually in proportion as the disadvantage of competition made itself felt.

The provision of raw material for its members by the guild as a whole also had for its object the abolition of competition. The raw material thus obtained was divided equally among all the members. Some guilds it is true permitted their members to purchase raw materials independently, but in doing so that member had to inform his fellow members, and if any of them so desired it he had to concede part of his purchase to them at the price at which he purchased the materials. The regulation in this respect went so far as to lay it down that a member of the guild who proposed to undertake a journey to purchase materials had to inform the others of his intention.

In order to make the town market quite secure for the guilds, the laws of the town gave them the *monopoly* of the production and sale of goods in the respective towns. Those who wished to engage in any particular craft in a certain town had first of all to join the local guild of that craft, of course with the consent of that guild, and the rules governing the acceptance of new members laid down certain conditions and formalities, in some cases more, and in other cases less, difficult.

Apart from the regulation of production, the rules of the guild laid an obligation on the members to help one another in case of need. This form of activity was also of considerable importance for the small producers.

Almost from the very beginning of their organisation the guilds revealed an inherent contradiction which became more acute in the later periods, *i.e.*, the antagonism of interests between the master craftsmen on the one hand and between these and the journeymen and apprentices on the other. The rules of the guild were directed towards protecting the interests of the master craftsmen who drew them up. Out

of this, for instance, arose the obstacles placed in the way of a journeyman becoming a master craftsman. But as long as every journeyman had the hope sooner or later of becoming a master craftsman, the internal contradiction of the guild did not assume an acute form.

3. The Towns and the Formation of the New Political System

With the development of the social division of labour, and the extension of exchange far beyond the limits of the towns and their environs, the former political organisations—the feudal spiritual, the feudal military, and city—became inadequate to protect the exchange relations. The division of the territory into thousands of petty despotic States rendered the establishment of contact very difficult and the occupation of the merchants rather dangerous and frequently unprofitable. More than that. Travelling along bad roads among a ruined peasantry driven by hunger to commit robbery, almost at every step coming to a toll gate where he was compelled to pay heavy duties to the local seignior, the merchant, in addition, risked being plundered of all his goods by one of these petty kings on the grounds that he, the merchant, came from the domain of his enemy. Sometimes the merchant's goods were requisitioned without any pretext at all. To this must be added the variety of laws by which the merchant was tried in various places, and the variety in the money which each feudal lord had the right to coin. Amidst such dangers and confusion socially necessary trade became almost impossible.

There arose an imperative necessity for wide, firm, centralised political organisations which would be capable by military force of bridling the violence of the feudal lords, of establishing public order, establishing some kind of uniformity in the laws of exchange, in coinage, weights and measures, of

laying down main roads, and of organising the protection of the merchants in foreign countries.

The Catholic Church was incapable of fulfilling these tasks because its power and authority began to decline with the development of exchange. The power of exchange and of money produced a great change in the social functions of the clergy. When the economy of the Church was transformed from self-sufficing to exchange economy, the same change took place within it as took place in the rest of the feudal world, and for the very same reasons: the greed for accumulation caused a considerable diminution of the socially useful activity of the Catholic clergy and considerably increased its exploiting tendencies. The social influence of the Church, its power over men's minds, began to decline, the more so that men themselves became different from what they were before. The development of communication had widened their outlook, dispersed ignorance, broken up the old conservatism, and roused the spirit of inquiry. The force of material interests directed developing ideas against Catholicism as the ideological bulwark of the exploiters.

Throughout the whole of the second half of the Middle Ages heresy marched along in unbroken ranks against which the Papacy fought desperately, exhausting its main strength—the sympathy of the masses—in so doing.

The city republics proved incapable of becoming the nucleus of the necessary political organisations. It is true several towns attempted to create such organisations of defence and mutual protection of property (the Hanseatic League, for instance), but in the course of time such alliances revealed an insufficiency of strength and stability and internal unity. Individual towns were incapable of rising above their local interests and strove to exploit their allies, and the latter, in their turn, naturally strove to preserve their economic and political independence. Furthermore, the very structure of the city organisa-

tions was unfavourable for the carrying out of such a task as "gathering up the lands." Their power was not sufficiently centralised, and therefore insufficient for this task.

Thus the progress of events imposed upon the *military feudal system* the "historic mission" of developing out of itself fresh forces capable of establishing order in the land, and there the necessary elements were found.

The quarrels between the petty feudal lords themselves, and between them and the towns, played into the hands of the greater feudal lords, particularly the princes and kings. Gradually they began to "gather up the lands" in their own hands by subduing the petty feudal lords and annexing their domains to their own. The petty feudal lords energetically resisted the encroachments of their suzerains, but the latter found in the towns energetic and reliable allies who were hostile to the former. The alliance with the towns placed means at the disposal of the kings which their antagonists could not obtain. The kings organised standing armies which enabled them to go to war at any moment, and this the feudal lord was not able to do.

The progress of military organisation rendered considerable service to the cause of the kings and hastened their victory over their unruly subjects. The discovery of the use of gunpowder rendered the hitherto inaccessible castles and iron weapons of the feudal lords useless. The feudal lords ceased to be invincible when they ceased to be socially necessary. The subdued feudal lords became simply landowners and in the majority of cases entered the service of the kings.

The Catholic Church, like the other feudal lords, very reluctantly, and not without energetic resistance, surrendered its prior organisational function in social life to a new force. At times the clergy succeeded in winning important victories against the monarchs.

At the end of the Middle Ages the struggle ended with the victory of the kings. Thus gradually

developed the extensive absolute monarchic organisations capable for a time of guaranteeing the peaceful progress of the developing exchange system.

4. The Forces of Development of the Mediæval Towns

The exchange system of the towns was much more capable of development than the feudal and serf systems. The absence of subject labour, the growth of specialisation, the extensive commercial ties, and the increase of the productivity of labour laid the foundation for the whole of the subsequent economic development of Europe. The surplus labour of the towns was not spent on the whims of a degenerate feudal parasitic class, but on the expansion and improvements of the methods of production. As the towns stood to the country in the relation of monopolists they were able by means of trade to squeeze part of the surplus labour out of the country also. All this facilitated the enrichment of the towns which in a few centuries reached a state of magnificent prosperity.

In the period of the city handicraft system a new motive force arose—competition. Individual enterprises strove to secure the most favourable positions for themselves on the market. This could be achieved by reducing the amount of labour necessary to be expended in the production of one or another commodity, in other words by increasing the productivity of labour. From this follows the development of technique, the primary motive power of economic development. It is true that competition was but weakly developed at this stage of social life: the handicraft guild system limited it by a variety of means. But the very measures adopted by the guild against competition proved that competition existed, and that its influence was sufficiently important to make it necessary to introduce these measures to combat it. The framework of the guilds could not altogether fetter it, and later on it gradually undermined and finally broke this framework.

5. The Main Features of the Ideology of the Pre-Capitalist Epoch

The serf and the handicraft guild systems made an enormous breach in the self-sufficing systems prevailing previously to them. The former arose as a consequence of the rise of exchange, and they in their turn facilitated the development of exchange. But the influence of the old ideology was still very strong. This is due, first of all, to the fact that social consciousness is generally conservative, and secondly to the fact that authoritarian relations still prevailed in the feudal village and in the handicraft guild town. The power of the landowners in the country and the master craftsmen in the towns made a deep impress on the ideology of society. Ideas in general continued to remain authoritarian and feudal conceptions still dominated men's minds.

But as economic relations underwent a change, as exchange, undermining the old social forms, developed, the elements of new ideas began to develop. The first of these was *exchange fetishism.*

This exchange fetishism was the expression of a new power which subjected man in exchange society—the power of social relations.

In exchange is expressed the division of labour among men—but this is unorganised division of labour. It is this unorganised character of the division of labour which renders the producers incapable of adapting themselves to their mutual relations and causes them to designate these relations as a " power."

As has been explained, prices of commodities are subject to the law of value, *i.e.*, in their fluctuation prices always tend to correspond to value. But at any given moment prices to a more or less degree deviate from value because the law of value is not carried out consciously by an organised power, but by the elemental mechanism of competition. At any given moment a producer of commodities stands the risk of finding himself unadapted to the conditions

of the market; his labour power, partly or completely, has been spent uselessly, his participation in social distribution diminished, and his consumption reduced, and this means the partial or complete collapse of his labour power and his business.

As a consequence of all this the market to the producer represents an external force to which he must adapt himself, but whether he succeeds or not does not depend upon his will. In the same way external nature, with its innumerable unexpected dangers, presented itself to the mind of the savage. From this arise the two varying forms of fetishism.

The market and competition, with its frequent and bitter struggles, conceal from the eyes of the producer the fact of the social alliance, of social co-operation, in the struggle against nature. Buyer and seller, who have both actually worked for society, meet on the market, not as members of the same social alliance, but as opponents. The producer has no possibility of understanding that his labour is an expenditure of *social* labour power like the labour of other producers.

The producer of commodities cannot know anything of the social value of commodities because he is not accustomed to regard commodities as a *social* product. Observing numerous cases of exchange, he has a conception of values—in reality the usual price of commodities—but to him it is an inexplicable phenomenon. He cannot connect this with the expenditure of social labour power first of all, because he has no conception of the *social* character of the labour with which the product was produced, and, secondly, because value presents itself to him always in the form of a definite quantity of *money* and not in the form of a definite quantity of *labour*. If the producer of commodities cannot in his mind connect value with the relations of the social labour of men, he can, however, connect it with the commodity itself. Superficially, this is quite natural; no matter who may have the commodity, the producer or some other person, it is always sold for its inherent value. From this

nothing is easier to conclude than that value—the capacity of being sold for a certain sum of money—is an *attribute* of the *commodity itself* independent of men or of society, in short that value is the *natural quality of a commodity*. Whence comes the quality? what determines its limits? the producer never seeks to know. To him the exchange value of an axe is five shillings and nothing else, it exists in the axe itself independently of anything else, just as for the natural fetishist the spirit of an axe was the spirit of the axe and nothing else. Not having the possibility of comprehending that exchange expresses the social labour co-operation of men in the struggle against nature, *i.e.*, the social relations between men, commodity fetishism considers the capacity of commodities to exchange to be the inherent natural quality of commodities themselves.

Thus, what in reality represents the *relations between men* seems to it to be the *relations between things*. Exchange fetishism consequently represents the opposite to natural fetishism which represents the relations between things as the relations between men.

Exchange fetishism expresses the domination of human relations over men, just as natural fetishism expressed the domination of external nature over man. Where the social man comes up against some elemental force which he cannot subordinate to himself, and to which his mind cannot adapt itself, he inevitably creates for himself a fetish.

The development of exchange also creates the illusion of individual production. The individual producer imagines that his enterprise is economically quite independent. As a matter of fact, there is no such thing as individual production in exchange society. A single enterprise represents but a part of an economic society of labour to which it is bound by a million threads. But the individual commodity producers enter the market as opponents. When two representatives of exchange society meet in the capacity of buyer and seller, one strives to buy advantageously and the other to sell

advantageously; between them there is created an antagonism of interest. The same thing takes place when two commodity producers act simultaneously either as buyers or sellers. An increase of demand in the first instance, and an increase of supply in the second, would place these commodity producers in a disadvantageous and sometimes in an extremely difficult position. Thus in exchange society there develops a general antagonism of interests, a war of all against all which is called competition. This antagonism still more befogs the mind of the commodity producer. Blinded by the struggle, he completely ceases to see the co-operation of a great society, but imagines that his own and other enterprises are completely individual.

This illusion finally entrenched itself in the mind of the commodity producer with the development of money. As long as commodities were directly exchanged for each other, the commodity producers could still see the labour ties between them, they could see that what they exchanged was the product of their labour, they could yet see that one worked for the other. But things changed radically when means of exchange came upon the scene. Between commodities being exchanged there stepped in—money; between exchanging commodity producers there stepped in—middlemen, merchants. Under such conditions labour relations are masked and concealed from those participating in exchange. A shoemaker exchanges boots which he has made for the money of a merchant who, of course, has not produced, and with the money buys, say, clothes, which have been produced by some other person. Here the commodity producer feels quite separated from the system of production as a whole, all production ties are lost, and he only sees the market which dominates him.

For a producer (and members of exchange society) only one thing is clear, and that is that for money he can buy anything he pleases, and the degree to which he can satisfy his requirements depends entirely upon the quantity of money which he has at his disposal. This

remarkable peculiarity of the means of exchange is ascribed to money as such ; there arises *money fetishism*, which arouses an insatiable *greed for accumulation*. At first accumulation has for its aim the satisfaction of immediate requirements, but in the course of time, when, with the development of competition, a large reserve of money begins to give a tremendous advantage in the economic struggle, accumulation acquires a special character. From a means it is converted into an end in itself ; the commodity producer and merchant begin to *accumulate for the sake of accumulation*.

The illusion of individual production also created the fetishism of *private property*. It appeared with the development of exchange.

The conception of " property " arose only when " individuality " arose in the commune in the person of the organiser. Only then was it possible to speak of a given tool or article as " belonging " to the patriarch, who, owing to his special function in the system of production, stood out from among the other members of the commune. No one but he, for instance, could put on the adornments of a chief. But " property " in that period is radically different from property in modern times. The patriarch organiser could not grant or bequeath his weapons to anybody else. On the death of the chief, or on his retirement, all his " property " was transferred to his successor.

With the development of exchange the conception of property acquires quite another character. When two exchanging parties represent two individual communes they confront each other as the owners and non-owners of a given commodity and recognise each other as such. With the development of the individualisation of production this polarity of exchanging commodity producers acquires, as we saw, a more marked form. The tools and products of his labour, and commodities, belong to the individual, who purchased them on the market. He imagines these things as something that is his *own*, and that has no relation to other men. The individual regards his property as a relation between

his things and himself. This is the fetishism of private property.

That this is indeed a fetish, that the individualistic conception of private property is an illusion, is evident alone from the fact that a youth may be the owner of an enormous fortune to which he, of course, has no practical relation and of which he can have no conception. This youth can be the owner because society recognises him as such, and if necessary will protect his property from any attempt of anybody else to acqure it. This example clearly shows that property *is a social relation, the relation of society simultaneously to a given person and to given things.*

Private property determines individualism. Individuality, in the minds of men, separates itself more and more sharply from the rest of society. At the same time there develops a self-consciousness of individuality which regards itself and its own interests as the centre of life and not the authority and his commands as was the case in former times. Filled with the greed for accumulation and acquisition, it seeks new paths and methods of enrichment. This makes itself felt first of all in the economic sphere and then in the sphere of ideas which serves as a weapon in the struggle for economic advantage.

Thus exchange gradually destroys authoritarian fetishism, which dominated in natural self-sufficing society, and gives rise to new forms of thought which are no longer confined by the former narrow limits.

VII

MERCHANT CAPITALISM

1. The General Conception of Capital

IN common parlance capital is taken to mean wealth which produces profit. But this is totally incorrect, because no wealth, by itself, can create profit.

Let us take a concrete example : a merchant possesses a certain sum of money. He spends this money on the purchase of commodities, and later, by selling these commodities, he receives a certain profit. This operation can be expressed in the following formula : **M** (money), **C** (commodity), **M1** (money), in which **M1** is a greater quantity than **M**, otherwise there would be no purpose in making the operation. Let us suppose that **M** represents £8, and that **M1** represents £10. Let us suppose further that the production of the money metal contained in two shillings demands the expenditure of one day's socially necessary labour power. Consequently, the merchant in spending £8 not only receives this back again, but receives an additional £2 or products representing twenty days socially necessary labour.

The surplus may originate from two sources. It is possible that the transfer of the commodities from the producer, from whom the merchant bought them, to the consumer, to whom the merchant sold them, required the expenditure of twenty days' labour. In this case the merchant completes the work of the direct producer, he finishes the necessary labour process of producing the commodity ; that which the merchant receives in this case bears the same character as that which the artisan receives. In the majority of cases, however, the amount of labour expended by the merchant by no means exhausts the difference between **M** and **M1**. This difference arises from the fact that the merchant does not pay the artisan for the whole of

the labour which he has expended, but only for part of it. The commodity cost the producer ninety days' labour, but the merchant did not give £9 but only £8 and thus appropriates to himself ten days' surplus labour. Here the merchant no longer appears in the capacity of an artisan engaged in the transport of goods, but in the capacity of a capitalist. His money and other property, which serves the purpose of acquiring the surplus labour of the commodity producer, plays the part of capital.

Cases occur, however, when it appears that the income derived from capital has nothing in common with the process of labour, for example, income derived from capital given out at interest, usurers' capital or credit capital. A usurer, say, lends a certain sum of money to a peasant or an artisan, and within a certain period receives in return a sum of money which is considerably larger than he sum he lent. He performs an operation which may be expressed in the formula **M** (money), **M1** (money), where **M1** as in the formula is greater than **M**. Here the illusion that **M** has increased of itself is even greater than in the first instance, because the function of the usurer has nothing to do with the process of production. But if we examine the question we will see that the usurer received a certain income only because he loaned his money (or part of his property in the form of seed, raw material, &c.) directly to a commodity producer. If he had hoarded his money in his chest it is clear that its quantity would not have changed in any way. But lending this money to the commodity producer, he gave him the possibility of converting them into means of production (tools, raw material, &c.), and by adding to these a certain quantity of labour he converted them into products having a greater value than the original sum. Part of the new value is appropriated by the usurer in the form of interest on capital.

The same thing applies to the capital of an industrial enterprise. As in the cases previously examined, the movement of capital commences with money.

A manufacturer purchases means of production and labour power which comprises industrial capital. When the process of production is completed, he obtains commodities which are sold for a sum of money exceeding that which he originally expended. The surplus is obtained by the manufacturer, in paying the workmen wages, giving them only a part of the values, which they had added to the means of production, in converting them into the finished product. Thus the profit derived from capital in this instance also originates from the appropriation of the product of another's labour, from the exploitation of the labour power of another person.

This exploitation is possible because the means of production, without which it cannot be carried on, do not belong to the direct producer, or perhaps the latter does not possess them in sufficient quantities, but either wholly or partly represent the *private property* of the capitalist. From this point of view capital should be defined as *means of production which have become means of exploitation owing to the fact that they are private property.*

The majority of bourgeois economists define capital as " a product of labour used for further production." If this is a correct definition then the stick which the savages use to knock off fruits from trees or the spear which he uses to kill a wild beast for the sake of its flesh are also capital. Such a definition would make us believe that capital has existed as long as man has existed, whereas we see that the existence of capital is connected with a definite system of productive relations, viz., the exchange organisation. As this system is not eternal, as it appears as a definite stage of economic development, and at a definite stage may disappear, so capital represents an historically transitional phenomenon. From this point of view the awl of an itinerant cobbler, passing from one customer to another, or the plough of a peasant working together with his family, no more represents capital than the bow or the sickle of primitive man. Means of production

and money, which represents the general form of value of the former, become capital only in the hands of those who, basing themselves on their property rights, use them for the purpose of appropriating the surplus labour of others irrespective of whether the latter are wage workers or apparently independent producers. If these same means of production should cease to be private property, and consequently means of exploitation, they would cease to be capital, although, of course, preserving their use in production.

2. The Technical Relations of Production

Two fundamental facts determined the transition of handicraft city society to commercial capitalist society: first, the general increase in production, and, secondly, the very rapid development of that branch of production engaged in the distribution of commodities.

The general growth of production was a necessary result of the forces of development which operated in handicraft city society.

The particularly great progress of "commercial transport" was due to the fact that, with the growth of production as a whole and the developing division of labour, it was necessary not only to transport a larger mass of products, but to transport them over greater distances than previously.

Expanding production is no longer limited by the adjacent markets, but step by step enters into connection with the more distant markets, to which an ever-increasing share of products have to be transported. The discovery of these more distant markets, as well as maintaining connection with them, becomes an increasingly difficult task. At the same time the conveyance of products from the workshop to the market *acquires increasing importance in the general system of production.*

In accordance with this, changes take place in the social functions of the various groups of society.

3. The Expansion of the Power of Merchant Capital over Production

As the area of the market expanded and it became difficult and even impossible for the small commodity producer to maintain contact with it, the economic power and social importance of the class which specialised in this task increased.

Producing commodities for a wide, indefinite, and distant market the small commodity producer loses all possibility of personally placing his goods on the market as happened in the majority of cases when the market was limited, near, and definite. It is known, for example, that a watch made by an English craftsman in the sixteenth century was sold in Turkey. At the beginning of the same century, according to a contemporary, woodwork manufactured in Kaluga [Now a province of Russia.—Tr.] " was exported to Moscow, Lithuania, and other adjacent countries." Under such conditions the small producer could not, of course, himself place the products of his labour upon the market. Thus the last operation of production—the distribution of the product—finally became separated from the other processes, and the need of the producer for a go-between became imperative. Out of this arose the economic dependence of the producer upon the merchant. The producer had to sell his product to the merchant in order to be able to continue his work, but the conditions of this transaction ceased to be equal for both sides. In the first place, the producer does not know the actual conditions of the market in which the merchant sells his products. Secondly, the producer cannot wait, for owing to his small stocks he must sell his products immediately in order to be able to acquire the means for continuing his business. The merchant, on the other hand, having all the necessary information and possessing comparatively larger means can postpone his purchases if the conditions offered him are not to his liking. Consequently the producer generally has to give way and accept the price offered him by the merchant.

This does not mean, however, that the producer will sell his products at an arbitrarily low price; in the first place, there is competition among the merchants, and in the last resort, although with extreme difficulty, he can find another merchant; secondly, it is not to the advantage of the merchant to destroy the business of the producer by imposing too heavy conditions upon him, for by doing so he would not be able to extract any more profit out of him and would thus destroy the basis of his own well-being. Consequently exploitation is carried on to a degree which still allows the small producer the necessary means for continuing his business; all above that is taken by the merchant by reducing the price which he gives for the product below its value.

It should be observed that frequently the merchant buyer was not merely a merchant, but a producer carrying out the final operation in the manufacture of a particular commodity before it is sent to market. For instance, in the manufacture of clocks, which right from the first was divided among a number of small producers, each making the various parts of the clock, the craftsmen who assembled the various parts usually also acted as merchants. In the textile industry this part was played by the finisher. In essentials this case is in no way different from the other; that producer becomes dominant who carried out the last operations in the manufacture of a product, no matter whether it is the last or the last two operations.

The seizure of economic domination by the merchant is facilitated by the fact that small enterprises are very unstable. Any accidental shock, any natural or economic calamity, threatens ruin to the enterprise of the small producer and compels him to resort to the assistance of the economically stronger members of society, usually these very same merchants. Then the merchants act in another rôle, that of usurer-creditor. In lending money to the producer for the purpose of enabling him to maintain his business, he

is really paying beforehand the prices of the goods which the producer, his debtor, will produce. The effect will be that the price of these commodities will be forced down still lower, and the dependence of the producer upon the merchant will be still more permanent. Usually under such circumstances the producer formally undertakes not to sell his products to any other merchant than his creditor.

The usurer and merchant buyer are not always combined in the same person; frequently these two functions are specialised. This fact, however, does not alter the position of the producer. Frequently the usurer in his development becomes a merchant buyer, thus extending his socially productive rôle. The merchant, by force of circumstances, is compelled to act as the usurer in rendering assistance to declining enterprises.[1]

Thus, although formally the small producer remains

[1] One of the most striking examples of this is the so-called "Kulak" [Literally a "fist."—Tr.] in the villages in Russia. Owing to many reasons, crude primitive technique, which places production in almost complete dependence on atmospheric conditions and on external nature in general, the heavy burdens of dues and taxations, and the fluctuations of the price of corn, &c., the peasants' farms fall into an unstable position. Under the natural self-sufficing system one of these reasons did not exist (the fluctuation of prices); the others only led to the curtailment of consumption by the peasant's family. Under the money system, however, all these reasons lead to a moment arising when the peasant is in extreme need of money—for the purchase of instruments, seeds, for paying dues, &c. As the sale of the peasants' commodities (corn and, as we shall see later, labour power) in most cases does not realise the necessary sum, he must resort for assistance to the kulak—usually his wealthier neighbour. The kulak lends the money, but for enormous interest (in the majority of cases for 10 or 20 per cent.). Furthermore, the loan is frequently repaid not only in money but in labour (the kulak is usually a farmer) or in produce (the kulak is also in this case a merchant). As, however, the interest is high, and the peasant's farm is very shaky, and in addition to which, owing to his general ignorance and his ignorance of the laws, the peasant is usually cheated, his indebtedness does not decrease, but increases. Finally, when the loan actually has been repaid over and over again, juridically it is so great that the peasant can no longer retain his farm and it passes into the hands of his creditor.

free, his real independence has disappeared. Basing himself on his economic power, the merchant intervenes in the productive activities of the small producer: acts as controller and the supreme organiser of production. In accordance with his interests, the merchant indicates in what quantity, in what quality, and at what time a certain product should be finished and fixes the price for it. The producer is compelled to agree to this, otherwise he will not be able to sell his commodities. In accordance with his interests the merchant compels the producer to curtail production or helps him to increase it. Indirectly the merchant influences the technique of production in demanding products of a particular quality. In general, *the merchant, if not formally, at least actually, becomes the organiser of small industry.*

Thus, actually small enterprises are combined under the authority of a single organiser. This combination is far from being complete; it still leaves the small producer considerable independence in the internal affairs of his enterprise. This is *merchant capitalist organisation of production.*

Merchant capitalist production cannot be regarded as typical small production. Although the greater part of the process of producing commodities is carried out in small and formally separate workshops, it is nevertheless large-scale production for the market.

The process of the development can be traced in the histories of a number of industries in western Europe. Solingen had long been known for its manufacture of steel weapons. The craftsmen in this trade themselves took their products to the fair, and on returning home went back to their work. But when trade developed, some of these craftsmen became merchants, who were exclusively engaged in trading in Solingen arms and, in fact, controlled the whole industry of the town. To execute the orders of the merchant became the common practice. The same thing took place in the Italian cities (Venice, Genoa, &c.) which manufactured silk fabrics for the whole of Europe.

According to the rules of the guild every master craftsman himself had to sell his product directly to the consumer. This was one of the measures adopted by the guild to prevent competition and the rise in power of individual craftsmen. In the course of time, however, the guilds had to abandon this principle. They started by allowing one craftsman to sell his goods to another, and later allowed those craftsmen to buy goods who had ceased to produce goods. Sometimes it happened that merchants who did not belong to the craft guild were allowed to join it, and thus received the opportunity of trading in the products of the craftsmen. This was the period, however, when the compactness of the craftsmen, fighting for their existence, still represented a real force. With the subjection of the craftsman to the merchant all limitations in the method of disposing of the products of the craftsmen was gradually removed. The expansion of the market slowly but surely undermined the existence of the craft guild, which gradually lost its economic importance.

To work for the merchant in the course of time became the common practice. Thus at the end of the sixteenth century a single merchant in the Basle silk industry gave out work to about sixteen craftsmen. In the first half of the seventeenth century the number of looms working for a single merchant reached about fifty. In Nottingham in 1750 fifty merchants provided work for 1,200 stocking weaving looms. In the silk-weaving industry in Lyons in the eighteenth century the average number of craftsmen working for a single merchant was from eight to fourteen, employing from thirty-five to fifty workers.

As merchant capital developed, it acquired increasing power over the producer and widened its sphere of influence in the internal organisation of industry. It should be observed in addition that the remnants of feudal relations did not in the least hinder merchant capital from seizing the power of organisation, and with it the power of exploitation of peasant farming. In undermining the well-being of the serf peasants, the

landowner reduced his own power of resistance to merchant capital. In transforming his feudal dues into a money payment he compelled the peasants to sell their products, and thus forced them into the hands of merchant capital. Finally, the landowner himself assumed the function of merchant capitalist as buyer or usurer.

Very often the merchant undertook to supply the producer with the materials of production which the latter purchased from the former. As it became more and more frequent for the producer to take these materials on credit, the transaction became much more simple: the merchant simply gave these materials to the small producer who had to manufacture goods out of them for the merchant at a previously agreed price. As a consequence the producer lost his independence to an even greater degree. Strictly speaking, it can no longer be said that the producer sells his goods to the merchant; he merely receives payment from the merchant for the labour he expends in converting the latter's materials into finished goods and for the wear and tear of his own tools. If we removed this second part of the payment we should have what is commonly called wages.

This is the domestic system of large-scale capitalist production, the second stage of the development of merchant capitalism.

This stage of capitalism forced its roots down so deep into society that it still continues to exist at the present day, *i.e.*, in the period of the domination of the highest form of capitalism. In Germany at the end of the last century there were half a million people employed in home industries. In Switzerland in the same period 20 per cent. of the whole working population worked in their own homes under the direction of merchant capital. Home industry is widespread even in England where it is known by the characteristic term of the "sweating system." In Russia it is known as the "Kustar" industry and embraces one and a-half million workers. The kustar works almost

exclusively for the merchant. The merchant supplies him with the raw material and even tools, and lends him money. It is clear that under these conditions the kustar is actually converted into a wage worker for the merchant capitalist.

The large-scale character of domestic capitalist production is evident not only from the fact that goods are conveyed to the market in large quantities, but also from the wholesale supply of raw materials which are afterwards distributed among individual small producers.

It is clear that the greater the actual dependence of the small producer upon merchant capital, the more rapidly does the former lose the last shreds of independence, and the less able is he to resist the further encroachments of the latter.

Sometimes, after the complete ruin of the small producer, the merchant capitalist finds it advantageous to supply him not only with materials, but also with tools, and thus the final traces of the independence of the small enterprise disappear. This is the last stage in the development of merchant capital and the border line of its transition to *industrial capital.*

4. The Decay of the Small Enterprise and the Development of the Class Struggle

The external aspect of merchant capital changes very little in the organisation of the enterprises of individual small producers, but a considerable change takes place in the inter-relations between the groups.

At first the invasion of merchant capital into the life of the small enterprise is advantageous for the producer. The merchant, forced to compete with local buyers, gives the producer fairly good prices, and above all gives him large orders for distant markets. But things change as the producer falls into economic dependence upon the merchant. The yoke of commercial capital then becomes for the producer an ever-increasing and often an unbearable burden. The well-being of the small enterprise is forced down to

a level which leaves the merchant capitalist nothing more to take. The small producer exhausts himself in the effort to maintain his previous position or, at least, to keep it at a definite level. Not only does he exhaust himself, but he compels his wife and children to work harder. Children are forced to do heavy work at an age at which formerly they had opportunities of unhindered development. The female members of the family are no longer limited to housework as was the case formerly, but take an active part in producing for the market in every sphere in which the technique of production will permit. The head of the family becomes an exploiter of his family just to the extent that he is exploited by the merchant capitalist.

This fact is strikingly evident in rural home industry where agriculture is conducted as a subsidiary occupation to handicraft. This has not for its defence such strong organisations as the guilds of the town artisans, and for that reason falls more easily under the power of merchant capital. The merchant, in fixing the price of the commodities of the rural artisan, takes into consideration the subsidiary support which the former obtains from agriculture, and forces prices down to such a level that the artisan, even with his two occupations, cannot secure the necessary means of livelihood. The exploitation of the labour power of the artisan reaches such a degree that it leads to the degeneration of that class.[1]

Such also is the fate of peasant economy with its subsidiary home industry. The position of both the peasant and the artisan in the serf village

[1] It must be noted that, at its earliest stage of development in the form of merchant capital, capital strives to break up the patriarchal form of the family and the absolute power of the latter. In taking part in production for the market, leaving the sphere of pure domestic occupations, the women acquire considerable economic importance in the life of the family. This destroys the economic basis of the inequality of women. But the power of obsolete custom is so great that much time passed before the influence of merchant capital made itself clearly felt.

became absolutely unbearable when the exploitation of merchant capital was added to the already existing exploitation of the landlord. This gave rise to the peasant revolts which took place in all countries and which characterise the first stages of merchant capitalism.

The town craftsmen, thanks to the strength of their guild organisations, were able to put up a longer and more stubborn resistance to the power of merchant capital, but nevertheless they, too, to an increasing degree, submitted to its influence. As a consequence, the same changes took place in the internal relations of the family as took place in the weaker rural families, but to a less degree. On the other hand, a considerable change took place in the relations between the master craftsman and his wage workers—the journeymen and apprentices.

The antagonism of interests between the master craftsman and his workers which had developed, but which was disguised by their joint labour and their relations of almost domestic equality, now stood forth in all its clearness. The master craftsman, oppressed by the capitalist, in order to maintain his shaky position is compelled to oppress his journeymen and apprentices, to demand more prolonged and more intense work for less pay and inferior board. On the other hand, the journeymen and apprentices resist this with all their power. The inherent completeness of the handicraft enterprise disappears and is supplanted by relations of hostility.

In summarising the position we may say that the force of merchant capital transforms the internal relations of petty bourgeois economy and carries into it the spirit of exploitation. The head of the family willy-nilly becomes the exploiter of the rest of the members of the family, the master craftsman becomes the exploiter of his fellow workers.

In accordance with this, the change in the relations between the master craftsman and his subordinates was followed by the change in the character of the craft

guilds. To an increasing degree they became converted into fighting organisations of the master craftsmen against the merchant capitalists on the one hand, and against the journeymen on the other.

In the struggle against merchant capital the rules of the guild directed against competition and the lowering of prices were supplemented and extended. Furthermore, the guilds had to exert all their efforts to preserve their legal monopoly rights for the production and sale of commodities, a monopoly which the merchant capitalists did all they could to destroy.

But merchant capital penetrated into the guilds themselves. The wealthier of the master craftsmen became merchants and usurers within the limits permitted by the rules of the guild. The greed for accumulation impelled those craftsmen to go further. The limitations which were imposed by the guild upon their ability to extend their own system of production and prevented them from finally subordinating the poorer craftsmen became irksome and disadvantageous to them. The tendency arose to evade and violate the rules of the guilds. Thus, in producing for export, the rules which fixed the prices of commodities and hindered cheap buying were inconvenient for those craftsmen who had direct contact with the market. Frequently, the rules which limited the number of workers that a craftsman could employ and which consequently prohibited the expansion of the enterprise were in practice broken. Generally, in the struggle against merchant capital the guilds were shaken to their foundations and revealed a lack of internal unity and compactness.

On the other hand, the solidarity of the guild in its conflict with the journeymen was unshakable. The most energetic measures were taken to hamper the transition of the journeymen to the position of master craftsmen, because the increase in the number of master craftsmen would increase competition. These measures were of a most varying character. First of all, long periods of apprenticeship and working as journeymen were established. The candidate for membership

to the guild was compelled to perform some work as a test of his skill, which took considerable time, and frequently was far removed from the usual work which the journeyman would subsequently be engaged in. In Germany, for instance, a smith would be given as a test to make a set of horse shoes for a horse which he was only allowed to see from a distance. On his initiation the candidate's genealogy was carefully gone into. He must a second time prove the " legitimacy " and " honourableness " of his birth (he had to prove this on entering his apprenticeship). The guild only accepted those into membership who possessed a definite and sometimes a considerable amount of property, and charged high entrance fees. It is characteristic that the resolutions of the guilds frankly state that these high entrance fees and other measures of the same character are adopted for the purpose of preventing journeymen becoming independent master craftsmen immediately after their apprenticeship. Furthermore, the guild required that on finishing his apprenticeship the journeyman, for a certain number of years, must travel to different towns and countries in order to perfect himself in his art. For those times this was an extremely difficult undertaking, and, as we shall see, rendered a bad service to the guilds themselves. In addition to this the newly accepted member had to give a costly banquet to the other master craftsmen in honour of his acceptance. Sometimes the transition to the position of master craftsman was rendered impossible because the guild had fixed the maximum number of members. Under such circumstances new members were only allowed to join when a vacancy occurred on the death of an old member. All these changes in the structure of the guild began to take place with considerable rapidity from the beginning of the fourteenth century.

The new rules of the guild were applied with extreme partiality. All kinds of facilities were given to sons-in-law of members, or those who married the widows of deceased members, for joining the guild. For these all the tests and difficulties were reduced to mere

formalities. For all others, however, entry into the guild became almost an impossibility. Guild privileges assume a narrow class character, the members are bound not so much, as formerly, by ties of skill and knowledge, but by ties of birth. In the fifteenth century already the title of master craftsman had become "hereditary."

All these innovations called forth the energetic resistance of the journeymen. The less possible it becomes for the journeyman to change his position, and the more difficult his position becomes, the more are the former ties between the master craftsman and journeymen replaced by ties of comradeship between the journeymen imbued with a spirit of hostility to the master. Organisations of journeymen arise. At first these bear the character of religious brotherhoods, but soon, to quote the words of the English master craftsmen of the fourteenth century, "under the cloak of piety" begin to pursue purely economic aims.

One of the functions of these journeymen's organisations was to organise mutual aid. Each brotherhood had its benefit funds supported by the contributions of its members, out of which any member in distress arising out of sickness, &c., was assisted. Frequently these brotherhoods arranged the funerals of deceased members; thus they fulfilled the functions of sick and funeral benefit societies.

But the functions of journeymen's organisations were by no means limited to this. In the course of time they became transformed from mutual aid societies into associations for the defence of the common interests against the common enemy. The first conflict to arise was for an increase of wages. The master craftsmen strove to fix wages independently and for as long a period as possible. In the fifteenth century the Upper Rhine Tailors' Guild fixed a rate of wages which was to hold good for twenty-eight years. There were cases when the masters endeavoured to fix a rate of wage for all time. But such a state of affairs could not, of course, satisfy the journeymen, and from the

fourteenth century their organisations began a prolonged struggle for increased wages. This struggle was directed also against the truck system, *i.e.*, the system of paying wages in kind, which already existed at that time and was a means of reducing wages.

A no less important part of the activity of the journeymen's brotherhoods was the effort to obtain a reduction of the hours of labour. From the moment when the master craftsmen began to fall beneath the power of the merchant capitalist, the former began to increase the labour day, which sometimes was from fourteen to sixteen hours. The abolition of the numerous holidays of the Catholic Church by the Reformation was particularly felt by the journeymen. The period of rest was thus reduced to a minimum, and the journeyman was compelled to take action in defence of his interests. Parallel with the demand for a shorter working day they energetically put forward the demand for the right of "Blue Monday," *i.e.*, for a second day of rest in the week. As organisations fighting for the reduction of the working day and increase of wages, the journeymen's brotherhoods can be compared with the modern trade unions.

Each union united the journeymen in a particular craft, at first only those living in the same town, but very early common interests—particularly mutual aid during the travels of the journeymen—extended these organisations beyond the limits of single towns; inter-town, and even international, unions of journeymen of a particular craft were formed. Further than this the organisation did not go. The journeymen of different crafts not only did not unite, but were even hostile to each other, like the master craftsmen of different guilds.

Thanks to the considerable strength of their organisations, the journeymen were frequently able to compel the masters to make various concessions and improvements in their conditions. The masters made every effort to destroy these unions, and often managed to secure the passing of the necessary laws. When this happened, the unions became secret organisations, but

did not cease to exist. The chief weapons employed in these conflicts were the strike and the boycott. In the last resort, however, the defeat of the journeymen's unions was predetermined by the very essence of the situation. The unions could only conduct their struggle against the master craftsmen ; but their real oppressors were not the latter but the merchant capitalists, who exploited the master craftsmen and compelled them to exploit the journeymen.

Thus, under the influence of merchant capital, the handicraft organisations degenerated and decayed.

5. The Rôle of the State

As regards political organisation the period of merchant capitalism was the most flourishing period of absolute monarchy. The firm economic ties between the various parts of the State, which were created by the development of communication, formed the basis of the stable unity of the country. At the same time absolute monarchy had to execute very important and historical tasks. These were carried out amidst severe struggles, which strengthened its power and won for it the sympathy and confidence of the developing merchant capitalist classes of society.

Its first task was to destroy the last remnants of the old feudalism, which could not adapt itself to the changing historic conditions and which had begun a desperate struggle for its existence against the whole of exchange society. Only some of the feudal class —the economically more powerful and more progressive elements—could maintain their former position as landowners and officials in the vortex of exchange relations of developing merchant capitalism. The weaker ones found themselves defenceless in the sphere of a purely economic market battle of interests, and rapidly declined under the blows of merchant and usurer capitalism. The existence of feudal lords could be maintained some little time yet owing to the existence of natural self-sufficing economy on their estates. The rapid squeezing out of these remnants by the

growth of money relations, step by step, destroyed the possibility of existence for these old feudal lords. But they could not reconcile themselves with the prospect. Taking advantage of their ancient rights to impose dues upon merchants passing through their territories, they and their retainers came out on the high road and plundered the merchants' caravans, and thus obtained their means of livelihood, but at the same time caused enormous damage to the development of social production. The State, with its military forces, subdued these feudal lords, destroyed their castles, and established that safety of communication which was necessary for trade and industry.

The other task of bureaucratic monarchy was the suppression of the peasant revolts. As we know, the cause of these revolts was the unbearable double yoke of exploitation by landowner and merchant capitalist which the peasant had to bear. As long as exchange ties remained comparatively narrow, and each district lived its own individual life, these revolts were local in character and were easily suppressed. The development of merchant capitalism, creating broad and firm ties between various districts, also created the ground for wide national peasant revolts which embraced whole countries. At the same time it made the position of the peasant serfs still more difficult and gave these revolts a particularly savage and stubborn character. Peasant wars broke out in Italy in the thirteenth century, in England and France at the end of the fourteenth century, in Bohemia in the fifteenth century, and in Russia in the seventeenth and eighteenth centuries, which it required considerable effort on the part of the State organisation to suppress.

The most remarkable of all, however, was the German. There is an interesting historical document concerning this war, known as the Manifesto of the Twelve Points (1525), which clearly, distinctly, and in a literary form outlines the basic demands of the peasants. In this manifesto the peasants put forward the following demands: abolition of serfdom; abolition of illegal

impositions, ecclesiastical and secular; impartiality of the courts; freedom to preach; free use of forests, fishing, and hunting; the regulation of the payment of taxes; compensation for certain injustices committed by the feudal lord . . . It is characteristic of the peasant mind and the general psychology of the period that all these purely class demands of practical life were supported on religious grounds and by texts from the scriptures.

The peasant wars in all countries ended with the defeat of the rebels. This was the result of the lack of organisation among the peasants. They were opposed by the compact organisation of the landowners' State; whereas the peasant mind was incapable of raising itself above the level of local interests. Representatives of small individual production unconnected by close and permanent ties with units like itself, they were not imbued with solidarity, their fighting unity was very weak. After the first victories their ranks dispersed to their various districts to settle accounts with their local landowners, to plunder their property, and divide their land among themselves; whereas their opponents recovered, defeated them in sections, and afterwards made them pay dearly for their insubordination and inability to fight.

Nevertheless, the emancipation of the peasants was an historical necessity. It became the third task of the State towards the end of the period of merchant capitalism.

The peasants' revolts shattered the foundation of serfdom and revealed the dangers of the previous relations for society and for the landowners themselves. For the merchant capitalist class, serfdom was an obstacle in the path of development, to a considerable degree hindering it from finally seizing organisational power over peasant production. Furthermore, for the State, which was frequently in need of money, the peasant mass, compelled to give up to the landlord an immeasurably large share of its product, and hindered in its work by being bound to the land,

became a bad source of revenue. Finally, many landlords found it more advantageous to exploit their estates by letting them out to tenants than to deal with forced and therefore unproductive labour, and themselves drove the latter from the land. The combination of all these social forces finally overcame the resistance of the backward mass of feudal landowners.

In some cases the emancipation of the peasants took place very slowly and gradually, almost of itself (England). In others it took the form of a special legislative act. In many countries in Europe it took place at the beginning of the period of industrial capitalism, but the forces which brought this about mainly developed on the basis of merchant capitalism.

The actual relation of social forces after the emancipation of the peasants was based on the circumstance that in some cases the peasants were entirely deprived of the land. In most cases they were deprived of part of their land and had to *buy out* the remainder. This is what happened in Russia in 1861.

Simultaneously with the growth of the absolute State, the former organisation of the feudal State, the Catholic Church, began to decline.

As has already been explained, losing the greater part of its significance in social production, the Catholic Church for a long time preserved and even endeavoured to increase its share in social distribution by increasing its exploitation of the people. This created for the Church strong enemies among other social classes. The peasant masses, who suffered most from the tithes and other imposts, turned against it, and the handicraft trading groups, hostile to all the feudal lords including the ecclesiastical, were also against it, and even the secular feudal lords found it profitable to appropriate to themselves the extensive estates of the Church organisations.

Every idea hostile to the power of the clergy found good soil for development in the temper of various social classes. Heresy developed with unparalleled rapidity. The clergy fought against this with all

severity, and did everything to suppress the critical mind. But that only helped to increase the hatred towards Catholicism. The victory of the heretics became inevitable, the time of the Reformation had arrived.

Numerous sects appeared who put forward the most diverse religious doctrines, based on most diverse texts from the scriptures, but the essence of them all was the same: "Down with the feudal clergy." The texts were interpreted in all sorts of ways, but there was not the slightest doubt about the point at which they were all driving.

The struggle of the Catholic Church to preserve the right of exploitation was marked by incredible ferocity. In this struggle it produced an organisation of astonishing power and stability; a thing more perfect for its aims could not be imagined, viz., the Order of the Jesuits. The terror reached its extreme limits in the activities of the Inquisition.

All these efforts could only retard the progress of the victorious Reformation. The first reformers fell in the unequal battle, but Luther and Calvin were the victors.[1]

The State confiscated the lands of the clergy, which meant that a considerable portion of the peasants were deprived of land. This confiscation was justified on the ground of the necessity for combating superstition, which was fostered by the Catholic Church. (This is an example of how ideas are dependent upon economic interest, although the dependence is usually not admitted.)

The decline and decay of guild corporations under the influence of merchant capitalism in many cases

[1] Catholicism has preserved its previous power in Italy and south of the Pyrenees: for Italy it was advantageous because the Papacy exploited the whole world to its profit and in Spain and Portugal it preserved its power because the economic development of these countries between the sixteenth and seventeenth centuries was, owing to special reasons, greatly retarded—or to be more exact superseded by a rather considerable degeneration.

led to the confiscation of the property of the guilds by the State.

6. Ideology and Forces of Development in the Period of Merchant Capitalism

Merchant capitalism represents the second stage of exchange society, a stage clearly bound up with the city handicraft and the serf system, and examined here separately only for convenience. In all its main features social consciousness continued to develop in the same direction that we observed in the period of transition from natural self-sufficing society to exchange society. The prevailing psychological type was still petty bourgeois.

In the strong industrial corporations, in the burgher family, and in the feudal serf relations society still preserved the conditions of the subordination of the individual to the patriarch. Such conditions hindered the development of individuality. In destroying these conditions merchant capitalism helped the further emancipation of individuality. The patriarchal relations remain in force in two zones of society—the political form of absolute monarchy and the domestic form of enterprise. Here also certain changes are observed. Absolute monarchy knows nothing of the closeness and directness of contact between ruler and subject that was the feature of the patriarchal form even during its feudal development. Instead we have the cold formalism of bureaucracy. In the family, on the other hand, relations become softer; the power of the head of the family and the subjection of the rest of the members do not stand out so sharply.

The stock of human knowledge increased to that extent that trade relations more and more united various districts and even whole countries with strong ties. The need for the development of knowledge made itself increasingly felt, and in this respect the merchant class and their wage workers (warehouse assistants, book-keepers, agents, &c.) were in advance of the rest of society; exchange having created the need to

keep books, to seek the most advantageous markets for purchase and sale, to study the economic and juridical conditions of their own country, as well as the institutions and morals of other countries, to speak foreign languages, &c. The former Church schools proved insufficient for this purpose, and secular schools arose, at first in the towns. The kings and princes, as well as the burghers, took an active part in establishing these schools, as they saw in science a weapon for fighting the feudalism of the clergy. But even in the lower classes of society a strong desire for education arose. The very fact that usurer capitalists ruthlessly exploited ignorance helped considerably to create the desire among the masses. Furthermore, merchant usurers' exploitation prefers literacy, at least among the merchants and usurers. Above all, the peasants began to see in literacy and education the only means of raising themselves from their difficult position to a higher rung of the social ladder.

At the same time certain serious obstacles to the development of education were removed. The fall of serfdom was very important in this respect. Under feudalism, not only education, but even literacy was inaccessible for the peasant. From the point of view of the feudal lord, education was harmful for the peasant and bad for his "morals."

The remnants of natural fetishism continued to disappear parallel with the development of knowledge. This process is strikingly demonstrated when one compares the doctrines of Catholicism with those of the Reformation which superseded it.

In the place of natural fetishism there began to develop in society the consciousness of commodity fetishism. The passionate greed and the untiring quest for money is the characteristic feature of the second half of the Middle Ages and the beginning of modern times. The obstinate researches of the alchemists, and the adventurous voyages, had the same end in view. The Philosopher's Stone and India played the same rôle in the psychology of those times.

The basic force in merchant capitalist society, as in all exchange societies, was competition. Its operations became clearer and sharper, the development of society became more rapid, as the obstacles in its path—feudal and guild forces, the extreme regulation of trade and industry by the State, &c.—became weaker and disappeared.

The merchant class was at the head of development and led after it other social forces, particularly the Government. Its quest for markets, its striving to extend the sphere of exchange, led to the perfection of navigation and the building of larger and stronger vessels capable of sailing the ocean; while the progress of astronomy and the use of the compass made it possible to steer ships with greater exactitude.

Closely connected with the general development of communication was the rise of a number of entirely new industries which exercised considerable influence upon the further development of economic life, *e.g., the manufacture of paper and printing.* As mighty instruments for spreading all kinds of knowledge, these industries rapidly hastened the development of the productivity of labour.

General progress made itself felt in all other spheres of industry. The extent of production and technique changed. It is this period of merchant capitalism that historians frequently describe as "the period of great innovations and discoveries."

This is the period also of the "renaissance of science and art" which perfected themselves by the aid of juridical, literary, and artistic forms transmitted from the classical world. This heritage remained untouched until society had again reached that stage of development of exchange relations which existed in the most flourishing period of the classical world. When society had reached that stage, the heritage of the classical world assisted and hastened the creation of new forms of thought and activity.

Historically the beginning of the merchant capitalist period for south-western Europe dates from the

thirteenth century, and for north-west Europe approximately from the fourteenth century. In reality the development of merchant capitalism is almost inseparable from the development of exchange relations. Towards the beginning of modern times, manufactures which indicate a new form of capitalism began to develop in Europe and continued side by side with the progress of industrial capitalism.

The original development of merchant capital in the Italian republics (Venice, Genoa, &c.) was due to their acting as intermediaries between western Europe and the Asiatic countries. This position, to which the Italian republics rose as a consequence of their geographical position, enabled them to become rich by means of the commercial exploitation of both the spheres of production between which they maintained exchange relations.

The further development of merchant capital and its quest for markets led to the discovery of new countries, like America and the coasts of Africa; while sea routes were discovered to the East Indies and China. Merchant capitalism began to develop rapidly in those countries which, owing to their adjacence to the seas, were better able to take advantage of new markets, particularly Portugal and Spain. The former overland trade with east Asia almost ceased, and the intermediaries in this trade, the Italian republics, began rapidly to decline.

Spain, subsequently seizing the monopoly of the newly-discovered countries, rapidly reached a high stage of wealth and power. The precious metals of America played an important part in its enrichment. The commerce, not only of Spain, but of the whole of Europe, began rapidly to develop as a consequence of this increased flow of precious metals.

But the development of merchant capitalism in Spain proved unstable and shortlived because it was not based upon a corresponding development of *production* in Spain itself. Economic development based on plunder and monopoly is never stable. It

develops the parasitic elements too strongly in that society, and thus prevents the possibility of progress. Commercial and economic domination was transferred to Holland, which developed industrially more rapidly. Subsequently, as is known, Holland's place was taken by England.

Simultaneously with the transition of trade from one country to another, there also proceeds a gradual expansion of the *organising* function in merchant capital in production. Merchant capital, increasing its influence in the sphere of production, more and more assumes the character of industrial capital.

VIII

INDUSTRIAL CAPITALISM

1. Primary Accumulation

INDUSTRIAL capitalism is the organisation of *large-scale* production based on *wage* labour.

Consequently, the preliminary conditions for industrial capitalism are two, viz., (1) the existence of capitals of sufficiently large dimensions, and (2) the existence of workers free from personal dependence, *i.e.*, having the possibility of selling their labour, and at the same time compelled to do so.

When a free producer possesses means of production, as happened in the city handicraft guilds period, he works for himself and sells his product and not his labour power. He is compelled to sell his labour power when he has no means of production, when he is *divorced* from them. Of course, he will sell his labour power to the one who can provide him with means of production, *i.e.*, the capitalist.

The capitalist, in order to be able to organise production on a large scale, must have a sufficient quantity of means of production, or, what is the same in exchange society, money to purchase them ; in one form or another he must possess *accumulated* capital.

The process by which these conditions were created is known as *primary accumulation.* It was carried out during several centuries prior to industrial capitalism by the most diverse methods, peaceful and violent.

Handicraft industry in the towns was organised in such a manner that for a long time considerable accumulation was not possible. In the process of exchange between the feudal peasant villages and the handicraft merchant towns the difference in the degree of culture, and particularly the compactness of the industrial organisations of the towns, necessarily led to the towns plundering the villages, *i.e.*, buying the products of the village at less than their

value. The merchant class, as the intermediary in exchange, gained most out of this, exploiting both the ignorance of the peasants and the lavishness of the feudal lords. In this manner peasant labour was converted into town capital. After the peasant and the feudal lords, merchant and usurer's capital subjected the handicraftsmen (the domestic capital form of production leaves the small producer only sufficient to maintain his enterprise, while the surplus labour goes to the merchant capitalist).

One of the most effective means of primary accumulation was the trade with the newly-discovered countries, trade taking the form of direct plunder. With the discovery of new lands, merchant companies were formed in the old countries of western Europe which specialised in plundering the "barbarous" peoples of America, Asia, and Africa. These companies secured the right of monopoly from their governments, which gave them the exclusive right to trade with a particular colony. Trading companies have had juridical and political power over extensive lands in the so-called uncivilised world. In such cases the inhabitants of these colonies were converted into objects of unbridled exploitation. In the exchange relations between the backward tribes and the representatives of the merchant capitalists of Europe, the latter acted as an organised military force, supplied with powerful technical means. The inhabitants of the colonies, living for the most part in the period of natural self-sufficing economy, and unacquainted with the technical conquests of Europe, proved the weaker side, and inevitably fell victims to the heroes of primary accumulation. Of course there could have been no question of the exchange of equal values. What the natives received in return for what was taken from them, and even what was regularly bought, depended entirely upon the relation of forces. As superiority of strength was on the side of merchant capital, the border line between trade and plunder was always very thin. The wealth expropriated from the colonies

was dispatched to Europe, and there created the conditions for the development of industrial capital.

One of the most striking examples of these merchant companies is the Dutch East India Company, established at the beginning of the seventeenth century. The Government of Holland gave this company a monopoly of the trade with India, and it managed to concentrate the supply of the whole of Europe with spices into its own hands. Taking advantage of its position, it paid the natives extraordinarily low prices, which it fixed at its own convenience. This led to the natives beginning to sell their goods to the English merchants who had established themselves on one of the large islands in the Indian Ocean, and to Dutchmen not belonging to the Dutch East India Company. In order to avoid competition and to preserve for itself the monopoly of a trade that brought it fabulous profits, varying from 75 to 160 per cent., the Company adopted monstrous measures. It destroyed the nutmeg trees on nearly the whole of the Archipelago, and preserved them only on a few islands. It did the same thing to complete plantations of cloves, allowing them to remain on just one island. When these measures proved inadequate to maintain the high prices in Europe, the Company resorted to destroying spices that had already been exported from the colonies. In Holland such an enormous quantity of cinnamon, cloves, and nutmegs was burnt that the smell of it pervaded the air for many miles around.

The activity developed by the British East India Company, which laid the foundation of the systematic plunder of India by Great Britain, was not less rapacious. For British capital also, at the dawn of its historical development, India proved a rich source of primary accumulation. The profits of the East India Company eloquently speak of this; they often reached as high as 340 per cent. and only rare expeditions brought less than 150 per cent. The capital invested on each occasion increased manifold, and enormous fortunes

were made sometimes in a single day. For the sake of easy profits, the "freedom-loving" English adopted measures which conceded nothing in severity to the Dutch. Thus in 1769-1770 the English bought the whole of the rice crop and caused terrible starvation in the country; later on they made an arrangement among themselves and resold the rice at fabulous prices.

A great rôle in the history of primary accumulation was played by the discovery of rich deposits of precious metals in America, which attracted thousands of "adventure seekers" to new countries. Immediately the merchant conquerors observed that the natives wore gold or silver ornaments they fitted out an expedition to plunder the country. Violence and deception were the usual methods employed. In this connection an incident in the history of Peru is highly interesting. Defeating the peaceful Peruvians in battle, the Spaniards took one of their chiefs prisoner. The chief, as a ransom for himself, offered as much gold as would fill the room in which he was sitting. This would represent a sum of £3,500,000 in our day. In order to collect so much gold it was necessary to destroy a number of Peruvian temples; but the Spanish adventure seekers, or, to be more exact, the Spanish seekers after easy gains, did not for one moment hesitate to do this. The amount of gold plunder that fell to the share of each soldier after the conquest of a Peruvian town represented £2,000. The conquest of America generally resulted in the accumulation of vast stocks of gold in the hands of the conquerors—the so-called "conquistadores" uniting in themselves both merchants and warriors.

Another method of primary accumulation was the trade in negroes. Negroes were exported from Africa to the Caribbean Islands and to the American continent. At first the monopoly of the slave trade belonged to Spain, who later conceded it to other "civilised" nations of Christian Europe—Germans, French, and English (The South Oceanic Company). The profits obtained from this slave trade are illustrated by the

fact that the French sold negroes at ten times the price they paid for them. In England huge fortunes were made in this trade. It is notorious, for instance, that the present importance of Liverpool arose on the basis of the slave trade, which in the eighteenth century comprised the chief occupation of its enterprising inhabitants.

Making use of the negro slaves, the Europeans established in the colonies slave production, which, together with the plunder of the natives, became a powerful means for the accumulation of capital. The extent to which these slaves were exploited is strikingly illustrated by their number; thus, in the North American colonies, in 1715, there were 60,000, in 1754 there were a quarter of a million, and in 1776 there were half a million.

"Thus the discovery of the gold and silver deposits in America, the extirpation, enslavement, and burial of the native population in mines, the first steps to the conquest and plunder of the East Indies, and the conversion of Africa into a game preserve for negro slaves, marks the dawn of the capitalist era of production. These idyllic processes represent the main points in primary accumulation." (Marx.)

Direct *saving*, to which bourgeois political economy ascribes overwhelming importance in the process of primary accumulation, played an insignificant part in creating those huge fortunes which laid the foundation of industrial capitalism. The bourgeois economists declare that these great fortunes originated from the personal labours of the capitalists or their forbears; being thrifty, they did not spend all they earned, and passed on all their savings to their heirs; these added their savings, &c., &c. The stupidity of such an argument becomes clear immediately we compare the enormous capitals of industrial undertakings with the small savings which a small producer, even under the most favourable circumstances, was able to put by.

But besides accumulated capital, it was also necessary

to have the "primary accumulation" of labour power, because the work in a capitalist enterprise is carried out by *wage workers*. A serf or a slave cannot be a wage worker; he has not the right freely to dispose of his labour power, because it does not belong to him but to his owners. Only a *free* worker can freely dispose of his labour power, *i.e.*, sell it.

But, as already stated, a free worker will not sell his labour power if he has any means of livelihood.

If he were to possess all the necessary means of production—tools, material, and a workshop—he would not hire himself to another but would work for himself. Consequently, industrial capital requires workers who are "free," but who do not possess their own means of production.

A person free from personal dependence and means of production is called a proletarian.

The emancipation of the serfs from feudal relations, and their release from the land, which took place on a large scale at the end of the Middle Ages and the beginning of modern times (the last epoch of merchant capitalism), was the main cause of the rise of the proletariat.

This emancipation took place actually in the form of the flight of the peasants *en masse* from the land long before it was finally carried out in law. The excessive exploitation of the serfs by the feudal lords very frequently, as has been said, led to the ruin of the peasants' homesteads, and everywhere the position of the serf became unbearable. The only people who remained in the village under these conditions were the more passive characters who were able to reconcile themselves to the increasing oppression from without and to the pressure of tradition within the family. The more active and energetic spirits, which were, of course, in the minority, left the village. A large number became homeless vagabonds, while the rest, who wished to live by honourable work, went into the towns.

The formal emancipation of the peasants only facilitated and hastened the formation of the proletariat.

In England, where there was no legislative act of emancipation, serfdom disappeared of itself very early, partly owing to the energetic fight put up by the peasants, and partly because wage labour was more profitable than serf labour. The serfs were displaced by tenant farmers or by free agricultural labourers. If a tenant farmer did not pay his rent the landlord evicted him and let his farm to another. In this manner the farms passed into the hands of more well-to-do farmers who paid more and regularly, while the majority of the peasants were divorced from the land.

One of the most effective means of driving the peasants from the land was that of "enclosing" the common lands, which took place both in England and on the Continent. Striving to increase their incomes, and relying on their formal rights, and in reality on brute force, the landlords seized from the peasants the land the use of which from time immemorial had been common. It is not difficult to imagine to what extent the expropriation broke up the peasants' homesteads and helped to convert the peasants into proletarians.

If the landlord thought it more advantageous to substitute stock raising for peasant farming he simply drove the peasants off the land and placed cattle upon it (stock raising only requires an inconsiderable number of wage workers). This was particularly the case in England in the sixteenth and seventeenth centuries, when, owing to the great demand for wool from Holland, and later to the development of the woollen industry in England itself, the price of wool rose considerably. Sheep rearing became a very profitable business, and the aristocracy energetically converted the peasants' fields into pastures, and the place of tens of thousands of peasants was taken by millions of sheep.

Usually the process commenced by the limitation of the rights of the peasants to use the common lands and forests. This placed the peasant in a difficult

position, and he was compelled to give up his holding to his landlord. But this was by no means the only method of depriving the peasants of the land. They were simply expropriated on a large scale by the landlords. The aggrieved yeomen had no means of securing redress against the landlords, because lawsuits were very costly and the courts expressed the interests of the large landowners. A writer in the middle of the sixteenth century thus describes the process of depriving the peasants of the land: "The gentry do not consider it a crime to drive the poor from their lands. On the contrary, declaring that the land is theirs, they flung these poor people from the shelter of their roofs as if they were vermin. In England to-day there are thousands of honest people who were honest householders and who are now begging charity from door to door."

In England, the land in which industrial capitalism developed most strongly and rapidly, the deprivation of the peasants of the land was most complete. Here the process lasted 300 years (principally between the sixteenth and eighteenth centuries) and reached such a stage that the class of peasant owners almost completely disappeared, the whole of the land passing into the hands of the landlords.

A considerable part of the expropriated peasantry drifted into the towns and helped to create the large army of the proletariat. The population of the villages melted away like wax, while that of the towns increased with amazing rapidity. During the last quarter of the eighteenth century, when the deprivation of the peasants of the land had been generally completed, the population of a number of towns like Manchester, Leeds, Bolton, and Birmingham increased from three to three-and-a-half times.

A further source of recruiting the proletariat was the confiscation of the lands and property of the Church and of the craft corporations, which left a mass of

poverty-stricken people, who had been previously maintained by these institutions, without means of subsistence. Similarly, the dismissal of their numerous household and military retainers by the feudal lords, which took place during the centralising of the State power, helped considerably in this direction. This was an inevitable result of the change in the psychology of the feudal lords, brought about by the development of the money system—particularly the development of merchant capitalism. Formerly, the chief power of the feudal lords lay in their having numerous subjects, and nothing was more natural than that they should surround themselves with large suites, the more so that under the natural self-sufficing system there was no other means of disposing of the large surplus of products from the feudal estates except by feeding their retainers and other parasites. For instance, in England, Earl Warwick, the "king maker" (end of fifteenth century), fed 30,000 people every day. When money became the chief power of the feudal lord, he dismissed his "men."

The ruined handicraftsmen became an important source for recruiting the proletariat, not from the point of view of numbers, but from the point of view of quality. In these former handicraftsmen industrial capitalism found ready trained workmen who could be immediately adapted to its purpose, whereas the proletariat which had fled from the villages, a proletariat of tramps and beggars, originating from a class of parasitic feudal retainers, had with considerable difficulty to be trained to the work. At first the number of ruined handicraftsmen was not large, but subsequently when handicraft had to compete with large-scale capitalist production it increased enormously.

Another and similar source for recruiting proletarians was the journeymen and apprentices, the wage workers in the small handicraft enterprises.

In these various ways the "primary accumulation of wage labour power," necessary for the rise and

development of industrial capitalism, was brought about.[1]

Furthermore, large-scale production required experienced organisers trained for the purpose. The merchant class satisfied this demand. Apart from the fact that the merchant capitalist was the organiser of his own trading business, which on the average was rather a large enterprise, the future industrial capitalist trained himself for his new task by other means. As has already been explained, he took a considerable share of the management of the small industrial enterprises into his hands; in fact, he became the chief controller of production of a large number of small enterprises by means of the "domestic system of capitalist production."

[1] The rapidity of social development in exchange society was largely caused by the fact that the "primary accumulation of wage labour power" produced a greater quantity of labour than was actually needed by industrial capitalism and in most cases enormously exceeded requirements. Thus in England in the sixteenth and seventeenth centuries there were hundreds of thousands of people who could not be absorbed by industry. Compelled to lead a wandering and parasitic life, these people presented a serious danger to public order. Most resolute measures were taken against them: they were branded, flogged, their ears were cut off, and finally the most "obstinate" ones were hanged, but all this had no effect. Really, these measures were intended to discipline the homeless proletariat for the purposes of developing capital and to train this idle mass in the direction that suited the strivings of the new organising class. They were not always applied, however. At the end of the sixteenth century the English Government imposed a tax upon the upper classes for the maintenance of the poor. This was done for the purpose of protecting the landlords and capitalists to some extent by means of legal parasitism from illegal parasitism in the form of robbery and plunder, &c., and also to prevent the extermination of the workers, who at any time may be useful for the capitalists.

In those countries, on the other hand, where serfdom continued for a long time, industrial capitalism, on its rise, suffered from a shortage of free labour power. Adapting itself to conditions, industrial capital organised factories with serf labour, but the defects of serf labour in this case were so considerable and its productivity so low that the capitalists themselves were compelled to petition the Government to pass a law emancipating the serfs. This was the case in Russia.

Thus the conditions in which industrial capitalism becomes possible, viz., the primary accumulation of capital and wage labour power, had come into existence. The new system of productive and distributive relations could now commence its historical development.

2. The Development of Technique and Large-Scale Capitalist Production

(*a*) *The Extension of the Sphere of Activity of Merchant Capitalism*

Almost from the very beginning of the city handicraft system, of all branches of industry, trade (the search for markets, conveyance of goods, establishment of warehouses, organisation of buying and selling, &c.) developed most rapidly. This, as already stated, explains the rise of "merchant capitalism," *i.e.*, the partial transition of the organisational rôle in industry to the merchant class. The same thing continued during the merchant capitalist period, with the result that all other branches of industry remained *backward* as compared with the methods and requirements of merchant capitalism.

Agriculture, of course, was most backward. The conditions of agricultural technique and the whole history of the economic development of agriculture in itself did not permit of any rapid progress. As we have seen, feudal relations in general are distinguished by their extreme conservatism, and serf relations, in addition, are distinguished by the frightful oppression of the workers, which suppresses any development. For that reason the technique of transport and the manufacturing industry took the lead. In this connection agriculture, in almost every capitalist country, lagged behind every other branch of industry.

The desire to find markets for the products of the city industries led, as we have seen, to numerous distant voyages, which resulted in the discovery of countries hitherto unknown to Europeans and containing immeasurable natural wealth, viz., the whole of America,

a considerable part of Africa, south-east Asia, and hundreds of large and small islands. After the plunder of the newly-discovered countries, or simultaneously with it, these countries were colonised by the surplus population of Europe, and their natural resources were productively exploited partly by free and partly by slave labour.

Production in the newly-discovered countries entered the sphere of activity of merchant capitalism. These countries put forward such a strong and rapidly increasing demand for the products of the manufacturing industry that it could not be satisfied by domestic capitalist and handicraft production technically split up into small enterprises and therefore incapable of rapid expansion. On the other hand, the extensive means concentrated in the sphere of trade in themselves permitted the wide expansion of the trading transport industries in accordance with the requirements of the market.

For the trading industry the products of other branches of production are " raw materials " in exactly the same way as the products of the leather industry are for the boot trade, &c. If the spinning industry lagged behind the weaving industry in development, then the latter, not receiving sufficient yarn, would either have to waste part of its labour power or else increase the extent of production of the spinning industry. The same problem confronted the merchant capitalists. They had either to allow their development to be retarded or endeavour to extend the manufacturing industry. And the merchant capitalists possessed sufficient means to do the latter.

(*b*) *The Origin and Essentials of Manufacture*

In what direction had the merchant capitalists to operate in order to raise the productivity of labour in the manufacturing industry ?

The state of industrial technique was as follows : the development of small production, one might say, had finished ; almost every complex craft had split up

into a number of small crafts, each producing articles of a particular kind, and tools technically more adapted for this kind of production had been produced. Beyond this production could not go and remain divided among *small* enterprises. It was necessary to organise large enterprises in which the division of labour could assume comparatively wider dimensions, *i.e.*, be converted from social division of labour into technical division of labour, in view of the fact that under the existing conditions of labour the further process of social division of labour presented too many difficulties.

Domestic capitalist production was the natural bridge between independent small production and industrial capitalism. The handicraftsman or peasant, who had already lost a considerable share of his independence and was already actually under the organisational control of, and exploited by, the merchant capitalist, very easily lost the rest of his independence and became a mere operator in the industrial capitalist enterprise.

The merchant capitalist held in his hands the fate of many small enterprises, to which he supplied raw materials (and sometimes tools) and whose products he bought. He could completely destroy the superficial independence of these enterprises immediately his interests demanded it. When the demand for products expanded the merchant capitalist desired to increase production, but the small character of the enterprises which he controlled, and particularly the superficial independence, owing to which he only indirectly controlled the process of production by fixing the prices of raw materials and products, prevented this. The old system then became unsatisfactory for the capitalist.

The capitalist then united all the producers dependent upon him in a single factory which he owned. Here they worked upon means of production which were his property, and worked as single operators wholly subordinated to his organisational authority. This is the main feature of an industrial capitalist

enterprise which appeared first in the form of manufacture. If we examine this feature closely we will observe that it already existed in the handicraft workshop of the Middle Ages, where the journeymen and apprentices stood in the same relation to the master craftsmen as the later wage workers stood to the capitalist. The differences lay in the size of the enterprises and in that the master craftsman did not limit himself to organisational functions, but was compelled also to work at the bench, whereas the capitalist was exclusively an organiser.

The transition to the new form was advantageous to the capitalist, not only for the reason that he became fully-empowered, direct organiser of production, but also for the considerable decrease in the cost of production, workshop expenses, lighting, heating, and tools. One large workshop employing twenty workers costs less to maintain than twenty individual workshops, and even if the technical division of labour has not yet been introduced, there is, nevertheless, no need for a complete set of tools for every workman, as is the case in separate workshops. The work can be easily arranged so that each worker uses a particular tool in turn, which has an added advantage that no tool remains idle. There is also a gain in material—the smaller cost of purchasing large quantities and the greater ease in making use of accumulating remnants and scrap, &c.

The privileges of the handicraft guilds were an important obstacle to the rise of manufacture. As has been stated, the guilds had the monopoly of production in a given town; furthermore, the rules of the guilds strictly limited the number of the wage workers, journeymen and apprentices, who could be employed in each workshop, and usually fixed the number very low. But the industrial capitalists managed partly to contend against these rules and partly to evade them.

In the first place, factories were usually established in places where the privileges of the guilds did not exist—in the villages, in newly-arisen towns where the

guild system had not been established, and in the suburbs of towns to which the rules of the guilds did not extend. Furthermore, the privileges of the guilds gradually declined, even in the towns. The hostility of the merchant and the industrial capitalists towards the guilds was reflected in the policy of the Government. The kings protected the manufacturers because they saw in them a rich source of State revenues. For that reason they frequently permitted factories to be opened, even in guild towns, and thus broke the guild's monopoly in production.

Finally, with the development of manufacture, a tendency to convert their handicraft workshops into factories is observed among the guildsmen themselves. In competing with the industrial capitalists the guildsmen were extremely hampered by the very rules of their guild, which limited the number of journeymen and apprentices to be employed. The wealthier master craftsmen exerted increasing efforts to evade these rules and even to secure their abolition. When these efforts were crowned with success, and the number of wage workers in the respective workshops greatly increased, nothing was more natural or easier than the transition from handicraft to manufacture.

Essentially the same transformation of the forms of production as took place in the manufacturing industry takes place in agriculture, when the capitalist, instead of exploiting the peasant as merchant or usurer, begins himself to conduct large-scale agriculture with the aid of wage workers on land which he has rented. This usually happens, however, as a result of special causes, and the division of labour, characteristic of manufacture, develops very slowly. For that reason we shall have to deal separately with capitalist agriculture.

In the first stages of manufacture all the workers in the capitalist's factory are, as before, real craftsmen; each one does a complete piece of work in the same way as an independent small producer did before. But in its development manufacture leads to another, higher, and more perfect form of technique of hand labour, *i.e.*,

sub-division of labour. This develops by two different methods.

Among the capitalist's workers one is more skilful at one part and one at another. Sooner or later the capitalist comes to the conclusion that it would be more profitable to confine each worker to the particular part at which he is most skilful. At first each individual continues to execute a number of complex operations, but later on, with the increase in the number of workers, it is possible to allocate to each one a smaller and simpler operation. Thus the sub-division of labour is reduced to such a degree that in the manufacture of needles, for instance, each needle is passed through the hands of seventy-two workers.

Here the sub-division of labour appears as a continuation of social division of labour, as a further dividing up of the processes which formerly were distributed among separate craftsmen.

In other cases the sub-division of labour proceeds along other lines. There are industries which from the very first require the participation of various craftsmen, *e.g.*, carriage building. In the building of a carriage there participate carpenters, joiners, smiths, fitters, saddlers, upholsterers, glaziers, &c. The master carriage builder had to contract these various parts to the various craftsmen, and his business was to assemble these parts and finally finish the job. For the conduct of such a business it was necessary to have large means. It is not surprising, therefore, that in the course of time the merchant craftsman subordinated the other craftsmen and began to act as a merchant capitalist, and later, becoming an industrial capitalist, gathered them all into his own factory as wage workers.

In this case the capitalist transfers to his own factory an already existing division of labour, but unites its various parts in one workshop. At the same time the function of each craftsman is narrowed down; the fitter, smith, carpenter, &c., are compelled to limit themselves to operations belonging entirely to the

building of carriages and to abandon other kinds of work they did formerly.

This is how the sub-division of the actual manufacturing processes is added to the division of labour already existing between the organiser and the operator, the " mental " and " physical " worker in manufacture.

The employer *hires* workers, *i.e.*, he buys their labour power for a definite period and on definite conditions. He provides them with means of production, and they work according to his orders and instructions. In this manner the subjection of the workers to the employer is limited by the conditions of the contract concluded with them when he engages them.

The employer organises the division of labour and co-operation in the form and dimensions which he regards as most advantageous to himself. In doing so he limits himself exclusively to the functions of an organiser and does not work at the bench like a craftsman. More than that, with the further development of capitalist enterprise, the organisational function is transferred step by step to special wage workers. At first the capitalist is obliged to do this by the very growth of the business, which becomes too difficult, and later impossible, to be managed by himself alone. The capitalist then, in accordance with necessity, engages foremen, clerks, book-keepers, managers, &c. In the course of time the only function left to the capitalist is that of supreme control over the activities of his hired workers, and, as will be shown later, even here the process does not stop.

Thus organising labour, like executive labour, becomes more and more technically divided in manufacture.

Technical division of labour in connection with simple co-operation between workers distinguishes itself in developed manufacture in a special form, which may be called the " manufacturing group."

In the manufacture of knives, for instance, there participate smelters, smiths, polishers, grinders, &c. Now it is evident that it is of considerable importance

to the capitalist how many of each of the respective artisans he engages. If he engages too many of one kind they will be compelled to waste a considerable amount of time idling about because the others could not manage to work up the material they could provide. Experience teaches the capitalist to define the relative number of each kind of worker he requires. He finds, for example, that for two smelters he must have one smith, three polishers, one grinder, and perhaps, in addition, one foreman. If the capitalist wishes to extend his business there would be no sense in engaging two or three separate workers ; he would not be able to fit them in. He must engage a whole group at once, as in our example—two smelters, one smith, three polishers, &c. Between the individual manufacturing groups in a single factory there only exists simple co-operation.

Historically, manufacture began in England and Holland between the fifteenth and sixteenth centuries, in other countries at a much later period. Its end must be calculated from the period of great innovations—the end of the eighteenth century in England. In other countries manufacture began to make way for machine production later, *i.e.*, in the first and second quarters of the nineteenth century.

(c) *The Development of Machine Production*

(1) *The Origin of the Machine*

The inherent relations of capitalist society give rise to a tendency for capital unceasingly to develop the productivity of labour. In the period of manufacture this tendency came up against obstacles created by the very character of the labour power of the period. Labour remained hand labour, the physical strength of man played the chief rôle in production. As human strength has its limits, the productivity of labour could not rise beyond a certain height while human hands remained the direct motive power of tools.

Manufacture developed the productivity of labour by increasing the division of labour, by splitting up complex

work into an increasing number of separate, single operations. At the same time the activities of each separate worker became extremely simplified and mechanical. It was precisely for this reason that when manufacture had developed hand labour to its furthest limits, and further progress in this direction had become difficult, it became comparatively easy to transfer these simple mechanical operations to the machine. In converting the worker into a machine, manufacture had prepared the way for the machine. When the expansion of the market demanded further development of the means of production, and hand manufacture could not advance any further, the transition was made from hand labour to machinery.

The main feature of machine production is that the direct operations of production are carried out not with *the power of man*, but with *the power of nature*. The function of the worker becomes more and more limited to directing and watching the machine, *thus in type becoming closely analogous to the former organiser of labour*.

As the powers of nature are unlimited, so, with the progress of scientific knowledge, the productivity of labour under machinery can increase to indefinite limits.

The history of machinery begins much before the period of machine capitalism. Already, in the period of classic slavery, the water-mill was invented, as well as water pumps and excavating machines; in the Middle Ages we had windmills, and in the period of manufacture machines were frequently employed for carrying out heavy operations like breaking up ore, pumping water out of mines, and so on, which required the expenditure of great mechanical power. The significance of machinery in production at this stage, however, was small.

The application of machinery in pre-capitalist days was not only limited by the lack of technical knowledge, as a consequence of which very few and very imperfect machines were invented; frequently the machines that were invented could not be put to use owing to purely social conditions being unfavourable. Thus the fulling

machine, which performed the labour of twenty-four men, was invented as early as the eleventh century, but right up to the fifteenth century its employment was prohibited in England, Flanders, and France. In the thirteenth and fourteenth centuries even the spinning-wheel was prohibited and it had gone so much out of use that its invention began to be dated at the sixteenth century. The ribbon-weaving machine, the forerunner of the spinning and weaving looms, met with particularly fierce opposition. This machine was first constructed in Danzig in the second half of the sixteenth century, but the city council, fearing unemployment, prohibited its use, and its inventor was drowned in the Vistula. A century later this machine appeared in Leyden, but the indignation of the weavers led to its use being prohibited. The opposition to the ribbon-weaving machine spread to a number of towns on the Continent and to England. In Hamburg it was publicly burned. The most active in the opposition to machinery were the craft organisations, which, although rapidly declining, nevertheless possessed considerable economic, and therefore political, power.

Owing to the development of merchant and industrial capitalism, these old organisations lost their economic power and with it their political power and moral authority. The merchants and manufacturers became the dominating power in economic life, and their attitude to machinery was altogether different. Machinery did not threaten to destroy an accustomed and cherished system of social life, and undermine the material foundation of their existence, as it did that of the craftsmen. Machinery promised profits, and that was an unanswerable argument in its favour.

But even when the craft organisations had become a thing of the past, machinery had still to overcome strong opposition, the opposition of the wage workers who were squeezed out by it. In England in the second half of the eighteenth century a machine, which threw 100,000 men out of work, was invented for shearing sheep. A storm of indignation broke out

and the machine was burned. Even in 1826, when the transition to machine production had already been completed, there was mass agitation against machinery. The hand loom weavers of Blackburn destroyed all the steam power looms in the town and its environs. The same thing happened throughout the whole of Lancashire, and in one week seventeen factories and nearly a thousand machines were destroyed. But this was the last serious attempt of the workers to combat exploitation by destroying the means of production. The proletariat soon learned that it was not the "soulless" machine which exploited them, but the system of social relations which converted them into material for exploitation.

Thus, economic development, weakening, shattering, and destroying the forces opposed to it, cleared the ground for its extensive application.

In the development of world capitalism, manufacture is an essential stage; it is, indeed, impossible to imagine that large-scale production could have been developed directly out of, say, handicraft technique. In the history of countries entering the path of capitalist development later than other countries, however, the influence of their historical environment—the culture of older societies—permits them almost to avoid the manufacturing stage of technique; from small handicraft and agricultural production organised by merchant capital they pass over directly to large-scale machine production, with all its social and economic consequences.

(2) *What is a Machine?*

A machine is an instrument of labour by which the *executive* function of man is superseded by the power of external nature. It is the highest and most perfect form of tool.

In examining the general features of the construction of various machines, it will not be difficult to see that they are all based upon a single principle. There are three main parts to a machine: the driving mechanism, the transmitting mechanism, and the working part, or

mechanical instrument. Each of these has its history of development.

When the machine is applied to some small task not requiring the expenditure of considerable mechanical power, the driving power of the machine is usually supplied by mechanical human effort. Thus a sewing-machine is driven by the monotonous movements of the hand or foot. This is the incompletely developed form of machine.

The substitution of animal motive power (preferably horses) for human power is the first stage of development of the driving part of a machine. But this does not yet mark great progress. Animal power is comparatively dear; animals cannot work without cessation. A horse, for instance, is not worked for more than eight hours at a stretch, and, furthermore, the strength of an animal is not very much greater than that of a man.

The next step forward is the substitution of wind and water for animal power. These have the advantage of not being animate, but they still suffer from certain defects.

The power of wind, which from time immemorial had been applied to a large extent to the conveyance of goods (in sailing vessels), but only to a very small extent to other spheres of industry, has the disadvantage of not being permanent and of being irregular in its action. Water power does not suffer from these defects, and for that reason it acquired greater importance in the period of manufacture. But even that was not free from defects. In the first place, water power can only be applied where there is a river or a waterfall and where the damming does not oppose the rights and interests of local inhabitants or landowners; secondly, in cold countries like Russia, it cannot always be used; and, finally, one cannot increase the power at will. Owing to these peculiarities the application of water power could not be extensive. This is one of the reasons that, as long as a better driving power was not discovered, machinery was little applied during the manufacturing period.

Here and there, even in the period of manufacture, steam power engines were used, but in an extremely imperfect and clumsy form. When, in 1774, James Watt considerably perfected the mechanism and created the well-known double action engine, it became clear that steam was the strong driving power which the developing capitalist industry required.

In a steam engine mechanical power is created by the employment of coal and water. Its force can be increased or decreased at will. The engine is so constructed that it can be easily conveyed from place to place and adapted to any work required.

But the development of the driving parts of machinery did not stop here. At the present time a new power, electricity, is acquiring increasing importance. *As yet* its application is very limited, but already the advantage of electric power over steam power is observed. Its greatest advantage is that electrical energy can be split up into as small parts as desired, and (under certain conditions) transmitted over any distance without considerable loss.

In all probability electricity will be the chief driving power in the ensuing period of the organisation of industry. Already modern technique knows how to convert all natural power into electrical energy and to transmit it to any place.

Thanks to this, it will in all probability be possible to use to advantage enormous sources of natural energy, like the great waterfalls, tides, &c. Most of such resources have not been exploited principally because it was not possible to transmit the energy over distance.

The second part of the machine is the transmitting mechanism, which transmits the energy of the motor to the working machine. It has to change the character and direction of the motion which is created by the first part of the machine in accordance with the purpose of the machine, and in this manner set the working instrument in motion. The transmitting mechanism becomes more complex as the machine is applied to

more complex operations. Its complexity increases when the same motor is used to set several machines in motion at once, particularly when they are machines of diverse characters. If one machine requires a circular motion and another a rectilinear motion, it can easily be imagined how numerous the parts of the transmitting mechanism must be in order to serve all purposes. It comprises a complete and extensive system of cog-wheels, shafts, eccentric gearing, belting, &c., and becomes more complex as the machines to which it transmits the energy of a single motor become more complex, diverse, and numerous.

The third and most important part of the machine is the working part or the mechanical instrument. It originates directly from the instrument used by handicraftsmen. Frequently this instrument is so changed in the working part of the machine that it is hardly recognisable.

The chief distinguishing feature of the working part of the machine, as compared with a hand tool, is that the former acts as an instrument of the *machine* and not of a *man*; the machine performs the motions formerly performed by the tool guided by the hand of the worker. Even if the driving power of the machine is human, nevertheless the working part of the machine is set in motion by the transmitting mechanism.

Thus the machine takes the place of the worker in so far as the latter represents the simple executive instrument of the organising will. Owing to this, many of the relations that formerly existed between the workers in the period of manufacture are now transferred to the machine.

Co-operation and division of labour among workers in manufacture correspond to "co-operation" and "division of labour" among machines (the expressions are conventional, because only a human being, strictly speaking, can "labour").

As an example of simple co-operation we can take a weaving factory which consists of numerous mechanical looms placed in a single building, all executing the

same work. The same motor sets in motion numerous machines of a similar character.

The "division of labour" consists in this, that a number of various but interdependent machines operate on the same material until it acquires the finished form. When machinery is first introduced into an industry, the division of labour among the machines takes the form that existed in the period of manufacture. For instance, in the woollen industry, the work was divided among carders, wool-combers, spinners, &c. Now we have carding and spinning machines instead of workers. In the transition stage one operation is transferred to the machine, while another is still done by hand. Subsequently, of course, the method of division of labour changes.

In the division of labour among machines, one machine provides material for the other to work upon, just as one worker did for another in manufacture. In the machines, as formerly in the hands of the workman, material is simultaneously in hand in all stages of production. The manufacturing group, *i.e.*, the definite relation in the number of workers variously specialised, applies also to the "machine system," *i.e.*, the definite relation between the number, size, and speed of various machines. Just as, for a definite number of spinners, it was necessary to have a definite number of weavers to work up the material supplied, so for a definite number of spinning machines of a given construction it is necessary to have a definite number of weaving looms of a given construction.

From this it will be seen that it is the function of the hand worker rather than the worker himself that has been superseded by the machine. The productive operations of the former are considerably different from those of the machine worker; the latter mainly directs and controls, while the former executed a given task. This is a highly important difference.

It may be mentioned that, in the transitional stages, when the complete development of machinery had not yet been reached, it was necessary to have workers

not only to mind and control the machines, but also to give the mechanical instrument certain motions to which the machine had not yet been adapted. But the development of machinery tends to replace all these imperfect machines by automatic mechanism, whereby the working parts execute all the operations necessary for producing an article without the aid of a man's hand. The more this tendency increases, the more does the labour of the worker at the machine acquire the character of former organised labour.[1]

With regard to the productivity of labour, the chief advantage of machine over hand labour is that, however skilful a worker may be, he cannot work several instruments simultaneously, since he has only two hands and two feet. At one time in Germany an attempt was made to compel workers to work two spinning wheels with two spindles at the same time with both hands and feet, but this required such intense exertion that no worker was capable of standing it for long. The machine, on the other hand, works several instruments simultaneously. For instance, in modern spinning mills, one worker on a spinning wheel manages hundreds of spindles (already in 1887, in England, the average number of spindles managed by one worker was 333, and in the best factory more than 400). If we add that the speed of a machine considerably exceeds that of a man, it will be evident what an enormous growth in the productivity of labour can be achieved with the aid of machinery. In weaving, for instance, one worker at a power loom can turn out as much as forty good hand weavers formerly turned out. At the end of the first half of last century it was calculated

[1] In handicraft production organising labour was little distinguished from executive labour; the journeymen or master-craftsmen controlled and managed themselves. Manufacture develops the division of the two forms of labour to the extreme and reduces it to absurdity by converting the man into a machine. The machine reconciles these opposites, gives to executive work the character of organising work, and demands of the worker not only brute strength and mechanical habit, but also common sense and will.

that half a million spinners, working with the aid of machinery, turned out as much yarn as would require seventeen million hand spinners.

It will be appropriate here to quote some figures indicating the increase in the productivity of labour in the pin industry in the transition from handicraft to manufacture and finally to machine production.

A single worker carrying out all operations required in the production of a pin would not be able to produce ten pins a day. Under manufacture, with division of labour among not more than ten workers, the daily output was 48,000, *i.e.*, 4,800 per man. A pin-making machine can turn out 180,000 pins per day, and one workman can manage several machines simultaneously. An American factory with seventy machines turned out 7½ million pins a day, and this required the labour of five workers; consequently the average output for each worker was 1½ million pins per day.[1]

At the present time man has at his command such a quantity of steam power as could take the place of 1½ milliard of workers, whereas the number of human adult workers in the world is not more than 500-600 millions.

Furthermore, machine production is progressing with increasing rapidity. The substitution of the power of nature for the strength of man, the application of machinery in production, opens up unlimited scope for the development of productive power and the growth of the power of social man over nature.

(3) *The Extension of Machine Production*

Is the machine always useful in production? Does it always increase the productivity of labour? The answer is, of course, only when it saves labour.

[1] These figures must not be taken to mean that the socially necessary labour-time required to produce pins diminishes in proportion to the increase in the average daily output of each worker. In the mechanical production of pins it is necessary to expend an enormous quantity of labour on the construction of the machines, and this considerably neutralises the effect of the above figures.

Let us assume that a machine has been invented which, with one worker, turns out as much work as was formerly turned out by eleven men ; it will, therefore, have taken the place of ten workers. We will assume that the machine wears out in 300 days; during the period of its service it will, therefore, have saved 3,000 working days.

If it required 3,500 days' labour to construct the machine it would, of course, be stupid to employ it, because, instead of a saving of labour, there would be a loss of 500 labour days. Even if the construction of the machine required only 3,000 days there would still be no advantage in using it, because it would save no labour.

If, however, the machine cost only 2,500 labour days, it would then increase the productivity of labour ; it would be useful for production, because it would save 500 labour days.

The capitalist employer, however, who determines whether the machine shall or shall not be introduced, does not regard the matter from this point of view. To him, in fact, it is a matter of indifference whether the machine saves labour or not ; what is important for him is whether it will increase his profit. The capitalist calculates how much money he will have to spend on the purchase of the machine and how much it will save him in wages.

We will assume that the machine saves 3,000 labour days and costs 2,500 labour days ; at the same time the value of labour power for one day is five hours' simple labour, which is equal in price to, say, 2s. 6d., and the new value created by the worker in a day is equal to ten hours, or 5s.

If the capitalist purchases this machine, he will have to pay another capitalist a sum of money that can be produced in 2,500 days, viz., £625. If he does not purchase the machine, he, instead, will have to buy labour power for 3,000 labour days which the machine would have saved him. As the labour power for each day costs 2s. 6d., he will have to pay £375 in

wages, *i.e.*, £250 less than he would have paid for the machine. It is clear that it would not be advantageous for the capitalist to introduce the machine, in spite of the fact that it increases the productivity of labour. The fact is that, in purchasing the machine, the capitalist has to pay a sum of money equal to the whole sum of labour spent in its production, whereas, in purchasing labour power, he pays for only a *part* of the labour which the labour power provides him.

Even if the machine costs 1,500 labour days, which would be equal to £375, it would not be to the advantage of the capitalist to introduce the machine ; there would be neither profit nor loss, for 3,000 labour days also cost £375.

If, however, the machine cost only 1,000 days' labour, and the price were £250, it would then be advantageous for the capitalist to introduce it, for he would thus avoid having to pay £375 wages, which would be a saving of £125.

Thus it is not always advantageous for the capitalist to introduce machinery, even if it increases the productivity of labour. The capitalist application of machinery is possible only when its price is less than the price of the labour power it displaces.

From this it will be clear why a certain machine is applied with advantage in some countries and not in others. For instance, certain machines invented in England are capitalistically advantageous only in America, where wages are higher than in England. The lower wages are, the less advantage does the machine bring to the capitalist, and the less is it applied (this is one of the main reasons why the progress of machine production, particularly in agriculture, was retarded in Russia).

In spite of these limiting conditions the adoption of machinery became rapidly widespread. It proceeded with definite consistency and in almost every case was the result, not of the casual direction of the inventor's phantasy to one or another object, but of the need for satisfying the requirements of industry.

To give a concrete example of this we will examine the need for machinery arising in the textile industry, and in what manner the introduction of machinery in one branch of the industry creates the need for the application of machinery in other branches connected with it.

Even up to the middle of the eighteenth century this industry was organised mainly on the domestic capitalist basis. The weaver was usually the head of the family, who worked on a hand loom in his own home, his wife and children doing the spinning. Under these conditions the weaving was done more rapidly than the spinning, and the spinners could not keep the weaver supplied with a constant supply of yarn. This difference in the speed of the two operations was rendered still more acute by the invention of the self-acting shuttle which doubled the productivity of weaving. At the same time spinning lagged behind even the production of raw cotton. The extent to which an improvement was required in the spinning process may be judged from the fact that in England in 1782 the whole output of raw cotton from the colonies for the three preceding years lay unspun owing to the shortage of spinners, and would have lain untouched for a number of years more if the machine had not come to its relief.

Then invention followed invention in this sphere. At first a machine was invented with eight spindles which could do the work of eight spinners. Later a further invention allowed this machine to be driven by water power, and further there appeared a number of improvements which resulted not only in an increase in the output of yarn, but also in an improvement in its quality.

Again, there was a lack of co-ordination in the outputs of the various branches of the textile industry, but this time it was in the reverse direction to that which formerly existed; now it was the weaver who lagged behind the spinner. But the lack of co-ordination was removed in 1787 with the invention of the power loom.

The extent to which manufacture facilitated the transition to machine production may be gauged from the fact that the first inventors were usually simple workmen who had received neither a general nor a technical education, but merely possessed practical knowledge of their particular branch of industry.

After a number of improvements in spinning and weaving the hitherto existing methods of bleaching cotton material became unsatisfactory. The prolonged character of the process (several months) did not cause any inconvenience as long as spinning and weaving were done by hand and the output of cotton cloth was not very large. With the enormous increase in the productivity of spinning and weaving the necessity arose for the speeding up of the process of bleaching. The solution of this problem was supplied by chemistry and, with the application of acids for bleaching, the process was reduced to several days' and even several hours' duration.

For the same reason there were improvements in dyeing and calico printing. Further, in order to produce sufficient raw material for the machine spinning industry, it was necessary considerably to increase the production of raw cotton. Hence the need for a spinning machine to clean the raw cotton from the seeds. With the aid of such a machine, invented in 1793, it was possible for one worker to clean 350 times as much cotton as was cleaned formerly.

These changes did not affect the cotton industry alone; they stimulated further changes elsewhere. Thus, many of the machines invented would have proved useless if some new motive power had not been discovered capable of performing a larger quantity of work. The source of such power was the double action steam engine, and similar inventions.

The result of a number of such innovations was an extraordinary expansion of production. This created the necessity for new and improved means of communication. In every economic period the development of the means of communication is determined by the

general development of production. The means of communication that were sufficient in the Middle Ages, for instance, proved inadequate for the period of manufacture, and as a consequence navigation improved and high roads were laid down. In the same way these proved inadequate for machine capitalism with its enormous productivity of labour—the time had arrived for locomotives, railways, telegraphs, and so on.

Thus, owing to the close connection between the various branches of industry, machines were rapidly invented and introduced one after another. A specially large number was introduced in the short period covering the end of the eighteenth and the beginning of the nineteenth centuries.

In agriculture the transition to machinery took place later than in other industries. This is due to many causes. In the first place, agriculture did not have to develop manufacturing division of labour which prepared the ground so well for machinery. Secondly, the introduction of machinery in agriculture did not lead to the same sharp changes in the productivity of labour as in industry. Finally, the relics of feudalism, which are preserved much longer in agriculture, were a considerable obstacle to technical progress in this sphere. The enslavement and poverty of the rural population enables the landlord to secure labourers at such low wages that he sees no advantage in replacing them by machinery.

At the beginning of the machine period machines were produced on the system of manufacture. For the time being the machine industry was based on *hand labour*, and the development of the machine industry was necessarily slow. The machines cost much to produce, and were not sufficiently powerful and efficient. In order that a machine may work well it is necessary that all its parts should fit with minute exactness. Such exactness is impossible with hand labour, even of the most skilled worker; it is possible only with the aid of machines. Furthermore, the productivity of labour was not sufficiently large to permit of

large-scale production of machinery such as is adopted to-day.

When machinery began to be produced by machinery the last obstacle to the development of large-scale industry was removed, and it progressed with unparalleled rapidity.

At the same time, science continually proved itself a faithful servant to capitalist production and most conscientiously carried out all the new demands made upon it. The demand for invention on the part of capital caused a quickening in the supply of mental labour. Large enterprises established special laboratories with large staffs of engineers for the purpose of improving machines and the methods of production. In this respect the capitalist governments in the majority of countries played a great part in undertaking the organisation of technical education.

3. The Process of Capitalist Production

The main feature of the capitalist system of production is that it is conducted with the aid of wage labourers, that the worker sells his labour power, *that labour power is a commodity.*

This arises, as has already been pointed out, from two conditions: the first is that the worker is free—he is not a slave or a serf—and *may* sell his labour power to any person at any price; the second is that he is also "free" from the means of production and, therefore, has no means of livelihood and is *compelled* to sell his labour power.

As a commodity, labour power is sold for a definite price, and the price of a commodity is determined by its value. Consequently the capitalist must buy labour power at its value. What, then, is the value of labour power? According to the definition of value as given previously, it is the amount of social labour necessary to produce labour power. How much social labour is spent in "the production of labour power"?

Labour power is the *power to work*, the ability of a

worker to work. A worker is able to work only when his requirements of life are satisfied. If a man has no means of eating, drinking, and clothing himself he cannot work, *i.e.*, he has no labour power. If his requirements of life are not satisfied to the full, then his labour power is diminished.

Consequently, labour power is produced by the satisfaction of the necessary requirements of the worker. Its value, therefore, is obviously the value of the necessary means of life with which these requirements are satisfied.

In one day a worker eats a certain quantity of bread and meat, and wears out a certain quantity of clothes, &c. The amount of labour required to supply him with all these things is the social value of labour power. As has been said, a unit of labour is represented by "one hour" of simple labour of average intensity. If the value of the necessities of a worker for one day is equal to five such "hours," then the value of labour power is equal to five "hours." The price of labour power on the average should conform to this value, *i.e.*, the workers should receive in the form of wages a sum of money the production of which should equal five hours of simple labour of the average intensity. We will suppose that this sum is equal to 2s. 6d.; then the price of labour power will fluctuate about 2s. 6d.

The "necessary requirements" of the worker, which determine the value of the labour power, must not be taken to mean merely the "natural" fundamental requirements, but also the artificial requirements which have become habitual for the worker and which cannot be dispensed with. If the worker is accustomed to smoke, to read newspapers, and to go to the theatre, then the value of tobacco, newspapers, and theatrical entertainments will enter into the value of the labour power, for if he does not satisfy these requirements his labour power will not reach its normal extent.

The need for continuing his race is one of the fundamental necessary requirements of the worker. At the

same time this is also one of the requirements *of industry*, for the continuation of industry demands that one generation of workers be followed by another. For that reason the value of maintaining a family enters into the value of labour power.

In practice, the market price of labour power does not always conform exactly to its value; sometimes it is higher and sometimes lower. But in this case, as with all commodities, competition tends to keep prices in conformity with social value. If the price falls below the standard, if the requirements of the worker are not fully satisfied, then his work deteriorates and falls below the standard, or he may refuse to work at all at that price, and for one or other reason the supply of labour power falls in comparision with the demand and the price rises. On the whole, under ordinary circumstances, it is much more advantageous for the capitalist to pay not less than the value of labour power in order to receive good work and the peaceful conduct of his business. It is unprofitable for him to pay more than the value, but usually there is no need for him to do so because, generally speaking, his position in the market is more favourable than that of the seller of labour power. The latter sells his labour power because he has no other means of livelihood, whereas the employer, in the majority of cases, is not forced to employ a particular worker; there are others from among whom he can choose, and where capital is at all developed the amount of labour power in the market is nearly always greater than is directly required by employers.[1]

Wages provide the worker with the means of life, but that is not the particular concern of the capitalist; he is concerned with obtaining a profit from the labour of the wage worker. In order to understand the origin

[1] It is necessary to say beforehand that capitalist relations themselves create a permanent surplus of labour power, the so-called "reserve army of industry." In fact the "primary accumulation" of wage labour power in Europe created a considerable surplus right from the beginning of the manufacturing period.

of this profit it is necessary to explain how great is the value of the commodity produced by the worker and of what parts it is composed; as the value of a commodity is determined by its labour value, it is, therefore, necessary to commence with value.

The social value of a commodity is the sum of the social labour time spent in its production. It is evident that the value of a finished product contains a series of expenditures of labour time, from the labour of obtaining the very first raw materials from nature to that of conveying the finished product from its place of production to its place of consumption. For the sake of convenience we will examine a concrete case, and for the sake of brevity call a unit of labour time "an hour," assuming by that an hour of simple labour of average intensity.

A worker is making rifles. It is obvious that the value of a rifle includes first of all the value of all the materials of which it is made: iron, copper, wood, varnish, &c. We will assume that all these amount to 100 hours. Furthermore, rifles are made with the assistance of tools—lathes with various appliances, hammers, saws, files, &c. The value of these, however, does not really enter into the value of the rifle; more than one rifle can be made with these tools, and if we assume that they can last for 100 rifles, the one hundredth part of their value enters into the value of the rifle; if only for ten, then one-tenth of their value enters the value of the rifle—in short the part corresponding to the *wear and tear* of the tools in the process of manufacturing the article. If the value of a lathe is 50,000 hours and can last for 5,000 rifles, then ten hours of its value enters into the value of the rifle; if the value of the workshop is 1,000,000 hours and can turn out in its lifetime 200,000 rifles then five hours of its value enters into the value of the rifle, &c. We will assume that the value of the wear and tear of the tools in the production of the rifle is 400 hours; that together with the value of the raw material makes 500 hours.

Now the artisan works on the rifle and, of course, his "living" labour (in contradistinction to the "dead" labour, already embodied in the tools and raw materials) enters into the social value of the product. Of course, a rifle is not made by a single artisan, but by many workers on the principle of the division of labour, but this does not make any difference to our argument; all we need do is calculate the sum of living labour. We will assume that this sum is 250 units of labour, *i.e.*, 250 hours. The value of the rifle will, therefore, be 750 hours.

The usual price of such a rifle, according to the laws of exchange, will correspond to a sum of money which will "cost" 750 hours—we will assume £18 15s. In individual cases the capitalist will sell it dearer or cheaper, but the market price will tend to the level of its value and on the *average* will be near it. In our further argument we will assume that the labour of the worker is the simple labour of average intensity, and that an hour of this labour equals sixpence—the figure is quite arbitrary.

The capitalist buys labour power at 2s. 6d. per day in accordance with its value which is equal to five "hours." If the daily expenditure of labour power of the worker also produced only five hours what would the capitalist receive out of it?

He expended on the rifle: for materials and tools, £12 10s. (equalling 500 hours); for labour power, which he has to buy for 50 days at five hours a day= 250 hours, £6 5s. But the rifle sells for £18 15s., because its value is 750 hours. The capitalist has neither profit nor loss, and to conduct his business on these lines is impossible.

The reason is that the worker spends as much labour time during the day as is required to produce his labour power—five hours; thus, he receives 2s. 6d. from the capitalist and adds 2s. 6d. in value to the product. The living labour of the worker creates no profit; no profit can be obtained from the dead labour; the 500 hours which have been spent on the tools and raw

material remain 500 hours, the labour power spent on the production is transferred to the product, but does not change, and the £12 10s. which the capitalist had to pay for them enters into the value of the product.

But the capitalist has bought the labour of a worker and has the right to dispose of it as he wills. His aim is to get the greatest possible profit. Now the labour power of a worker is sufficient for ten, twelve, and even fifteen hours a day, and the capitalist compels the worker to work not five, but, say, ten hours a day. The worker submits to this because he has sold his labour power and the one who bought it legally has the right to dispose of it as he thinks fit. The production of rifles will now require not fifty working days, but twenty-five (twenty-five working days at ten hours per day=250 hours).

The capitalist spends £12 10s. for means of production, 2s. 6d. $\times 25$=£3 2s. 6d. for labour power, total £15 12s. 6d. The value of a rifle equals £18 15s., and the result is £3 2s. 6d. profit.

The profit originates in the following manner. the product of one day's labour power cost five hours; its value is, therefore, five hours. The worker, however, works ten hours. He receives 2s. 6d. per day as wages, but his labour during the period creates value to the amount of 5s. The £3 2s. 6d. which the capitalist paid for the labour power represents 125 hours, and the total living labour power actually expended represents 250 hours. The worker has not only replaced the values consumed in creating his own labour power, but has created additional value to the extent of 125 hours at five hours per day. This new value is called "surplus value," and is the source of the profit of the capitalist.

The first five hours of the daily expenditure of labour power of the worker represents what is called *necessary* labour time, *i.e.*, the time in which the worker replaces the value of his labour power. The remaining hours represent *surplus* labour time, *i.e.*, the time spent on surplus labour.

Thus, although labour power is a commodity, it nevertheless has a peculiar quality: its consumption creates values considerably greater than its own. The whole purpose and aim of production for the capitalist is, by applying the labour power of wage workers to certain values belonging to him embodied in means of production, to secure surplus value which on the sale of the product takes the money form of value. For the capitalist, his capital is a "self-increasing value."

In the above example the capitalist invested capital in his business—money representing £15 10s., corresponding to 625 hours of "dead labour." Of these, the 500 hours embodied in the tools and raw material entered into the value of the product without change; they were "preserved" in the process of production, but took no part in the creation of surplus value. This is what is known as the "constant part of capital" or, briefly, *constant capital.* The remaining 125 hours representing the value of the labour power purchased by the capitalist possess quite another quality: these are not merely "preserved" in the labour process, in the process of being consumed by the capitalist, but add 250 hours of "living" labour to the general value of the product which thus undergoes a quantitive change; it is increased by 125 hours of surplus value. This is the "variable part of capital" or *variable capital.*

Thus, it is only variable capital, with which labour power is purchased, which really creates surplus value; constant capital, *i.e.*, means of production, does not possess this quality.

The relation of surplus value to variable capital or, what is the same thing, the relation of surplus labour time to necessary labour time, is called the *rate of surplus value.* In the example quoted above, the daily expenditure of 2s. 6d. variable capital is accompanied by an expenditure of five hours of surplus labour which also represents 2s. 6d.; the rate of surplus value is therefore 100 per cent. Obviously, the rate of surplus value can serve as a measure of the gain which the capitalist

receives out of the labour power he purchases, the measure of exploitation. For that reason it would be correct to call it also " the rate of exploitation."

The essentials of capitalist production consist in that labour power, having become a commodity and been acquired by the capitalist with the aid of his variable capital, is consumed in production; while being consumed it reproduces its own value and in addition creates surplus value, which is the source of the " profit " of the capitalist class.

Among economists the opinion reigned that the profits of the capitalist class are not created in production, but in exchange—that profits come from selling commodities above their values. Thus, a commodity, the value of which is 100 hours, and (in accordance with the value) the price £2 10s., is exchanged for a commodity the value of which is 110 hours and the price £2 15s., the profit thus being 5s. As a matter of fact, only individuals can grow rich in this manner; the profits of the capitalist *class* cannot be so explained. If the first capitalist received a commodity worth £2 15s. in exchange for a commodity worth £2 10s., then the second capitalist on the other hand received a commodity worth £2 10s. in exchange for one worth £2 15s., and thus suffered a loss. Taking them both together, neither received either profit or loss. Before the exchange took place the value of the commodities in their hands was £5 5s. and after the exchange the value remained the same, the only difference being that one had more and the other less. Even if we assume that every seller cheats the buyer, we have to take into consideration that the seller also becomes a buyer and will, therefore, be cheated in his turn.

If there were no source of profit but exchange the capitalist class would not be able to exist.

4. The Influence of Developing Capitalist Enterprises on Backward Forms of Production

Manufacture arose and developed amidst a complex combination of diverse economic forms. In the city

manufacturing industries there dominated the domestic form of capitalist production, but considerable remnants of the handicraft system and the corporations peculiar to it were still preserved. In the villages numerous fragments of the natural self-sufficing system prevailed, *i.e.*, small farms with various subsidiary occupations. Merchant capital endeavoured to extend its organising exploiting activity over them. This it was unable to do; it succeeded to a considerable extent, but not completely, owing to the obstacles in its path presented by the numerous relics of feudal relations. The process of decay and the removal of the remaining forms began as a consequence of the development of merchant capital and proceeded much more rapidly under the influence of industrial capitalism.

In the competition between large-scale manufacture and petty handicraft forms of production, the former proved the stronger and squeezed out the latter. The high productivity of technical-divisional labour led to a considerable reduction in the values, and consequently in the prices, of commodities against which the handicraftsmen could not stand. For that reason handicraft in those industries embraced by manufacture rapidly declined, and the number of these industries continually increased.

In order to maintain themselves at least temporarily in this unequal competition the guild craftsmen had at all costs to increase the productivity of labour or, at least, to increase its exploitation. As a result the symptoms of decay of the old craft organisations, which to a lesser degree were already observed in the preceding period (for instance, in the development of the spirit of exclusiveness among the master-craftsmen, the tendency to place all possible obstacles in the way of journeymen becoming independent craftsmen, the breakdown of the former direct ties between the master-craftsman and his journeymen, the severe struggle between the organisations of the former and the latter, and the loosening of the ties within the guilds expressed in the endeavour of indivi-

dual members to evade the embarrassing rules of the guild and to exploit their fellow-guildsmen by means of merchant capital), became more marked in the period of manufacture. The vitality of the guilds had diminished.

In accordance with the law general for all obsolete forms the guilds ceased to be socially useful, and became even harmful as an obstacle to further development. Having a monopoly of production of the market in the majority of towns, the guilds considerably hindered the development of manufacture. At the same time masses of the "surplus population" sought a market for their labour power, while the existing enterprises were not all able to absorb them. The interests of the greater part of society demanded the further development of manufacture, and for this it was necessary to have the freedom of capital, the abolition of the hindrances and privileges of the guilds.

Defending their narrow interests, the guilds showed irreconcilable hostility to technical progress which threatened the doom of the small producer. Taking advantage of their social importance, and their influence on the government, the guilds exerted all efforts to prevent the introduction of new inventions into social technique, and frequently secured the destruction of the invention together with the inventor. These facts revealed with particular clearness the reactionary rôle of the old organisations.

In this manner the consciousness gradually spread among the industrial classes, both bourgeois and proletarian, of the necessity for abolishing the guild system. The activity of the State to an increasing degree was directed against these obsolete organisations.

Having lost their social importance the guilds began to lose their power. In the first place, they lost their former independence. The royal authority assumed to itself the right to grant the title of master to a craftsman, and energetically used this right for the purpose of increasing the royal revenues. The granting of these patents gave wide scope for arbitrary action.

A patent granted by one ruler would be declared annulled by his successor for the simple reason that he too needed money. As has been pointed out, the privilege of evading the rules of the guild was often given instead of the right to the title of master. Most frequently both these rights were sold at the same time.

In spite of their weakened authority, the guilds even in England in the first half of the eighteenth century endeavoured to hold up the victorious march of capitalist development. It is known, for instance, that the Glasgow Corporation of Mechanics, on learning that James Watt, while not being a member of the corporation, was working on a model of the steam engine, prohibited him from continuing his work.

Such actions, however, were becoming rare in this period, particularly in view of the fact that in the young cotton industry, which laid the basis of English capitalism, there were no guild organisations. Generally speaking, all regulation of industry in England disappeared of itself and the law of 1814 simply confirmed what had already become a custom. In France the abolition of the guild system by legislation began fifteen years before the great revolution which at one sweep (1789) abolished all its relics. But even before that the guilds were hardly able to maintain their existence, owing to the competition of manufacture and domestic capitalist production.

Of the advanced countries, guild privileges continued longest in Prussia where they were actually abolished by the edict of 1810. The latest attempt to return to them, made by the German craftsmen during the revolutionary period of 1848, was, of course, merely a reactionary Utopia; to abolish the freedom of trade, as the Frankfort craftsmen's parliament demanded in 1848, at a time when hundreds of factory chimneys had reared their columns over Germany, meant turning back the wheel of economic development; such attempts were doomed to failure.

During the period of serfdom and at the beginning of the manufacturing period, *subsidiary industries* were

widespread among the peasant population. The most important of these were the production of clothing, spinning, weaving, sewing, followed by the production of many of the necessary domestic utensils.

The products of these subsidiary industries were partly consumed in the household of the producer and partly sold. With the development of the money relation, with the transformation of the serf dues from payment in kind to money payments, and particularly with the appearance of merchant capitalism upon the scene, production for sale in the subsidiary industries became decidedly more prominent than production for use. At the same time, the organisation of these industries becoming dependent on the market, assumed the form of domestic capitalist production.

The transition to manufacture in this sphere took place very gradually. Manufacture in the villages for a long time bore the traces of the "subsidiary" character of the industries in which it arose. The workers in these industries did not work in them exclusively; in the summer they returned to their agricultural work, and manufacture either wholly or partly came to a standstill. Frequently the general economic backwardness of the village led to the decay of manufacture. The capitalist found it more profitable to allow the peasant to carry on his work at home as a subsidiary industry. This is explained by the low standard of requirements of the peasant and the fact that the subsidiary employment was of secondary importance as compared with agriculture: the products of home industry could be sold very cheaply in spite of the backwardness of technique.

This splitting up of the factory, based mainly upon hand labour, took place in Russia. In the first half of the nineteenth century, and even before that, a peculiar process is observed of the breaking up of large-scale production into smaller productive units. Work in the cotton weaving mills diminished, but around the factories home industries developed with remarkable rapidity. From 1836 to 1867 the number of workers employed in the cotton weaving mills declined from

95,000 to 75,000, but at the same time the import of raw cotton into Russia rose from 14,416 tons to 46,083 tons. All the raw material that was not worked up in the mills was given out to the home workers, and many cotton weaving mills were converted into work distributing centres, *i.e.*, typical organisations of merchant capitalism. The employer found it more profitable to exploit the peasants in their own huts than to collect them into his factory. For the peasants, groaning under the yoke of serfdom, weaving provided a subsidiary but regular means of existence. The development of home industry was not hampered by technical difficulties for the reason that a weaving loom at that period could as easily be put up in the peasant's home as in a factory. This primitiveness of technique was one of the main reasons why the work distributing enterprises could easily compete with the mill owners. Frequently the former out-competed the latter, for the long working day put in by the peasant, his inhuman exploitation of his family, and the increased intensity of his labour more than compensated for the advantages of large-scale production.

This decline of the factory, this reversion of industrial capitalism, was merely a passing phase, and was abolished by the further progress of technique. The substitution of the mechanical loom for the hand loom, which took place in Russia between 1860 and 1876, was fatal to home industry. Its effect upon the home workers in Russia was not less disastrous than upon the handweavers in England. The application of the mechanical looms led to a colossal increase in the number of workers employed in factories and to the progressive economic degeneration of home industry. During the thirty years between 1866 and 1895 the number of workers employed in cotton mills increased from 75,000 to 242,000, and the number of home workers employed on cotton weaving declined from 66,000 to 20,000; in other words in 1866 the number of workers in this industry employed in their homes

represented 53 per cent. of the total, while in 1895 the proportion had dropped to 8 per cent.

At the same time production for direct consumption also declined. Manufacture created an enormous demand for raw material, and it became more profitable for the peasants to sell it than to work it up for themselves. Furthermore the better appearance of the factory-made goods and their comparative cheapness made the peasants prefer them to their own products.

This, with the progress of technique in large-scale production, completed the social division of labour; agriculture was separated from the manufacturing industry, and the peasant either went into the factory or confined himself to agriculture.

At the same time agriculture partly lost its stability, and the force of its resistance to the newly developing economic forms declined, owing to its having lost the support it formerly received from the subsidiary industries.

Such is the main tendency of the development of industrial capitalism. In the epoch of manufacture, the first stage of industrial capitalism, it appears in a comparatively weak form, sometimes even is completely concealed by the rise of some new, and the development of some formerly subsidiary, industries: the supplying of raw materials for manufacture becomes a more profitable business, and the peasant, either independently or with the assistance of the capitalist, undertakes the working up of these materials if the technique of the work permits it. In the period of machinery home industry dies out rapidly.

In agriculture capitalism does not develop as rapidly and as successfully as in the manufacturing industry.

The technique of agriculture does not permit of the same wide division of labour that is possible in manufacture. Is it possible, for instance, to sub-divide an operation like ploughing? Furthermore, different kinds of agricultural work are carried out at different times, which still further decreases the importance of the technical division of labour in this sphere.

For that reason, in the period of manufacture large-scale and petty farming hardly differ in the productivity of labour, and the latter can therefore successfully hold its own in competition with the former.

Nevertheless, large-scale farming from the very first enjoys a certain technical advantage, particularly in obtaining means of production from the market and supplying finished products. Naturally the technique of large-scale farming develops more rapidly. For all that, petty farming for a long time continues to hold its own in competition with it. Only an enormous expenditure of labour power permits the small farmer to withstand competition, so that on the whole his labour is badly paid.

5. The Circulation of Money

The main and almost the sole method of distribution in capitalist society is *exchange*, *i.e.*, unorganised market distribution. By the process of exchange every social class, and every member of that class, receives his share of the social product. Direct social distribution is usually preserved within the family.

The progress of the circulation of money corresponds to a considerable development of exchange. In capitalist production money is an essential driving power; without it, capitalism is impossible. With money the capitalist secures the means of production and labour power. When by the mutual operation of the elements of production a product is obtained, the capitalist sells it again for money. With part of this money he buys more labour power, tools, and raw materials, and the commodity is again sold. Subsequently the commodity passes from hand to hand until it reaches the consumer, and all this again is done with the aid of money.

Thus, for the normal process of capitalism it is to a high degree necessary that money should circulate correctly and unhindered, and that the supply of money should correspond with the demand. How is this achieved?

As has been shown, money represents a form of value which can be *saved* for an indefinite time and *accumulated* in unlimited quantities. This gives rise to a desire to save and accumulate it. As a consequence the general sum of money in a country under the exchange system nearly always exceeds the sum immediately required for circulation. The whole of the surplus remains outside the sphere of circulation, in the pockets or the chests and vaults of its owners, and serves as a *money hoard.*

It is owing to the existence of this hoard that the supply of money can under ordinary conditions easily and rapidly fit in with the demand.

The demand for money is determined by the combination of circumstances of exchange and credit. As has already been shown, the extent of this demand over a certain period is determined by adding to the sum of prices of commodities sold in the market the sum of postponed payments made during the period, minus those which mutually eliminate each other, and dividing the result by the average number of money transactions made. Consequently the fluctuation of money depends either upon a change in the quantity and the prices of goods on the market, a change in the extent and the technique of credit, or a change in the rapidity of the circulation of money.

We will assume that during the period of one week the general sum of prices of commodities as sold in the market is £100,000, the sum of postponed payments, minus those mutually eliminating each other, £50,000, and the number of transactions one. In that case the amount of money required will be £150,000. During the following week owing to the increase in the quantity or in the prices of commodities the general sum of prices equals £150,000, other commodities remaining the same. The extra £50,000 has to be made up by the purchases of commodities out of the hoards, otherwise the commodities cannot be acquired. The supply of money has thus been increased by £50,000 and the hoard reduced by that amount. On the other

hand, if the sum of prices had not increased, but decreased, that part of the money, instead of being used as payment for goods, would go into the pockets of its owners and thus increase the money hoard.

The same thing happens in the event of an increase or decrease of the sum of postponed payments. In this connection the technique of credit plays an important part. With the development of financial institutions there develops a " gyro-circulation " the essence of which is as follows: Individual enterprises keep their money in banks on current account, the banks in this case acting as the cashiers for these enterprises. Let us assume that Smith having money on current account in a certain bank has to pay a certain sum of money to Jones, who also has money deposited on current account in the same bank. To do this, Smith sends a written request to the bank (*i.e.*, writes a cheque) asking the bank to transfer that sum of money from his account to that of Jones. Thus Smith settles with Jones without the employment of money. But various people may keep their money in various banks. In view of this, special institutions are established, known as bankers' clearing houses, which balance the accounts between the banks. The bankers' clearing house compares the sum of money which a bank has to pay with the sum which it has to receive, and only the difference is paid over in money. If there were no credit institutions to compare and transfer the debts of various enterprises, then a greater quantity of money would be required by the credit market. It would be necessary to settle such debts with sums of money which would mutually eliminate each other if they were simultaneously declared and mutually transferred. The sum of such debts would increase the amount of money in circulation instead of allowing it to be placed in the hoard.

Let us now suppose that with a constant sum of prices amounting to £100,000, and a constant sum of postponed payments amounting to £50,000, the number of the transactions increases from one to two. Commodities

and money circulate more rapidly. The market then is able to make use of the same sum of money not once but twice. For instance, a capitalist for £100 is able to buy means of production, later on he recovers this money by the sale of commodities, and with it buys fresh means of production, *i.e.*, in purchasing £200 worth of commodities he only uses £100 in money. The money market consequently requires £75,000 instead of £150,000, and the remaining £75,000 is left in the pockets of the owners and goes to increase the hoard. With the reduction in the rapidity of commodity money, circulation takes an opposite direction and part of the hoard enters into the sphere of circulation.

Thus, with the normal course of business the supply of money corresponds to the demand. The hoard serves as a reserve from which money flows in the event of necessity in the sphere of circulation, and into which it flows in the opposite event of there being a superfluity of money in the market.

With the development of capitalist society the sum of money circulating in the market grew much more rapidly than in the hoard; but the hoard also had to increase, otherwise it would in the course of time have been inadequate for the regulation of the enormous money market and its fluctuations. The production of money necessarily had to increase. And, indeed, the very first steps of capitalism in Europe were marked by the unparalleled import of the precious metals from the newly discovered countries, particularly America. The importance of the flow of money, however, diminished to a certain extent owing to the fact that the value of money, and consequently its purchasing power, decreased as compared with the Middle Ages. This, in turn, was determined by the greater ease with which the money metal was obtained, the amount of social labour power embodied in a given sum of money being in consequence considerably less.

Things were not limited to masses of precious metals being thrown into circulation. The demand for money increased with enormous rapidity, which in course

of time created the necessity for the application, in addition to the metal money, of so-called *banknotes*.

The essential feature of the banknote, which equally with metal money carries out the function of means of exchange, is best explained by the manner in which it arose.

As we already know, the Middle Ages were distinguished by the diversity of coinage. Almost every feudal lord coined money according to his own fashion. This led to extreme confusion in the circulation of money, and large numbers of people failed to understand the values of the various coins. To fix the denomination and value of coins became the function of experts—the mediæval "bankers" whose chief occupation was the exchanging of various coinage.

The merchants took the money to these "bankers" and exchanged it in accordance with their requirements, or left their capital in the banks for safety. In the latter case the bankers expressed the sums deposited with them in a single money unit, and registered that sum in the name of the depositor. Each new deposit and withdrawal was, of course, entered in the account of the depositor, who paid the banker a certain sum for carrying out the functions of cashier for him.

Such banks first arose in the merchant towns of Italy. At first a merchant, desiring to pay his creditors, had to appear personally at the bank to withdraw the sum he required in order to hand it to the proper person. If the creditor had an account at the same bank, the merchant requested that the necessary sum be transferred to the former. In course of time, however, this operation became much simpler. The bankers began to issue to their clients special deposit receipts certifying the receipt of certain moneys by the bank; when the depositor wished to pay his creditors he simply wrote an order to pay the necessary sum on the banker's receipt with which the creditor could at any time receive metal money from the banker. To the extent that the bankers enjoyed the confidence of the merchants, persons receiving these orders or cheques

did not hasten to exchange them at the bank for metal money, but kept them or put them into further circulation.

The bankers began to observe that a considerable part of the deposit receipts issued by them were not presented for exchange for corresponding sums of money, and that a certain part of the money deposited with them remained untouched. This induced them, apart from those receipts issued to depositors corresponding exactly to the sums deposited, to issue other receipts not backed by metal money. Experience taught the bankers what proportion of the documents issued by them were not presented to be cashed, and in accordance with that they were able to determine the general sum of credit notes not backed by metal money they could issue without risk of being unable to pay in cash when called upon.

This operation was given the name of *bank issues* and the money tokens they issued were called *bank-notes*.

With the development of capitalism the issuing banks acquired enormous importance in all advanced countries. Side by side with the growth of exchange there grew also a demand for money tokens. Sufficient quantities of these tokens were issued by these banks. The latter diminished the need for metal money and saved the capitalist system that mass of social labour which would have been spent in obtaining the precious metals if banknotes had not been used.

At the present time issuing banks are either in the hands of the State (like the Russian State Bank) or of private limited companies (like the Bank of England, the Bank of France, &c.). In the latter cases they are subject to the strict control of the State and bear a semi-official character.

The quantity of money tokens, as we have seen, is determined by economic laws. The issue of banknotes in excess of this quantity creates a superfluity of money in the country. If this were a superfluity of metal money, it would be withdrawn from circulation

and would form a hoard, only the amount required for exchange remaining in circulation. Where there is both metal money and banknotes, everyone, of course, prefers to have a "hoard" not of bank notes but of gold. For that reason every over-issue of banknotes causes an increase in the demand to exchange these into gold. Under such circumstances, the bank may find itself in difficulties or even become bankrupt. In order to avoid this the State keeps the operations of the issuing banks within strictly defined limits established by the laws of the country.

The limitation of the issue of banknotes varies in different countries. In Austria-Hungary, for instance, two-thirds of the banknotes in circulation must be backed by gold. If the total exceeds 200,000,000 guldens, the Government imposes a 5 per cent. tax on the surplus. The same principle is adhered to in the German issuing banks. In Russia prior to the war the English system operated. According to the law of 1897 the State Bank had the right to issue credit notes to the value of 600,000,000 roubles with a gold backing of 300,000,000 roubles. All the notes issued in excess of 600,000,000 had to be backed by gold. The issuing right of the State Bank, *i.e.*, the right to issue credit notes not backed by gold, was therefore for 300,000,000 roubles.

In spite of the legal limitation of the bank issues, the State frequently uses the issuing banks for its own purposes. In this it is guided not by the needs of circulation, but by the interests of its treasury. The issue of banknotes serves the purpose of loans without interest; the State prints "credit notes" and with them pays for government contracts, services, &c. Governments frequently resort to this method when they are particularly in need of money and the customary revenues from taxation are inadequate. Governments find themselves in this position during periods of war, revolution, &c. But the excessive issue of banknotes by the governments creates the situation described above. The number of banknotes presented for exchange

for gold increases and the government has to declare a cessation of their exchange.

The government by law compels the citizens to accept the *inexchangeable* " paper money " and itself accepts it in payment of taxes, &c. The circulation of banknotes under such conditions becomes converted into the circulation of *paper money.* This conversion of banknotes into inexchangeable paper money took place in nearly all the belligerent countries, including Russia, where the exchange of credit notes for gold was stopped on July 26, 1914.

Gold does not circulate side by side with inexchangeable paper notes ; it either goes into the hoard or is sent abroad in payment for imported goods. Only paper money remains in the sphere of home circulation, it is not accepted abroad, and as a hoard it is rather doubtful and unreliable. As a result, the amount of paper is in excess of the requirements of circulation, and has then to fulfil the function that a considerably smaller quantity of paper money formerly fulfilled. This leads to the depreciation of paper money and a corresponding rise in prices of commodities.

If metal money remains in circulation side by side with paper money, the former is valued higher than the latter. An *agio* is established for the metal money, that is to say, a certain addition is made to each unit of metal money or, on the contrary, a certain deduction is made from the nominal value of the paper money when exchanged for gold. Cases of establishing agios are by no means rare in the history of money circulation.

The great French Revolution gives some striking facts in this connection. In 1790 the National Assembly converted its assignats (a type of State loan) into paper money. When these assignats were comparatively few in number their value was not much different from the value of metal money ; but immediately the issue of assignats increased they began to fall in value. Thus at the beginning of 1791, when there was less than one milliard francs (or to be exact livres—a metal livre equals

$\frac{81}{80}$ of a present franc) of assignats, one could get ninety-one metal livres for 100 assignats. In January, 1793, when the number of assignats reached to almost three milliard francs, they depreciated to 51 per cent. A further issue increased their number to forty-six milliards and led to their catastrophic depreciation. In March, 1796, only one-third of a metal franc was given for 100 assignats, that is 300 times less than their nominal value. Things reached such a pitch that a veal cutlet cost 650 francs, a pike 1,000 francs, a pastry 50 francs, &c. In Russia the depreciation of credit notes, which resulted from an over issue at the end of the eighteenth and the beginning of the nineteenth century, reached twenty kopecks silver and, as in the former example, their depreciation proceeded parallel with the increase in their number.

The price of a banknote in paper money expressed in metal is called the *rate*. Within a given country there is no fluctuation in the rate of banknotes; in the foreign market the fluctuations are confined within very close limits. In international trade, goods are paid for not in metal money but with *bills, i.e.*, a kind of credit note drawn up in a certain form. We will assume that a Russian merchant A dispatches a cargo of wheat to an English merchant C; an English manufacturer D sells some machinery of the same value as the wheat to a Russian manufacturer B. B then buys the bill on the Englishman C from A, and sends it to the Englishman D, who secures the settlement of his account on the bill from C. There is no need to send any money, and the risk of sending twice is avoided. Banknotes play the same rôle, and are regarded on the international market as obligations of the country which issues them. If the sum which a given country has to pay another country during a definite period of time (for commodities or interest on a loan) is greater than the sum which the latter has to pay the former, then a surplus of banknotes or bills of the first country is formed on the international market. This leads to an increase in their supply on

the international market. As the demand for them is small they begin to depreciate, but the extent of the depreciation is limited.

We will assume that in Germany there accumulated a superfluity of Russian bills and credit notes that exceeded the sum which Germany required to cover her current obligations to Russia. In that event there would be small demand for Russian bills and credit notes, and no one would give full face value (on the pre-war calculation 216 marks for 100 roubles) for them. The rate of the rouble would decline, and would sink so low that the owner of Russian credit notes would prefer not to sell them, but to send them to Petersburg and exchange them for gold roubles which were always expressed in an equal sum of German gold marks. The transfer of Russian gold to Berlin together with packing and insurance at that time cost 81 kopecks for 100 roubles. Deduct 0.81 per cent. from the normal value of the rouble and you will get the limit below which the rate of Russian credit notes in Berlin could not fall. If there proved to be an insufficiency of Russian credit notes in Germany, then the rate of exchange would turn in favour of Russia, but it could not rise higher than 0.81 per cent. above the normal rate. Thus the fluctuation of the rate of exchange of Russian credit notes in Germany was limited to 1.62 per cent., that is counting both rise and fall. From the above example it will be clear that the fluctuations of the rate of exchange depend on the distance between countries. The difference between the highest and lowest rate of Russian credit notes in England was 3 roubles 61 kopecks for 100 roubles, in Paris 4 roubles 2 kopecks, and in New York 9 roubles 2 kopecks, &c.

With inexchangeable paper money things are quite different. The fall in their rate of exchange is in no way limited. It may fall as a result of the economic causes quoted above, and also as a result of political causes, *e.g.*, lack of confidence in the government which issues them may cause its rate of exchange to fall

considerably below the normal. A fall in the rate of exchange naturally causes a rise in the prices of all commodities within the country, while a rise on the other hand causes a fall in prices. But a fluctuation in prices does not follow immediately after a change in the rate of exchange. The prices most readily affected are those of commodities manufactured principally for export and those of commodities imported from abroad. This is due to the fact that the rate of exchange of paper money is determined first of all in the foreign market; it cannot be determined with precision in the home money market because the metal money which established the rate of paper money hardly circulates there. The prices of those commodities which are produced mainly for home consumption, and only partly imported or exported, change much more slowly, and the last of all to change in accordance with the change in the rate of exchange are the prices of those commodities which are produced wholly for home consumption. Among these latter must be included labour power. For that reason a fall in the rate of exchange is disadvantageous to the working class; the prices of the necessities of life rise more rapidly than wages, and the capitalists never hasten to raise wages in accordance with the rise in the cost of living.

Inexchangeable money is therefore a very unstable measure of values. It is extremely inconvenient for the exchange system because commercial calculations with it becomes impossible. To trade with a sovereign which is continually changing its value is like trying to measure with a yardstick that continually changes its length.

In order to avoid such an abnormal situation, every country with a paper currency strives to re-establish metal currency, and consequently a more stable money unit. In the first decade of the last century Russian assignats fell very low, and in addition the rate fluctuated considerably. When further issue of assignats ceased they became more stable and fluctuated round about twenty-seven kopecks silver

for a rouble assignat. It was then decided to introduce financial reforms, and measures taken from 1839 to 1843 established that three roubles fifty kopecks assignats equalled one rouble silver. Assignats in this proportion began to be exchanged for "credit notes," *i.e.*, banknotes which in their turn were freely exchanged for silver. The currency in this manner was put in order, but not for long. The Crimean War again caused an increased issue of credit notes, and in 1858 the Government was compelled to stop their exchange. Paper currency again dominated in Russia for a considerable time. The rate of exchange once more began to fluctuate, and in the 'eighties fell almost to fifty kopecks (when war with Germany threatened). Owing to certain measures taken in the 'nineties the rate became fixed at sixty-six—sixty-seven kopecks gold, *i.e.*, two-thirds of the normal value. The Government then introduced a reform somewhat different from that of 1839-43. Instead of levelling the value of the credit notes and paper roubles to sixty-six—sixty-seven kopecks, the amount of gold in the gold rouble was reduced by one-third and the credit rouble became equal to the new rouble—in reality sixty-six former gold kopecks. The former rouble contained eighteen grains of pure gold and the new rouble only twelve.

The method described above of reducing one form of money to the value of another is called *devaluation*.

On the eve of the outbreak of the world war all the great belligerent countries possessed a stable money system based on gold. The circulation of banknotes in all of them was normal. The war resulted in all the belligerent countries stopping the exchange of banknotes and consequently in the introduction of paper currency. The issue of paper money everywhere reached colossal dimensions; in Russia, for instance, the amount of paper money in circulation reached from thirty to thirty-five times the pre-war figure. The establishment of paper currency caused the depreciation of money and was one of the main reasons for the increase in prices in the belligerent countries, particularly in Russia.

6. The Distribution of the Social Product among the Various Capitalist Classes

(*a*) *Profits*

Since the rise of the social class of merchants, the term "profit" came to be accepted as the expression of its share of the social product, while the term "earnings" expressed that of the handicraftsmen. The difference in the terms clearly indicates that according to the prevailing views in society the income of the handicraftsmen was the direct result of his labour, whereas the merchant *did not produce anything*, as the product left his hands in the same form as he received it. The labour of the handicraftsmen, on the other hand, brought about an obvious transformation in the materials; he created a new product. This view is based on mere appearances and arises from erroneous reasoning. A product cannot be regarded as completed if it cannot be consumed in the place where it is produced; its conveyance from one place to another, or from one enterprise to another, is the necessary final operation of "production." In this sense the labour of the merchant is in no way different from that of the handicraftsman, and in so far as his profit is determined by his socially useful expenditure of labour power, it is real earnings.

The fact is, however, that the income of the merchant, speaking generally, does not merely consist of trade earnings. From the very first the merchant acts as a *merchant capitalist*. He subjects the small producer to himself, and the profit which he extracts is not dependent upon the amount of socially useful labour he performs, but on the amount of his capital and the extent of his power over the producer. Thus, the greater part of profit is not earnings; and the further it develops the more do actual trade earnings become absorbed in trade "profits" and become insignificant compared with the latter.

The same thing applies to the industrial capitalist. The profits he receives in no way correspond to the

amount of labour he expends in his organising activities. On the contrary, the more he extends his business, the more does he transfer this function to the wage workers and reduce his share of organising labour; at the same time his profits increase.

In this sense the custom of regarding capitalist profits as distinct from earnings is quite in accordance with facts.

The origin of industrial profits has been already explained; it arises from surplus value, *i.e.*, from the surplus labour of wage workers. The profits of merchant capital in the domestic capitalist system are also the result of the surplus labour of small producers who are only formally independent; the difference between the two is insignificant, and becomes still less as merchant capitalism is transformed into industrial capitalism.

In studying the question of the profits of the capitalist it must first of all be borne in mind that the rate of surplus value is far from being a sufficient measure of profits; this rate only explains one aspect of the matter, viz., the disadvantage to the worker of working in another's enterprise, but it does not show why it is advantageous for the capitalist to conduct his enterprise.

Previously we examined a single example of a capitalist enterprise—the manufacture of rifles. The rate of surplus value then was 100 per cent., because the £3 2s. 6d. which the capitalist spent in buying labour power brought him 125 hours of surplus labour, which is equal to £3 2s. 6d. But the capitalist did not only invest *variable* capital; he also invested £12 10s. constant capital, spent in the purchase of raw materials and tools. We see, therefore, that he received £3 2s. 6d. profits on the whole of the £15 12s. 6d. which he expended or 20 per cent. The percentage of profits on the *whole of the capital* invested is called the rate of profit.

It is obvious that the rate of profit is smaller than the rate of surplus value, because it is calculated on the whole of the capital, both variable and constant.

In the above example, the whole of the capital is five times larger than the variable capital and the rate of profit is one-fifth of surplus value.

We will assume that another capitalist has spent a larger proportion of constant capital, say £28 2s. 6d., as compared with £12 10s. Then, with the same rate of surplus value, the rate of profit will be 10 per cent. Consequently, the second enterprise will be less profitable than the first, and this is due to the fact that the constant capital invested in the second enterprise is considerably larger.

Generally speaking, with an equal rate of surplus value, the less the variable capital invested as compared with the constant capital, the lower is the rate of profit.

This is expressed in another way. With a given rate of surplus value, the lower the *organic composition of capital*, the lower is the rate of profit. The "organic composition of capital" is the relation between the values of constant and variable capital; when the constant capital is relatively greater than the variable capital, the organic composition is called "higher" because, as will be shown later, the process of development leads to the growth in the relative proportion of constant capital.

The whole of the preceding calculations present the matter in a simple form: they deal only with the rate of profit for a *single turnover* of capital. The capitalist one day buys raw material and tools, hires workers, sells his commodities, and the capital he spends is returned to him with profit. Actually, the thing is not so simple. The capitalist does not limit himself to one turnover, but conducts his business for a long period of time. He measures the profitableness of his business by the percentage of profits over a whole *year*. He purchases labour power, tools, and raw materials as they are required, and sells commodities as opportunity offers. His capital makes a number of turnovers, and it is not possible exactly to separate one turnover from another. The capitalist simultane-

ously sells finished products, produces new commodities with the aid of the labour power he purchases, and buys all that is necessary for further production. The money capital is spent in parts and by no means in equal proportions.

The expenditure on labour power is returned completely each time a commodity produced by this labour power is sold. The expenditure on raw materials for a given number of commodities is also returned completely each time those commodities are sold. If, for example, a capitalist sells 1,000 yards of calico he will get back all that he spent on raw material and labour for the production of those 1,000 yards of calico (of course he will also get a profit in addition, but we will leave that aside for the moment).

This, however, does not take place in the case of the capital spent on tools—the factory, looms, instruments, &c. This part of capital is not returnable on every sale of a commodity. In selling the 1,000 yards of calico the capitalist does not receive back the money he spent on his factory, say, £10,000. This is quite natural: the factory has not been used up, it is still in its place, and can serve for many years of production yet. It may serve, we will assume, for 1,000,000 yards of calico; in that case one-millionth part of the value of the factory will enter into each yard of calico, and in selling 1,000 yards only one-thousandth part of the capital spent on it will be returned.

The same thing applies to tools, machinery, &c.; in selling the calico the capitalist has returned to him only a part of the capital he spent on looms, spindles, &c., with the aid of which he produced the calico. If the looms suffice to produce 100,000 yards of calico, the capitalist in selling 1,000 yards of calico has returned to him in a money form one-hundredth part of the value of the loom, &c. One tool will last longer than another; the factory may last fifty years and the loom five years. The capital spent on the factory will come back in small instalments and will be

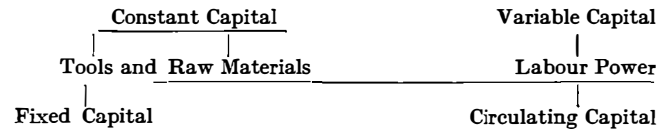
returned wholly in fifty years; in other words, the period of its turnover will be fifty years. The period of turnover of the capital spent on the loom will be five years. The capital spent on raw materials and labour power has a shorter period of turnover—one month, for instance.

The difference between the two parts of capital indicated above is of considerable importance to the capitalist; the part that is spent on raw material and labour power and returned to the capitalist at each sale of commodities is called *circulating capital*; the other part spent on tools, &c., and returned to the capitalist in parts, is *fixed capital.* Fixed capital is spent in comparatively large quantities on the establishment of the enterprise, whereas circulating capital required for the conduct of the business is spent in proportions sufficient from one sale to another. This is an important factor in the calculations of the capitalist.

There are yet other differences between fixed and circulating capital. Fixed capital, during the whole period of employment, until it becomes useless, does not change its form: a factory remains a factory, an axe remains an axe. Circulating capital, on the other hand, changes its form in production: yarn becomes cloth, coal burns up, both cease to exist in their previous form; and labour power as soon as it is consumed ceases to be capital, it no longer belongs to the capitalist, and he is obliged to buy fresh labour power for further production.

We must avoid confusing circulating capital with variable capital and fixed capital with constant capital. One division is made from the point of view of the capitalist and the other from the point of view of the worker. Variable capital—the value of labour power—is only part of circulating capital, which also contains the value of raw materials; constant capital is greater than fixed capital because it includes the value of raw materials.

In Production



In Circulation

If we knew the period of turnover of the various parts of capital it would be possible to calculate the period of turnover of the whole of the capital, *i.e.*, we could explain in how much time the *whole* of the capital invested would return in parts, in a money form, at each sale to the capitalist.

It is not difficult to see what part the average period of turnover plays in the calculations of the capitalist; if at each turnover he receives 2 per cent. profit, then in three turnovers he will receive 6 per cent., and in five 10 per cent.

The organic composition of capital, *i.e.*, the relation between the value of constant and variable capital, is of special importance for the question of the rate of profit. We will explain this by an illustration.

We will assume that we have three enterprises in three different branches of production. One of them, A, has a low organic composition of capital, the rôle of the machine in comparison with living labour power is insignificant. The second enterprise, B, has a medium composition; and the third, C, has a high composition, employing the most perfect technical appliances, and with the aid of a comparatively small number of workers setting in motion enormous quantities of values in raw materials and auxiliary appliances, &c.

Let us assume that the rate of surplus value in a given society is 100 per cent., *i.e.*, the capitalist class manage to maintain exploitation at this level; and further that the capital spent in each of the three enterprises completes its turnover in one year, *i.e.*, that in the course of one year *all* its value is transferred to the product, the whole of which is sold

in one transaction. (In actual fact things are not so simple: fixed capital—buildings and machinery—as we saw, "wears out," not, of course, in one year, but in the course of many years, and some parts are used up quicker than others—in the example we gave the factory lasted fifty years and the loom five years. Furthermore, the sale of the whole product at the end of the year takes place only in agriculture, and even there as an exception. Our assumption, however, makes our illustration simpler and does not affect the conclusion.)

We will assume finally that the three enterprises, A, B, and C, have a capital of £100,000, and that their variable capitals are £24,000, £15,000, and £6,000 respectively.

We will thus get the following table; the figures represent thousands of pounds or units of labour:—

Enterprises	Capital		Total	Surplus value	Rate of profit
	Variable capital	Constant capital			
					Per cent.
A	24	76	100	24	24
B	15	85	100	15	15
C	6	94	100	6	6
Total ..	45	255	300	45	15

Thus on the assumption that the commodities are sold in accordance with their labour value we see that the rate of profit varies considerably in accordance with the organic composition of capital: A has 24 per cent., B 15 per cent., and C 6 per cent.

Is such a state of affairs possible in actual practice?

No, because that would contradict the laws of competition which dominate in capitalist society. When in actual practice one branch of industry proves to be more profitable than another, capital is transferred from the second to the first; an expansion of production takes place in the first and the supply of its products on the market increases; in the second

production diminishes and the supply of its products on the market decreases : then the price of the commodity of the first industry declines, and that of the second increases, and, at the same time, the relative profitableness of the industries, the rate of profit, changes. Consequently, as a result of competition, a re-shifting of prices takes place in the direction of decreasing the returns of the more profitable enterprises. The annual percentage of profits, therefore, tends to a *common level*, it tends to a rate of profit for the whole of social capital, to an average rate of profit.

If the organic composition of capital of enterprise B coincides with the organic composition of the whole of social capital then 15 per cent. will be the rate of profit to which the returns of all capitalist enterprises will tend. A flow of capital from the third branch of industry into the first will lead to a fall in prices below their labour value in A, and a rise of prices above their labour value in C, and this will continue as long as prices are not established which will give all our enterprises the same percentage of profit—in our example 15 per cent. With a 15 per cent. rate of profit all our enterprises having the same capital will give the same profit, viz., £15,000. This sum does not coincide with the measure of surplus value created in the enterprises we are examining; for A it will be £9,000 less than the amount of surplus value created, for C it will be £9,000 above the surplus value, and only for B will the figures coincide.

Enterprise	Total capital	Surplus value	Rate of profit	Profit	Labour value of whole product	Price of whole product	Profit above or below surplus value
			per cent.				
A ..	100	24	15	15	124	115	−9
B ..	100	15	15	15	115	115	0
C ..	100	6	15	15	106	115	+9
Total ..	300	45	45	45	345	345	0

If we assume that each of the enterprises produce 1,000 finished commodities, then the labour value and the actual average price of each commodity will be as follows :—

	A	B	C
	£	£	£
Labour value ..	124	115	106
Price	115	115	115
Above or below .	−9	0	+9

Thus individual commodities are not sold at their labour value, but sometimes above and sometimes below. What is gained in the prices of some commodities is lost in the prices of others. Only on the social product taken as a whole does the price completely coincide with labour value.

The price of commodities levelled by competition calculated on the basis of the average profit is called the *price of production.*

The opponents of the labour theory of value declare that if the price of production deviates from the labour standard then the whole theory collapses, because this deviation must increase without limit. A capitalist buys for his enterprise in the form of tools and raw materials a large number of various commodities all or nearly all of which deviate from their labour value. This means that these deviations are added to each other and in addition new deviations dependent upon the average rate of profit are included in the cost. This increasing deviation of prices enters into the calculations of the capitalists who buy commodities from the first and thus still further increases the deviation of prices, and so on. The labour standard, it would seem, therefore, loses all significance.

The error here is easily discovered if we bear in mind that the capitalist sells his commodities first of all in order that he may be able to continue production on his former or even on a larger scale. Conse-

quently, the money which he receives is used in the first place for the purchase of tools, raw materials, and labour power for the further progress of his business. For that reason, leaving profit aside for the moment, we can say that the capitalist exchanges his commodities for means of production, and money is only a passing intermediary in this exchange. This is the *fundamental* exchange in capitalist production. Bearing this in mind, we will continue our investigation.

In a single turnover of production in an enterprise let C, the amount of constant capital spent in the form of raw materials and worn out parts of tools, be equal in labour value to 900,000 hours of simple labour.

The variable capital, V, the workers' wages, *i.e.*, in reality the products which they buy with wages and which maintain their labour power during the period of the given turnover of production, we will assume to represent 100,000 hours of labour value.

What then will be the labour value of the commodities produced ? Obviously 900,000, plus 100,000, plus the sum total of the surplus labour of the worker in the enterprise during the turnover of production, *i.e.*, 1,000,000 hours, plus M, surplus value.

For how much will this be sold or, to be exact, exchanged ? The commodities which must be acquired for this through the agency of money are, of course: (1) means of production for the next turnover, *i.e.*, a quantity of raw materials equal to that which has been used up, and to the partly worn-out tools, which, of course, represent 900,000 hours; (2) a quantity of fresh labour power equal to the 100,000 used up; and (3) that for which the capitalist conducts his business, viz., articles of consumption and supplementary means of production if he intends to extend his business (or, if he does not do so for the time being, that which he accumulates for the future). The whole of (3) represents the *real profit* of the capitalist.

We see, therefore, that the labour values created are equal to 1,000,000 hours, plus M (surplus value);

these are exchanged for commodities the values of which are also 1,000,000, plus the quantity of commodities which forms the profit of the capitalist. The same thing happens in all enterprises. It is clear that the deviation from labour value takes place in the second part, where surplus value is transformed into real profits; in the first and main part, composed of constant and variable capital, C + V, there is no deviation.

If the opponents of the labour theory of value do not see this it is because they concentrate their attention on *money* prices and do not observe that money is only an intermediary in the acquisition of means of production and consumption.

It must be added that the fundamental commodity of capitalism—labour power—usually is exchanged at its labour value without any continuous deviations dependent upon the rate of profit; where deviations do occur they are partial and casual. The reason is that labour power, with the aid of money, is exchanged for articles of consumption of the workers, and its value is at the same time the labour value of these articles of consumption.

The sale of individual commodities not fully in accordance with their value is a peculiarity of the capitalist system of production. In exchange society, not capitalist, but petty bourgeois—which by the by never existed in its pure form, the nearest approach to it being the city handicraft and free peasant systems—the seller of commodities was the direct producer. In one way or another he had, in exchange, to conform to the value of products; otherwise, as we have pointed out, individual enterprises would clearly have declined and production have ceased, and the changes in supply and demand arising from that tended to establish a conformity between prices and values. The average market price of a commodity then could be its value. In capitalist society, however, it is different. Commodities are not sold by the person who produced them, but by another—the capitalist. The exchange of equal quantities of social labour power is not a necessity

for the capitalists; what is important for them is *profits*. The rate of profit must be equal even if prices deviate in such a manner that enterprises distinguished by the high organic composition of capital receive, in addition to their own surplus values, surplus values created in enterprises with a low organic composition of capital. The sum total of surplus values created by the whole of the working class in this manner acquires the character of spoils which the capitalists, in the processes of capitalism, share among each other in proportion to the size of the capitals they have respectively expended.

All that has been said with reference to the annual percentage of profit applies not only to industrial but also to trading and credit enterprises. However insignificant the variable capital in these institutions, however insignificant the sum of surplus value produced in them may be, they must either produce the customary annual percentage of profit or be abandoned as unprofitable, and the capital invested in them be transferred to other branches of social production.

The annual percentage of profits may vary in different branches of industry. This is due first of all to the fact that the organisational functions of the capitalist are more complex in some industries than in others. In transferring some of the organising functions to wage workers the capitalist has to be satisfied with a somewhat smaller percentage of profit. For analogous reasons the interest on credit is usually lower than industrial profits. If by investing £100 in an industrial concern an owner of money would get £7 profit, he would be satisfied to receive £5 for lending his £100 to an industrial capitalist and thus avoiding all the care and worry connected with the running of an industry.

Another cause of the difference in the rate of profit is the variation in the degree of risk connected with the conduct of business. In order to induce a capitalist to undertake something unusually risky the profits must be higher than usual. This can be

seen particularly in the case of credit institutions. A capitalist is prepared to accept 5 per cent. interest on credit as compared with 7 per cent. profits on industrial capital only when there is sufficient security. If there is no such security the creditor will not be satisfied with 5 per cent. for he stands the risk of not receiving his money back at all, and, in that case, he may demand six, eight, ten, and even more per cent.

The third and final cause hindering the levelling of rates of profit among the various industries is the extent to which capital is technically tied up in an enterprise. In high stages of development of capitalism an increasing part of capital is spent on buildings, machinery, and such like. Fixed capital grows rapidly in comparison with circulating capital (raw materials, auxiliary materials, and wages) and the transfer of capital from one branch of industry to another under these conditions becomes more and more difficult. Let us compare two cases. Suppose the percentage of profits of a certain trading concern declines as a result of competition. In that case the owner of the concern can easily realise the whole of his circulating capital—sell his stocks and dismiss his assistants—and sell the elements of his fixed capital—counters, shelves, &c. The money he thus obtains he can invest in some more profitable branch of industry. But the position of an owner of a metal works is quite different. If the profits of his business decline he cannot as easily as the merchant withdraw his capital and transfer it to another enterprise; he is compelled to accept the lower rate of profit until the flow of new capital into his industry ceases and an increased demand for the products of this industry brings profits to the level of the average rate.

The customary rate of annual profit in a given society is determined by the sum total of surplus value created during the year and by the sum total of capital. If the sum total of capital is £100,000,000, and the sum total of surplus value £10,000,000, then the average rate of profit will be 10 per cent. But here the following

modification must be made: part of this surplus value is taken by the State in the form of dues and taxes, and part, as will be shown later, is taken in the form of rent by the landlords. If we assume that these two parts comprise £3,000,000, then the profit of the capitalist will be £7,000,000, and the average annual rate will be 7 per cent.

In the period of manufacture the rate of profit was very high, and was usually counted in tens per cent. (in particularly favourable circumstances they even reached 300-400 per cent.). This can be explained in the following manner: as long as labour remains hand labour, the outlay on labour power (*i.e.*, variable capital) represents a considerable part of the whole of the capital, and as profit is created by variable capital, the greater its proportion the higher is the rate of profit. For that reason, although the rate of surplus value in manufacturing enterprises is not very high, the percentage of profits is nevertheless considerable.

Furthermore, as long as manufacturers are few, and competition among them weak, and hand labour prevails, they are, as it were, in a privileged position: the productivity of labour is higher in their workshops than in handicraft workshops; hence they can sell their products at the same prices as the handicraftsmen, and consequently receive a sort of super-profit.

The machine period has two distinguishing features with regard to profits: first of all there is the gradual decrease in the annual rate of profit, and, secondly, the rapid growth of the general sum total of profits. Let us examine the main reason for these two features.

A machine is an instrument of labour and its value enters into the composition of *constant* capital. At the same time the machine takes the place of the worker, and consequently leads to a part of labour power being dispensed with; the expenditure on labour power diminishes, *i.e.*, *variable* capital diminishes.

Thus with each introduction of a new machine a certain quantity of variable capital is displaced by a certain quantity of constant capital; parallel with the

increase of constant capital there is a decrease of variable capital.

If with the introduction of machinery production expands, variable capital need not diminish, it may even increase; in spite of the introduction of the machine, more workers may be required than formerly. But constant capital, *i.e.*, the sum expended on machinery and raw materials, in this case obviously increases much more than variable capital, and *relatively* to the former the latter diminishes, *i.e.*, variable capital represents a smaller part of the whole of capital than formerly.

Suppose, for instance, that prior to the introduction of machinery variable capital was 5,000 while constant capital was 10,000; in that case variable capital was one-half of constant capital and one-third of the whole capital. Suppose further that after the introduction of machinery variable capital became 8,000 and constant capital 32,000, *i.e.*, variable capital has dropped to one-quarter of constant capital and one-fifth of the whole capital. In other words, when taken by itself, there has been an *absolute* increase of variable capital, but relatively to the whole capital it has decreased.

Generally this applies to every advance in technique: if in a given industry the productivity of labour increases, then less human labour, less labour power, less variable capital is required for a given quantity of constant capital. But in machine production where the increase of the productivity of labour proceeds with exceptional rapidity this fact stands out with particular clearness.

The capital invested in the English cotton-spinning industry at the beginning of the eighteenth century consisted of one-half constant capital and one-half variable capital. By the 'sixties of the nineteenth century constant capital comprised seven-eighths of the whole capital and variable capital only one-eighth, *i.e.*, relatively variable capital was reduced to one-fourth of what it was previously, but owing to the increase of the

whole of the capital the one-eighth was considerably more than the former one-half.

We have already explained that surplus value is created by the application of labour power, and for that reason the quantity of the surplus value depends, not upon the size of the whole capital, but upon the size of the variable part, that which is spent on the purchase of labour power.

The rate of surplus value shows the proportion of surplus value to variable capital; the rate of profit shows the precentage of profit on the whole capital, constant and variable. For that reason the rate of profit is smaller than the rate of surplus value in the same proportion as the variable capital is smaller than the whole capital.

With the introduction of machinery and generally with the progress of technique variable capital relatively decreases. Even if the rate of surplus value does not change, the rate of profit must nevertheless decrease.

Suppose that the rate of surplus value is 100 per cent., that constant capital is £8,000, and variable capital £2,000, *i.e.*, that the former comprises four-fifths and the latter one-fifth of the whole capital; in that case the surplus value is £2,000 and the rate of profit 20 per cent.

The application of new machinery causes an increase in the constant capital to, say, £27,000 and the variable to £3,000, *i.e.*, nine-tenths and one-tenth respectively. Although the variable capital has absolutely increased by £1,000, relatively it has diminished by one-half, from one-fifth to one-tenth, and the rate of profit has been reduced by one-half.

For the sake of simplicity we have assumed that the whole of surplus value is converted into the profit of the capitalist. In actual practice this is not so, but the difference here is inconsiderable, and does not essentially affect the argument.

We will now return to our illustration. If the capitalist managed to obtain a two-fold increase in the rate of surplus value, *i.e.*, 200 per cent., the rate of profit

would not decrease, but would remain at 20 per cent. To maintain the level of profit as far as possible the capitalist must therefore increase the rate of surplus value by increasing exploitation; he must increase the length of the working day, the intensity of labour, &c.

In applying this method the capitalist has to deal not with an inanimate machine but with human beings. A machine is inert. If the capitalist desires he can make it work twenty-four hours a day and at the highest speed its construction will allow. This would mean, however, that the machine would wear out and become useless faster than if he only worked it twelve hours a day and at half the speed. The organisation of a human being is different, and increased exploitation will, sooner or later, arouse the resistance of the workers, who will continually rise and put up a systematic fight against it. In that case the relative diminution of variable capital, as a result of its squeezing out by constant capital, will lead to the reduction in the percentage of profit, which is in fact observed in actual practice.

For that reason in countries where capitalism is not so highly developed the rate of profit is comparatively high. In Russia, for instance, prior to the war it was not rare for an enterprise to make 25 per cent. profit, while 10 per cent. was regarded as a good return in western Europe. Of course other causes also operated here, but the main and fundamental cause was the relatively small amount of variable capital.

The diminution of the rate of profit does not necessarily mean a diminution in the absolute total profits; 20 per cent. on a capital of £10,000 will bring £2,000, but only 10 per cent. on a capital of £40,000 will bring £4,000. In general profits increase if the increase of capital proceeds more rapidly than the diminution of the rate of profit.

In the period of machinery the accumulation of capital proceeds with astonishing rapidity. A large accumulation is a necessary condition for the

development of machine production, but machine production itself, in its unparalleled rapid development, causes an intensification of the rapidity of accumulation.

In spite of the increased consumption of the non-producing classes that portion of surplus value which is converted into capital, and which serves for the further extraction of surplus value from wage labour, continually increases. For that reason the accumulation of capital proceeds much more rapidly than the diminution of the rate of profit, so that absolute profits not only increase, but increase much more rapidly than ever before.

It is calculated that Germany at the beginning of the last century "accumulated" more than £100,000,000 and England nearly £200,000,000 of capital. In the United States the process was still more rapid: in 1840 the wealth of the country was calculated at 3,700,000,000 dollars, in 1894 it was nearly 82 milliards, while to-day it is calculated at nearly 200 milliards.

The annual income of the capitalists and landlords of Great Britain and Ireland during the period between 1843 and 1883 more than doubled (from £344,000,000 to £720,000,000). The greater part of the increase comprised the profits of the capitalists.

These figures give some idea of the size of profits and the mass of surplus values which are created annually in countries where machine production prevails, and also of the rapidity of the development of social productive forces.

It must be borne in mind, however, that the difference in the money value of the annual incomes and material wealth of various periods may depend not only upon accumulation, but partly also on the depreciation of the value of money (as a consequence of the rise in the productivity of labour in the production of the money commodity). Such a depreciation has actually taken place during recent times, but this has been so small as only to affect the significance of the above figures to a slight degree. On the other hand, this significance is appreciably lessened by the increase in the values of

the fictitious capital represented by the right to private property in land (the price of land rises as a consequence of the rise in rents).

(*b*) *Ground Rent*

In the feudal period of the life of man, when *agriculture* represented the basic and predominating form of production, *landownership* was considerably connected with the organisational function in the social struggle against Nature. The income of the feudal landowner (dues and serf labour) was a necessary result of this organisational activity and at the same time a necessary condition for the carrying out by the landowner of his socially useful function.

The development of the exchange system changed the character and significance of the landowner's income. In form the change consists in that this income began to be received, not in kind, *i.e.*, not directly in products, but was preliminarily transformed into money. Essentially it consists in that the income became less and less connected with the organisational productive functions of the landlord, for as he was drawn into the system of exchange relations, he to an increasing degree abandoned those functions.

This does not mean that the income of the landlord began to decrease. On the contrary, as has been shown, the effect of developing exchange was to intensify feudal exploitation; first it led to tying the peasants down to the land, and then to their being partially or completely deprived of the land.

When feudal dues and serf labour disappear and the dependent peasant is superseded partly by a free peasant and partly by a tenant farmer, hardly anything is left of the feudal organisational functions. Sometimes the landlord does not let his land, but cultivates it himself with the aid of wage workers; but the type of such an enterprise is altogether different from the feudal organisation of production and is quite capitalistic. The income of the landlord then becomes analogous to the "profit" of the capitalist: the land

becomes capital and out of the sum of surplus values created in the given society the landlord receives his share like any other capitalist. The only difference is that the extent of this share is determined by somewhat different conditions from that of other capitalists.

The development of the capitalist form of land-ownership proceeded somewhat gradually. The final traces of feudal relations disappeared in England only in the middle of the eighteenth century, and in other European countries they were preserved much longer: to the end of the eighteenth century in France and until recent times in Germany, Austria, &c. In Russia the remnants of feudal serf relations were preserved right up to the revolution of 1917 which abolished private ownership of land.

The survivals of feudalism are diverse in form in various countries and in various periods. Sometimes they take the form of payment of rent in kind, as, for instance, a tenant will pay in the form of labour, which followed from the system of serf labour; sometimes the tenant pays rent to the landlord in the form of a definite part of his product (usually a half, sometimes more), this being a survival of the feudal dues. In Russia, owing to peculiar historical conditions, the survivals of the feudal communes were for a long time preserved amidst developing capitalist relations. The Government maintained the commune for exactly the same reason as it was maintained by the feudal lord: in the event of imposing some obligation it was much more convenient to have to deal with a whole commune, the members of which were bound by collective responsibility, than with individuals.

The survivals of former economic relations were abolished in various ways. As has already been said, with the development of the money system the land-owner found it more advantageous to convert the peasant dues in kind into money payments, and for the same reason in a large number of cases he later substituted free tenants for dependent and hereditary tenants. Where the survivals of the past were preserved

so long that they hindered development, they were usually abolished by legislation. There is no need to examine these changes in detail here. They took place whenever the development of exchange proceeded.

The essence of rent and the laws governing its changes appear most clearly when studied in the developed forms of the agrarian relations of capitalist society. It will be easier to study the less developed forms if we have some acquaintance with the more developed forms.

A capitalist in possession of capital wishes to set up some business—whether industrial, trading, or agricultural does not matter. But the business cannot be set up in outside space, it must occupy some suitable piece of land. In civilised capitalist countries there is no land without an owner; it is necessary to buy or rent land because the owners do not let it go for nothing.

Thus the capitalist either buys or rents a piece of land which, we will assume, is quite uncultivated and does not contain an atom of human labour—land which has no value. For what, then, does the prospective capitalist pay when he rents the land? *For the possibility of applying socially necessary labour to this piece of land.* The exchange is subject, not to the laws of labour value, but to the laws of monopoly. If the land had not been monopolised, the capitalist would not have had to pay for the necessity of applying socially necessary labour to it. The payment for the mere possibility of conducting productive activity is not unusual in capitalist society; does not the capitalist himself receive profits in return for giving the workers the possibility of participating in social production?

The form of payment—purchase price or rent—is not important to the question. We will assume that the rent of a given piece of land is £100 per annum; if the landlord sells the land he will take for it a sum of money which would without worry and risk bring him an annual income of £100 (*e.g.*, if the usual rate of interest is 4 per cent. per annum, then the purchasing

price of the land will be £2,500, because such a sum will bring the landowner an income of £100 per annum if invested elsewhere). Generally the purchasing price of land represents what is usually termed capitalised rent, *i.e.*, rent substituted by a sum of money which will bring an equal rate of interest. The capitalist places the capital spent on the purchase of the land to the account of the necessary expenditure of his enterprise and expects to receive profit on this sum; in other words, having become a landowner, in future he must receive rent for his land.

But whence does the capitalist obtain the rent which he pays to the landlord, or to himself if he owns the land? Obviously from the purchasers of his commodities, in the price of the product. Hence the price of the product, in addition to the usual cost of production and the usual profit, must also cover the rent. We will assume that a mineowner spends £75,000 on tools, raw materials, and labour power, with which he produces, say, 20,000 tons of iron ore; the usual rate of profit is 10 per cent. per annum, and the rent of the mine and mine buildings is £2,500; in that case the product must be sold for £75,000 + £7,500 + £2,500 = £85,000, or £4 5s. 0d. per ton, if the enterprise is to be profitable.

This is how the matter stands from the point of view of an individual capitalist, but how does it stand from the point of view of the whole of social production?

The landlord desires the rent to be as high as possible, the capitalist, on the other hand, desires it to be as low as possible; this creates an antagonism of interest between the two. From this follows the competition for rent. The result of this competition is determined, as it always is in such cases, by the relation of forces, by the degree of power of the landlord over the capitalist and *vice versa*. If there is much vacant land in the country the owners of which desire to let out for some enterprise, agricultural or industrial, then conditions are favourable for the capitalist: the landowners compete among themselves to attract prospective buyers, and therefore cannot demand a high rent.

On the other hand, if the amount of vacant land suitable for the conduct of some enterprise is small then the capitalists compete with each other for the land and are compelled to pay a higher rent.

Under such conditions it is obvious that as production increases and the area of vacant land suitable for capitalist enterprise diminishes, the power of the land monopolist must increase and rents rise. The limits to this increase at any given moment are determined by the relation of forces and interests in the struggle. If the landlords of a particular country demand an extraordinarily high rent, *i.e.*, one that cuts off too much of the profits of the capitalist, then the capitalist seeks a means of transferring his capital to other countries, which in fact frequently happens in actual practice. If, however, this is not possible, then development is retarded as the possibilities of accumulation for the capitalist are reduced; competition becomes more severe and the collapse of small enterprises is hastened; capital is concentrated into the hands of a few large capitalists, who represent a stronger force than hitherto, because it is less split up, and the landlords who could easily deal with the smaller enterprises now have to make concessions to the stronger forces.

Thus the sum total of rent received by the landlords in a given society is determined by the following two conditions: first, the sum total of surplus values produced in the country which has to be divided between the landlord and the capitalist, and, secondly, the historically developed relation of forces of both classes in the competition for rents and profits. The first condition is obviously determined by the general limit of development of production; and this, in turn, determines the second, as is seen from the fact that an increase in the demand for land caused by the expansion of production increases the power of the landlord over the capitalist, and the substitution of large enterprises for small ones causes a movement in the opposite direction.

We will assume that the total sum of capital in the country is equal to 400 milliards[1] of hours, which would be equal to 10 milliards of pounds; also that the annual sum of surplus value equals 40 milliards of hours, which in money equals one milliard pounds, of which the landlords take 250 millions, leaving the capitalists 750 million pounds. The annual rate of profit is thus $7\frac{1}{2}$ per cent. (£750 millions on £10 milliards); and the "rate of rent" is $2\frac{1}{2}$ per cent. (£250 millions on £10 milliards). With the expansion of industry capital increases to, say, 25 milliard pounds, and surplus value to $2\frac{1}{2}$ milliards, of which the landlords, taking advan tage of their power over the capitalists, who find it more difficult to obtain land for their enterprises, take 750 millions, leaving the capitalists £1,500 millions; the rate of profit will then be 6 per cent. Industry still further expands; the sum total of capital is now, say, 50 milliards and surplus value $3\frac{3}{4}$ milliards, but the capitalists have managed to find new fields for the investment of their capital; the country in question has managed to secure colonies, for instance, where there is much free land suitable for agriculture and industrial enterprises. In that case the landlords are compelled to be less exacting and take less than one-third of the total sum of surplus values, say, £1,000 millions; profits will then be £2,750 millions, the rate of profit $5\frac{1}{2}$ per cent. and rent 2 per cent.

Let us see now how the sum total of rent is distributed among the individual landowners.

In this connection one must bear in mind the diversity in the character of various plots of lands. The labour applied to one plot may be more effective than that applied to another. This diversity is most striking in the extracting industries. In agriculture, owing to inequality in the fertility of the soil, the yield on one plot of land is five times, and on another, with equal expenditure of capital and labour, ten times; in mines one section is rich and another poor. In manufacture, too, such things as proximity to water

[1] One milliard = 1,000 millions.

necessary for production and the possibility of applying the power of running water are of importance. Furthermore, for capitalist undertakings without exception proximity to markets where materials are bought and finished products sold, and the state of roads leading to the markets, are matters of great importance; for the value of conveying goods enters into the value of commodities, and if transport requires less than the usual amount of labour, then the productivity of labour in the given enterprise is above the average.

Thus we have a number of similar enterprises (we will assume agricultural enterprises) which, however, are conducted under unequal natural conditions. On one plot of land of the lowest quality with an expenditure of means of production and labour power equal to £1,000 we get 150 tons of wheat; on another plot with the same expenditure we get 225 tons; and on a third, the best land, we get 300 tons of wheat. The usual rate of profit we will assume to be 5 per cent. The farmer who cultivates the first land should get £50 profit; otherwise he would regard his business as unprofitable and strive to transfer his capital to some other branch of production. As the land does not belong to him, and he cannot get it gratis, he must in addition pay the landowner a certain rent—not a very high one, as the land is worse than others; if a high rent were demanded, the farmer would transfer his capital to another country, calculating that the cost of transporting corn would be less than the rent he would have to pay here. We will assume that the rent is £30. Thus the farmer should receive for his commodities £1,080 (£1,000 cost of production, plus £50 profit, plus £30 rent), or £7 4s. 0d. for every ton of wheat; to sell cheaper would mean giving up his business; he cannot sell dearer, because in that case his profits would be above the average. Evidently in this particular society the market price of wheat is approximately £7 4s. 0d. per ton. If it falls below that price then agriculture diminishes and the price of

wheat rises as a consequence of diminished supply. If the price rises higher, then the profits of agriculture rise above the normal, capitalists strive to invest their capital in this sphere, and the landlords, taking advantage of the competition for land, raise rents to the point at which they bring profits down to the normal.

The rent of the worst plot of land is called *absolute* rent. Thus the usual market price of wheat corresponds to the cost of production on the worst quality of land in cultivation plus the usual profit plus absolute rent. This obviously applies not only to corn, but to all products. In our time the importance of natural conditions is comparatively small in manufacturing industries as compared with agriculture with its backward technique and its great dependence on soil, climate, and the employment of large areas of land.

The market makes no distinction between the products produced on the worst and those produced on the best land, the price in all cases is the same—in our example £7 4s. 0d. per ton ; 225 tons of wheat produced on the second grade land will be sold for £1,620 (*i.e.*, over and above the usual cost of production and the usual profits there will be £570, which the landlord takes in the form of rent. The farmer does not get anything out of the surplus, he merely receives his usual profit according to the law of the annual rate of profit. If the rent remained below £570, and the profit rose above £50, competitors would soon appear, who would agree to a higher rent.

Thus the owner of the second piece of land receives over and above £30 absolute rent another £540 which represents what is called *differential* rent. For the owner of the third and best plot of land the differential rent will be even greater, as will be seen if the calculation is made on the lines preceding.

Here the question may arise : is not the association of the market price with the *least fertile* land in cultivation a contradiction of the labour theory of value ? In the last resort prices are determined by values, and value is the average amount of labour power necessary

for the production of a commodity; consequently the value should correspond to the expenditure of labour under the *medium* natural conditions, and not under the worst, and the price also, it would seem, should correspond to the cost of production under *medium* cost of production plus profit plus absolute rent. But the contradiction is only apparent and is easily removed by analysis.

The value of a commodity, as we know, is composed of the value of constant capital, variable capital, and surplus value. Corresponding to this the price should be divided into the *average* cost of production, average profit, and average rent (for the sum total of rents and profits is equal to the sum total of surplus value). We have, however, divided differently; instead of taking the average cost of production, we took the cost of production on the worst plot of land, and instead of average rent we took absolute rent. It will not be difficult to see that *to the extent that the cost of production on the worst plot of land is higher than the cost of production on the medium plot, to that extent absolute rent is less than the average rent, which in addition to absolute rent includes also differential rent.* Thus the two formulæ of prices are quite identical. We will test this by the illustrations we gave above, reckoning the second plot of land as the medium.

The cost of production of 150 tons of wheat on the worst plot of land requires an expenditure of constant and variable capital of :—

	£1,000	
5 per cent. profit ..	50	
Absolute rent	30	
Total	£1,080	at £7 4s. per ton

The medium plot, equal in size to the worst, with the expenditure of an equal £1,000 constant and variable capital yields 225 tons. Thus, in order to compare the two, we must reduce our plot of average

land by a third and, thus, also get 150 tons. We then get :—

Outlay of constant and variable capital	£666	13	4	(⅔ of £1,000)
5 per cent. profit	33	6	8	
Average rent	380	0	0	(⅔ of £570)
Total ..	£1,030	0	0	

It will be observed that in the calculation for the medium plot we subtract one-third of the cost of production, one-third of the profit, and one-third even of absolute rent (£20 instead of £30 because we only take two-thirds of the plot); in place of this, however, we add what did not exist for the worst piece of land—differential rent which enters into the cost of the corn from the medium land, viz., £360, and the result is the same—£333 6s. 8d. + £16 13s. 4d. + £10 – £360 = 0.

These calculations are applied also to other commodities with only this difference—that in the manufacturing industries rent plays a less significant part than in agriculture: differential rent, because in agriculture there is greater variation in the productivity of labour determined by natural conditions, and absolute rent because agriculture requires comparatively larger areas of land.

It will be seen from these calculations in what sense prices are determined by labour value under capitalism. The prices of commodities are determined by the outlay of constant and variable capital, plus the average capitalist return (the sum of average profits and average rents). And the average rate of capitalist return is determined by the relations of the sum total of surplus values to the labour value of the whole capital of the country. Thus the law of value determines prices indirectly by determining the rate of capitalist returns which in its turn determines prices with a given outlay of constant and variable capital.

Differential rent reaches enormous proportions in industrial districts and in towns where social labour is applied with the greatest intensity and where the

proximity to the market creates the greatest saving of labour in the conveyance and storage of commodities. Suppose that a given factory turning out 1,000 tons of commodities is situated one mile from the market, and another similar factory is situated eleven miles away; the conveyance of commodities ten miles represents a great cost, and if the first factory avoids this cost, with the *usual* rate of profit, all that which has been saved goes to the landowner as differential rent in payment for the opportunity of applying social labour under more favourable conditions. The economic power of the large capitalist is such that he can frequently secure part of this differential rent for himself, and in this way more easily overcome his competitors.

As has been stated already, the general progress of production leads to rents increasing without any participation in such progress on the part of those who receive the increase; and with the growth of the demand for land for all kinds of enterprises, there grows also the power of the land monopolist over the capitalist.

Differential rent, particularly, increases chiefly where the land is close to good roads, which bring it nearer to the markets, or where new natural wealth is discovered on the land, &c.[1]

One must not confuse rent payments with rent itself. In most cases it is not bare undeveloped land that is let, but land together with buildings—improvements produced by the labour previously expended on it—and frequently together with instruments and cattle. All this represents a certain amount of real

[1] Owing to the continual increase in rent, land is sold usually at a price higher than the capitalist rent; the future rise in rent is paid in the purchase price of the land. It should be observed that the sale of land *stabilises* rent. In fact a capitalist who buys land regards the money which he paid for it as capital invested which must bring him a corresponding profit. Rents are maintained not only by the power of monopoly but also by the power of competition of capital demanding an equal rate of profit for all capitals.

capital which is lent to the tenant, and which must bring the creditor, *i.e.*, the landlord, the usual interest. Part of the rent paid, therefore, includes the usual interest on the loan capital of the landlord. This part has to be subtracted from the rent paid in order to arrive at pure rent.

Side by side with the developed forms of capitalist ownership, in most capitalist countries, during the early stages of development and even later, less perfect forms are preserved, particularly in agriculture. Among these must be included enterprises in which the landowner and capitalist are combined in one person who receives both rent and profit. But there is no need to dwell upon this, because such a combination makes no difference whatever to the position. Very frequently the tenant is not a capitalist but a small producer, usually a peasant farmer who conducts his farm entirely or almost entirely without wage labour. In this case, the profit of the farmer is reduced to zero ; the small tenant does not possess the power of capital and cannot stand out against the landlord for a low rent, with the result that the rent swallows up all the results of the farmer's labour except what is necessary to maintain life. In reality the peasant under such circumstances is the wage worker of the landlord in the guise of an independent tenant. Under merchant capitalism, which also exploits the small tenant farmer, the share of the latter is reduced to even less than the living minimum—a state of things that leads to the degeneration of the producer. In this connection Ireland and, particularly, Russia serve as striking examples.

The vast majority of Russian peasants possessed allotments which were far from sufficient for anything like a tolerable existence. This compelled them to rent allotments from the neighbouring landlords by which they could supplement their livelihood. Under these conditions their tenancy bore the character of servitude. The landlord took not only ground rent but also a profit on the capital (not very large it is true) expended

by the peasant on tools and cattle, &c.; furthermore, he took a part of the peasant's income corresponding to wages. A statistical investigation of this form of servitude tenancy showed that the income of a peasant renting additional land was lower than the wages of a wage labourer. This was particularly the case when the peasants were *compelled* to rent land which intervened between their own allotments and roads, drinking place for the cattle, pastures, &c.

In those cases where the landowner and land worker are combined in the one peasant, it would at first appear that a single person received wages, profit, and rent. Actually, however, the profit is transferred to the merchant capitalist (the village usurer), and the rent is very inconsiderable, because the class of peasant proprietors have not behind them the historically developed social power that the large landowners have; even this very small rent is subsequently taken by the merchant or usurer capitalist.

We will now return to the question: what is ground rent? Rent is that part of surplus value which the capitalist pays to the owner of a given plot of land for the right to apply social labour to it. The possibilities of exploiting the forces of Nature are unlimited: even in the most densely populated countries the whole of the soil, even the most fertile, is not all cultivated. But society cannot without hindrance use it all; it meets with the resistance of the landlord, and this resistance operates through the power of rent.

Rent has a tendency to rise with the development of industrial life. This is due to the fact that the industrial development of society increases the demand for land for all kinds of enterprises. This in its turn increases the monopoly power of the landlord class over the rest of society and enables that class to take an increasing share of the surplus value produced.

Thus no matter how much the profits of the capitalist class increased rents increased still faster. The industrial merchant bourgeoisie, however, did not submit to such a state of affairs without a struggle; it exerted all its

efforts to resist the growth of rents which reduced profits.

The conflict between rent and profits proceeded in various forms wherever the interests of landlords and capitalists confronted each other. Its simplest form is the conflict between the capitalist farmer and the landlord over the rent. In this the only thing the farmer can achieve is to preserve for himself the usual capitalist profits; but he is not always able to do that because he cannot without loss withdraw the capital invested in land in the form of buildings, improvements of the soil, &c., and he is sometimes forced to reconcile himself to paying a higher rent which cuts down his profits to below the normal.

When the rise in ground rents raises prices to an excessive level, thereby raising the price of labour power, which still further reduces profits, it becomes more advantageous for the industrial and merchant capitalist to combat the landlord by importing corn from other countries; in undeveloped agricultural countries where rent has not yet reached a high level, where the production of corn is cheap owing to the cheapness of labour power, the price of corn is comparatively low, and the importation of this corn into developed countries with high rents forces these rents down considerably.

Against this the landlord class set in motion their political power, their influence in the State. Very high import duties are imposed on all agricultural products, which are sometimes quite prohibitive. Thus in England for a long time there existed the " Corn Laws " which permitted the importation of foreign corn only when the home-grown corn had reached a certain fairly high price. The only manner in which the capitalists could combat the political power of the landlords was by setting a similar power in motion against it, and accordingly a struggle broke out between capitalists and landlords, as between two complete and more or less compact classes. The English bourgeoisie were successful in this struggle, and in 1846 secured the free

import of corn. As a consequence the rise of agricultural rent was stopped and for a time it even fell considerably.

The victorious capitalist class did not, however, limit itself to this triumph; it colonised the extensive and highly fertile plains of North and South America, of Australia, and of South Africa, connecting these with the European market by improved means of communication, and organised the exploitation of their fertility by means of the most perfect technical methods in which agricultural machinery played an important part. The high productivity of agricultural labour in these countries led to the flooding of the world-market with corn. This struck a severe blow to agriculture in the old capitalist countries, where—owing to the law of profits tending to an equal annual rate, profit could not alter to any considerable extent—the effect of the blow was felt most keenly by rent, the increase of which was so retarded that it considerably lagged behind the increase of profits. The figures of agricultural rent in England between 1843 and 1893 even declined to some extent—from £42,127,000 to £42,082,000.

While, however, the European landlords suffered a reduction in their rents, the new landowners in the fertile countries began to receive enormous rents and essentially the position did not alter, the general sum of rents continuing to increase. The decrease in rents was one of the main reasons for the indebtedness of the European landowing class which developed in the last decades of the last century. Another important reason was the need for an improvement of the technique of agriculture which arose out of the severe competition; in order to improve the soil and methods of cultivation it was necessary to have capital, which the landlords had to borrow. This indebtedness led to a considerable portion of the rents being paid over in the form of interest on loans to credit institutions, which took the place of the former recipients of rent.

Non-agricultural rent, *i.e.*, rent for building land, in Europe did not suffer any fluctuation in its growth. In England, for instance, during the fifty years 1843-

1893 it increased by at least 300 per cent. Rents increase with particular rapidity in large industrial and commercial towns : as the town expands the payments for the hire of premises in the centre of the town grow to enormous proportions, and this increase is due to the increase of rent alone, for the capital invested in the construction of the building remains the same. In some cases the heights to which rents attain is incredible ; in the centre parts of such large capitalistic towns as London and Chicago the rent of a square yard of land amounts to hundreds of pounds.

In contradistinction to differential rent, absolute rent is a mere survival of feudal relations, the result of the economic and political domination of the landowners over society. It represents a deduction from the sum total of surplus values which the landowners (landlords, junkers, &c.) take for themselves by right of their ownership of land and their influence in the State. For that reason it is perfectly natural that the bourgeoisie in their struggle for surplus values should strive, as we said, to remove the conditions which enable the landlords to lay their hands on part of the surplus value and thus reduce the share of the bourgeoisie. An extreme measure in this direction would be the complete expropriation of rents from the landlord class, and the *nationalisation* of land might serve as a means to that end. After the land was nationalised the State would let it out for differential rent. As in our example of the three plots of land, the tenant of the second piece of land would pay the State £540 instead of the £570 he had to pay to the landlord, and the tenant of the third plot would have to pay £1,050. The tenant of the first plot would not have to pay anything, because absolute rent would be abolished together with the private monopoly in land. The whole of differential rent would then be taken by the State, *i.e.*, the organisation of the capitalist class as a whole. It is hardly likely that the capitalist class will succeed in carrying this reform, and not only because of the resistance of the landowners. The reason is that

the struggle of the bourgeoisie against the survivals of feudalism becomes weaker as its struggle against the proletariat becomes more intense. The landlords are valuable allies in this latter struggle. Moreover, nationalisation of the land would tend to destroy respect for private property among the masses.

(c) *Wages*

(1) *Forms of Wages*

The worker receives the value of his labour power in the form of wages.

In the period of natural self-sufficing society wage labour was a rare exception. The labour of an itinerant craftsman of the feudal period, working in the home of his customer and on the materials provided by his customer, has only a superficial similarity to wage labour. The pay which such a worker receives corresponds, not to the value of his labour power, but to the values newly created by his labour. Here there is not yet any exploitation because the craftsman owns the tools and can dispense with any particular customer almost as easily as the latter can dispense with him.

Wage labour begins to play a noticeable rôle in the life of society when the craft guilds of the towns begin to develop. The journeymen and apprentices then are the wage workers of the master-craftsmen. However, as long as patriarchial relations are still preserved within the handicraft system, as long as the rôle of journeyman is simply a transitional stage to that of master-craftsman, wages are not strictly determined by the value of labour power, but are somewhat above it; otherwise the journeyman would not have been able to save up enough to start as a master himself. When, however, merchant capitalism destroys the previously existing harmony of the patriarchal-handicraft relations, and, exploiting the master-craftsman, compels the latter to exploit the journeyman, then the level of wages is reduced to the

value of the necessary means of life, to the level of the value of labour power.

As has already been explained, *formally* merchant capital does not convert the master-craftsman and journeyman into wage workers; actually, however, he gives them in return for their labour merely the value of labour power, so that *essentially* their position is in no way different from that of the wage worker.

The development of industrial capitalism signifies the development of wage labour, which only at this stage begins to play an important rôle in the economic life of society. The " earnings " of the independent small producer are more and more superseded by the wages of the proletarian producer.

The first form of wages is *payment in kind*, *i.e.*, payment in articles of consumption. This form of wages is interesting for the reason that the value of labour power is obviously seen as the cost of producing the necessary means of life.

Payment in kind is maintained for a particularly long period in agriculture, which is quite understandable, as the products of agriculture, to a considerable degree, represent the necessary means of existence of the worker. In this sphere it is preserved even where capitalism has developed to a considerable extent, but here it is always accompanied by some money payment. This two-fold form of payment was the form of wages paid to the journeyman in the Middle Ages, but the greater part of his wages was in kind. Even at the present day small employers find it more profitable to have their employees " live in " and pay only part of their wages in money.

With the extensive development of exchange and the circulation of money, wages in kind disappear. The money form of payment is more convenient both to the worker, to whom it gives the possibility of choosing for himself the articles of consumption he wishes to buy, and for the capitalist, who is thereby saved the trouble of purchasing articles of consumption for his workers.

Under large-scale capitalist production it is possible to meet with something in the nature of the two-fold system of wages, but in a special form—the so-called truck system, in which the capitalist opens stores in connection with his works, where the workers are compelled to buy, of course at prices very profitable for the capitalist. The truck system enables the capitalist to reduce wages to the extreme without resorting to an obvious reduction of wages.

In many countries, including Russia, attempts were made to abolish the truck system by legislation, or at least to limit its application, but the capitalist found means of evading the law.

Wages are calculated by two different methods: by *time*—daily, weekly, or monthly—or by the *piece*. Payment to the journeyman by the master was usually made according to the first method. The second type is historically connected with domestic capitalist production, in which the producer could not receive payment for his work in any other way than by the piece.

In the period of industrial capitalism both methods are met with side by side; the capitalist chooses at the given moment which of them is the more advantageous, each having both advantages and disadvantages for him.

Under the time-work system the worker exerts himself less, his labour is less intensive; for however intensively he works his wages will be just the same.

Piece-work compels the worker to exert himself to a much greater extent than the time-worker, because the more intensively he works the more he earns. Consequently time-work is more advantageous for the employer when quality is the chief consideration.

Of course, by means of scrapping bad work and by fines the employer can secure more careful work in goods of high quality even under piece-work. Furthermore, piece-work has the advantage of enabling the employer gradually to increase the profit he receives

from each worker. This takes place in the following manner. In the calculation on individual earnings the worker works much more energetically and for more time, his pay being really higher than what is customary. But when this level of intensity has become customary the employer reduces the rate so that the wages fall to the former level. In order to increase his wages the worker again increases the intensity of his labour, and again the piece-rate is reduced.

Under such conditions it is natural that piece-work should gradually squeeze out time-work.

In order to complete the review of forms of wages it is necessary to refer to the system of profit-sharing, in which over and above the usual time or piece rates a certain part of the profits of the undertaking, say 5 or 10 per cent., is distributed among the workers. This system is applied chiefly where it is particularly necessary to interest the workers in the quality of their work (as, for instance, the manufacture of musical instruments), or where the number of skilled and experienced workers in a particular craft is small, to keep them more closely attached to the place of employment. The significance of this form lies in that it obscures the antagonism of interest between the capitalist and the workman.

(2) *Magnitude of Wages*

The question of the level of wages represents certain special difficulties to the investigator. In the first place we must examine in what manner we can compare the magnitude of wages at various places and during various periods of time.

Under the system of payment in kind this comparison is comparatively easy: where the workers receive more products there of course the wages are higher (that is, of course, if the products are equal; if not, comparison can only be approximate).

Under the money form of payment the difficulties increase. It does not by any means follow that if a worker in one place receives twice as much money

as a worker in another, that the real wages of the former are higher. The money which a worker receives is important to him only because he can buy articles of consumption with it. If in one country wages are 5s. and in another 2s. 6d., and if in the first country the articles consumed by the worker are twice as dear as in the second, then the real wages in both countries are equal.

Thus it is necessary to distinguish between nominal wages (so many pounds or shillings) and real wages: in order to have a clear idea of real wages it is necessary to know how many articles of consumption, how much bread, meat, clothing, &c., can be purchased for a given amount of money.

It is only possible to compare the money wages in the same place and at the same time; otherwise we may easily be led into deep error.

This is not all, however; in discussing the rate of wages we must take into consideration the length of the working day and the intensity of labour, *i.e.*, the amount of labour power expended. If the workers of one country receive for ten hours' work the same as the workers of another country receive for twelve hours', then the wages in the second instance must be regarded as lower. If the working day in both countries is the same, say, ten hours, but the work in the second country is more intensive, then the wages of the second country are lower.

Owing to these difficulties, endless discussions take place in economic literature as to whether wages had risen or not at a given place during a given period of time.

At all events wages are nothing more nor less than the market price of labour power; on the average they correspond approximately to the *value* of labour power.

As has been explained, the value of labour power is the value of the articles satisfying the usual requirements of the worker and his family. This, however, has still further to be explained.

(1) The artificially developed requirements of the

workers enter nearly as much into the value of labour power as his natural requirements.

Observation has shown that where, owing to favourable conditions, wages for a long period have remained at a high level, they seldom revert to their former level. If, however, wages do fall, it frequently happens that the workers reduce their consumption of meat, bread, &c., in order to be able to buy tobacco, wine or beer, tea, newspapers, books, &c.

(2) When we say that the value of the articles necessary to satisfy the requirements of the family of a worker enter into the value of labour power, we mean the number of articles necessary to maintain an *average* family. If in the given society, however, more than one member of the family sells his labour power, then the wages *all taken together* on the average should be sufficient to satisfy the needs of the family.

In general the share of the whole of the social product coming to the working class should be sufficient to enable labour power to be *reproduced* so that there may always be the necessary quantity of workers of various kinds (turners, fitters, joiners, &c.) at the service of the capitalists. This means that the wages must suffice for the life of the worker and for the propagation of the race. It cannot fall lower than that; otherwise the working class would begin to die out and the capitalist system would come to an end. The same principle applies to the special wages of highly skilled workers. The steady diminution of the wages of the workers who have spent a considerable time in learning their trade and who require a definite standard of life would lead to the deterioration of the quality of their own labour power and would prevent the training of workers like them.

After these remarks on wages in general, we may proceed to the question of wages in the period of manufacture and machinery.

Under developed manufacture labour is still hand labour, just as under the handicraft system. For that

reason the individual skill of the worker, as formerly, is of great importance.

With the technical division of labour some operations are more and others less complex and require varying degrees in skill and periods of training. The workers under manufacture were divided into different grades according to the degree of skill and length of training, and the rate of wages varied in each grade.

The lowest grade comprised the so-called unskilled labourer, the representative of "simple" labour of the period of manufacture. His labour required no special training and anybody could perform it. He received wages that corresponded to his very undeveloped requirements. Landless peasants, tramps, and beggars provided the manufacturer with the bulk of his labourers.

The skilled workers represented something in the nature of an aristocracy of labour and received much more than the unskilled labourers. These also were divided into grades in accordance with their skill and pay. They were made up at first of ruined master-craftsmen and former journeymen.

Bearing in mind that wages are determined by the value of labour power, *i.e.*, the value of the articles satisfying the vital necessities of the workers, it is not difficult to understand that great and permanent differences must have existed in rates of wages during the period of manufacture. Carrying out varying functions in production, spending varying quantities of socially necessary labour power in the process of work, the various grades of workers had varying standards of requirements; they even differed in their origin, some coming from richer and others from poorer groups of society. But why did the capitalist take the various standards of requirements into consideration? Why did he not reduce the wages of the skilled worker to the level of the labourer? Surely he did not care how much time the worker spent in training, and as for the interests of society he did not even give them a thought.

In the first place, it is self-evident that a trained worker energetically stands out for a higher standard of existence. In the history of the labour struggles in England it has been more than once observed that when wages had fallen excessively low, such workers preferred to do unskilled labourers' work at which the pay was much less, but which required a smaller expenditure of nervous energy. Secondly, in the struggle for wages, the skilled workers are in a much more favourable position than the unskilled workers. There is less competition among the former and it is less easy to replace them—in a word the relation of supply and demand is more favourable for them and it is difficult for the capitalist to force their wages down.

The extent to which the position of the skilled worker was more favourable as compared with the manufacturer may be seen from the following: if a number of workers, performing certain necessary skilled operations forming part of a number of others, refuse to work, then, owing to the impossibility of replacing them immediately, the employer is compelled either to shut down his shop for a time or concede to the demands of the workers. The demand for skilled workers was so great in the period of the development of manufacture that the workers could to a large extent dictate conditions to the employers. (Of course this was not the case always and everywhere.)

At all events the more numerous section of the proletariat comprised the labourers and semi-skilled workers. Originating from those social classes that were oppressed and economically weakened to the last degree, they developed their requirements with extreme slowness. For that reason wages in the sixteenth and seventeenth centuries were very low. This applies to agriculture to a greater degree than to the manufacturing industries, because in the former "skilled" labour hardly existed at all and the requirements of the workers were particularly low.

In more backward types of enterprises, organised on the basis of domestic capitalism, wages were

approximately on the level existing in manufacture, or even lower. The merchant capitalist cared less for the welfare of the producer than the industrial capitalist for whom exhausted, degenerate workers were obviously unprofitable.

One of the conditions favouring the worker during the period of manufacture was that woman and child labour had not yet become widespread; only one member of the family usually sold his labour power, the sale of the labour power of one person providing the means of existence of the whole family. Owing to this woman continued to play the same "self-sufficing" rôle in the family; her function was limited to the care of the household.

The low wages of the period of manufacture were usually accompanied by a not very long working day and a low intensity of labour.

At the beginning of the period of manufacture the length of the working day was not much different from that which existed in the flourishing period of handicraft, viz., nine or ten hours per day and sometimes even less. A writer in the seventeenth century bitterly complains of the selfishness and laziness of the English workers who working four or five days in the week for eight hours a day received enough to live upon and never cared to work more.

The shortness of the working day for the representatives of complex labour is explained by their favourable position in the labour market. For the representatives of simple labour it was due largely to the low development of their needs. There was little inducement for them to earn more wages by working longer hours. The comparatively low intensity of labour is due to the same causes.

Such a state of affairs compelled the legislature of those times to adopt measures against the "laziness and selfishness" of the workers. These include the severe laws against "vagabonds," *i.e.*, unemployed workers, who had to find work somewhere if they desired to avoid severe punishment, ranging from

flogging to hanging. By this means masses of homeless people became disciplined enough to become useful for the purposes of the industrial capitalists by increasing the supply of labour and modifying the refractoriness of the others. But this purpose was not achieved to any considerable extent.

Further, the length of the working day was regulated by law; a *minimum* labour day was established. In England, for instance, laws were passed in the seventeenth century fixing the working day at eleven to twelve hours, and fines were imposed both upon employer and employed in the event of their making private agreements for a shorter day. In actual practice these laws were not strictly carried out; they were evaded by means of numerous tricks and often directly violated.

In the later stages of the manufacturing period the position changed to the disadvantage of the worker. The continued driving of the peasants from the land and the decline of small industry increased the number of proletarians. Neither manufacture nor what remained of handicraft were able to provide sufficient wages for this mass of hungry people and competition on the labour market became more and more intense.

Nevertheless the length of the working day increased only very gradually. It is difficult to quote exact data, but the following fact will convincingly show that at the very close of the manufacturing period the working day was not particularly long. In 1770 the author of a work on economic research proposed that, in order to clear England of all unemployed and idlers, workhouses be opened which, as the author expressed it, should be veritable "Houses of Terror." Those confined to these workhouses were to receive just enough to live on in return for which they would have to work "twelve hours per day." From the fact that a twelve hour day was proposed for these "houses of terror," we may conclude that the usual length of the working day was very much less.

This was the position in the first stages of the development of machine capitalism.

The division of labour under manufacture caused the division of the working class into groups with varying levels of wages corresponding to the varying complexity of the work executed and the varying degrees of training and skill of the workers. Owing to this a single working class did not exist; there were numerous classes of workers living under very dissimilar conditions.

In abolishing the division of labour of manufacture and superseding it by the specialisation of the machine, machine production tends to abolish the former differences in wages and to level them for all workers. If as a consequence of the introduction of machinery the productive function of the workers becomes the same, so must their material conditions also become similar.

Working at a machine requires such little training that anybody can go through it in a very little time. All the former grades of workers are reduced to one which in many respects is similar to that of the unskilled labourer. The main difference between them is that the worker on the machine must have some education; otherwise it would be a risky and unprofitable business to place in his charge a highly complex mechanism which to some extent at least he must understand in order to direct. And the more automatic the machine becomes, the less direct physical assistance does it require from the worker and the more does it require purely mental effort—concentrated attention combined with conscientiousness in his work, and an understanding of the purpose and meaning of the various parts of the machine and its relation to the work.

Thus like the hand labour of the unskilled labourer, the labour of the worker at the machine is converted into *simple* labour, *i.e.*, into labour demanding a minimum of training and education for participation in social labour. But this minimum includes a general

intelligence of the worker which increases as the process goes on.

Increased intelligence is necessarily connected with a higher standard of living, and consequently a higher rate of wages. Thus although every capitalist strives to reduce wages as far as possible, nevertheless the *requirements of production* compel him to reconcile himself to an actual rise in wages. Even if he were to succeed for a time in overcoming the striving of the workers to raise wages, to suppress their demands, nevertheless, owing to the failure to satisfy their higher needs, they would be ill-adapted to the machine, and therefore unprofitable to him.

In addition to the representative of "simple machine" labour, as has been pointed out, a special group of representatives of complex labour, viz., the intellectual technical staff, engineers, technicians, chemists, experts in organisation, managers, accountants, &c., continues to take part in production. This comparatively small stratum is quite distinct from ordinary workers as regards the wages received. As the intermediary group between the employer and the workmen, in machine capitalism, it cannot be included in the *working class*.[1]

Woman and child labour was employed in the manufacturing period, but only to a limited degree. In manufacture hand labour requires a physical strength that is not usually possessed by women and children, *i.e.*, the strength of an adult man. For that reason the competition of woman and child labour

[1] Nevertheless it is the peculiar tendency of machine capitalism to bring the productive function, social position, and mentality of this group nearer to less complex labour. This tendency mostly affects the lower and more numerous section of the intellectual staff, which gradually loses its lower dividing line and merges with the non-privileged section of the workers. The tendency with regard to the smaller section of the intellectual staff, the members of which occupy the higher posts in the service of the capitalists and are nearer to them in origin and habits, is quite different. As economic relations develop and become more definite, this upper section definitely associates itself with the capitalist class.

against man's labour in the manufacturing period was rare.[1]

Under the system of machine production there is little handwork, and the greater part of the work does not need the physical strength of an adult male worker. For that reason the labour of women and young persons is more and more employed, and where neither physical strength nor intelligence is required child labour comes on the scene. In a great number of cases it becomes more profitable for the capitalist to replace male adult labour by cheaper though physically weaker workers.

The result is that competition between the workers increases owing to the appearance of new labour power on the market. Wages fall in proportion as the employment of child labour increases. It is not difficult to see to what level wages tend to fall. According to the law of value wages should correspond to the prices of the usual articles of consumption of a worker's family. Now, however, this is not the wage of a single member of the family, but of all the members of the family selling their labour power taken together. Now, as before, the family on the average receives the means of existence, the difference being, however, that it is earned, not only by the head of the family, but also by his wife and children.

The extent to which woman and child labour is employed increases with the development of capitalism. In Russia, a country which has only recently become capitalistic, the number of women working in factories at the beginning of the twentieth century represented

[1] Woman and child labour is employed to a greater degree in domestic capitalism. This is due to the fact that the particularly severe exploitation of the small producer by the merchant capitalist compels the former in his turn ruthlessly to exploit his family without the least regard as to whether their physical strength is equal to the work. The manufacturing capitalist finds it more *advantageous* to carry on his business with the aid of strong adult workers; although he has to pay them more, nevertheless, under the system of hand labour, their labour power is so considerably greater than that of women and children that it is still possible to obtain comparatively more surplus value out of them than out of the latter.

one-quarter, young persons one-twelfth, and children one-twentieth of the total workers employed. In old capitalistic countries like England the proportion is different. In the textile industry the number of men employed represents a little over one-quarter, women more than one-half, young persons about one-twelfth, and children up to the age of thirteen about the same proportion.

The difference in the wages of men, women, and children is very considerable. In the factories and works of the Moscow district the wages of men were twice that of women and three times that of children. This difference is only partly explained by the inferior capabilities of women and children. Even if we compare wages for equal work done we shall still find that the man receives more than the woman, and still more than the child. The reason is that women and children are less class conscious and fight less energetically in defence of their interests.

The social results of woman and child labour are very complex and have both their bad and good sides.

It increases competition among the workers and places each of them in greater dependence than formerly upon the employer; it becomes easier to replace the workers, and the number of unemployed increases.

Factory life for women and particularly for children means premature exhaustion of the organism, and this prevailed to such a degree that it led to the degeneration of the workers.

Working in a factory has a bad effect upon the future offspring of pregnant women. Such children are born weaklings, have the appearance of being prematurely born, and are subject to a high mortality. Furthermore a woman factory worker has not the time to nurse her infant.

Having grown up a little—sometimes to between six and eight years of age only—if it is not prohibited by law, the child itself enters the factory. The physical

weakness of such children is confirmed not only by factory inspectors, but even by employers (prior to the Factory Acts in England eight year old children worked in the mills for fourteen hours a day).

Prolonged factory labour not only exhausts the body of the child but destroys its mentality; it makes it stupid and incapable of mental development, and sometimes leads to sheer idiocy. Such children grow up into men and women destitute of all independent moral energy, submissive and helpless creatures good for nothing else than to be passive tools in the hands of others.

Night work in factories where men, women, and children work together is a dangerous source of sexual depravity in the working class.

Factory work for women and children breaks up the worker's home, alienates the wife from the husband, and the mother from the child. This is the cause of much suffering unknown in preceding epochs of the life of man.

At the same time, however, woman passes out of her previous slavery in the family. Becoming an independent worker, and thus acquiring economic independence, she gradually acquires equal rights with her husband. The position of the children is also improved, and their rights are to some extent recognised.

The fundamental significance of woman and child labour lies in the growth of the productive forces of society, which is achieved by the complete participation of women and children in the system of co-operation. These are the *good* effects of the application of woman and child labour. The *bad* ones result purely from the manner in which such labour is applied in the modern capitalist system of production and are not essential in other systems. These bad effects can always be modified by legislation, and, of course, can be entirely removed by a radical reconstruction of society.

(3) *The Reserve Army of Capitalism*

Woman and child labour is not the only cause of the increase in the number of the unemployed. A more

important cause is the rapid increase in the productivity of labour as a consequence of the application of machinery which renders large numbers of workers superfluous for capitalist production and removes them from the system of productive activity. In this manner there is created a mass of unemployed such as was never seen in preceding periods of social development.

In the capitalist system as a whole even this section of the working class is of productive importance. It serves as a *reserve* of labour power for the requirements of production. When favourable market conditions induce the capitalists to extend production this reserve army is at their disposal, and there is thus no shortage of labour power.

As production expands a part of this reserve army is absorbed so that it is temporarily diminished. But the development of technique and the shrinking of the market again render a part of the workers employed superfluous in production. (Among the great forces in this direction are industrial crises about which we shall speak later.) The appearance of new machinery, causing the rapid increase in the reserve army, subsequently causes its gradual decrease. Machinery reduces the prices of commodities, so that they become more accessible to a wider circle of purchasers; the increase in demand renders possible an increase in production, and as a consequence the worker who had been squeezed out by the machine again finds employment. However, not the whole of the reserve army finds its way back into industry. Frequently the reduction in the number of workers employed is not temporary but permanent. For instance, in England, during the period 1830-45, in spite of an increase of 142 per cent. in the output of the cotton industry, the number of workers employed was reduced by 4 per cent.

Generally, with the progress of machinery the reserve army increases. The competition of the reserve army with the employed workers forces wages down. The improvement of means of communication tends to place the reserve army of the whole of each country at

the disposal of each individual employer, so that unemployment in one place affects the labour market in others.

In addition to the workers as such, the machine squeezes out independent small producers who formerly lived by hand labour, but are unable to compete against the machine. In backward countries, where machinery is introduced not gradually but rapidly, or which have suddenly become a market for the machine products of more developed countries, a large " reserve army " is rapidly created for large-scale production, of which the larger part dies out before it is required by the capitalists. This was the effect of the English textile machinery in the East Indies during the 'thirties. If there is the possibility, the newly created unemployed army seeks for work in more developed capitalistic countries. Thus the small producers of China, ruined by European capital and the newly rising capital of China, travel in masses to the West Coast of America. This competition has a depressing effect upon the local labour market, the more so that owing to their extremely low standard of existence they can sell their labour power incredibly cheaper. All this does not merely apply to economically backward countries like China which come into the sphere of European capitalism, but also to the economically backward parts of capitalist societies. To the extent that industrial development embraces such backward parts—deprives the peasant of the land, ruins the home worker and the handicraftsman—labour power commences to flow from these places to the industrial centres, to the labour markets of large-scale production. This was the case in Russia, and frequently conflicts broke out between the local workers and the newcomers because the latter forced down wages.

The following figures give some idea of the fluctuations in the industrial reserve army. According to official returns 880,000 persons were receiving Poor Law relief in England in 1856. In 1863-64, as a consequence of the crisis in the cotton industry, the number reached 1,080,000. These, however, are not the complete

figures for unemployment; not every needy person applies for public relief; many are restrained by pride, especially when they only half belong to the reserve army, *i.e.*, when they are in employment but have little work. At the beginning of the nineteenth century, according to competent observers, the number of unemployed in England was 1,000,000 in the summer and 1,750,000 in the winter, *without including* those who were living wholly at the expense of public charity. In Germany in 1895, at the end of a period of rapid industrial development, the official number of unemployed was 771,000. Statistics of unemployment for a more or less prolonged period exist only for England and France, and these only apply to the organised workers receiving unemployment benefit from their organisations. These statistics show that for the nineteen years 1888-1906 an average of 4 per cent. of the members of trade unions in England were unemployed and only in one year did the figure fall to 2·1 per cent., while in other years it rose to 7·5 per cent. The figures for France are not less instructive. They apply to the twelve years 1895-1906, and embrace, it is true, a smaller number of workers. The average rate of unemployment here was 8·2 per cent., but these figures fall below the actual facts because they apply only to organised workers and, therefore, to those least affected by unemployment.

In backward countries where large-scale capitalist production is rapidly introduced, the unemployed reserve army should be relatively as large, if not larger, than in developed capitalist countries, but it is difficult to estimate its exact extent owing to the fact that a concealed form of unemployment prevails. The peasant craftsman who is compelled to give up his subsidiary employment, and, therefore, does productive work only in the agricultural season, and the home worker whose trade is diminished owing to the falling off in the demand for his products on the part of the merchant capitalist, to a certain extent belong to the superfluous section of the population, although superficially remaining independent producers.

The unemployed section of the working class represents the purest form of *relative over-population.*

The means of existence of the capitalistic reserve army are various and precarious; they comprise former savings, public charity, theft, prostitution, &c., and, of course, there can be no question as to the satisfaction of their needs—hunger, cold, poverty, and even death from exhaustion is their lot.

(4) *Labour Organisation*

With the existence of the industrial reserve army, the conditions of market competition became to a high degree unequal as between the capitalist and working classes. Among the working class, therefore, there naturally arose a desire to minimise the effects of this inequality.

The natural method of counteracting the effects of excessive competition is to restrict competition, and this was the method adopted by the working class. Various forms of *working-class industrial organisation* began to develop.

The manufacturing period with its extreme division of the working class arising out of manufacturing division of labour did not know of such forms of organisation. Machine production, by abolishing this division and reducing all the workers to a similar productive function, creates a suitable ground for such associations. Uniting masses of workers for a single purpose in a single workshop conducted along strictly defined rules, industrial capitalism trains them to unity and discipline which are necessary pre-requisites for the stability and practical success of any form of organisation.

These are the economic conditions which rendered possible the rise and development of the various forms of working-class organisation (trade unions, political organisations, co-operative societies, &c.).

The first country in which trade unions began to develop was England, the country in which machine production first appeared upon the scene. The first

modern trade union appeared in 1794, that is during the period of the great industrial revolution, the transition from manufacture to the machine. In other countries trade unionism developed in proportion to the development of industrial capitalism. Everywhere the development proceeded with increasing rapidity.[1]

The primary, most simple, least stable, and at the same time least perfect form of labour organisation is the strike, which casually and temporarily organises the workers on the basis of some immediate practical aim and usually expresses itself in the form of a simultaneous cessation of work. The immediate significance of the strike lies in that, under favourable conditions, it can bring about a partial improvement in the conditions of the workers. Frequently, such strikes serve as an impetus to the formation of more definite and stable organisations, like trade unions.

The trade union represents the most widespread form of labour organisation. The essential features of its formation and aims are everywhere the same, viz.,

[1] In investigating the question of the forms and rapidity of development of such organisations it is of course necessary to take into consideration not only the fundamental economic relations—the productive relations of the workers and their part in distribution—but also the state of popular education, political conditions, and particularly the law with regard to trade unions, &c. The importance of the question of education (a condition inseparable from the general development of productive forces) can be gauged from the fact that the most educated countries of the western world—United States, England, and Germany—are distinguished by having the largest number of labour associations. The importance of the freedom of association (which itself of course depends upon the relation of the strength of the working class to that of other social groups) can be judged from the following example: In 1868 the French Legislature allowed the freedom of association for workers, but laid down certain limitations; sixteen years later there were in France 283 unions; the law of 1884 removed the limitations, and in the course of the next seven years the number of organisations increased by nearly four times, to 1,127; at the beginning of the war there were over 5,000 organisations with a total membership of over one million. The number of workers organised in trade unions in England in 1910 was more than four millions and in Germany nearly three millions.

a more or less centralised organisation constructed on an elective basis aiming at raising the material standard of existence by means of mutual aid during sickness, accidents, &c., conducting negotiations with the employers with regard to wages, &c., fighting them by strikes, &c.; frequently also it aims at raising the education and moral level of its members by establishing libraries, comrades' disciplinary courts, &c.

At first trade unions organised workers employed in a single enterprise; later they organised those employed in the same type of enterprise, and later still those employed in branches of industry closely allied to one another. Similarly the organisations were at first limited to a single town, district, or county. Gradually they extended beyond these limits, until they became international, or in a particular country embraced the workers of diverse branches of industry into one large union.

Trade unions at their strongest are capable of effectively weakening the competition among workers on the labour market. Here lies the definite connection between the development of trade unionism and the standard of wages. Countries in which trade unionism is most widespread, like America, where one-third of the workers are organised, and England, where one-half are organised, are distinguished by their high standard of wages; and the wages of those belonging to trade unions are higher than those not belonging to them. In England, according to figures given by Jevons, the rate of surplus value between 1843 and 1883 was reduced by one-third. In 1843 the income of artisans and workers represented £171,000,000 and that of other classes £342,000,000, the rate of surplus value being nearly 200 per cent. In 1883 the corresponding figures were £550,000,000 and £720,000,000, rate of surplus value being 130 per cent. According to the latest and perhaps more exact figures the share of the workers amounts to £500,000,000, and of other classes £800,000,000, the rate of surplus value being 160 per cent.

The trade unions cannot radically change the conditions of life of the workers, at least as long as they do not embrace the majority of the working class. The workers who remain outside the unions strongly compete against those inside. Moreover, the improvements in conditions which the trade unions are able to obtain cannot be regarded as permanent. The employers wait for a favourable moment, when the demand for workers is small and the supply great, to reduce wages and increase the working day. Then the workers have either to submit or to begin a struggle under the most unfavourable conditions.

All this leads the workers to the recognition of the necessity for safeguarding the gains won in the economic struggle by *legislation*, *i.e.*, for the *legislative* improvement of conditions. They regard it as necessary that the State should protect the lives, health, and interests of the workers, and that this obligation be imposed upon it by law. As, however, the State is the *organisation of the dominant class*, and the modern State the organisation of the domination of the bourgeoisie, it can only be induced to pass and observe laws protecting the interests of the workers by compulsion. From this follows the political struggle of the working class for factory legislation, a legal maximum working day, compensation for accidents, insurance against sickness and old age, &c. This struggle is conducted by means of strikes, demonstrations, &c., on the part of the trade unions, the labour political organisations, and even unorganised masses of workers. The gains of the political struggle are much more permanent and reliable than those secured by the purely economic struggle, and furthermore they affect the lives of far wider masses of the working class because laws are not passed usually for individual enterprises or groups of enterprises, but for whole industries, or even for universal application.

This political struggle, however, does not strike at the roots of the economic system, and for that reason

can only to a certain extent improve the conditions of life of the workers; it cannot radically alter them. The precariousness of existence still hangs over the head of the worker; under the best factory laws he may at any moment find himself without employment and therefore without means of existence, since the anarchy of production and the elemental power of the market remain as before. If a new machine is introduced or the demand for a particular commodity declines, the capitalist is compelled to throw tens, hundreds, and even thousands of workers upon the streets, and the capitalist system cannot guarantee to any of them the means of livelihood. When the working class becomes fully conscious of this precariousness and its dependence upon the very foundations of the capitalist system, it is faced with the problem of a radical change of the social system, of altering its basis, and abolishing the anarchy of production. Then the working class begins to organise for the struggle for the abolition of private property in land and the means of production and for their transformation into the property of society as a whole, which should systematically organise production. This *struggle for socialism* is, of course, also conducted in the form of a political struggle, and it creates national and international working-class political organisations—the socialist parties and the Workers' International.

In the struggle for the radical reconstruction of the social system the trade union economic struggle and the struggle for factory legislation acquire a new significance as a *means* to the final aim, as a method of developing the energy, organisation, and practical ability of the working class in its main struggle.

In countries that are not free, where the bourgeoisie—and, in the most backward countries, the feudal classes—in their own interests hinder all political life and development of class consciousness among the workers, the trade union economic struggle, the struggle for factory legislation, and the struggle for socialism arouse, as their necessary means and condition, a

struggle for civil liberties and a democratic state. In *this* struggle the workers may find allies among the intelligent peasants, petty artisans, and the badly-paid mental workers, generally speaking in the lower classes of bourgeois society, which are economically and politically oppressed by the upper class.

The trade union struggle and the struggle for factory legislation are particularly widespread in countries having the widest markets and consequently the most extensive demand for labour power, such as England and America up to about 1900. The socialist movement, however, developed most strongly not in these countries, nor, indeed, in any of the countries developed furthest along the lines of industrial capitalism, but rather in those like Germany which are distinguished by their most rapid development. Owing to this, the gains of the movement, both in the trade union struggle and in the struggle for factory legislation, developed so rapidly that they soon overtook the old capitalist countries.

A special form of labour organisation is represented by the " co-operative " consumers and loan and saving societies, which by the by are not less widespread among the peasants and petty traders of the town than among the workers. The aim of these organisations is to improve the conditions of life of the workers by means of commercial operations, cheaper wholesale purchases of articles of consumption (consumers' societies) and mutual credit (loan and savings societies), &c. Such organisations could not cause a general improvement in the condition of the working class *independently of the trade union and political labour organisations* because, even if they embraced the whole of the working class, the purchasers of labour power would be able immediately to reduce wages by the amount that had been saved by the workers through their membership of them; only political and trade union organisation can guarantee the permanency of an improved standard of life. In the general process of economic development these organisations, by their

competition, hasten the doom of small traders and petty usurers.

The peasants' co-operative societies are of particular importance. They facilitate the organisation of the mass of individual peasant farmers and their defence against the rural usurer; they help them to improve the technique of production by collectively acquiring improved instruments and machinery which, owing to the high cost, would be inaccessible to the individual peasant, by collectively purchasing better seeds, and frequently by organising the collective sale of their products. Mixed co-operative societies, having a membership of workers, intellectuals, and petty bourgeoisie, are the least progressive forms; they do not facilitate but hinder class solidarity, and frequently compel the workers, when they are in a minority, to subordinate themselves to class interests other than their own.

A special type of co-operative society is the productive co-operative, which consists of a group of workers who possess their own means of production and conduct their own enterprises. The members of such organisations are thus employers and workers at the same time. Such organisations can considerably improve the conditions of their members by preventing the transfer of profits into the hands of the capitalist.

Only in rare cases, however, can productive associations be established without outside help (State aid for example), as with modern industry it is usually necessary to have considerable capital to start an enterprise. Furthermore, the management of productive societies presents great difficulties; as, for instance, the members' inexperience of joint organisational activities, the smallness of their capital, and the hostile attitude of the capitalists who, with greater means at their disposal, are able to out-compete the workers' enterprise.

Organising amidst capitalist relations, the productive association can, under favourable conditions, radically improve the conditions of its members, *i.e.*, a comparatively small number of workers. Then the

interests of the few begin sharply to diverge from the interests of the remainder. In fact, when the association has a respectable capital it becomes unprofitable to accept new members on an equal basis with the old members. If the capital amounts to £100 per member, for instance, the acceptance of new members without their depositing £100 apiece would mean in effect the old members sharing their profits with the new ones.

In fact, there is nothing easier than for these working-class employers to be converted into an aristocracy of labour. Sometimes productive associations engage outside workers and pay them not more than the usual wages. In their development these associations tend to become limited companies. Essentially they only serve to increase the petty bourgeoisie. Frequently they are established not by pure workers but by petty bourgeois producers. So far these productive associations have had comparatively little success.

Consumers' and producers' associations are much more stable and havemore vitality. Accumulating considerable means these societies establish their own workshops and factories for the production of the articles in most common use among their members. The sale of the articles produced is thus more or less guaranteed, and production may proceed successfully: the workers usually receive comparatively good wages and enjoy the benefits of membership of the co-operative societies.

(5) *Labour Legislation*

The political struggle of the workers for the improvement of the conditions of life and labour gives rise to factory legislation.

Factory legislation consists in the State intervening in the organisational activity of the capitalists and limiting the freedom of contract between labour and capital. The need for such limitation *for the State* arises from the conflict of interests between individual enterprises and the whole of capitalist society, that is the interests of the capitalist class as a whole. No matter what form factory legislation may assume

in individual cases — limitation of the working day, fixing responsibility upon the employer for accidents, control of hygienic conditions of labour, &c.— essentially they all amount to the same thing, viz., an alteration of "wages" in the broadest sense of the term, *i.e.*, an alteration of the share which the workers receive in social distribution.

In order to explain in what manner machine production, by reforming all previous relations, creates the need for factory laws we will quote the example of England. As the country in which machine capitalism developed earliest, England was the first to adopt factory legislation.

When the tendency of capitalism to increase the working day and lower wages went to such extremes as to lead to the degeneration of the working class it became apparent that not only were the workers interested in altering these conditions, but so, also, were other elements of society. In the first place, the landowning class were not a little interested in the strivings of the workers; for every improvement in their conditions would increase their needs, and thus increase the demand for articles of consumption a considerable part of which were products of agriculture, and an increase in the demand for agricultural produce meant an increase in rent.

Moreover, the hostility between the landowners and the capitalists arising out of the conflict between rent and profits inclined the former to support the workers against the capitalists even on the question of factory laws. The petty bourgeoisie were inclined to show active sympathy with the workers for two main reasons: first, their hostility to the large capitalist enterprises which out-competed them in all fields of competition, and, secondly, the direct interest of the petty bourgeoisie in the condition of the working class in which, under unfavourable circumstances, many of them found themselves. The more enlightened capitalists, who were able to rise above the immediate interests of their enterprise and of the moment,

understood that some improvement in the standard of life of the workers would even be to their advantage, as it would result in an improvement in the quality and intensity of the work. These considerations weighed to an even greater extent with the enlightened English bureaucracy.

Owing to these circumstances the workers found strong allies in their struggle for factory laws, and subsequently laws were passed limiting the length of the working day—at first applying only to women and children as the elements of the working class upon which the health and strength of the future generation depended. The working day for adult males automatically decreased owing to the fact that the women and children comprised a considerable section of the workers, and it was found that to continue work when they had finished for the day was inconvenient and unprofitable.

Previous to the passing of the Factory Acts, fourteen and fifteen hours per day was the usual thing. Fourteen hours' work per day only allows a man two hours for the satisfaction of his higher human needs (that is if we count eight hours for sleep), and yet there were cases of workers being employed eighteen hours per day.

By the act of 1833 the working day in most of the important industries was limited to twelve hours. Subsequently after a number of petty reforms in this direction the working day was limited to ten hours by the Act of 1847. In the meantime the system of factory inspection was gradually organised for the purpose of watching the carrying out of the laws and prosecuting those who evaded them. Thanks to the comparatively independent position enjoyed by the British factory inspectors the Factory Acts began to be completely put into operation. (The reports of the British factory inspectors were the first means of acquainting Europe with the real position of the working class, and provided a mass of material for the investigation of the laws governing the capitalist system.)

In politically backward countries like Russia, the factory inspectors possessed neither the independence,

the education, nor the humanity to insist on the factory laws being carried out, and for that reason they remained very largely paper laws.

After the first steps in factory legislation had been taken, further steps were comparatively easy and did not require so much effort. This is not difficult to explain. If a law is passed limiting the working day in certain industries, the employers in these industries are interested in securing the application of the law to others, for they do not desire other capitalists to have any advantages over them in the business of accumulating profits. In the same way, if, owing to local conditions, one section of the capitalists has to be satisfied with a shorter working day than the others, they will be inclined to demand a legal maximum working day for the whole country—only within such limits, however, as will abolish the advantages their competitors possess over them without causing them any loss. Thus during the great strikes in Petersburg and other places in Russia in 1896, the chief demand of which was the shortening of the working day, the cotton manufacturers of Lodz, who, as a result of the energetic struggle of their workers, were compelled to agree to a shorter working day, demanded the legal reduction of the working day for the whole country in order to remove the advantages which their competitors in the Moscow district, where the working day was very long, possessed over them.

The importance of standardising the labour day lies in the fact that, in enabling the workers to live a more natural life, it creates the conditions for improving the quality and raising the intensity of labour. It is then possible to increase the speed of the machines, and increase the number placed in charge of a single worker. There is, however, a limit beyond which the reduction of the working day will cause a diminution of surplus value, because the intensity of labour can only be increased to a certain extent. It is difficult to say whether or not an eight-hour day reaches that limit; at any rate under present social conditions it is near it. The

movement for the eight-hour day began in the 'fifties, and became greatly intensified from 1889, when the First Congress of the Second International declared May 1 a labour holiday, the chief watchword of which was the demand for an eight-hour day.

At first the reduction of the working day leads to the reduction of unemployment, but owing to the rapid increase in the intensity of labour this reduction is only temporary; it soon becomes possible to manage with the previous number of workers or even less.

After England, other capitalist countries began to introduce factory legislation. At the same time the influence of historic environment, and the influence of world capitalism on other countries, was such that factory legislation in those countries was secured much more easily and with less struggle than in the older countries (just as the development of industrial capitalism proceeds more rapidly in these countries).

In all countries legislation was step by step extended to all aspects of factory life. First of all it fixed a limit to the labour of women and children, and their employment up to a certain age was prohibited. Then in some places the law limited the working time of adult males. In Russia the first step in this direction (it is true, a very small and hesitating step) was taken by the law of June 2, 1897, which was the result of the strike in 1896 referred to above.

In some places the law prohibited night work for women and children. In Switzerland this applied also to men with the exception, of course, of those employed on work which has to be carried on without interruption. The importance of this law is evident; apart from the harmful effects of night work upon health, it also serves as a fruitful source for the development of unhealthy sexual life in the working class.

In many countries the law lays down rules of cleanliness for places of employment, against harmful employments, and for protection from dangerous machinery.

Hundreds of thousands of workers die every year as a

consequence of insanitary conditions of labour. The number, however, cannot be accurately calculated, and we can only estimate it indirectly from the enormous death rate in the various industries. With regard to those killed and injured in the process of production we have rather exact figures in the western European countries. From these figures we see that in Germany in 1894 alone there were 216,000 accidents among workers, of which 6,000 were fatal, while nearly 3,000 workers were rendered incapable of further employment owing to mutilation. The importance of laws making the adoption of measures for the prevention of accidents compulsory may be seen from the fact that in England in 1874 one worker out of every 374 workers was killed on the railroads and one in 89 was injured. In 1894, after the Prevention of Accidents Law had been in operation for some time, the number of killed fell to one in 796 and the number of injured to one in 140.

In some countries the factory acts place the responsibility for accidents upon the employers, and provide for workers' insurance against sickness, accidents, and old age, sometimes with the compulsory contribution of the employers to the insurance funds.

In some places the law compels employers to open schools for young persons in connection with the factories.

The general economic backwardness of agriculture is seen from the fact that the legal protection of agricultural workers appears much later and is applied to a smaller extent than in industry. This is in keeping with the slow development of the economic and political struggle of the agricultural proletariat.

The legal establishment of conditions of labour is of enormous beneficial importance in the development of the productive forces of society. In the first place it hastens technical development, for with the increase in the cost of labour power it becomes more profitable to substitute machinery for human labour; secondly, it hastens the doom of the small enterprises which are less able to bear the increased expenditure for labour

power and the improvement of conditions of labour than are the large ones ; thirdly, the intervention of the State takes away from individual capital its privileges as the only and all-powerful organiser of industry ; fourthly, by improving the condition of the working class it creates more favourable circumstances for the development of proletarian consciousness and the proletarian struggle for the radical transformation of society.

(*d*) *Taxation*

Capitalist society is composed of classes having conflicting interests. In its purely abstract form it is composed of bourgeoisie and proletariat who conduct an unceasing struggle against each other for the division of the product of industry. The bourgeoisie strives to increase surplus values which represent its share, while the proletariat on the other hand exerts all efforts to increase wages which are spent on the reproduction of its human energy. As, however, surplus value and wages represent parts of the same whole—the annual social product produced by the workers—the vital struggle between the two classes inevitably takes the form of a tacit or avowed class struggle.

If this is so, if capitalist society is composed of two fundamentally hostile classes, if between these two classes there is an unceasing struggle, and if, in spite of all this, society does not break down, it is clear that there must be some form which supports the existing system. This means first of all that there must be some organisation which protects private property, keeps the working class in subjection, and helps the bourgeoisie to exploit it. Such an organisation is the bourgeois *State*, with its bureaucracy, standing army, police, courts, prisons, &c., &c.

The capitalist State is the force which enables the bourgeoisie to strengthen and reproduce the existing productive relations. Therefore the capitalist State is in the first place the weapon of class domination of

the bourgeoisie (hence the " dominant " or " governing class ") which holds in its hands the whole apparatus of the State, irrespective of whether it is an absolute or constitutional monarchy or a democratic republic.

But the functions of the State do not end here.

The characteristic feature of the capitalist system of production is its anarchical construction. It is composed of hundreds of thousands of individual enterprises connected with each other only through exchange. Other more stable ties do not exist. As a consequence of this we get competition, or in other words a struggle of all against all. But some productive units, some enterprises, have common interests. These are the interests of the capitalist class *taken as a whole.* In addition to the organisation for keeping the workers in subjection, the bourgeoisie must have an apparatus for carrying out the *general functions* which are technically necessary in the capitalist system of production. These include the organisation of means of communication, the regulation of the circulation of money, public education (which is a mighty instrument for the development of productive forces, and consequently for the whole of bourgeois society), medical assistance for the masses (constant ill-health among whom would destroy the labour power necessary for the bourgeoisie, and epidemics in whose ranks menace the health of the upper classes), &c., &c. All these functions are carried out by the organ of the domination of the bourgeoisie—the capitalist State.

The State, however, requires means for carrying out these functions. These are obtained by means of *taxation* from the national incomes of the country, *i.e.*, from the whole of the products annually produced in it. The question now arises from what part of the national income does the State obtain its taxes—from surplus value or from wages? An abstract analysis shows that in a *pure* capitalist society taxes can only be taken from surplus value. As has already been explained, wages is that part of the social product that is used

for the reproduction of the human energy of the working class, for the maintenance of the existence of the proletariat; it expresses the normal value of the labour power applied to industry, the value of the means of life of the worker. The expenditure of a definite part of the social product for the maintenance of the workers is as necessary for the capitalist system as the expenditure for replacing worn out machinery and the manufacture of new tools. If the capitalist systemgave the working class less than the normal value of labour power then the workers would begin to deteriorate and die out, which would mean the destruction of the fundamental productive forces, and consequently the general deterioration of the capitalist system.

The forms of taxation usually recognised are direct and indirect. Indirect taxes are those imposed upon commodities such as tea, sugar, kerosene, salt, &c. Direct taxes are those that are imposed upon capital, land, houses, individuals, and incomes. The distinguishing feature of indirect taxes is that they can be passed on by the person upon whom they are originally imposed to a third person, *i.e.*, to the consumer. Thus, when in 1914 the Russian sugar manufacturers paid a tax of 5 kopecks for every pound of sugar put on the market, the purchasers of sugar had to pay 5 kopecks more for their sugar than when the tax had not been imposed. It is usually assumed that direct taxes cannot be transferred, but this applies completely only in the case of the progressive income tax.[1] However

[1] Direct taxes include taxes on real estates. These are taxes which, unlike direct taxes imposed upon individuals (income tax, for instance, which is imposed upon the whole of the income or the property of the taxpayer), are imposed on *things* producing revenue or having value. These include taxes upon buildings, land, fishing, trapping, enterprises, &c. Such taxes can be transferred to the consumer. What, for instance, are the effects of a house tax? A house-owner, like a capitalist, will invest his capital in the construction of houses only when he will receive the usual rate of profit. If the imposition of a house tax will cut down his profits then the rate of profit will be lower in comparison with that of other capitalists. The consequence will

that may be, these two divisions were established owing to the fact that the methods of collection in each case are different and require different technical apparatus.

It would seem that the description of indirect taxation given above contradicts what has been said with regard to the source of taxes being surplus value. For indirect taxes which are usually imposed upon articles of common use are passed on to the *consumers*, who in idealistically developed capitalist society are predominantly the workers. Hence the taxes are taken from the income of the workers, *i.e.*, from wages. But this is an apparent contradiction, for the introduction of indirect taxes causes a reduction of real wages below the standard of the value of the labour power, and this, as has been explained, inevitably causes a rise in money wages at the expense of the surplus value of the capitalist.

All this, however, applies to capitalism in its perfect form, that is, a capitalist society in which there are only bourgeoisie and proletariat, and where there are no intermediate classes like petty artisans, peasants, and independent small producers in general. In backward capitalist countries where the petty bourgeoisie, and particularly the peasants, represent the overwhelming majority of the population, the State by means of indirect taxation draws an enormous revenue out of the earnings of the petty bourgeoisie. In doing so it not only takes from that part of their earnings which corresponds to surplus value, but frequently also it takes a part of the necessary product that corresponds to wages. As a typical example of this we may quote Russia, where in 1916 indirect taxes comprised four-

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be that the building of houses will be temporarily stopped and house rents will rise until the profits of the house-owner reach the normal level, and this means that the house tax has been passed on to the tenants of the houses. It will be seen, therefore, that the taxes on real estate are direct only in the form of their imposition; in actual fact they are only a concealed form of indirect taxation.

fifths of the revenue derived from taxation, and where the budget was almost entirely based upon the revenue derived from the earnings of the many millions of peasants. In this respect Russia presented the direct opposite of capitalistically developed England where indirect taxation represented in 1916 only one-third of the revenue of the Treasury.

In backward countries, or countries only just entering the path of capitalist development, indirect taxation, hardly touching the surplus value of the capitalist class, and almost exclusively affecting the petty bourgeoisie, serves as a mighty instrument for the expropriation of the independent commodity producers. Together with merchant usurers' capital indirect taxation expropriates the artisans and peasants and drives them into the ranks of the wage workers. This assumes a particularly sharp form in colonies, where the advanced capitalist nations deliberately apply the system of indirect taxation in order to ruin the natives.

All this, however, applies only to backward countries preserving the relics of pre-capitalist production. In completely developed capitalist societies both direct and indirect taxes *in the last resort* are taken from surplus value. But if this be so, why does the proletariat in all capitalist countries wage such a determined struggle for the abolition of indirect taxes and the substitution of direct taxes ?

The reason is that it is only in the *last resort* that indirect taxes are taken from surplus value in capitalist countries. At their first introduction they increase the mass of surplus value at the expense of wages. This means an increase in the rate of exploitation on a social scale, and consequently (other things being equal) the absolute deterioration of the position of the working class. We said above that the workers' share of the social product cannot be less than a certain minimum, that is, the value of their necessary means of existence. It does not follow, however, that immediately indirect taxes reduce wages below this minimum that the latter automatically rise. On the contrary, they rise only after

severe class struggles—strikes, &c.—and the workers frequently have to exert considerable effort in order to restore the previous standard of existence, which sometimes takes a long period to achieve.

Furthermore, indirect taxation is *retrogressive* in character; it falls heaviest on those with the least income. Indirect taxes are usually imposed upon articles of general consumption like salt, matches, sugar, tobacco. If the income of one person is one thousand times that of another it does not follow that the first will buy one thousand times more salt or matches: he may buy three or four times more; that is, a person with an income of £100,000 will pay only three or four times more taxes than the person with an income of about £100; so that if the latter pays 1 per cent. of his income in taxes the former will pay 0·004 per cent.

All these reasons compel the proletariat, and indeed all the working class, to struggle for the complete abolition of retrogressive indirect taxation and for the introduction of a *progressive* income tax. This tax is imposed on incomes, and begins with incomes of a certain size. It should not affect earned income. Furthermore, this tax increases in proportion as the income increases and imposes the greatest burden upon the highest incomes.

Thus incomes from £200 to £300 are taxed 1 per cent., from £300 to £700 1½ per cent., and so on; the progressive tax increases up to a certain limit only; otherwise it could go up to 100 per cent. and absorb the whole of the income.

By means of the progressive income tax we avoid a too rapid ruination of the small producers, peasants, and artisans, which is harmful for the proletariat in that it creates an enormous unemployed army. It is perhaps harmful for the capitalist, too, for it destroys the purchasing power of the peasant masses, and thus decreases the demand for their products.

The establishment of a single progressive income tax

is one of the planks in the programme of the proletariat in so far as the struggle is conducted within the framework of the bourgeois democratic State. With the establishment of socialism, all taxes, including the progressive income tax, will become superfluous, because the whole of the social product, necessary as well as surplus, will be at the disposal of society to be used for the satisfaction of its requirements.

7. Main Tendencies in the Development of Capitalism

The economically leading class in the capitalist system is the industrial bourgeoisie. The main driving force of development, as before, is competition with its psychological results—the striving for unlimited accumulation and for the unlimited expansion of enterprises.

Let us examine how these forces of development operate within the limit of separate enterprises and how they appear in the relation between enterprises. As the share of the capitalist in social distribution is surplus value, his whole aim in organising production is to increase the surplus value derived from his enterprise.

The amount of surplus value derived from any given enterprise is determined by two conditions: first by the amount of surplus value created by each worker, and secondly by the number of workers employed. By increasing the one or the other the capitalist increases the amount of surplus value in his enterprise.

We will assume that the necessary labour time is five hours and the surplus labour time also five hours. The simplest method of increasing the surplus value created by each worker is obviously to increase the surplus time, and in that case the working day becomes longer. If the working day is increased from ten hours to twelve then surplus values will be created not during five hours but during seven hours each day; the amount of surplus value will be increased

1·4 times (the rate of surplus value increasing from 100 per cent. to 140 per cent.). The increase of the working day has its limits; it is physically impossible to make it more than twenty-four hours per day. Furthermore, the organism of the worker cannot stand too prolonged labour, which means that the work is badly done and less intensive. A too long working day may prove less profitable for the capitalist than a shorter one. For instance, a fifteen-hour day would be less profitable than a twelve-hour day if the labour in the former were only one-third the intensity of the latter. Finally, the workers themselves would not consent to work an excessively long working day and would begin an energetic struggle against the employers.

In addition to the direct increase of the working day, there comes into being at a certain stage in the development of production a *concealed* form of increasing it. When the feudal landowners in extending their own cultivation took possession of the lands belonging to the peasants dependent upon them, the complete expropriation of the latter proved to be a very risky business; the expropriated peasants went into the towns because there was nothing left to bind them to the country, and the landowners took the risk of being left without any labour power. To avoid this the landowners left small plots of land with cottages upon them in the occupation of the peasants. These plots were so small that their occupiers (the English cottagers and the German kossets) could obtain only a small part of their means of existence upon them, and were therefore compelled to offer their labour power to the landlord. The wages which the peasant received did not represent the full value of labour power, but were adjusted so that the sum of the peasant's wages and his income from his plot comprised the price of his necessary means of subsistence.

In the early stages of the development of large-scale production the same method was applied in manufacturing industry; the workers received a small plot

of land for the cultivation of vegetables, and wages were reduced in proportion to the income derived from the allotment; sometimes the rates of pay were reduced and sometimes deductions were made from wages as payment for the use of the allotment.

In both instances the result is the same; the working day is increased for the peasant labourer or factory worker by the number of hours he devotes to the cultivation of his allotment. At the same time the extreme exhaustion and the decline of vitality of the worker becomes inevitable. The worker, however, is, as it were, bound to the place by the attraction which the conduct of his own, if shadowy, little business has for him.

The division of land among the peasants after the abolition of serfdom leads practically to the same economic results. The allotments which the peasants receive are so small that they cannot maintain their owners or employ all their labour power. The peasant is either compelled to sell his spare labour power to the landlord or rent an extra piece of land. The conditions of the tenancy of the extra piece of land are such that on careful examination they will be found to be a concealed form of selling labour power. The income derived from this plot is only sufficient to supplement the earnings of the peasant to bring it to the level of the value of the necessary means of life. The large landowner lets out his land in small plots in preference to conducting large-scale cultivation himself, because in this way he obtains a larger quantity of work. It is easy to imagine how difficult the stage of transition of the peasant into a wage labourer must be.

Such a system represents certain advantages for the capitalist only as long as there is no imperative demand for the increased intensity of labour and as long as quality is not a matter of great importance. For that reason it disappears in the course of time, first in the manufacturing industries which develop more rapidly, and then gradually in agriculture (in

which even in our day it reveals a certain tenacity of life).

The increase in the intensity of labour has almost the same significance as the increase in the working day. Here the expenditure of a greater quantity of labour power takes place in a smaller number of hours. Apart from some minor calculations (as, for instance, that with a shorter working day less is expended on heating, lighting, &c.) it makes no difference to the employer whether he increases a ten-hour day to eleven hours or whether he increases the intensity of labour by one-tenth. The usual method of increasing the intensity of labour is piece work. In the early stages of capitalism such a method of increasing surplus value played a comparatively unimportant rôle because it is almost incompatible with a long working day which was then widely the custom, and because the low level of the development of the working class, the under-feeding and generally the small needs of the working class, make a high intensity of labour simply impossible.

If the labour day remains as before and the necessary labour time decreases, then the surplus time and surplus value increase. For instance, if in a twelve-hour day the necessary time is reduced from six to five hours then the surplus time is increased from six to seven hours.

But in what manner is the necessary time reduced? Obviously by reducing the value of labour power.

The value of labour power is the value of the necessary means of life of the worker; it is that quantity of social labour power required for its reproduction. If these means of life—bread, meat, cloth, &c.—can be produced with less expenditure of labour power than formerly, that is, if the productivity of labour in agriculture and the textile industry, &c., increases, then the value of labour power decreases.

Thus, if the value of the ordinary articles of consumption for a worker for one day represents five hours, and as a consequence of the development of the means

of production it is reduced to four hours, then in a ten-hour day the surplus time will increase from five to six hours and the rate of surplus value will increase from 100 per cent. to 150 per cent. At the same time the wages of the worker will drop from 2s. 6d. per day to 2s. per day. With this money he can buy as many articles of consumption as previously.

With the increase in the productivity of labour the increase of surplus value takes place simultaneously for all the capitalists in the given society. Under certain circumstances, however, the individual capitalist can decrease the necessary time in his own enterprise and thus increase the surplus time. This happens when he can increase the productivity of labour in his enterprise above that which normally prevails in the given branch of industry. He can, for instance, introduce a greater division of labour in his enterprise than exists in other enterprises, or introduce a machine that has not yet come into common use. We will assume that he is a manufacturer of knives, and that the improvements he introduces increase the productivity of labour twice; then the value of a knife in his establishment instead of being four hours will be two hours. As all the other capitalists have not yet had time or did not have sufficient capital to introduce these improvements, the *social* value of knives remains at four hours. We will assume that the working day is twelve hours and the value of labour power six hours, and that each hour represents sixpence. Thus, before the improvements were introduced the workers produced three knives a day each, and the price of a knife (assuming that they are sold at their value) was 2s., and on 3s. variable capital the capitalist received 3s. surplus value. After the improvements have been introduced each worker produces six knives per day, which, as before, sell at 2s. each, as the social value of knives has not changed; the six knives bring 12s.; the variable capital is as before 3s. and the capitalist receives 9s. The necessary labour in this factory proves

to be three hours instead of six, and the rate of surplus value is 300 per cent. instead of 100 per cent.[1]

Thus, when an individual capitalist increases the productivity of labour in his factory, then the surplus value of that factory also increases. But this is only a temporary phenomenon. Gradually, other capitalists introduce the same improvements in the factories, and those who do not possess sufficient capital for this purpose are crushed out by competition. The usual method of manufacturing knives has altered, and the *socially necessary* time for this production is reduced by two hours. The price of knives falls, the profits of each individual capitalist, including the one who first introduced the improvements, fall to normal proportions or even lower.

Therefore, it is advantageous for each individual capitalist to introduce improvements in his factory, but for the capitalist class as a whole this does not represent any advantage because it finally leads to the lowering of values and consequently to the lowering of the prices of commodities.

By increasing in various ways the amount of surplus value he receives from his workers, the capitalist increases his profits, which, to him, is the most important. But there are various means by which the capitalist can increase his profits above the normal independently of the amount of surplus value. This includes the method of taking more than the average care of constant and variable capital.

If, in the construction of his factory, the capitalist makes more than the ordinary economies of space so that the workshops are overcrowded; if he makes the least possible expenditure on heating, lighting, and ventilation and hygienic appliances; if he compels

[1] It should be observed that this capitalist will sell his knives not at the normal market price but at a slightly lower price in order that he may be more certain of a rapid sale. This is the more necessary in view of the fact that manufacturing knives more cheaply than before he of course increases their production and consequently their supply on the market.

his workmen to use tools until they are worn out to a greater extent than other capitalists would insist on owing to the danger to workmen or other inconveniences —all these are above the normal saving of constant capital. The amount of capital expended for a given amount of profit is reduced, and, consequently, the rate of profit for the capitalist increases although the sum of surplus labour in the factory remains unaltered.[1]

When the capitalist buys labour power at less than its social value it represents more than ordinary saving of variable capital.

Here, too, individual profits increase although the sum of surplus values does not change (for surplus value is the labour power which a worker expends over and above the social value of labour power, and this does not change).

These, then, are the general features of methods, the application of which increases the profits of an enterprise with a *given* number of workers. If the number of workers increases, it is evident that surplus values increase accordingly and with them profits; the surplus value derived from 200 workers is twice as much as that derived from 100, &c.

A large number of workers is important for this reason also—that it permits of a greater division of labour and consequently of an increase of its productivity, and the latter, as we have seen, leads to a temporary increase in surplus value.

The direct increase of surplus labour by means of increasing the working day or by increasing the intensity of labour is always limited by the physical capacity of the human organism, and under certain circumstances by the resistance of the workers.

The increase of the productivity of labour in an

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[1] We must not include here those cases where individual factories utilise scrap more than the rest; this is only an increase in the productivity of labour as the utilised scrap merely represents superfluous products of industry, *as becomes particularly clear* in the case where the capitalist sells this scrap.

enterprise is limited by the general state of technical knowledge at the given period. It is impossible to introduce an improvement before it is invented. The extraordinary saving of capital—" super-exploitation " —is of course possible only in so far as it does not meet with sufficient resistance on the part of the working class.

The method of increasing profits by means of increasing the number of workers with a corresponding increase in the size of the enterprise is almost without limitation. The only hindrance to it is the insufficiency of capital for the purpose of extending the business.

Every expansion of an enterprise is brought about by means of a capitalist accumulation. This means that the capitalist, instead of spending all his profits on his personal requirements, adds part of them to his capital; he purchases tools, raw materials, and labour power. Such accumulation is necessary for purposes other than the expansion of an enterprise, as, for instance, when in order to increase the productivity of labour it is necessary to make some extra expenditure on some technical improvement. Even the lengthening of the working day leads to extra expenditure on raw materials and tools, and therefore to capitalist accumulation.

One must strictly distinguish between capitalist accumulation and simple primary accumulation, which is not the expansion of enterprises but simply adding money to money.

In the epoch of capitalism only capitalist accumulation is of importance; primary accumulation becomes insignificant and is even converted into capitalist accumulation. Let us assume that the sum total of primarily accumulated capital equals £100,000,000; on this sum there are based enterprises bringing surplus values to the amount of £10,000,000 per annum. For the sake of simplicity we will assume that the capitalist does not make an increasing accumulation, but consumes the whole of the surplus product. In that case, in the following year the capital

as before will be £100,000,000, but of the primarily accumulated capital only £90,000,000 will remain, the other £10,000,000 being surplus value. In the following year only £80,000,000 will have remained out of the primarily accumulated capital and £20,000,000 will have been made up out of surplus value. Within ten years the whole of the primarily accumulated capital will have disappeared and will have been entirely replaced by the surplus value of these ten years.

Consequently, any given capital, no matter by what means the primary accumulation has been carried out, may be regarded as accumulated surplus value. As has been explained, primary accumulation itself owed its existence very largely to various forms of acquisition of surplus labour (serfdom, slavery, colonial plunder, &c.); the saving of the producers themselves played a very insignificant rôle in this connection. From this will be seen the real value of the teachings of the bourgeois economists with regard to capital being the result of savings.

Thus, striving towards accumulation in general, to the increase of his monetary forces, the capitalist naturally arrives at capitalist accumulation which is a necessity for extending this enterprise, investing new capital again and again out of the profits he receives.

Even if the thirst for the accumulation of money had a limit beyond which it was powerless to induce the capitalist to extend and technically to improve his enterprise, nevertheless competition would compel him to do both beyond that limit.

Competition between enterprises consists in that each enterprise strives to beat others out of the market. The struggle is conducted by reducing the prices and improving the quality of the commodities.

In the struggle the large enterprises with large capitals have a decisive advantage over the small ones.

The cost of production in large enterprises is less than in small ones, even when the level of technique is the same. We will assume that we have two spinning mills, one having ten spinning machines and the other

having 100. The second mill will turn out ten times more yarn than the first, but the cost of production will by no means be ten times more. The construction of the second mill will not be ten times more than that of the first; let us assume that it will be eight times more: it will not have to maintain ten stokers, but, say, four; not ten engineers, but only one. The economies made by large enterprises are particularly great in the case of machine power. The following table will show how the cost per unit of horse power per hour decreases in proportion to the increase of the motor:—

Size of machine	1 h.p.	3 h.p.	6 h.p.
	s. d.	s. d.	s. d.
Steam engine ..	0 7½	0 4½	0 3¾
Gas engine ..	0 6	0 4¼	0 3¾
Oil engine ..	1 3	0 11	0 7

We see that the increase of the power of the steam engine six times results in a reduction of the cost per one horse power of 50 per cent., while for the oil engine the reduction amounts to 53 per cent. With large engines there is also a saving in fuel. To obtain one horse power in a steam engine of 100 horse power it is only necessary to use less than one-fourth of the fuel required for a one horse power engine.

But this is not all. A large enterprise having a large capital can not only carry on production on a large scale, and in this way, as has been shown, lessen the cost of production, but it has the power of acquiring the latest technical improvements which still further cheapen the production of commodities. Tens and even hundreds of thousands of pounds are sometimes paid for the latest inventions and, of course, only large capitalists are able to pay such sums in the lump.

The difference in the amount of labour power that has to be spent in the production of a given commodity in machine and hand production respectively is particularly great. This will be seen from the following

table: at the beginning of the twentieth century it was required to produce:—

	By hand	By machinery
10 ploughs	1,180 hours	$37\frac{1}{2}$ hours
500 pounds of butter ..	125 hours	$12\frac{1}{2}$ hours
100 watches (mechanisms) ..	341,866 hours	8,343 hours
1,000 pounds of bread in pound loaves	28 hours	$8\frac{14}{15}$ hours

It must not be supposed that the cost of production of the commodities is reduced to the extent indicated by the figures in the above table, because, as has been explained already, in machine production a part of the value of the machine is transferred to the commodity; but even if this be taken into consideration the expenditure of labour power upon the given commodities in a large enterprise, where production is carried on with the aid of machinery, is nevertheless many times less than the expenditure of labour power on similar commodities in a small enterprise where production is carried on by hand labour.

Furthermore, large capitals, and consequently large enterprises, grow much more rapidly than small ones. The larger the enterprise, the greater the profit it brings its owner, the greater the share of that profit which can be spent in extending the enterprise. If a capitalist receives a return of £500 per annum, a sum which hardly suffices for the modest existence "befitting his station," he must either abstain from expanding his enterprise or, at least, save £100, *one-fifth* of his income. A capitalist receiving £10,000 per annum can "save" or spend on extending his enterprise *four-fifths* of this, and still live four times as well as the first capitalist. If a capitalist owns capital which brings him £100,000 per annum under ordinary circumstances he can hardly spend more than one-tenth of this for purposes other than the extension of his enterprise.

Large enterprises have much greater chances of conquering the market because they are better able to bear a certain lowering of prices. A small capitalist who barely manages to exist on his profit is almost ruined even by a temporary decline in prices, and if this is at all prolonged his ruin is certain. A large capitalist, on the other hand, who only spends a small portion of his profits on his personal needs and uses the rest for extending his enterprise, in the event of a fall in prices simply stops the extension; even if he suffers loss his complete ruin proceeds, comparatively speaking, very slowly.

Unable to withstand competition the small capitalist finds himself compelled to sell up his factory and tools and loses his organisational functions in social production. The large capitalist acquires the trade that formerly belonged to the small capitalist, and in this manner gradually concentrates capital in his hands.

This process is observed in all capitalist countries including Russia. The Russian cotton industry provides a striking case in point. As long as the mechanical loom had not yet made its appearance the technical condition of the industry was the same for large and small factories and also for the home worker. The home worker compensated himself for the advantages possessed by the large factories by the length of his working day and the exploitation of the members of his family, including his children. Owing to this small enterprises in the textile industry developed successfully and frequently made themselves felt in competition with large factories. Immediately, however, mechanical looms, which only large capitalists could acquire, came to be adopted, a catastrophic decline began in small industries. Unable to withstand the competition the small producers and particularly the home workers were ruined, and to the extent that a demand for labour power arose on the part of the large factory owners they went to work in the factories.

Such is the process of the concentration of industry which is at the same time the process of the *concentration*

of capital—its concentration in a decreasing number of enterprises. Statistically this is expressed in a continually diminishing number of property-owners and a continually increasing number of proletarians. In Germany, for instance, the number of "independent" persons in 1882 was 52 per cent., while in 1895 it was 29 per cent.; the number of workers correspondingly increased—a very remarkable change for so short a period. The same thing can be seen by the increase in the number of workers having the right to vote in the German Reichstag elections. In 1882 the number of working-class electors represented 25 per cent. of the total number of voters, in 1895 it was 52·6 per cent., in 1907, 54·1 per cent., and in 1910, 56·2 per cent. On the other hand the number of property-owning electors fell correspondingly.

The process of the concentration of capital, which is expressed in the growth of large enterprises and the concentration of an increasing share of production in large factories and, finally, in the doom of the small enterprises, is the result of the capitalisation, *i.e.*, the conversion into operative capital, of an enormous mass of surplus values produced by individual capitals. But this process is supplemented by the *centralisation* of capital, *i.e.*, the amalgamation of separate existing enterprises into one. This consists in the establishment of limited liability companies which combine capitals that had grown independently of each other, and render it possible to organise the gigantic enterprises peculiar to the period of developed capitalism. Created by this method of centralisation of capitals, these large enterprises still further hasten the process of concentration, for the growth of concentration is increased with the increasing size of individual enterprises.

The process of centralisation finds its highest expression in the combination of separate enterprises under a common management, in other words, in the establishment of capitalist organisations which sometimes embrace whole industries. Such organisations are known as cartels, syndicates, and trusts, which represent

the distinguishing feature of modern capitalism, and will be examined by us later.[1]

A direct consequence of the concentration and centralisation of capital is the centralisation of the workers. Scattered, in the first stages of development, among hundreds of individual enterprises, they gradually become concentrated in big factories and works. Thousands and sometimes tens of thousands of workers work under the same roof, bound together by common interests and the similarity of their position. This facilitates the organisation of the workers, who combine in mighty battalions, conducting a joint struggle for the improvement of their position.

This struggle becomes more and more imperative because the capitalist uses the increase in the productivity of labour entirely in his own interest. An ever-decreasing share of the annual product created by their hands falls to the lot of the workers. Thus between 1890 and 1905 the value of the products produced by the working class of the United States increased by 110 per cent., but the share of the product received by the working class fell from 20·2 per cent. to 17·9 per cent. The reports of the German trade unions in this connection are most instructive. Thus, according to the report of the Miners' Union, the share of wages out of the values created in the coal mines from 1905 to 1913 is shown to have declined from 58·8 to 51·2 per cent.; in the brown coal mines the corresponding figures for the same period are 46·8 to 41·5 per cent.; in the salt mines 32·9 to 26·4 per cent.

[1] The concentration and centralisation of capital in itself tends to reduce the number of enterprises, but in the early period of development this does not stand out so clearly, being concealed by a completely opposite process—the establishment of new enterprises with the aid of *primarily* accumulated capital. What has been said above with regard to large and small capitalists to a certain degree applies to more cunning, more skilful, and more experienced capitalists in running their business as compared with the less able, &c. The former obtain more profit out of their capital than the latter, as if their capital were larger. As the organisational functions in an enterprise are transferred to paid experts this argument loses its force.

The Metal Workers' Union points out that in ten of the largest enterprises employing on the average from 60,000 to 70,000 workers, wages during the five years 1905–09 rose only 3·69 per cent., while the profits of those enterprises increased by 14·73 per cent. and their capitals by from 25 per cent. to 35 per cent.

The concentration of capital results in the abolition of the small enterprises and consequently in the speeding up of proletarianisation. But large machine production, as has been shown, requires relatively fewer workers than small production. For that reason the demand for labour does not keep pace with the numerical growth of the proletariat. A certain and ever-increasing section of the working class are doomed to remain without employment and lead a life of poverty. The statistics of all capitalist countries show a continual increase in the percentage of the population that is compelled to apply for public relief. This particularly affects aged workers, who are thrown on the streets as useless to capital. In England, one of the richest countries in the world, from 40 to 45 per cent. of the workers become paupers in their old age. Thus the position of the working class becomes more and more insecure; the standard of life, if it rises, does so only after severe struggles, and much more slowly than the profits of capital—sometimes it even declines. And if nominal (money) wages usually rise, in the majority of cases it is only an apparent improvement in the position of the working class, because the rise in prices outpaces the rise in wages.

In the previous chapter we saw that the capitalists must give the working class in the form of wages a quantity of products sufficient for the reproduction of its labour power, *i.e.*, for the maintenance of life and the procreation of race. In other words, the capitalist must apportion a certain part of the annual product for the upbringing of the future generation of workers. But as capitalism develops the proletarianisation of small producers takes place. The

cheap commodities of capitalist large-scale production destroy small production, not only in the advanced countries, but also in the backward countries. Capitalist competition proletarianises the peasants, artisans, and homeworkers not only of so-called civilised peoples, but also of the backward countries of Europe and Asia. These countries turn out an enormous mass of workers who leave their own countries to seek work in the capitalist countries of Europe and America. Capitalism, like the slave-system of the classical world, which took its slaves from among the barbarians, obtains its labour power from Korea, China, Japan, and Africa. It is true that this labour power is unskilled, but then machine production in many cases does not require particular skill.

Thus the capitalist class obtains ready contingents of workers, upon the upbringing of which it as a class does not have to spend anything. This means in the first place that the sum received by the working class correspondingly decreases, and, secondly, that workers in developed capitalist countries meet with the competition of so-called "black" or "yellow" labour. The standard of living of the latter and therefore the cost of reproducing their labour power is lower than that of the so-called civilised workers, and this makes the position of the workers still less secure.

All this renders the economic, the political, and the class struggle generally more acute; the workers begin to understand that within the limits of the capitalist system there is no salvation. They therefore begin a struggle for the complete abolition of capitalist society and for the organisation of production on a new socialist basis. In the development of this struggle, the process of concentration, as we shall see, plays an important part. It facilitates the organisation of the workers, awakens their class consciousness, and exposes the contradictory character of the capitalist system in which production becomes more and more social, while the ownership of what is produced remains more and more private and individual.

8. The Conception of the Market and Crises

In natural self-sufficing society the process of production is conducted according to a definite and previously indicated plan. Let us imagine a so-called large peasant family of the Slav type comprising from sixty to eighty persons and economically completely self-sufficing. Those directing the work of this family know the extent of its requirements, the amount of food, clothing, tools, &c., on the one hand, and on the other the amount of productive forces it has at its disposal, *i.e.*, means of production and people capable of working. The driving force of such a community is the desire to satisfy completely the requirements of its members, and this also is the basis upon which the productive forces are distributed.

If, for example, it requires twenty-five tons of corn, four hundred yards of linen, five new waggons, &c., it will not, of course, increase the cultivation of corn in order to obtain twice as much as it needs, thereby depriving itself of the labour power necessary to provide linen and waggons. On the contrary, it will divide the labour power at its disposal in such a manner as will satisfy the requirements of its members; a certain number of the workers will be employed in cultivating the fields, others will build the waggons, others weave the linen, &c.

It is clear that there cannot be any "one production" in this case. Year after year production proceeds regularly without any shock, and only natural calamities, like the failure of the harvest, fire, or epidemic, can divert it from its normal course along its long-trodden path.

The exchange, and particularly the capitalist, system presents quite a different picture. Being composed of a mass of formally independent enterprises, it has an unorganised anarchist character.

Not a single capitalist knows how many commodities of one kind or another will be bought, how great will be the demand. Here there is no organ to indicate to each

individual enterprise how much it should produce for a given period, and no organ to distribute the goods produced among the consumers. On the contrary, each manufacturer acts quite independently at his own risk and his sole aim is to increase the output for the purpose of increasing his profit.

The only regulation of capitalist production as a whole is the movement of the market prices. If the amount of products of a given industry exceeds the actual need for such commodities, then the supply exceeds the demand and prices begin to fall; if the contrary be the case, then prices rise. In the first instance, the manufacturer, fearing a loss, proceeds to cut down production, and in the second he will extend it. In this respect the movement of prices acts as the regulator on a steam engine which automatically regulates the speed. When the engine increases its speed the bearings of the regulator are raised as a consequence of the increased centrifugal force; this by means of a system of levers causes a slackening of the expenditure through which the steam passes from the boiler into the cylinder, and the engine slows down the regulator in the same way that it increases its speed. Thus the regulator of a steam engine, like the movement of prices in the capitalist system of production, reveals and regulates any diversions after they occur, the difference being that the regulator of the steam engine acts automatically and immediately removes the diversion, while the movement of prices does not affect prices directly and immediately, but through the individual manufacturers who frequently are unable to cope with the position created.

Thus the regulating organ of the natural self-sufficing system and the conscious will of the community are superseded by the forces of the market, forces existing above man and independent of his will. The place where the commodities produced can be sold, where the manufacturer can convert the surplus value into the universal money form, and where he can find appliances of various kinds by which he can obtain profits, is the *market*. The market is the blind force which directs all

the operations of the capitalist manufacturer. That being so we must first of all proceed to the examination of the market.

Every industry serves as a market for a number of other industries, and they in their turn serve as markets for others.

The mining industry provides fuel and raw material for machine construction works which in their turn provide the mines with various kinds of machinery, ventilation, lifts, &c. The leather industry requires tanning material, provided by the chemical industry, and the latter cannot dispense with transmission belting produced in the leather industry. Machinery, raw materials, and all kinds of auxiliary materials are required by all industries and consequently for the manufacture of articles of consumption; and the principal market for articles of consumption is labour power, which is bound up positively with all industries. The paper industry works principally for the typographical industry, the spinning industry for the weaving industry, cotton plantation for the spinning industry, &c. Owing to these ties the changes in the market (expansion or contraction) in one industry affect others and cause considerably greater changes in capitalist production taken as a whole.

Suppose, for instance, that the demand for books, newspapers, and magazines, &c., has increased by £100,000. This will cause an increased sale of the products of paper mills of, say, £50,000, of the works producing printing machines £20,000, and of the chemical industry producing printer's ink £10,000. Expansion in the printing industry would cause an expansion, to a less extent, it is true, in other industries. But things will not end here: the paper mills will put forward a demand for extra papermaking materials and machinery, the works producing printing machines and type will require extra metal, and the chemical industry will require extra products from the coal mining industry. A third wave of expansion, smaller, however, than the preceding ones, will be set in motion;

the third wave will be followed by a series of others each weaker than the one preceding it. All this will increase the number of workers employed, and consequently the demand for articles of consumption. The result will be that another series of waves will be set in motion, weaker, of course, than those which caused them. The increase in the profits of the capitalists may cause an increase in the demand for articles of consumption, but the waves of expansion thereby set in motion will be weaker than those set in motion by the increased demands for articles of consumption by the workers.

All these industries having the chain of connections described above must be divided into two large subdivisions: (1) *The production of means of production* (tools and raw materials), and (2) *the production of articles of consumption.* The first includes production of various machines, raw materials (metals, raw cotton, yarn dyes, &c.), and auxiliary materials (coal, lubricating oil, lighting materials, &c.); the second includes enterprises satisfying direct human needs, such as agriculture, bakeries, slaughterhouses, sausage factories, weaving mills, printing works, &c. The peculiar feature of the production of articles of consumption is that it can independently serve as a means of setting in motion a wave of expansion or contraction of the market, whereas the production of means of production appears only as a subsequent link in the chain of expansion or contraction. In spite of all the anarchy of capitalist production, machines are by no means produced for the sake of the machines, coal for the sake of coal, or iron for the sake of iron. It is true that there are machines that produce other machines of the same kind. With the aid of a lathe it is possible to produce other lathes, upon which still other lathes will be produced; but in the last resort they will be making machinery for the purpose of manufacturing articles of consumption; although lathes "give birth" to machines after their own kind, they, for all that, serve to produce agricultural instruments,

ploughs, &c., separators for dairies, meat mincing machines for sausage factories, looms for weaving mills, printing machines, and thousands of other tools, machines, and apparatus for the purpose of manufacturing the numerous varieties of articles of human consumption. This being so a wave of expansion can only originate in the sphere of the expansion of articles of consumption, and the starting point of the expansion of the market as a whole is the growth of the consumers' market. Of course the production of means of production, as has been shown above, can bring about a change in the market, but this change is not independent but derivative in character.

The extent of the general expansion of the market in accordance with the expansion of the consumers' market even lends itself to an approximate mathematical calculation. We will suppose that of the "price of production" of each commodity the profit represents 10 per cent., and the outlay on means of production and labour power 90 per cent. The expansion of the consumers' market by £100,000 will then require an additional quantity of means of production and consumption to the value of £90,000; but for the production of £90,000 worth of commodities it will be necessary to purchase a still further quantity of means of production and consumption corresponding to 90 per cent. of £90,000, that is £81,000. But for this purpose, too, it will be necessary to purchase the means of production and consumption to the value of 90 per cent. of £81,000, *i.e.*, £72,900. The latter expansion of the market will cause a still further expansion of 90 per cent., and so on. Thus the impetus of a given expansion of the consumers' market by £100,000 sets in motion a series of waves of expansion which becomes continually weaker in its progress till it comes to a stop. In order to obtain the general dimension of this expansion we must add up the following endless series of figures: £100,000 + £90,000 + £81,000 + £72,900 + £65,610 + . . .

The sum of these figures, known as a geometrical progression, according to the rule of algebra will be :—

$$\frac{£100,000}{1 - \frac{9}{10}} = £1,000,000$$

Thus the expansion of the consumers' market by £100,000 causes a general expansion of the whole capitalist market by £1,000,000. This happens when the prices of commodities represent 10 per cent. If these profits represent 5 per cent., then the corresponding expansion according to the above formula would express itself in a sum equal to :—

$$\frac{£100,000}{1 - \frac{19}{20}} = £2,000,000$$

If the profits represent 4 per cent. the sum would be £2,500,000, &c. In actual practice the position is much more complex because the percentage of profit in the prices of commodities is not the same for all industries, but these calculations at any rate convey the essence of the connections that exist in capitalist society.

Having explained the chain of connections that exist between various industries, we are able to proceed to the examination of the process of *realisation*, and the conditions which are necessary for the unhindered flow of capitalist production.

The realisation of the values of commodities is nothing else than the sale of commodities on the market : it is the final aim of production in every capitalist enterprise and a means by which to secure energy for further existence. If realisation stops, if a factory cannot sell the commodities it has produced, then it is unable to buy fresh raw materials and engage workers, and must shut down.

The process of realisation of the values of commodities under capitalist production flows smoothest of

all when there is no expansion of production. This happens when the capitalist class limits its surplus value to its own personal needs and consequently does not accumulate. The scale of production under these conditions cannot change and during the course of a long period the repetition of productive activity proceeds on the same scale; this is called *simple reproduction.*

We will divide production as a whole into two divisions as described above: production of means of production and production of articles of consumption. We will assume that in the first division the value of the capital actually spent on production is equal to 5,000 units (of labour or money, it does not matter which), and that this sum is divided into 4,000 constant capital (means of production) and 1,000 variable capital (wages). Our capital will then present itself in the following forms:—

(1) 4,000 C + 1,000 V = 5,000. [1]

Let the annual outlay of capital in the second division be equal to 2,500 units, and its composition as follows:—

(2) 2,000 C + 500 V = 2,500.

Both these divisions of capital serve as a starting point for the productive cycle.

We will assume that the rate of surplus value is equal to 100 per cent. or, in other words, the surplus product is equal to the value of the variable capital. In that case the output in Division 1 at the end of the year will be:—

(1) 4,000 C + 1,000 V + 1,000 SV = 6,000 means of production, and in Division 2 it will be:—

(2) 2,000 C + 500 V + 500 SV = 3,000 articles of consumption.

Out of the sum total of 3,000 in Division 2, 500 is consumed by the workers in this division and

[1] C stands for constant capital, V for variable, and SV for surplus value.

represents their wages. The same thing applies to surplus value which, according to our assumption, is entirely consumed by the capitalists. Consequently, 1,000 units in Division 2 are consumed. It must not be supposed, of course, that the workers and the capitalists consume products only produced in their enterprises ; individual enterprises within the division exchange their products at their respective values, one enterprise buys of another, that one of a third, and a third buys of the first, until they have mutually realised the value of their commodities.

In Division 2 there still remain 2,000 units of articles of consumption which will be consumed in Division 1, 1,000 by the workers and 1,000 by the capitalists. In return for this Division 1 will give Division 2 an equal sum of means of production with the aid of which they will be able to begin a new cycle of production. In Division 1 after subtracting the 2,000 units transferred to Division 2, there remain 4,000 units. In the process of exchange they will be distributed among the enterprises in Division 1, and will serve as the starting point for the next cycle of production which will be conducted on the previous scale. The second cycle will proceed like the first, will be followed by a third, and so on ; realisation will proceed in a stereotyped fashion without hindrance.

In the case of simple reproduction, therefore, realisation will proceed absolutely without hindrance and without disturbance of the course of production. But such an event is conceivable only in theory. In actual practice simple reproduction is a rare exception, as human society does not mark time, but develops. Actually only a part of the surplus value is consumed by the capitalist, who, under the influence of the elemental forces of competition, spends the greater part of it for the expansion of his enterprise. In actual practice we observe not simple but *expanded reproduction* in which realisation is not so easy.

To simplify our analysis we will assume that the whole of production is a simple technical apparatus.

Let the whole of capital annually expended consist of 1,000 units (either of labour time or pounds sterling). We will assume further that the organic composition of capital, *i.e.*, the relation of its constant capital to its variable part, is 4 : 1. In that case the whole of our social capital will represent 800 C+200 V. With a rate of surplus value of 100 per cent. we will have after the first turnover products to the value of 800 C + 200 V + 200 SV = 1,200. If we have before us a case of expanded reproduction then the surplus value (200 SV) will be only partly consumed by the capitalists ; the other part will be accumulated, *i.e.*, converted into productive capital. We will assume that a half of the surplus value, *i.e.*, 100, is accumulated. This sum, assuming that the composition of capital *does not change*, will be divided into 80 C+20 V. The second turnover will commence with a capital of 880 C+220 V, and the resulting products will be 880 C+220 V+220 SV=1,320. In order that accumulation on this scale may be possible, it is necessary to produce an additional quantity of means of production to the value of 80 units and articles of consumption to the value of 20 units. If this does not happen, if, for example, the quantity of articles of production produced remain as before, *i.e.*, only 800 units, then there will be overproduction of means of production to the extent of 80 units, which will find no sale. The equilibrium of the capitalist system will be disturbed.

We will assume, however, that there has not been any disturbance, and that the turnover we are examining has concluded successfully. The third cycle approaches wherein the surplus value of the preceding cycle, *i.e.*, 110 units, has to be accumulated. The surplus product, the composition of capital remaining the same, will be divided up into 88 units of value in means of production, 22 in articles of consumption of the workers, and 110 in articles of consumption of the capitalists. In order that this may actually take place, production must expand not by 100 (80 C+20 V), as in the preceding case, but by 110 (88 C+22 V).

But are there always favourable conditions for realisation during accumulation? We have seen that the consumption of the capitalists must increase to the same extent as the expansion of production: from 100 to 110, from 110 to 121, &c. But with the increase of surplus value the consumption of half by the capitalists becomes more difficult and less profitable. While it is easy for a capitalist to spend £10,000 out of an income of £20,000 on his personal wants, to spend £500,000 out of a million is only possible by extreme extravagance. Furthermore, the capitalist living under the menace of being beaten in competition is compelled continually to increase production, and he is not guided by the consideration that for successful realisation the accumulation of only half the surplus value is permissible (as we assume in our example). Finally, the number of capitalists decreases, and with that decreases also the extent of their consumption. That being the case, we are faced with a relative *shrinking* of the market for articles of consumption, which, in accordance with the chain of connections we have examined, causes a general shrinking of the market considerably greater than the first impulse. Here lie the conditions which lead to the destruction of the whole system of capitalist production.

This is the position while technique remains stationary. But the forces disturbing the equilibrium of the capitalist system become ever greater with the technical improvements which inevitably accompany the development of capital. Let us assume that some technical improvement has been introduced without any expansion of production having taken place. In that case owing to the increased productivity of labour fewer workers will be required to produce the same quantity of commodities. This causes a shrinking of the consumers' market, which, as has been shown above, causes a considerably greater shrinking of the market as a whole. Over-production takes place in a number of industries, with the result that a disturbance of the whole system ensues.

It is true that progress in technique is usually followed by an expansion of production. Suppose, for instance, that new machinery is introduced in the textile industry. In raising the productivity of labour it at the same time cheapens commodities, and the manufacturer, hoping that the cloth to be produced will be used in greater quantities than hitherto, will produce this article on a larger scale. In this case, the number of workers employed may not be decreased, and therefore there will be no shrinking of the consumers' market. It may even expand as a consequence of the increased demand for the articles of consumption on the part of the capitalists, and without doubt there will be an increased demand for the products of all industries serving the textile industry. In this manner equilibrium can be established and that on broader lines.

The result is quite different when an improvement of technique takes place, not in the sphere of articles of consumption as in our previous example, but in the sphere of means of production. Suppose, for instance, that there has been an improvement in the methods of constructing machinery. In that case fewer workers will be required to produce the previous number of machines. To enlarge production and retain the same number of workers is only possible when there is an expansion in those industries which use machines. For this purpose, of course, it is necessary to enlarge the basis of the consumers' part of the market, whereas we have not an enlargement but a shrinking of the consumers' market owing to the reduction of the number of workers employed in the production of machines. In order that the realisation of the values of commodities may proceed without hindrance, it is necessary that side by side with the expansion of the production of machines there shall be an expansion in other industries, but the chances of this are very small. And here the capitalist system is confronted with a serious menace to its equilibrium.

In order to re-establish the equilibrium the capitalists

find new outlets for their goods in the form of foreign markets, such as backward pre-capitalist countries and colonies among the non-peasant classes of bourgeois countries, *i.e.*, peasant agriculturists.[1] But peasant agriculture in the process of its development sooner or later is drawn into the sphere of capitalism and ceases to be a "foreign market" for capitalism. The same thing applies to backward countries. Capitalism breaks up their natural self-sufficing forms. It develops in them commodity production, and flooding them with its own commodities causes the ruin of masses of small producers. In this manner a colony is converted into an industrial country and enters as a new competitor into the world capitalist system. The sphere of foreign markets becomes narrower, it can no longer prevent over-production, but only prevents it coming to the surface. Over-production is inevitable, because the elemental force of competition gives rise to a tendency for the unlimited expansion of capitalism. A capitalist can do nothing but submit to this tendency; he cannot call a halt to the enlargement of his enterprise or the development of its technique; if he did he would soon be beaten in competition by the more energetic capitalists. As the desire to survive is common to all capitalists, they all act in the same way with the result that production as a whole acquires this tendency to unlimited expansion. We have seen already that as capitalism develops, and the accompanying machine production increases, there is a relative shrinking of the fundamental part of the market, *i.e.*, the consumers' market. Sooner or later these tendencies must inevitably bring about a serious disorganisation of the whole capitalist system; then we have *general over-production.*

Over-production first definitely appeared in the first quarter of the nineteenth century, when machine

[1] Usually the term "foreign market" is applied to markets outside the frontier of a given capitalist State, but when we regard "capitalism" as a *single* entity, the conception of "foreign markets" in this sense has no significance for us.

capitalism had already made considerable progress. The period of manufacturing capitalism did not know of over-production because there was not then that great tendency to development and because there were many non-capitalist countries to serve as markets.

General over-production is expressed in what is known as an *industrial crisis.* An industrial crisis is a deep and widespread shock to the whole social system; it is a complex combination of various phenomena of a striking and menacing character: a rapid fall of prices, the collapse of numerous enterprises, mass unemployment, &c. It is a great social calamity which from time to time befalls the capitalist world.

In order to understand why over-production does not appear gradually, for instance, as an obvious, slow overcrowding of the markets, with a great fall in prices, but comes suddenly in the form of a "crisis," it is necessary to take into consideration the complexity of the mechanism of capitalism and the unorganised character of capitalist production. Not a single capitalist has exact information with regard to the state of industry as a whole or with regard to the state of a particular industry. The organisation of the Bourse to some extent facilitates the collection of such information by the publication of a daily bulletin of prices prevailing at the most important points in the world market.

But owing to the steady rise of production as a whole and the considerable fluctuation of demand, it provides no means of judging the changing relations between the total output and the total demand. In this manner the rapid expansion of production continues not only when there is an insufficient demand, but sometimes even after the relation between production and demand has already been disturbed. Over-production already exists, but it does not reveal itself. The manufacturer continues his business not only on the former scale, but even on a larger scale, believing that he will find customers as he has done up till now. The wholesale dealer gives him large orders in the expectation either of

a gradual retail sale or of an immediate resale of the whole of the commodities. On the surface the situation seems quite normal, and for that reason over-production reveals itself the more rapidly.

Finally the moment arrives when over-production palpably reveals itself in the lack of buyers of certain commodities. The prices of these commodities rapidly fall, and many manufacturers and dealers offering these goods on the market are ruined and others are compelled to cut down or cease production entirely. Thus in one sphere of social production a sudden and considerable reduction of production takes place with all its consequences in the form of a lowering of wages, unemployment, &c. Owing to the close connection between industries others are drawn into the crisis, as, for instance, those which supply the first with raw materials and tools, the demand for which has been suddenly decreased. These again affect those industries which in the same way are connected with them, and so on. The narrowing down of the market acting as an avalanche affects all industries, and the whole capitalist system is in a state of collapse.

It is, of course, self-evident that commerce and credit shares fall in the general economic collapse together with industry. It is only necessary to add that these enterprises by their very nature suffer from the shock most. The merchants are most directly of all affected by the falling off of demand and the banks suffer as a consequence of the failure of many of their debtors who cease to pay their debts to the bank, and from the excessive demands of their depositors, who, scared by the crisis, wish to withdraw their money. The failure of banks and merchants in their turn disorganises the business of the manufacturers, who cease to make use of their services, &c.

Thus the outbreak of a crisis in one branch of industrial life affects all the others. In the period of natural self-sufficing economy, when separate groups lived almost isolated from each other, nothing of the kind could happen; even the complete destruction

of a single group would hardly affect the others. In city handicraft society the ties between individual enterprises were more developed, but in each individual case they were more or less close only for a comparatively few enterprises, and any disturbance of economic life did not spread very widely. Capitalist society with its highly-developed divisions of labour can be compared in this respect to a highly-developed organism, while preceding social formations can be compared to lower organisms; if one part of the human body is damaged then the whole organism suffers a crisis, even the organs most removed from the damaged part being affected. On the other hand, with a polypus, in which the vital functions are not greatly divided among the various parts of the body, a very serious damage to some part of its body will only slightly affect the others.

The characteristic feature of a sharp crisis is the strikingly abrupt transition from flourishing trade to collapse. Industry develops rapidly right up to the beginning of the crisis, and on the eve of the fatal day business activities reach their highest degree. Wholesale merchants buy from manufacturers and from each other, retail dealers buy from wholesale dealers, speculators buying for resale create a fictitious increase in demand. Both capitalist and workman feel in a better position than ever. Surplus products are accumulating more and more. A hidden disease develops within the social organism; it breaks out into a crisis only when it has developed to a considerable degree, and for that reason its appearance is accompanied by a great shock.

The first symptoms of an approaching crisis are the failures of speculative enterprises. Rumours spread of the failure of one firm, a second, and a third. The sphere of credit, the most susceptible part of the economic organism, immediately feels the approaching shock, and reflects it with extraordinary power in the form of a financial crisis.

Credit is based on a feeling of confidence, and the

feelings of men are deceptive. At the slightest shock which threatens social production all capitalists, both large and small, are struck with a fear for the morrow, a fear for their capital. Where fear reigns, confidence vanishes and credit falls. Wherever possible people strive to call in their money. People seek money and only money; for men are no longer trusted. A wave of panic seizes stock exchange operators, bankers, and rentiers, and the banks are besieged by crowds of depositors. Forced to pay their creditors, but not receiving their debts, many banks fail, and with them their depositors—the capitalists.

The commercial and industrial enterprises in a feverish quest for money hasten to sell their goods; meanwhile demand still further falls off because all strive to retain their money. The market is overcrowded with goods and prices are forced down to the utmost. Further industrial enterprises begin to collapse one after another, and those that survive cut down or entirely shut down production. The unemployed army rapidly increases by hundreds of thousands, and now includes thousands of ruined capitalists. All the weak, in the capitalist sense of the word, are destroyed, and even the strong are shaken.

A crisis is followed by stagnation. No fresh failure takes place, but neither is there any improvement; production and the market are in a state of depression.

Little by little the mass of products on the market begins to disappear; they are gradually sold off. The large enterprises recover and gradually begin to extend their business. Step by step stagnation gives way to good trade. Production again reaches its previous dimension and then exceeds it. At the same time it becomes clear that many of the small enterprises have disappeared and that the general number of enterprises is less. Trade becomes still more brisk. The impetuous development of production again becomes inevitable. A repetition of the causes brings

about a repetition of the effects—just at the moment when things appear most flourishing comes a new crisis.

These cycles have repeated themselves several times in the last century. The first general crisis took place in 1825-26, the second in 1836-37, the third in 1847-48, and the next in 1857. Up till that time they occurred regularly every ten years. The next one, however, occurred in 1873. In its size and dimension it far exceeded all previous crises: spreading from one country to another, it lasted several years, at all events until 1878, and then there was practical stagnation until the beginning of the 90's.

Gradually, however, stagnation gave way to another boom, and after several years of flourishing trade a new crisis broke out in 1899 which affected the whole of capitalist Europe. It hit Russia with particular severity, but its effect was felt everywhere. It lasted several years and its dimensions were tremendous. In France, for instance, where the effects were less than in Germany, the number of unemployed increased from 400,000 in 1896 to 900,000 in 1902.

The history of capitalism shows, therefore, that although crises recur they do not do so at regular intervals of time. The first crises were separated from each other by periods of ten years, but the crisis of 1873 took place sixteen years after the preceding one, and the crisis that took place on the threshold of the twentieth century twenty-six years after.

This is due to the fact that the duration of industrial cycles (boom and stagnation) is determined by retarding and hastening forces. The first refers to the increased complexity and expansion of the capitalist system, which in proportion to its development continually embraces more new countries. The social division of labour and the increase of speculation also have a retarding effect. The ties between the industries manufacturing articles of consumption and those which supply them with the necessary tools and raw materials become more complex,

and the spread of a wave of shrinkage or expansion of the market requires more time.

The forces hastening a crisis include first of all the improvement of the technique of communication. Railways and steamships, as well as the post, telegraphs, and telephones, shorten the time necessary for the conveyance of goods and speed up the turnover of capital, and consequently shorten the period of industrial cycles. There is also the integration of enterprises, which means the combination of enterprises producing raw materials and semi-manufactures with those producing the finished article (cotton plantations, ginning mills, weaving mills).[1]

If both tendencies have equal forces and balance each other then the duration of industrial cycles, as happened during 1836-47 and 1847-57, remains more or less unchanged. If the retarding tendencies prevail then the cycles are more prolonged, as in 1857-73 and 1873-89.

Partial crises are distinguished from general crises first by the fact that the former arise from incidental causes other than the tendency of capitalism to overproduction, and, secondly, that they are much narrower in their scope; they usually affect either individual countries, or a particular sphere of social production, and have comparatively slight effect outside this limited sphere. But partial crises in themselves may be extremely severe, and in their intensity in certain cases may be little distinguished from real world crises.

Partial crises may arise from wars, revolutions, failure of harvests, and great stock exchange speculations. Thus the English cotton crisis of 1863-4 was caused by the American Civil War. The general economic depression which prevailed in Russia in 1891-2 was due to the severe failure of the harvest, &c. We will examine a concrete example to see the mechanism of the rise of such crises.

The American Civil War of 1860-64, known as the war for the emancipation of the negroes, was the

[1] Concerning the integration or combination of enterprises *see* Chapter on Finance Capitalism.

result of the conflict of interests between the dominant classes of the North and South—between the industrial bourgeoisie and the landed aristocracy. The former strove for protection, for the imposition of high tariffs upon manufactured articles, which it desired to sell at high prices; the latter desired free trade in order to be able to buy these things cheaply. In the production of raw materials the cheap labour of the South was an inconvenient competitor against the employer of the North, who employed wage labour. When the economic struggle took the form of war, a crisis broke out in England owing to the shortage of raw cotton for the cotton industry, as a considerable portion of the cotton came from the Southern States of America. The cotton industry considerably declined and the reserve army was increased by 100,000 persons. Thus a social struggle in one country caused an industrial crisis in another, owing to the close economic ties between countries created by the social division of labour.

At all events, with regard to partial crises directly caused by political shocks, or in general by obviously social conditions, it is not difficult to see that their fundamental cause, like the cause of general crises, is the unorganised character of the social division of labour. But even crises which arise as a consequence of what at first sight appear to be purely natural causes—as, for instance, meteorological conditions leading to a failure of the harvest—on a closer analysis usually prove to be the result of the same fundamental causes. For instance, such a severe failure of the harvest as occurred in Russia in 1891 is possible only as a result of the exhaustion of the soil by a reckless system of agriculture. The transition of natural self-sufficing economy to the exchange system, and the decline of peasant agriculture as a consequence of it, compelled the peasants to resort to an excessive extension of cultivation and increased exploitation of the soil, while at the same time the productive capacity of the soil was not restored to the extent that it was used up. The exhaustion of the soil places agriculture

in such dependence on the weather that a failure of the harvest affecting the whole country becomes not only possible, but from time to time inevitable. Consequently even in this case a severe crisis is not an accidental occurrence in a given system; what is comparatively accidental is the breaking out of the crisis in 1891 instead of in 1890 or 1892.

Of all the spheres of social economy that most easily affected by disturbing influences is the sphere of credit. For instance, a war threatens; the fear arises that several countries will be ruined and that the capitalists of these countries, and particularly their Governments, will not be able to pay their debts. The unreliability of the situation destroys credit. At the same time an increased demand for money arises, and many capitalists find themselves called upon immediately to pay debts which they had calculated on deferring. Owing to the absence of co-ordination between the demand and supply of money the credit crisis is complicated by a financial crisis—the decline in credit is combined with a shortage of the money necessary for payments. The shock spreads, of course, to industry; the increased demand for money upon the industrial capitalists, whose capital consists mainly of means of production and finished articles and not in money, becomes particularly burdensome.

Crises represent a certain deterioration of social production, a temporary decline in the productive forces of society; but they also serve as a mighty impetus to technical progress, to the further development of productive forces. In the first place, as a result of crises competition is intensified to the extreme; secondly, the desire to compensate themselves for the losses they have suffered compels the capitalists to seek new methods of enrichment; and, thirdly and chiefly, the capitalists regard the extraordinary fall in prices as the cause of the losses they have suffered during the crisis, and naturally strive to raise the technique of their enterprises to such a height that a fall in prices, however great, will cause no loss.

In hastening technical progress, crises facilitate the development of capitalist relations with all its consequences, including new crises. Here the tendency to development becomes closely bound up with the tendency to deterioration.

Thus we see that crises are an inevitable disease which from time to time affects the whole of capitalist society. They are a continual menace, and the capitalists are confronted with the problem of regulation of production.

Is it possible, however, to regulate production within the framework of capitalism?

To this we reply in the negative, and for this reason: in order to regulate production it is necessary first of all to abolish its anarchic character and the competition which reigns under capitalism. In industrial capitalist countries whole industries are sometimes organised into mighty organisations—syndicates and trusts. It is true that these organisations frequently manage to abolish competition between individual enterprises in a given industry; but on the world market, and that is what the capitalist market really is, competition remains for the reason that, owing to the antagonism of interests, agreements between large capitalist units are not usually made, and if they are made, they burst like soap-bubbles. The difference between this and the unlimited reign of free competition is that the struggle between numerous individual capitalists is superseded by a struggle between a few economically well-armed battalions of capitalists organised in syndicates and trusts.

The idea of abolishing crises in bourgeois society is for this reason quite utopian. Crises result from the fundamental characteristics of the capitalist system, and can only disappear with them. Only organised production based, not on profit, but on the greatest possible satisfaction of the requirements of the whole of society, only a society not knowing an "insufficiency" of the purchasing power of the masses, and consequently without classes, can abolish crises.

IX

THE EPOCH OF FINANCE CAPITALISM

1. Credit

UNDER machine capitalism, credit, which formerly played only a supplementary rôle in the circulation of money, develops into a strikingly extensive, complex, and symmetrical system, acting as a mighty driving force to economic development.

The capitalist system of relations requires from each capitalist frequent and more or less considerable money payments. At the same time, however much money there may be in circulation, there may not always be enough money in hand. Even the richest capitalist sometimes finds himself in the position of not having enough cash in hand to settle accounts, whereas on other occasions he may have large sums for which he has no particular use. The development of capitalist production would be greatly retarded if every payment had to be made in cash—the first financial embarrassment would upset the whole business of the capitalist.

From this it is clear that with the development of capitalism, with the growth of capital, and the increase in the speed of its turnover, credit continually expands and acquires increasing importance in social production.

The form of capitalist credit enterprise, which in the period we are discussing is the *bank*, reaches its highest development. The bank serves as intermediary between the supply of and demand for credit; it receives credit from those who are able to give it and gives credit to those who require it.

Banks arose before the development of machine production, but it was only under the latter that they acquired complete development and wide application.

Historically the modern banker is the heir of two mediæval functionaries: the usurer and the money-changer. The former has been sufficiently described in previous chapters; we must now deal with the latter.

Owing to the extremely disunited character of the feudal world, in which every over-lord had the right to mint money, there was such a mass of various kinds of money in the market that the institution of money-changing was essential. The absence of public safety, characteristic of the feudal world, led the money-changers, many of whom had large sums of money permanently in their possession, to take special measures to protect it from theft or plunder. For that reason the money in their coffers was fairly secure, and many merchants found it convenient to hand over their money for safe-keeping to the money-changer, for which they paid him a certain remuneration. The money thus deposited was paid out on demand, and the money-changer had no right to use the money in any way.[1]

The development of capitalism and its consequence, the great demand for credit, caused a radical change in the organisation of these money-changers' enterprises, which in the course of time came to be called banks.

Prolonged experience taught the bankers that part of the money in their charge could be conveniently given out at interest, for at no time would all the depositors simultaneously demand their money, and furthermore each withdrawal was covered by a further deposit.

Observation showed that the deposits and withdrawals took place with a certain regularity governed by the definite economic conditions, so much so that it was possible to foretell the ebb and flow of money.

In different countries there are different dates upon which payments are *generally* made and to which most financial obligations are adapted. These dates are determined, sometimes by the natural conditions of production, and sometimes by custom, the economic origin of which it is difficult to trace, although there cannot be any doubt that they have their roots in the material conditions of the life of society. In agricultural

[1] As we saw in the chapter dealing with the circulation of money in some places, as in Italy, for instance, these money-changers' offices developed into issuing banks.

countries settlement days usually coincide with the time when corn is sold. Custom has established settlement days on the eve of holidays : Christmas in England and Easter week in Russia. On such dates the market suddenly puts forward a great demand for money for the purpose of settling accounts. A mass of money passes out of the sphere of the " hoard " into the sphere of circulation and the coffers of the credit institutions are rapidly emptied. A slight disturbance of the money market even takes place, but this is always of short duration and of little significance. Soon the surplus moneys again return to the hoard and the empty coffers of the credit institutions are again filled, sometimes on the very same day.

Basing their calculations on the laws of the circulation of money, the bankers began to lend parts of the deposits in their charge to various persons, but at first only for short periods and on sure security. Then the depositor became a real " creditor" of the bank, and the latter began to pay a certain interest for the use of the deposits, whereas formerly the depositor paid the banker for the safe-keeping of his money.

Thus two primary bank operations arose : deposit operations, based on " passive " deposits, *i.e.*, those in which the bank is debtor or receives credit ; and loan operations, based upon " active " deposits, *i.e.*, those in which the bank is the creditor or gives credit.

From the point of view of quantity also, in all countries with a developed credit system deposit operations are the chief passive operations.

Deposit operations are conducted in two main forms : dated and undated. Dated deposits, particularly long dated (and there are even " perpetual " deposits), possess the advantage for the banker in that they cannot be unexpectedly withdrawn. Undated deposits or " current accounts " can be withdrawn at any time ; the banker must be extremely cautious in putting these in circulation, and for that reason the interest paid on current accounts is less than that paid for dated deposit accounts.

Even when the bank has numerous deposits it is

never quite safe from collapse. This may easily take place if, as a result of some unseen economic changes, the depositors in unusually large numbers make simultaneous call for their money. It may happen the more easily and is the more dangerous owing to the fact that current accounts comprise the largest part of the bank's deposits and belong for the greater part to industrial and merchant capitalists. Every political or economic shock, and particularly a crisis, compels these depositors immediately to demand their money from the bank in order to be secure against contingencies.

The rise and fall of the interest on deposits serves as a means by which the banks, as necessity requires, can attract money into their coffers or cause its ebb. Suppose, for instance, that a bank has a large stock of money lying idle and consequently has to pay interest on deposits which it has not put into circulation. The bank then lowers the interest on its deposits ; the flow of new deposits then ceases, and many of the previous depositors withdraw their deposits in order to invest them to greater advantage.

A variation of the form of deposit operation is the issue of " bonds " ; these are obligations undertaken by the bank, the interest and principal being repaid gradually over a long period. Bonds correspond to long-dated deposits, which the bank repays not immediately but in parts and at the end of the fixed date.

Out of the methods of mutually settling accounts of depositors by the transference of entries at the money-changers there developed the " cheque " system of payment. A modern capitalist rarely has large sums of money in his immediate possession ; he keeps his money at the bank. When he has to make some payment he uses a " cheque," *i.e.*, he writes out an order on the bank where his money is deposited to pay so-and-so a certain sum. Most frequently the payee does not take the cash, but has the sum due to him entered into his account if he has one at the same bank. If he

has not, then the money is transferred to the account of his permanent banker. The cheque system is used most in economically advanced countries like England, where the sums passing daily from hand to hand in this manner amount to millions of pounds.

The enormous economic power of the large banks, which absorb capital from all parts and have at their disposal the money of thousands of capitalists and non-capitalists, gives them such social importance that a formal obligation on the part of the bank to pay is accepted in society as being equal to the payment itself. This leads to *emission* operations, or the issue of banknotes, with which we have already dealt in the chapter on the circulation of money.

Of the active operations, the primary are the granting of *loans on security*. The first form of loan to develop was that of the Lombards, who granted loans on the security of movable property. At first, when this operation had the form of petty usury, only such articles were taken as security as possessed great value in small compass, such as gold ingots, precious stones, &c. With the development of commodity circulation and credit, money was lent on commodities and proper securities.

The banks which granted the loans did not themselves store the commodities pledged with them. This became the work of a special group of enterprises—warehouses, the owners of which, for a certain remuneration, stored the goods and gave the owners warrants certifying the value and receipt of the goods. This warranty was taken by the bank as security upon which it granted the loan. In the event of the failure of the debtor the banker presented the warranty to the warehouse and received and sold the goods. (The loan, of course, was always less than the value of the goods pledged—usually about 60 per cent.)

In the same way duplicates of waybills and bills of lading, *i.e.*, receipts from railway, steamship, or carrying companies, certifying that certain goods have been received and loaded, are taken as securities.

With the development of credit in commodity circulation, a mass of "paper securities" appears: State loan obligations, company shares, &c. We shall have to deal with these especially later on; essentially they are the same thing, a legal certificate of receipt of a certain part of the profits of society. Such "securities" are also taken by the banks. This leads to another danger which threatens the banks; in view of the fact that the market values of these securities may fluctuate in accordance with the rise and fall of supply and demand, the bank, on granting loans on these securities, always stands the risk of suffering a loss as a consequence of their fall in price.

Mortgage operations consist of the granting of loans on the security of real estate (land, houses, &c.). Such loans in the majority of cases are long dated. A landowner stands in need of money for the purpose of improving his land or acquiring new land, or even for personal needs: in all these instances he can only repay the loan gradually out of his income, particularly as the turnover of capital in agriculture is generally slow. For that reason, banks engaged in mortgage operations only receive long-dated deposits as it is impossible to grant loans for a long period and receive credit for a short period. The chief and characteristic operation of such banks is the issue of mortgage bonds.

A special loan operation is "personal credit," *i.e.*, the granting of a loan without security, based entirely on confidence in the borrower. This is a comparatively risky operation (in Russia it caused the collapse of many banks) and does not play a very important rôle in developed capitalism.

An important variation of loan operations is *discounting*.

In this, the bank, instead of granting loans on the security of bonds or other paper, buys them outright, and in doing so, of course, gains the right to receive the money they represent.

Large-scale development gives rise to a widespread

sale of credit. It may happen, however, that a creditor needs money before the date of his securities arrives. The creditor then presents the bond at the bank: if the banker considers the security reliable he will buy it; in doing so he does not pay the full value of the security, a certain percentage is deducted in favour of the bank. This operation is called discounting, and the deduction is called discount interest.

The amount of discount interest is determined by two conditions: first, by the usual rate of interest prevailing in the given society; secondly, by the degree of risk taken by the creditor, *i.e.*, the bank. We will assume that a bond is being discounted two months before its time expires, *i.e.*, before it matures, and that the usual rate of interest is 6 per cent. per annum, or 1 per cent. for two months. It would be no advantage to the bank to discount the bond for less than 1 per cent., because the sum it would have to expend could be let out for two months at 1 per cent. interest. If in addition to this the bank considers that there is some risk of not getting the security cashed, or if it generally regards it as risky to spend money at the moment, the discount interest will rise to $1\frac{1}{2}$ per cent. or 2 per cent. for the two months.

The variations of discount interest and interest on loans, like the variations on the interest on deposits, serve the bank as a means of regulating the amount of cash in its possession in accordance with its requirements. If the rate of discount and interest on loans rises, money will remain in the bank, because to discount securities and borrow money at the bank will be less profitable; when they fall then money begins to flow out of the bank.

The operation of buying and selling shares, securities, &c., by the bank itself is of a very peculiar character, and up to a certain point is similar to discounting. In the event of a rise in the price of securities purchased by the bank, the bank will gain; in the event of a fall it will lose. This is one of the forms of so-called stock exchange gambling, which creates the possibility for

quick enrichment and rapid ruin. Such gambling frequently leads to the failure of banks, and if a bank has been gambling with other people's money, it means the bankruptcy of its depositors.

These are the main features of the activities of the banks. In practice they are extremely complicated and involved; the investigation of banking business in detail is an enormously difficult task.

Banks represent a large group of capitalist enterprises having a mass of wage workers and enormous capital. The wage workers in credit enterprises chiefly belong to the "intellectual staff"—office employees, book-keepers, cashiers, managers, &c. In order to conduct its business successfully and evade all the dangers accompanying credit operations, the bank must be well informed with regard to the general position of affairs in the market, as well as the position of the individuals with whom it has business. This leads to the necessity of employing numerous agents to obtain this information and "competent" persons able to make use of it. Frequently the banks maintain whole committees of such experts. Thus in credit affairs there arises a complex system of division of labour, in which the organisational activity of those managing the enterprise extends far beyond the limits of the enterprise. They simultaneously and directly influence a large number of industrial and commercial enterprises, and directly reflect their general position.

As has already been said, the fundamental social significance of credit enterprises is that they, by their activity, facilitate the development of capitalist production, with the economic relations and social consequences peculiar to it.

Credit enables the industrial or commercial capitalists to make use of resources which they could not obtain directly out of their enterprises.

No enterprise spends the whole of the capital necessary for its conduct all at once; a considerable part must be held in reserve for a more or less prolonged period, for current expenses or unforeseen contingencies.

In proportion as the enterprise grows the capitalist is compelled to place larger and larger sums to the reserve. In previous times all these sums remained in the hands of the capitalist as a dead "hoard." Now the capitalists place them in the bank and they remain real capital: in the first place from the point of view of society, as through the bank they pass into the hands of other capitalists, who directly apply them to the production of surplus values, and secondly from the point of view of the capitalists to whom they bring a certain profit in the shape of interest.

On the other hand, with the aid of the banks, a capitalist not having the necessary reserve can easily extend his business—on the calculation of future profits. This is done the more easily because the interest paid by the banks serves as a decoy which lures into the light of day moneys which otherwise would not have become capital, but would have remained sealed up in a strong box constituting a dead "hoard." Credit gathers up into the hands of the capitalists even moneys which belong to non-capitalists. The savings of domestic servants, peasants, artisans, and workers pass through the savings banks into the hands of big capitalists, who use them for the extension of their enterprises.

The significance of the credit system for the whole of society is that in combining capitals it facilitates the combination of the general productive forces of society and thus hastens the victory of society over nature.

In examining the significance of credit for the various economic classes in society, it is necessary to understand that it considerably hastens the development of two processes. First, the process of separating the big capitalists from the small is rapidly completed; the former having wider possibilities of enjoying credit rapidly expand their business and increase their capital; the latter, to whom credit is accessible only to an insignificant degree, and is, generally, more likely to be against them, find competition more and more severe.

Secondly, the process of separating the distributing and consuming functions of the capitalists from their organisational function is greatly accelerated. The banks give to an increasing section of the capitalists the opportunity of living on their interest without worrying about the personal conduct of their business.

An increasing number of capitalists are converted into pure "rentiers." The word rent generally means income derived not from personal activity in production—organisational or executive—but from the mere possession of property, *i.e.*, from the point of view of production a parasitic income. Such is ground rent which the landowner receives merely because he owns land, and such is the rent of capital lent to individual persons or to the banks.

For the workers engaged in productive labour credit has no direct significance; generally speaking, it has no significance for them at all.

The extent of the business of credit at the present day is enormous, and it increases with tremendous rapidity. Even in such a backward country as Russia the turnover of the banks amount to milliards of roubles. In Japan during the ten years from 1894 to 1904 bankers' capital increased five times, from 112 million to 540 million yen. The amount of deposits increased ten times, from 290 million to 2,988 million yen (1 yen is equal to 2 shillings of pre-war money).

The rôle of the banks and credit in industrial capitalism is extremely great, but with the transition of the latter into the modern stage—that known as *finance capitalism*—their rôle is even greater.

Banks then begin to take a direct part in the management of industry and commerce and act as the organisers of industrial life. Their already existing active operations, *i.e.*, the purchase of securities, particularly of shares, increase in extent. Having the possession of shares the banks acquire influence in the affairs of individual enterprises and finally assume the functions of individual capitalists of

the old type. These new functions are based on the development of the joint-stock company.

2. Joint-Stock Companies

A limited liability company is a special form of capitalist undertaking distinguished by its extreme flexibility and the mobility of the capital invested in it. It gives the capitalist who has invested a certain sum of money in industry or in a bank the possibility of withdrawing that sum at any moment and in a money form. Being a shareholder in a railway works to-day, he may be a shareholder in a weaving mill, universal store, railway company, or steamship company to-morrow. In what manner is this easy mobility, or the *mobilisation* of capital, acquired? In order to reply to this question it is necessary to explain the essence, the rise and peculiarities, of limited liability companies.

We will suppose that several persons, say four, have formed a company to construct a smelting works. For this purpose they collectively invest £100,000 which is spent on acquiring a plot of land, constructing buildings, equipping the works, purchasing raw material, paying wages, &c. Suppose further that the first invested £10,000, the second £20,000, the third £30,000, and the fourth £40,000. The amount of money which each of these founder shareholders invests in the concern is different, and the amount of profits they will each receive will also be different. In order to define the position of each founder they print special share certificates, certifying the right of the person to receive a certain share of the future returns of the enterprise, and these are distributed among the founders in proportion to the amount of money each has invested.

If a certificate is issued for every £10 invested in the concern, then the first will receive 1,000 certificates, the second 2,000, the third 3,000, and the fourth 4,000. After making up the accounts for the year it is found that the enterprise has made, say, £20,000 clear profit. This means that for every £10 invested there will be

given £2 profit. It is clear, therefore, that the certificates certifying the holder to have the right to receive profits represent real values, and that being the case the holder can at any time sell a certificate to another person who will receive the profits instead.

But will he sell his share certificate for £10? We saw that £10 spent on the smelting works brought 20 per cent. profit, whereas the same sum invested in a bank or in a State loan giving a fixed return would bring a considerably smaller profit corresponding to the average rate of interest, say 4 per cent. The owner of the share might demand £50 for his share, that is a sum that would have to be invested in the bank to give £2 profit. As, however, the investment of capital in a commercial or industrial undertaking is accompanied by some risk (the profits of the enterprise may fall), the prospective buyer of the share certificate will want to receive more than 4 per cent., say 5 per cent. He then will pay £40, *i.e.*, four times as much as the founder of the company invested.

As we saw in the chapter on distribution, in the period of industrial capitalism the income of an enterprise is divided into interest on capital and profits. If, for example, an enterprise produces 20 per cent. profit we can say that 5 per cent. represents interest on capital and 15 per cent. the profit on the enterprise. Our new shareholder will only receive interest on his capital; he acts therefore not as an industrial but as a financial capitalist. The profits of the enterprise, as we saw, are taken by the founders in the form of *founders' profits*, which frequently assume enormous proportions. Thus, if our founders wished to sell the whole of their shares they would receive £400,000 instead of £100,000 they invested. They would receive the £100,000 advanced by them, and in addition another £300,000 profit, which would represent the "capitalised" founders' profits. The largest profit of the enterprise, therefore, the cream as it were, is skimmed off by a group of large capitalists or banks

who are alone able to establish the modern gigantic works requiring hundreds of thousands and even millions of pounds to establish. Limited liability companies are therefore a mighty instrument for the centralisation of capital in the hands of big capitalists.

Some economists presume that the limited liability companies lead to the "democratisation" of capitalism. They argue that a person who is not rich, even a working man, could afford to buy a share worth £20 or £30, and therefore he could become a shareholder in a company, perhaps the very one in which he is employed. This, of course, is not true. In the first place, a shareholder is simply converted into a loan capitalist; as we saw, he receives only the average rate of interest—the enterpriser's profits, the cream of the enterprise, are taken by the founders. Secondly, the ownership of the shares does not give the owner the possibility of even indirectly participating in the management of the enterprise. It is true that the directors of a company are elected at a general meeting of shareholders, but actually the influence that tells here is not that of individual shareholders, but of "blocks" of shares, *i.e.*, of the large shareholders. The small shareholders do not even attend the meeting, not merely because they have no influence, but because the shares are scattered over the country and even over the whole world. To travel hundreds of miles in order to cast one or two votes at a company meeting is of course absurd. The control of the company therefore lies in the hands of the large shareholders, who themselves, or through their proxies, elect the directors. The direct management of the company makes it possible for the large shareholders to earn much greater profits than the rank and file shareholders. In the first place, they get a fixed share of the profits and enormous directors' fees far exceeding the remuneration of highly skilled and organisational labour in capitalist society. Then, again, large shareholders, being more closely connected with the enterprise than the others, can more easily take advantage

of the state of the market. When new contracts, and consequently increased profits, are foreseen, they buy additional shares; when the prospect of increased returns decreased, they temporarily sell their shares and transfer all the consequences of a fall in prices to others.

In order to acquire actual domination of the enterprise, it is necessary to have more than half the votes. But this is only so theoretically. Experience shows that it is not necessary to have more than 40 per cent., or even 30 per cent., of the shares. In this manner it happens that a few capitalists or a financial group receive the possibility of handling capital far in excess of what they have invested. The particularly complicated system of one company financing others still further increases the power of the large capitalists. The simplest of these systems is the organisation of "daughter companies." Let us assume that company A has a capital of £700,000 of which £400,000 is actually in the hands of capitalist (or group of capitalists) B who directs the company. Assuming further that the company resolves to establish another company with a capital of £2,500,000. Theoretically speaking, in order that this group of capitalists may have control over the new venture they should have £1,300,000 worth of shares, and issue to the public shares only to the value of £1,200,000. But in order that company A may receive this £1,300,000 worth of shares, it must invest a corresponding sum in the new company. It obtains this money by issuing bonds to that amount upon which are paid not dividends but a definite interest. The bondholders are not given the right to vote at company meetings, and consequently have no voice in the management of the concern. These rights are transferred to the founding company A. Thus it happens that capitalist B possessing £400,000 of capital has command of company A and through it of its daughter company, *i.e.*, of a capital of £3,200,000.

The system of establishing daughter companies has become widespread in all countries with developed

credit. Thus the mechanical engineering company Orenstien Keppel, of Germany, established ten daughter companies, the largest of which are in Russia, Paris, Madrid, Vienna, and Johannesburg. The General Electrical Company had its daughter companies in London, Petrograd, Paris, Genoa, Stockholm, Brussels, Vienna, Milan, Madrid, Berlin, and a number of other towns. The well-known machine-constructing company of Riga, Felser & Company, is a daughter company of the German company Ausberg-Murenberg. The cotton-spinning mills in Petroff and Spaska, and the cotton mills in Schlüsselburg, in Russia, are the daughter companies of a single Anglo-Russian company. The industrial oligarchy assumes particularly monstrous proportions in the United States. There one frequently meets with "daughter," "grand-daughter," and "great-grand-daughter" companies which are subordinate to "mother," "grandmother," and "great-grand-mother" companies.

Thus the development of the company form of enterprise causes a palpable change in the very character of capitalist private property. The power of property with regard to the process of production becomes limited. It gives the rank and file capitalist the right to share in the social surplus value, but it gives him no right to interfere in the process of production. This limitation, in its turn, gives the owners of a part of capital unlimited power over the whole of capital. The property of the majority of small capitalists is subject to increasing limitations: their former command of production has disappeared for ever, and the circle of those dominating over them becomes ever narrower. In this manner individual owners, as it were, cease to exist; they are converted into a company of capitalists. Individuals have the right merely to a certain share of social income, and the management of industry is concentrated in the hands of capitalists who have invested capital, large in itself, but insignificant in comparison with the whole mass of capital.

This process becomes more rapid in proportion as the company system develops, and the latter is advancing at great speed.

In the first place, it is necessary to point out the ease with which companies can be formed. Individual capitalists rarely possess sufficient capital for the construction of canals, railroads, &c. This can only be done by a company which invites the assistance of the whole capitalist class and is thus able rapidly to mobilise the necessary sum.

Companies have also greater powers of growth than individual enterprises. The credit of an individual capitalist is limited to the extent of his turnover. For that reason he can extend his business only to the extent of his own profit. The company is not limited in this manner. If it requires money for the purpose of extending its business or for installing newly invented improved machinery it resorts to the issue of new shares. If the smelting works, about which we spoke above, requires another £250,000 for extending the works or for new furnaces, it will issue shares for that sum on the money market and with the money thus obtained carry out the necessary extensions. This is usually done with the aid of the banks, which purchase the shares themselves or else undertake their allocation.

Furthermore, a company shows more stability and vitality than an individual enterprise. By way of illustration we will assume that our smelting works produced only 2 per cent. profit. Under such circumstances an individual enterprise would find itself in a position of extreme embarrassment. With a debt of £50,000 (we assume that the whole of the capital was equal to £100,000) there would not only be nothing left for the individual capitalist, but he would not even be able to pay the interest to his creditors. A more serious blow might cause his bankruptcy. The position of the company is quite different. If for some reason—*e.g.*, a crisis or technical backwardness—the profits fall to 2 per cent., then the price of the shares

on the Stock Exchange will fall, and instead of their nominal value of £10 they may fall to £4. The new owners will receive four shillings profit on £4, or 5 per cent. This process takes place, not in the works, but far away from it, on the Stock Exchange, and production itself is not affected by it. In addition, it must be observed that a company can "recover" much more easily than an individual enterprise. With the aid of the bank it issues new shares, introduces new machinery, enlarges its turnover, and comparatively rapidly renders a shaky position more stable.

Taking the above into consideration, the colossal expansion and enlargement of companies by which the last decade is distinguished will become clear. In 1909, 79 per cent. (in value) of all the goods produced in the United States were produced by companies. In 1900, three-quarters of the horse-power of all the motors in Germany (steam and oil engines, water and wind turbines) was owned by companies. In Austria the number of companies increased from 587 in 1905 to 709 in 1910, *i.e.*, 21 per cent., while share capital increased by 30 per cent. In England the number of companies in 1911 reached 53,700, having increased by one-third in five years. To an even greater degree the same thing took place in Russia. Owing to the expansion of the war industry, companies in Russia sprang up like mushrooms between 1915 and the beginning of 1917. But even in normal times Russia did not lag behind western Europe. It is sufficient to say that during the ten years 1903-12 Russian share capital increased seven times. It is true that many of these represent the conversion of individual enterprises into companies, but this only shows the growth of the *company form* of enterprise[1] and consequently the growing impersonality of capital. The extent to which this has

[1] The conversion of individual enterprises into companies has become a widespread practice during the last decade. It is practised when the capital of an individual enterprise in a private company is not sufficient to continue the business. In such cases the

proceeded in world industry may be seen from the fact that the value of the total amount of shares issued between 1903 and 1912 was £175,400,000, 60 per cent. of which was issued during the last five years.

3. Private Capitalist Monopoly

Side by side with the tendency of capital to become impersonal through the limited company another process goes on not less characteristic of modern capitalism, viz., the combination of separate enterprises, sometimes embracing whole industries.

The old capitalism described above represented the reign of free competition. Impelled by the unrestrained desire for profit, the capitalist, by improving technique, extending his enterprise, refining the methods of exploiting the workers, strove to reduce the cost of production and by lowering prices to capture the increasing mass of purchasers. Under these circumstances the profits of an individual capitalist might fall below the level typical for a given country. Such a fall of profits in a particular enterprise would lead to the flow of the capital invested in it to other more profitable enterprises. This was a comparatively simple matter with a *low* organic composition of capital, *i.e.*, when the overwhelmingly greater part of the capital was used for the payment of wages, and consequently the amount spent on factory buildings, machinery, and raw material did not represent the main part of the capital of the enterprise. In such a case it was not difficult for the capitalist to liquidate his business ;

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capitalist with the aid of some financial group makes an estimate of the value of the enterprise, converts it into a limited company, and takes for himself an amount of shares corresponding to the value of his enterprise. The participation of the financial group is expressed here in the former increasing the capital of the undertaking with their investments and receiving a corresponding number of shares. The extent to which this is practised can be seen from the fact that in Russia, of the 761 limited companies with a capital of 800 million roubles formed between 1901 and 1911, 529 with a capital of 565 million roubles were formed out of privately owned undertakings.

he could dismiss his workmen and invest the remainder of his capital in another industry.

Such migrations of capital become more and more difficult in proportion as capitalism develops. Parallel with such development there grows also the development of technique, which determines the rise in the organic composition of capital. An increasing proportion of the money invested in an enterprise goes as constant capital (means of production) and a decreasing part as variable capital (wages). If before the amount of money spent on wages was £80 out of every £100, now the proportion is £20 out of £100, or even less. It is particularly important to observe that the increase of capital is accompanied by the increase of that part of it which is spent on buildings and machinery, and forms, as it is called, fundamental capital. American statistics in this connection are very instructive. They show that between 1880 and 1905 the value of fundamental capital invested in means of production in the United States increased 315 per cent., while wages increased only 192 per cent. In the production of articles of consumption the increase of fundamental capital during the same period was 224 per cent. and of wages only 115 per cent. Another example is equally characteristic. In 1880 the amount of wages paid for rolling one ton of rails was 15 cents, whereas in 1901 it was 1 cent; for wire drawing in 1880 the wages were 2.12 dollars per ton, whereas in 1901 they were 12 cents, &c. The place of the worker is taken by the machine, and instead of extensive workshops and large numbers of workers crowding round small machines, we have gigantic works, where pigmy men appear quite insignificant in the presence of the enormous apparatus characteristic of modern industry.

Owing to this, invested capital cannot always be withdrawn and transferred to another sphere of investment. With the development of competition capitalist enterprises (particularly in the so-called heavy industries—mining and metals) may find themselves in a position where the rate of profit is very low,

This danger becomes all the more menacing in view of the fact that with development the rate of profit tends to diminish (*see* Chapter VIII, 6 (*a*) on Profit). The average rate of profit formerly represented 20 per cent., but the extent of its fluctuation was much wider than in the modern period, when the average rate of profit is cut down as low as 5 or 6 per cent.; the slightest shock might prove fatal to any individual undertaking.

The capitalists strive to find a way out of this situation, and find it in the creation of *private capitalist monopoly* which confronts the consumer as a single mighty organisation.

The organisational forms of capitalist monopoly are very varied and for that reason bear varied names: cartels, syndicates, trusts, &c. But the aim of them all is the same, viz., to limit competition in order to raise the income of the enterprises entering the combination. The methods adopted by the *cartel* consist in the establishment of minimum prices, in limiting output, in the allocation of certain spheres of the market to their respective members, the establishment of equal conditions for buying and credit, &c., &c. When the independence of each enterprise with regard to the market disappears, *i.e.*, when the sale of the goods manufactured by them is carried out by a central office for all enterprises in the combine, then we have a *syndicate*. The next organisational stage in private capitalist monopoly is the *trust*, in which the individual enterprises completely merge into one gigantic limited company under a single management, which controls not only the relations of the combined enterprises with the market, but also its internal affairs, improvement of technique, relations with the workers, &c.

The process of syndicalisation (as well as trustification) takes place first of all between homogeneous enterprises: coal-mining companies with coal-mining companies, tobacco companies with tobacco companies, &c. This is called horizontal syndicalisation. But the process does not end here. It applies to enterprises of varying

characters to the extent that they are engaged in consecutive stages in the manufacture of particular products. Very frequently such a form of so-called vertical syndicalisation, combine, or the integration of productive units takes place between enterprises producing the finished product and those producing the raw materials for it. When trade is good the supply of raw materials lags behind the production of finished articles. This is due to the fact that a longer period of time is required to extend the production of raw materials than the production of manufactured goods.[1] As a consequence raw materials become considerably dearer, which in its turn causes a reduction of profits. When trade is bad, the opposite effect is observed; the reduction in the output of raw materials does not come about easily, and this causes a fall in prices and loss. As a result of this instability in the profits of the enterprises we are discussing we get the vertical syndicate and the establishment right at the beginning of colossal combined enterprises embracing the manufacture of particular commodities in all its stages.

As examples of this we may quote the combination of steel rolling mills, smelting works, and coal mines; weaving mills, spinning mills, and cotton plantations; fishing and preserving companies. A concrete example is the well-known Krupp works of Germany. This concern builds ironclads, using its own coal, coke, iron, steel, and other raw materials and semi-manufactures; it has its own mines for the production of various minerals, its own rolling mills, and even its own printing and bookbinding works serving its offices.[2]

In the example we have quoted the ties between the combined undertakings are clear. But there are cases

[1] In order to extend production in agriculture a whole year is required. The sinking of new shafts in Russia takes five to seven years, and the extension of the sowing areas of cotton, which entails complicated irrigation, takes several years, &c.

[2] In Russia, the Mattsoff works includes forest allotments, smelting works, machine construction works, cement works (the cement produced from slag), armature works, &c. All these are connected by a light railway.

where vertical syndicalisation embraces industries which seem to have only the remotest connection with each other, and one frequently has to look very closely to discover the thread that binds separate industries in modern capitalist countries. What is the connection, for instance, between the production of kerosene and white lead? And yet the mighty American Oil Trust had a monopoly of the manufacture of white lead. Why? It appears that the production of lubricating oil was a subsidiary industry to the production of the Oil Trust. In this they had to meet the competition of the Linseed Oil Trust. After some little time the Oil Trust bought up the majority of the shares of the Linseed Oil Trust and united it to itself. But the thing did not end there. Large quantities of linseed oil are used in the manufacture of white lead, and white lead represents one of the main products of the Lead Trust. Finally the shares of the latter were bought up by the Oil Trust and the production of kerosene combined with that of white lead.

The main task of both vertical and horizontal combines is to raise profits. In fixing a definite price they act as the complete and unquestioned masters of the market of which they dictate the conditions. It is not necessary for the syndicates to embrace the whole of production in order to be masters of the market, for the enterprises standing outside them cannot in any case satisfy the whole of the demand. If, however, the existence of independent firms represents a serious danger to a syndicate, it "declares war" on them and lowers the prices to an extent that the competitors cannot stand, thus compelling them to come into the syndicate. Having thus reached the position of monopoly the syndicate continually screws up prices. Here are a few examples. The American Oil Trust began in the year 1882 with a dividend of 5½ per cent., and by the first decade of the present century it had reached 40 to 48 per cent. The Cotton Trust in England reached 20 to 25 per cent.; the Tobacco Trust which was formed in Russia on the

eve of the war increased the returns of the firms entering it by 70 per cent., &c. There is only one obstacle that lies in the path of the trust in raising prices and that is the reduction of the quantity of goods sold as a result of purchasers, scared by the increased prices, deciding to give up buyingits products.[1] Such a state of affairs may lead at any moment to the reduction of profits and prevent the raising of prices.

The establishment of a monopoly therefore gives the syndicate and the trust the power of raising prices considerably beyond the limit below which prices fluctuate under the unlimited competition typical of the capitalism of the nineteenth century. The price of production, *i.e.*, the cost of production plus the average profit, ceases to determine market prices with sufficient exactness, while in addition indirect taxes are imposed which generally decrease the real wages of the working-class consumer.

The growth of profits and the unlimited enrichment of the syndicates facilitate the limitation and even the complete abolition of the commercial middlemen. During the existence of individual enterprises each producing for the other there were intertwined between them scores of such middlemen each of whom took a share out of the sum total of surplus values. This does not happen with the development of the trust. The system of combination at one blow throws out all these intermediary links and renders the services of commercial capital quite superfluous. The homogeneous horizontal combines frequently either acquire their own warehouses or reduce the functions of the merchants to that of commission agents. Commercial capital, mighty and dominant over all economic life at the dawn of capitalism, is now in a position completely subordinate to industrial capital.

[1] The same thing takes place here as in the case of indirect taxation. An excessive tax sometimes compels the consumer to limit his consumption, and the product of this particular commodity is reduced to such an extent that the increased tax brings the Government a smaller revenue.

The traders' profits which formerly were divided among many remain in the pockets of the trust owners, and when they employ the services of the merchant the share which comes to the latter is very small. Thus, for example, in Russia prior to the organisation of the "Predamet" (a company for the sale of the products of the Russian metal industry) agents used to receive from 5 to 6 kopecks for every pood of metal-ware they sold (60 poods=1 ton), whereas with the organisation of the "Predamet" all the trading costs, including losses from bankruptcy, amounted to from 1½ to 2 kopecks per pood.

The domination over the market places the monopoly capitalist in an advantageous position during crises. A combine (syndicate or cartel) or a single enterprise (trust) can, on the approach of a crisis, immediately cut down production, retain its goods in its ware-houses, and thus, to a considerable degree, artificially restrain the catastrophic fall of prices. In this way the monopoly position of the market gives a syndicate or trust an enormous advantage over individual and non-combine enterprises. This explains the gigantic growth of the syndicate movement during the last decade.

This process assumes most impressive dimensions in the United States, where the centralisation of industry has reached truly monstrous dimensions. Take the production of oil and its products. At the end of the last century the oil industry was in the hands of 400 disconnected enterprises. In 1903 the Oil Trust merged all these enterprises into one. In the 1900's the Oil Trust had in its hands 90 per cent. of all the oil produced in America. To give some idea of the incalculable wealth of this Trust it is sufficient to say that in 1909 it owned 12,000 cisterns, sixty huge ocean-going steamers, 3,000 oil reservoirs, &c., &c.

Already at the beginning of this century the American trusts owned 81 per cent. of the chemical industry of America, 77 per cent. of the metal industry, 66 per cent. of the steel industry (the Steel Trust is wealthier than

the Oil Trust, its capital in 1911 amounting to 1½ milliards of dollars), 60 per cent. of paper and printing, 85 per cent. of lead products, &c., &c. The state of affairs on the railways presents a particularly striking picture. Quite recently American railways, which have a length of about 340,000 miles (half of the railways of the world), were owned by 5,000 separate railway companies. On the eve of the war all the railways of the United States passed into the hands of a few financial groups headed by millionaires the names of whom are known to every child in the United States.

The United States has surpassed all other capitalist countries in trustification. To the observer it represents a country covered by a few score or so of gigantic works with their affiliated branches; these positively dominate the whole country and it is impossible to move a step without feeling the influence of some trust or other. This is how an American writer describes a dinner in any American restaurant:—

"The waiter brings you a cocktail before dinner; the drink, the chief component of which is whisky, is under the control of the Whisky Trust (capital 35 million dollars); the bouillon comes from the Beef Trust (100 millions), the oysters are provided by the recently-established Oyster Trust (5 millions). You call for *hors d'œuvre*, radishes, celery, and prepare your toll for the Farm and Daily Produce Trust (15 millions); the pudding is the product of the American Flour Company (120 millions); the fruits of the American Fruit Company; the biscuits of the National Biscuit Trust; the whipped cream of the American Ice Cream Company. If you wish to drink a cup of coffee or smoke a cigar do not forget the Coffee Syndicate (60 millions) and the Tobacco Trust (75 millions)."

Germany is a no less classical land of monopoly and on the eve of the war had 400 combines. The most prominent of the syndicates was the Rhine-Westphalian Coal Syndicate, which up to the first of January, 1913, turned out 93 per cent. of the Ruhr coal, or 54 per cent. of the whole output of coal of Germany

(94 million tons). The Essen Iron Syndicate plays an important rôle. On the eve of the war this syndicate annually placed 34 million tons of iron on the market (43 to 44 per cent. of the output of the whole country). There were also the Sugar Syndicate producing 70 per cent. of the sugar products for the home market and 80 per cent. of the sugar exports, and the Paper Syndicate controlling 80 per cent. of the production of printing paper, &c.

There is no need to dwell on the syndicate movement in France, England, Belgium, Austria, and other countries. All these are affected by the increasing process of monopolisation, which is beating a path for itself in all branches of industry.

Thus in every country we observe the development of capitalism towards the complete monopoly of whole branches of industry, both homogeneous and heterogeneous in character. Industry is becoming more and more centralised and concentrated, confronting the market as a highly-organised capitalist combine. This process is still further hastened by the banks, which act as organising centres of the whole of modern industry, urging it forward to still further centralisation.

4. The Banks as Organising Centres of Industry

Formerly the banks were little interested in the fate of individual enterprises. They usually granted credit to a manufacturer on security for a definite period ; the capitalist in this way increased his turnover and soon returned the loan to the institution granting it to him. At this stage, the bank was only interested in the debtor successfully carrying out his intended operation (the purchase of raw material, the production and sale of the finished article). The fate of the bank was in no way tied up with that of the enterprise to which it lent its money.

During the last decade a complete change has come about. The size of enterprises increased and their

equipment was no longer in the power of individual capitalists.[1] Here the banks came on the scene and acted, not merely as creditors, but also as founders. Like a sponge they absorbed all the free capital in the country and then invested a considerable part of it in some particular industries. The founding of companies now became one of the most important operations of the banks. The issue of industrial shares became the most profitable of their active operations. The following figures will show the extent of the profit which the German banks received from this business between 1895 and 1900. The issue of shares of industrial enterprises produced a profit in 1895 of 36·6 per cent., in 1896 of 36·1 per cent., in 1897 of 66·7 per cent., in 1898 of 67·7 per cent., in 1899 of 66.9 per cent., and in 1900 of 55·2 per cent. During this period the banks "earned" over one milliard marks on the issue of German industrial shares. This is nothing less than the lion's share of founder's profits—capitalised enterpriser's profits.

It must not be assumed, however, that a bank sells all the shares of the enterprises it establishes. It usually retains for itself a sufficient number of the shares to give it the domination of the new company. The position of the bank in relation to commercial or industrial enterprises radically changes. It invests its money in the bowels of the earth, in steel lathes, in stone walls, in railway embankments. It is vitally interested in the success not of one or another operation undertaken by the enterprise which it has helped to establish, it is interested in all its activities, in its very existence. *Bank capital, at one time existing separately from commercial and industrial capital, merges with the latter and forms finance capital.*

The process of merging takes place not only in

[1] It is sufficient to point out that previous to the war the cost of equipping a boot factory employing from 180 to 200 workers in Germany was half a million marks, while the equipment of a combined iron-smelting works in the same country cost not less than 40 million marks.

newly-established enterprises, but also in existing ones. The history of industry during the last few years is the history of the conquest of industry by bank capital. The bank gathers up from 25 to 30 per cent. of the shares of a company marked out by it, and this is sufficient to secure a majority of votes and thus to enable it to elect the directors. Another method adopted by the banks to subordinate commercial and industrial capital to itself is to "revive" the latter. Suppose, for example, that a certain factory as a consequence of obsolete technique or insufficiency of turnover begins to show a loss or decline in profit. In order to increase the returns of the enterprise it is necessary to have more capital, and for this purpose the enterprise is compelled to approach the bank for assistance. The bank agrees to render this assistance, but becomes a part owner of the business. If the enterprise is a limited company then the bank secures enough shares to be able to control it; if it is an individual enterprise it converts it into a limited company. In either case the business is adopted by the bank.

The expanding domination of finance capital must not be regarded as meaning that the industrial capitalists become the slaves of the banks. There is a great distinction between the development of modern capitalism and the conquest of the artisan or home-worker by merchant capitalism. The merging of bank capital with industrial capital has two aspects. The managers of industry enter into the directorates of the banks, and the representatives of the banks enter into the directing organs of the limited companies, syndicates, and trusts.

The extent of the influence of the banks in advanced industrial countries is seen from the following example: In 1913 six of the largest banks in Germany were represented in 750 control committees of industrial companies. One hundred and ninety-seven bank directors and their representatives occupied 2,918 positions as directors and members of management

boards, some of whom had as many as fifty mandates. In America eighty-nine representatives in 1908 occupied more than 2,000 positions as directors, and some of them simultaneously directed from fifty to seventy-five companies. In Russia the five chief banks (the International, Russian Asiatic, Azoff Don, Loan and Discount, and Russian Commercial and Industrial) controlled an industrial capital of 700 million roubles, of which the share of the International was not less than 500 millions; its sphere of influence included concerns in the oil industry, gold mining, metals, machine construction, waggon-building, iron mines, cement works, and privately owned railways, the management of every one of these enterprises containing a representative of the International.

Since the banks have so great an interest in industry, it is quite natural that a decline or rise in profits will first of all affect the large shareholders. From this follows the natural striving of the banks to harmonise the interests of the enterprises that come under their influence. This is achieved first of all by the direct participation of the banks through their representatives in the management of the factories and works of a particular branch of industry. In the first instance they strive to limit the competition between the individual enterprises, and in the second they urge the enterprises they control to form a vertical combine. Subsequently this tendency leads to the formation of syndicates and trusts. Thus the formation of the "Predamet" was the result of the efforts of four banking groups; the formation of the Tobacco Trust was brought about by the Russian Asiatic Bank and the Commercial and Industrial Siberian Bank, &c.

On the other hand the combination of industries and the advantage which the large institutions have over the small ones lead to the combination of the banks. In England this led to the number of banks during one decade declining from 159 to 73. This did not take place, of course, as a result of the ruin of individual

banks, but as a result of their gradual merging which, however, did not prevent their operations increasing 60 per cent. In Germany they reached a stage (in 1909) at which nine large Berlin banks together with the credit institutions dependent upon them controlled 11·3 milliard marks, *i.e.*, 83 per cent. of the bank capital of Germany. At the beginning of the war these came to an agreement and united their control over nearly the whole of the economic life of the country. In this way the prediction of a certain German bourgeois economist to the effect that we should wake up one morning and find only one trust in existence, and that the day was not far distant when of the 300 men who then (1914) economically controlled Germany there would be left fifty, twenty-five, or even less, was justified. In the United States 180 large banks control the economic life of the whole country. But even these are not independent in their activity, and in their turn are controlled by two chief American banks—the National City Bank, with a capital of 13¼ milliards of dollars, and the National Bank of Commerce, with a capital of 18 milliards of dollars. The first is headed by Rockefeller and the other by Morgan, the uncrowned king and dictator of the financial capital of the United States of America. France is proceeding along the same path. A French economist indicated the names of fifty-three men (including Rothschild, Schneider, Rostan, &c.) who were the masters of 108 banks, having in their hands 105 large undertakings in the heavy industry, 101 railway companies, and 117 other industrial and financial undertakings, each of which disposed of tens and even hundreds of millions. The same development was observed in Russia. In 1917 a preliminary agreement had been reached between four of the largest commercial banks on the organisation of a banking alliance which was to control and direct production in the most important commercial and industrial enterprises in the most varied branches of industry.

Thus the development of finance capitalism leads to the combination of national industry which takes

place in both a horizontal and a vertical direction. The limits of such a development would be the formation in each country of a single gigantic combined trust, financed by one central bank. The world capitalist system which was made up of hundreds of thousands of individual productive units is gradually being converted into an agglomeration of a few national trusts which confront each other on the world market. This modern capitalist formation dominates not only the economic life of the respective countries, but is acquiring colossal influence in their internal and foreign politics. It is the force which decides questions of war and peace and throws armies of millions against each other.

5. Imperialism as the Politics of Finance Capitalism

The politics of modern capitalist countries can be explained only from the standpoint of their economic structure and by an understanding of the essentials of finance capitalism.

Take, for example, the question of tariffs or protection. There was a time when the industries of young capitalist countries (Germany, United States, &c.) could not, owing to the superior technique of England, compete against English goods. The idea was then put forward of *protective tariffs*, protective in the sense that they facilitate the development of "home" industry and protect it until the prices of production within the country are on a level with those in more developed countries. When that is reached, according to the doctrines of the founder of protection (Fr. List), the tariffs should be entirely abolished. We will quote an example by way of illustration. We will assume that an English capitalist, owing to the high perfection of his technique, can place a certain commodity on the German market for 20 marks, and that the German capitalist cannot sell the same article for less than 25 marks. In that case an import duty of 5 marks is imposed on the English goods;

they will then be sold in the German market for 25 marks, and the "home" capitalist will be able to compete against his foreign rival. But the development of capitalism means, first of all, the development of technique and consequently the cheapening of the cost of production of commodities. We will assume that the price of production of the commodity we are dealing with, as a consequence of the progress of technique, falls to 22 marks. In that case according to the doctrine of protective tariffs the import duties should be reduced from 5 marks to 2 marks. Thus, import duties, at one time representing a vital necessity for a young capitalist country, should completely disappear. Protection was regarded as a transitionary measure to free trade, *i.e.*, trade unrestricted by tariff walls.

But the abolition of import duties has not taken place. On the contrary, almost all capitalist countries advance directly along the path of protection and continually increase import duties. What is the aim of this policy? When the United States increases her import duties on some commodities to as much as 150 per cent. of their value, and France at one stroke increases hers by 25 per cent., &c., it is clear that these countries pursue not defensive, but *aggressive* aims.

If import duties did not exist, then the private capitalist monopolies, embracing the home market, could not raise prices above those reigning in the world market. They would not be able to make those supplementary profits which, as explained above, constitute an indirect tax upon the consumer. For that reason the syndicates, by bringing pressure to bear upon the government, compel it to raise import duties higher and higher. A high tariff wall is erected which prevents foreign goods from penetrating into the home market controlled by the syndicates, and the heads of those syndicates put into their own pockets the difference between the prices artificially raised in the home market

and those established in the world market by free competition.

Cartel duties (this is the name given to modern import duties which have nothing in common with protection) are closely connected with *dumping*, which means the selling of goods on the foreign market at extraordinarily low prices and sometimes even below the cost of production. It is known, for example, that German alcohol is sold abroad 50 per cent. cheaper than it is sold in Germany, and that German firms sell iron girders in Italy 30 per cent. cheaper than they are sold in Germany. Another striking example of this at first sight incredible fact is the practice of the German nail-making syndicate. During six months it sold as many nails on the foreign market as it sold in the home market and lost almost £50,000 on them. One can meet numerous cases of a like character in countries with syndicated industries.

The question arises, what interest can a syndicate have in selling goods abroad at ridiculously low prices and even suffering considerable loss? It turns out, however, that in the long run the syndicate does not suffer any loss at all. The loss on the foreign market is made up by the artificially raised prices in the home market. The nails of the syndicate to which we have first referred were sold in Germany at prices from 70 per cent. to 72 per cent. higher than they were sold abroad, and this not only covered the loss but even brought in huge profits.

Thus the direct object of cartel duties is to screw up prices on the home market, to exploit the home consumer in order to leave the syndicate a free hand on the foreign market. But the larger the home market, and the more numerous the "home" purchasers, the higher are the profits which the syndicates can make within the country and the easier it is to conquer the market in those countries around which the capitalists of the advanced countries are "peacefully struggling." From this arises *the striving to extend the tariff wall, to increase the area of the territory in which*

the capitalist monopoly of a particular nation has undivided sway. This is one of the phases of imperialism, one of the pre-requisites of modern imperialist wars.

But the striving to extend economic territories is not the only cause of imperialist wars. An important part in this is played by the question of raw materials and markets for finished goods.

As a general rule the extractive industries, and agriculture in particular, lag behind the manufacturing industries in their development.

During the last decade this has caused a continual rise in the price of raw materials of all kinds, and at the same time has created a striving among the advanced capitalist countries to secure sources of raw materials for themselves. The sources of raw materials are backward countries towards which the world pirates direct their efforts. England, for example, requires cotton and finds the corresponding economic reinforcement in Egypt. Russia for the same purpose stretches out its tentacles to Turkestan, &c. Here we meet the same phenomena as in vertical syndicalisation, except that there the combination of enterprises carrying on succeeding stages in the manufacture of a particular article in a particular country is brought about by agreement, whereas in this case it is brought about by the argument of arms. In essentials, however, the facts in both cases are of the same economic order. The annexation of Egypt and Turkestan, &c., reproduce on a larger scale the same productive relations between combined enterprises as exist within the limits of countries proceeding along the path of finance capitalism.

The same part is played by markets for the disposal of finished goods. The productive forces of capitalism grow unceasingly. The quantity of goods turned out by the modern capitalist giant continually increases. At the same time the policy of finance capitalism, with its monopoly prices and its cartel duties, limits the purchasing power of the masses. In this manner there is created an irreconcilable contradiction between the

growth of productive forces and the scarcity of markets. What is the way out of this situation? There is only one reply: the markets of weakly developed industrial countries—"uncivilised" and "semi-civilised" countries like south-east Africa, Belgian Congo, Turkey, and Persia, "new" countries like Australia and Canada. But the earth's surface is limited, and the appetites of the national trusts are more or less equal. From this follow new sources of conflict, new causes for deciding the conflicts in the sphere of "peaceful" competition by force of arms.

Another important pre-requisite of imperialism results from what is called the *export* of capital. We have indicated above a number of the sources of enrichment of the magnates of finance capitalism. On the one hand there are the colossal founders' profits, and on the other the cartel prices, the commercial profits now taken by the finance capitalists, the extra profits secured by erecting tariff walls which enable the trusts to raise prices to the full extent of the import duties, &c. All these factors assist in the enormous accumulation of capitals which are doomed to lie idle within the country. Finance capitalism tending towards monopoly keeps the market in a state of tension. It is always concerned to see to it that the expansion of production does not lead to an excessive supply of goods and the inevitable fall in prices and profits resulting from it. But the expansion of production for the foreign markets also has its limits, for these markets are frequently protected by a Chinese wall of import duties. This causes the flow of surplus capital into backward countries, where the enormous enterprises of our times are immediately transplanted.[1]

The export of capital must not, of course, be regarded as exclusively the export of money. The surplus value created by the proletariat goes abroad in the form of

[1] In order to indicate the extent to which capital is exported abroad it is sufficient to mention that in 1905 France had 40 milliards of francs invested abroad. Germany on the eve of the war had 35 milliards of marks, and England 4 milliards of pounds invested abroad.

machines, rails, &c., and is there converted into functioning capital having for its purpose the extraction of still further masses of surplus value. The exported capital is invested in the bowels of the earth, in mines, railways, canals, in enormous irrigation works, &c. All these enterprises are based on profits which at all events are not less than the profits realised in the countries of the national trusts. As the export of capital promises unlimited additional profits, it is clear that the capitalists of each country will strive to secure for themselves new fields for exploitation and concessions—the right to construct railways, to open up mines, to establish postal and telegraph communication, &c., &c. This, of course, leads to conflicts between the trusts of the various nations, conflicts which result eventually in imperialist wars.

We see then that in the epoch of finance capitalism wars between individual countries are inevitable. They are the results of the forces which are the motive power of modern capitalism. But these conflicts are nothing more than perfected competition, the substitution of military rivalry for " peaceful " rivalry. If that be so, cannot the national trusts come to an agreement about the division of the world market for goods and capital in the same way as do the various enterprises in different countries when entering into a syndicate ? The answer would appear to be in the affirmative in view of the existence of international syndicates ; nevertheless, the answer must be in the negative.

As a matter of fact the principal condition under which syndicalisation becomes possible is the approximate equality in the economic power of the enterprises entering into a combine. If one of the enterprises enjoys some exceptionally favourable conditions, if, for example, it owns some rare patented invention or natural motive power, it is perfectly clear that it will refrain from entering the combine which might limit its freedom by giving it only a definite quota of the general profits of the combined industry. Such an enterprise would prefer to remain independent. The

same thing applies to States, or to national trusts as we have called them. There is some purpose in individual States coming to an understanding when they possess approximately the same development of productive forces. That being the case, it was no advantage for Germany to "syndicate" with countries possessing a comparatively low developed technique, *e.g.*, Russia and even France. Besides, to economic equality, a necessary condition for the formation of alliances is economic-political equality, *i.e.*, equality in military power. If A and B are two national trusts economically equal, but A is militarily more powerful than B, then A prefers not to syndicate with B, but simply to absorb it. All this proves that the path to the formation of a single world trust, confronting a single proletarian class, passes not through peaceful arguments, but through bloody wars, as exemplified in the catastrophe of 1914-18.

But can capitalism achieve the last stage of its logical development—the creation of a single world economy, regulated and organised from a single capitalist centre? This is a question that must be answered.

6. The Path to the Collapse of the Capitalist System

Being itself the inevitable result of the gigantic development of productive forces, modern capitalism lays the path of its own development. Indeed, what is the most powerful force that drives industry forward? We saw that this is unrestrained competition, which reigns wherever capitalism has not yet entered the modern stage. In this competition the victory lies with the one who can place the cheapest goods on the market and the reduction of the cost of production is achieved first of all by the development of technique and the increase in the quantity of commodities produced. That being so, competition acts as a powerful stimulus to the expansion of production, and consequently to the growth of productive forces. Immediately com-

petition is abolished, and industry is placed in a state of *monopoly*, development is retarded and the progress of technical improvement restricted. The history of the iron industry of the Urals during the nineteenth century is an excellent example of this. Already in the 'thirties the Urals supplied 12 per cent. of the world's iron, but at the end of the 'fifties the output fell to 4 per cent. During the whole of the first half of the nineteenth century the industry stood at one level, or at best progressed at a snail's pace. On the other hand, England, during the same period, increased her output thirty times, whereas Russia reduced her exports to one-fourth. This was due to the fact that the Ural industry was isolated from the rest of the world by the prohibition of the import of pig-iron into Russia. This prohibition saved the Urals from foreign competition and gave it a monopoly position. Competition within the country was also not very great because the number of iron works was very small. This industry made fabulous profits (from 45 to 90 per cent.), and it is quite natural that the owners had no need to worry about improving technique. In the meantime, England, urged forward by competition, made use of all the latest inventions and during a quarter of a century reduced the cost of production of iron by 60 per cent.

Competition is the locomotive of capitalist development. If competition ceases development comes to a standstill and capitalism becomes *stagnant*. This was the case with the Ural industry; this is taking place at the present time throughout the world capitalist system as it enters the path of finance capitalism with its cartels, syndicates, and trusts. Of course, this is only the tendency, for although competition is being abolished within respective countries we see, nevertheless, that it remains a very real factor in the world market. As, however, the overwhelming mass of commodities is sold in the home market, which is under the control of a few capitalist giants, the cessation of the development of productive forces must become more and more palpable. The greatest

inventions more and more remain in the possession of banks or syndicates which buy them, and the process of production is carried on by routine; it stagnates.

The process of decline proceeds also from another source, viz., the radical change in the social consciousness of the capitalist class. Time was when a capitalist was synonymous with an active, enterprising person. He himself stood at the head of his enterprise and exerted all his efforts to raise it to the maximum height. The capitalist was not an onlooker in economic life, but stood in the centre of production. With the development of the limited company form of enterprise, which is the main pre-requisite of finance capitalism, the function of the capitalist changes. Becoming an owner of shares he isolates himself from the process of production and ceases to take part in economic life. His sphere of activity is limited to consumption, to the consideration of how best to satisfy his lavish needs. He is converted into a clipper of coupons and a receiver of dividends. In a word the capitalist degenerates into a social parasite, as at one time happened with the slave owner of antiquity and the feudal lord. Capitalism in its latest stages reveals symptoms of the deepest degeneracy which must lead to its inevitable collapse.

All this is concealed in capitalism itself. All this, so to speak, is a passive factor dragging it nearer to death. But there is a factor immeasurably more active, and this is the extreme acuteness of class contradictions hitherto unparalleled under the domination of capitalism.

Finance capitalism exploits the proletariat to the utmost limit. In establishing cartel prices for commodities, prices which far exceed their labour value; it reduces the real wages of the worker. The workers' share of the social product diminishes faster than during the reign of competition (*see* Chapter VIII, 7, on fundamental tendencies of capitalist development), the proletarianisation of small producers proceeds at

a rapid pace. The distribution of the wealth created thus becomes a burning question of the relations of the forces of the two classes of capitalist society. More than that, imperialism means world militarism and world war. Rivers of blood and unparalleled destruction help to awaken the consciousness of the proletariat and turn it in the direction of an active struggle for socialism. The objective inevitability of this revolution becomes more and more obvious; it is only a question of time, *i.e.*, it is a question of the historical preparedness of the proletariat.

Thus "in the mighty conflicts of hostile interests, the dictatorship of the magnates of capital will be converted finally into the dictatorship of the proletariat" (Hilferding). "The knell of private property sounds; the expropriators are expropriated" (Marx).

7. The Ideology of Industrial and Finance Capitalism

In the first, the manufacturing stage of capitalism, the process of the emancipation of the individual from the guardianship of various authorities—survivals of the feudal system—continued. Serfdom, where it still existed, was abolished, the social power and influence of the Church rapidly declined, the guilds finally lost all significance, the inter-relations between the progress of events and political forms changed; absolute monarchy either became modified and assumed the cultured shade of "enlightened despotism" or became converted into constitutional and parliamentary forms (usually by means of popular revolutions). All this led to the removal of all obstacles to the development of individualist economy and the individual. New social forms of life could develop much more rapidly than ever before.

The increasing accumulation of wealth in the hands of the classes to whom the organisational functions (productive and particularly distributive) belonged in itself gave many of the representatives of these classes the opportunity of devoting themselves to

mental labour. At the same time the general development of the technique of production and communication and the growing complexity of organisational functions created an increased demand for mental labour; the capitalists required engineers, trained technicians, scientifically trained navigators, accountants, economists, &c.; the State required educated officials, &c. Owing to these circumstances there rapidly developed a bourgeois intelligentsia. The labour of the intellectual is well paid in conformity with his requirements and his privileged position. Devoting itself entirely to mental labour this intelligentsia found it possible to develop the productivity of labour in its own sphere. Consequently the upper classes of society, from the landowner to the bourgeois intellectual, met with hardly any obstacles to their development.

At the same time the materials of knowledge arising out of the productive life of society increased exceedingly. The sphere of activity of civilised peoples expanded and continually embraced new portions of the globe; the natural wealth in each sphere was more energetically exploited; both these causes led to the progress of the technical sciences. This in its turn was followed by what is inseparably bound up with them and represents their generalisation—the natural sciences. The sixteenth, seventeenth, and eighteenth centuries were marked by the rapid progress of mathematics, theoretical mechanics, physics, chemistry, and the more complex biological sciences. The development of navigation had considerable influence on the progress of all the natural sciences by enabling Europeans better to study nature in different countries, but astronomy, the science specially applied in navigation, received a particularly strong impetus. The progress of astronomy was connected with the invention and improvement of optical instruments, which in its turn hastened the development of all sciences of living nature, &c.

Generally and in various ways technical progress

created the necessity for and caused the progress of the knowledge which is inseparably connected with it and represents its direct continuation.

The progress of knowledge in the period of manufacture had enormous significance for the further development of capitalism itself. Only at a certain stage of the development of science is it possible to transfer from manufacture to machine capitalism.

When this took place the progress of scientific knowledge became still more rapid, not only because of the persistent growth and increasing complexity of production, but also by reason of the fact that scientific investigation changed its methods under the influence of machine production. Laboratories, observatories, and all kinds of scientific institutes began to acquire the form of large enterprises, with masses of scientific and non-scientific workers, a complex system of sub-division of labour, and powerful and exact machinery. In our times discoveries and inventions are the direct outcome of large-scale production, the concentration of scientific forces, and perfected means of knowledge. Modern capitalist combines—syndicates, trusts—in the majority of cases have departments for scientific research.

Needless to say, natural fetishism loses all ground; bare relics of it survive only among backward and degenerate sections of society.

Individualism and commodity fetishism completed their development in the rise of the bourgeois classes, and at the end of the epoch the ideology of these classes revealed a considerable change.

In the struggle against the authorities of the past, the survivals of feudalism, these classes firmly put forward the ideas of individual freedom, first economic and then political. But these liberties, which were achieved in varying degrees by bourgeois revolutions, were only formal: in actual fact they meant the freedom of development of the bourgeoisie and freedom to exploit the proletariat. The proletariat began a struggle for the *material* freedom to development itself, and the

bourgeoisie had to fight to maintain its domination. The authoritarian aspect of the social system, preserved in the form of the capitalist State, with its bureaucracy and army, and the subjection of the workers in the factory, even if within the limits of a contract, &c., began to take first place. The bourgeoisie then became indifferent to the ideals of liberty, and directed its efforts to the maintenance of authority in the form of " order " protected by militarism.

This change coincides with the increasing degeneration of the capitalist class. As we know, in the later stages of capitalism it more and more transfers its organisational functions to the shoulders of its paid intelligentsia, and its units more and more become rentiers and shareholders, to lead the lives of social parasites.

For the working class there was hardly any independent or ideological development during the period of manufacture ; the workers had not yet begun to form a class. The low wages of the enormous majority of the workers and the correspondingly low development of requirements left hardly any possibilities for development. Their monotonous empty lives stunted their capabilities. Most important of all, however, was the isolation of the workers caused by the extreme specialisation of hand labour. The workers of that period were incapable of organising for a struggle for their economic interests because their interests were so diverse. This was still further accentuated by the wide differences in the wages of skilled workers. Organisation sprang up sometimes in those days among the small producers in the home industries, but the proletarians of the manufacturing period had no unions.

Machine production created new relations and tendencies. The substitution of the machine for the detail worker transferred to the machine the greater and worst part of specialisation. The machine gave to " physical " labour the character of organisational labour control, overseeing, initiative of intervention with regard to the machine which now did the mechan-

ical work formerly done by the worker. The worker was now required to have a certain amount of intelligence, and this increased as the machine which he managed became more perfect, more complicated, and more exact; at the same time it required developed attention and will power. All this gives rise to a community of interest among the workers, even among those who are working at different kinds of machines. At the same time the transition from one kind of work to another becomes easier; the period of training of a worker having to handle machines becomes considerably shorter than was formerly required to learn some new handicraft. Such transitions become more frequent and more customary under the pressure of unemployment, and also by the introduction of new machinery. Furthermore, the difference in wages tends to be wiped out. All these circumstances draw the workers, organised in masses by the very process of production, closer together, make them more compact, and facilitate the growth of the consciousness of a commonness of interest. The comradely co-operation of the workshops extends into the militant comradeship of the labour organisation. All this together arouses the *collective spirit* in the workers, and this leads to the formulation of the *ideology of labour collectivism.*

This collectivism, the new cultural principle which comes to take the place of authority and individualism, is equally hostile to both. It has something in common with the first in its striving towards organisation, but sharply differs from it in the conscious voluntary ties between men, its denial of inequality and blind obedience—elements entirely foreign to comradely co-operation. Its kindred feature with individualism is its tendency towards equality, to the ideal of free development, but it sharply differs from it in that it denies the antagonism between man and man and the autonomy of the individual "I" as a completely isolated centre of strivings and interests. This centre now is the labour community, and the individual is regarded as a living link in its unbreakable ties.

Collectivism signifies a radical transformation of the thought and will of the workers. Denying authoritarianism on principle, it removes all ground for religious sentiments and ideas. Placing the living experience of the labour community before all else, and using that as the test for all truths and valuations, it similarly destroys the basis of all metaphysics. This point of view served as the starting point for a great change, particularly in political economy and other social sciences. It exposed commodity fetishism; it discovered beneath the shell of values crystallised collective labour, the power of co-operation; it created the doctrine of historical materialism, the doctrine of the social productive process as the basis of the development of society; it created the theory of the class struggle as a grouping determined by the relation of man to production. This is proletarian ideology—scientific socialism. Its practical side is expressed in the struggle for the ideals of socialism.

The development of this ideology is proceeding gradually and deviatingly, but continually tends to be accelerated.

SOCIALLY ORGANISED SOCIETY

X

SOCIALIST SOCIETY

THE epoch of capitalism has not yet been completed, but the instability of its relations has become quite obvious. The fundamental contradictions of this system which are deeply undermining it, and the forces of development which are creating the basis of a new system, have also become quite clear. The main features of the *direction* in which social forces are moving have been marked out. It is, therefore, possible to draw conclusions as to what form the new system will take and in what way it will differ from the present system.

It may seem that science has no right to speak of what has not yet arrived and of what experience has not provided us with any exact example. But that is erroneous. Science exists precisely for the purpose of *foretelling* things. Of what has not yet been experienced it cannot, of course, make an exact forecast, but if we know generally what *exists* and in *what direction it is changing* then science *must* draw the conclusions as to what it will change into. Science must draw these conclusions in order that men may adapt their actions to circumstances, so that instead of wasting their efforts by working against the future and retarding the development of new forms, they may consciously work to hasten and assist such development.

The conclusions of social science with regard to future society cannot be exact because the great complexity of social phenomena does not permit, in our times, of their being completely observed in all details, but only in their main features, and for that reason the picture of the new system also can only be drawn in its main outlines; but these are the *most*

important considerations for the people of the present day.

The history of the ancient world shows that human society may sometimes regress, decline, and even decay; the history of primitive man and also that of several isolated Eastern societies shows the possibility of a long period of stagnation. For this reason, from a strictly scientific point of view, the transition to new forms must be accepted conditionally. New and higher forms will appear only in the event of a *society progressing further in its development* as it has progressed up till now. There must be sufficient cause, however, for regression or stagnation, and these cannot be indicated in the life of modern society. With the mass of contradictions inherent in it, and the impetuous process of life which they create, there cannot be stagnation. These inherent contradictions could cause retrogression only in the event of the absence of sufficient forms and elements of development. But such elements exist, and these very contradictions develop and multiply them. The productive power of man is increasing and even such a social catastrophe as a world war only temporarily weakens it. Furthermore an enormous class in society growing and organising is striving to bring about these new forms. For this reason there are no serious grounds for expecting a movement backwards. There are immeasurably more grounds for believing that society will continue along its path and create a new system which will destroy and abolish the contradictions of capitalism.

1. Relation of Society to Nature

The development of machine technique in the period of capitalism acquired such a character of consecutiveness and activity that it is quite possible to determine its tendencies and consequently the further result of its development.

With regard to the first part of the machine—the source of motive power—we have already indicated the tendency, viz., the transition from steam to

electricity, the most flexible, the most plastic, of all the powers of nature. It can easily be produced from all the others and be converted into all the others; it can be divided into exact parts and transmitted across enormous distances. The inevitable exhaustion of the main sources of steam power, coal and oil, leads to the necessity for the transition to electricity, and this will create the possibility of making use of all waterfalls, all flowing water (even the tides of the oceans), and the intermittent energy of the wind which can be collected with the aid of accumulators, &c. A new and immeasurably rich source of electrical energy, infinitely superior to all other sources of electrical energy, has also been indicated, viz., atomic energy, which is contained in all matter. Its existence has been scientifically proved, and its use even begun, although in a very small scale where it automatically releases itself (*e.g.* radium and other similar disintegrating elements). Methods for systematically releasing this energy have not yet been discovered; the new higher scientific technique will probably discover these methods and united humanity possess inexhaustible stocks of elemental power.

With regard to the transmitting mechanism we also observe a tendency towards the *automatic type* of machine. Following this we observe an even higher type—not only an automatically acting, but an *automatically regulating* machine. Its beginnings lie on the one hand in the increasing application of mechanical regulators to present-day machines, and on the other in the few mechanisms of this type already created by military technique (*e.g.*, self-propelling submarines and air torpedoes). Under capitalism these will hardly find application for peaceful production: they are disadvantageous from the point of view of profits as they are very complicated and unavoidably dear; the amount of labour which they save in comparison with machines of the former type is not great, because automatic machinery also dispenses with a considerable amount of human labour. Furthermore the workers

required to work them must possess the highest intelligence; hence their pay also would have to be high, and their resistance to capital would be considerably greater. In war there is no question of profits, and for that reason these obstacles to their application do not arise. Under socialism the question of profits will disappear in production also; first consideration will be given to the technical advantages of self-regulating mechanism—which will render possible the achievement of a rapidity and exactness of work incomparably greater than that achieved by human organs, which work more slowly and with less precision, and moreover are subject to fatigue and error.

Furthermore, the number of machines, and the sum total of mechanical energy, will increase to such a colossal degree that the physical energy of men will become infinitesimally small in comparison. The powers of nature will carry out the executive work of man—they will be his obedient dumb slaves, whose strength will increase to infinity.

The technique of communication between men is of special significance. The rapid progress in this connection observed at the end of the capitalist epoch has been obviously directed to the abolition of all obstacles which nature and space place in the way of the organisation and compactness of humanity. The perfection of wireless telegraphy and telephony will create the possibility for people to communicate with each other under any condition, over any distance, and across all natural barriers. The increase in the speed of all forms of transportation brings men and the products of their labour more closely together than was ever dreamed of in the past century. And the creation of dirigible aircraft will make human communication completely independent of geographical conditions—the structure and configuration of the earth's surface.

The first characteristic feature of the collective system *is the actual power of society over nature, developing without limit on the basis of scientifically-organised technique.*

2. The Social Relations of Production

As we saw, machine technique in the period of capitalism changes the form of co-operation in two ways. In the first place, the technical division of labour loses its "specialised" character, which narrows and limits the psychology of the workers, and reduces itself to "simple co-operation," in which the workers carry out similar work, and in which the "specialisation" is transferred from the worker to the machine. Secondly, the framework of this co-operation is extended to enormous proportions; there arise enterprises which embrace tens of thousands of workers in a single organisation.

We must suppose that both these tendencies will proceed considerably further under the new system than under machine capitalism. The differences in the specialisation in various industries will be reduced to such insignificant proportions that the psychological disunity created by the diversity of employments will finally disappear; the bonds of mutual understanding and the community of interest will unrestrainedly expand on the basis of the community of vital interests.

At the same time organised labour unity will grow accordingly, grouping hundreds of thousands and even millions of people around a common task.

The continuation of the development of the two previous tendencies will give rise to two new features of the post-capitalist system. On the one hand, the last and most stubborn form of specialisation, viz., the division between the organisational and executive functions, will be transformed and lose its significance. On the other hand, all labour groupings will become more and more mobile and fluid.

Although in the epoch of machine capitalism executive labour at the machines approaches in character to that of organisational labour, nevertheless a

difference between them remains, and for that reason the individualisation of the functions of the executor and the organiser remains stable. The most experienced worker in machine production is very different from his manager, and cannot replace him. But the further increase in the complexity and precision of machinery and at the same time the increase in the general intelligence of the workers must eventually remove this difference. With the transition to the automatic regulators, the work of a simple worker approaches nearer and nearer to that of the engineer, and acquires the character of watching the proper working of the various parts of the machine. If automatic regulators are attached to machines there is no need for the mechanic continually to watch his gauges and indicators to see whether the required amount of steam pressure or electrical current is maintained. All he then has to do is from time to time to see whether the regulators are in working order, to alter them as occasion requires, and to see to their speedy repair when necessary, &c. At the same time the knowledge, understanding, ingenuity, and general mental development required of the worker increase. It is not only practical common sense that is required, but exact scientific knowledge of the mechanism, such as only the organising intellectual possesses to-day. Consequently the difference between the "executor" and the manager will be reduced to a purely quantitative difference in scientific training; the worker will then carry out the instructions of a better informed and more experienced comrade rather than blindly subordinate himself to a power based upon knowledge inaccessible to him. The possibility will thus be created of replacing an organiser by any worker and *vice versa.* The labour inequality of these two types will disappear and they will merge into one.

With the abolition of the last survivals of mental

" specialisation " the necessity and the sense of binding certain persons to certain particular work will also disappear. On the other hand the new form of labour will require mental flexibility and diversity of experience, for the maintenance of which it will be necessary that the worker from time to time change his work, going from one kind of machine to another, from the function of " organiser " to that of " executor " and *vice versa.* And the progress of technique, more rapid than in our day, with its continual improvements of machines and contrivances, must make the rapidly-changing grouping of human forces and individual labour systems, or " enterprises " as we call them to-day, to a high degree more mobile.

All this will become possible and realisable owing to the fact that production is *consciously and systematically organised by society as a whole.* On the basis of scientific experience and labour solidarity there will be created a general all-embracing organisation of labour. The anarchy which in the epoch of capitalism disunites individual enterprises by ruthless competition and whole classes by stern struggle will be abolished. Science indicates the path to such organisation and devises means for carrying it out, and the combined force of the class-conscious workers will realise it.

The scale of the organisation must from the very beginning be world-wide or nearly so, in order that it may not be dependent in its production and consumption upon exchange with other countries which do not enter it. The experience of the world war and the revolutions that followed it shows that such dependence will immediately be converted into a means of destroying the new system.

The type of organisation cannot be other than centralised; not, however, in the sense of the old authoritarian centralism, but in the sense of a scientific centralism. Its centre should be a gigantic *statistical bureau* based on exact calculation for the purpose of distributing labour power and instruments of labour.

The motive force of the organisation at first, *i.e.*, as long as the whole of society has not yet been trained in the spirit of collective labour, will be comradely discipline, including an element of compulsion, from which society will step by step emancipate itself.

In this system of production each worker will be actually on an equality with the rest as conscious elements of one sensible whole ; each one will be given all the possibilities for completely and universally developing his labour power, and the possibilities of applying it to the advantage of all.

Thus the characteristic features of the socialist society are *the homogeneous organisation of the whole productive system, with the greatest mobility of its elements and groupings, and a highly developed mental equality of the workers as universally developed conscious producers.*

3. Distribution

Distribution generally represents an essential part of production, and in its organisation is wholly dependent upon it. The *systematic* organisation of production presupposes a *systematic* organisation of distribution. The supreme organiser in both these spheres will be society as a whole. Society will distribute labour and also the product of that labour. This is the very opposite of the anarchic unorganised distribution which is expressed in exchange and private property conducted on the basis of competition and the crude conflict of interests. The social organisation of production and distribution presupposes also the social ownership of the means of production and the articles of consumption created by social labour, until society hands them over to the individual for his personal use. " Individual property " commences in the sphere of consumption which essentially is individualistic. This, of course, has nothing in common with capitalist private property, which is primarily the private ownership of means of production, but does not represent the right of the worker to the necessary means of existence.

The principle of distribution arises directly out of the basis of co-operation. As the system of production is organised on the basis that it secures to every member of society the possibility of the complete and universal development of his labour power and the possibility of applying it for the use of all, so the system of distribution should give him the articles of consumption necessary for the development and application of labour power. With regard to the method by which this is to be achieved, two phases may also be foreseen. At first, when the scale of production is not particularly great, and collectivism has not yet penetrated the spirit of every member of society, so that the elements of compulsion must yet be preserved, distribution will serve as a means of discipline: each one will receive a quantity of products in proportion to the amount of labour he has given to society. Later on, when the increase of production and the development of labour co-operation renders such careful economy and compulsion unnecessary, complete freedom of consumption will be established for the worker. Giving society all that he is able in strength and ability, society will give him all that he needs.

The complexity of the new method of organising distribution must obviously be enormous and demand such developed statistical and informative apparatus as our epoch is far from having achieved. But even in our time the elements exist in various spheres of economic life which should serve as the material for such apparatus. In the sphere of banking and credit, for instance, there are the agencies and committees of experts for studying the state of the market, stock exchange organisation, &c.; in the labour movement, there are mutual aid societies, co-operative societies; and organised bythe State are schemes of insurance, &c. All these will have to be radically reformed before they can serve for the future system of distribution, because at present they are wholly adapted to the anarchical system of capitalism and therefore subordinated to its forms. They may be described as the scattered

rudimentary *prototypes* of the future uniform and harmonious system of distribution.

4. Social Ideology

The first feature of the social psychology of the new society is its *socialness*, its spirit of collectivism, and this is determined by the fundamental structure of that society. The labour compactness of the great human family, and the inherent similarity in the development of men and women, should create a degree of mutual understanding and sympathy of which the present-day solidarity of the class-conscious elements of the proletariat, the real representatives of future society, is only a weak indication. A man trained in the epoch of savage competition, of ruthless economic enmity between groups and classes, cannot imagine the high development between men of comradely ties that will be organically created out of the new labour relations.

Out of the real power of society over external nature and social forces there follows another feature of ideology of the new world, viz., the *complete absence of all fetishism*, the purity and clearness of knowledge and the emancipation of the mind from all the fruits of mysticism and metaphysics. The last traces of natural fetishism will disappear, and this will reflect the final overthrow of both the domination of external nature over man and the social fetishism reflecting the domination of the elemental forces of society; the power of the market and competition will be uprooted and destroyed. Consciously and systematically organising his struggle against the elements of nature, social man will have no need for idols which are the personification of a sense of helplessness in the face of the insuperable forces of the surrounding world. The unknown will cease to be unknown because the process of acquiring knowledge—systematic organisation on the basis of organised labour—will be accompanied by a consciousness of strength, a sense of

victory, arising from the knowledge that in the living experience of man there are no longer any spheres surrounded by impenetrable walls of mystery. *The reign of science* will begin and put an end to religion and metaphysics for ever.

As a result of the combination of these two features we get a third feature, viz., the *gradual abolition of all standards of compulsion* and of all elements of compulsion in social life.

The essential significance of all the compulsory standards—custom, law, and morals—consists in the regulation of the vital contradictions between men, groups, and classes. These contradictions lead to struggles, competitions, enmity, and violence, and arise out of the unorganised state and anarchy of the social whole. The standards of compulsion which society, sometimes spontaneously and sometimes consciously, has established in the struggle with the anarchy and the contradictions have become a fetish, *i.e.*, an *external* power to which man has subjected himself as something higher, standing *above* him, and demanding worship or veneration. Without this fetishism compulsory standards would not have the power over man to restrain the vital contradictions. The natural fetishist ascribes a divine origin to authority, law, and morals; the representative of social fetishism ascribes the origin to the "nature of things"; both mean to ascribe to them an absolute significance and a higher origin. Believing in the high and absolute character of these standards, the fetishist subjects himself to them and maintains them with the devotion of a slave.

When society ceases to be anarchical and develops into the harmonious form of a symmetrical organisation, the vital contradictions in its environment will cease to be a fundamental and permanent phenomenon and will become partial and casual. Compulsory standards are a kind of "law" in the sense that they must regulate the repeated phenomena arising out of the very structure of society; obviously under the

new system they will lose this significance. Casual and partial contradictions amidst a highly-developed *social sense* and with a highly-developed *knowledge* can be easily overcome without the aid of special "laws" compulsorily carried out by "authority." For instance, if a mentally-diseased person threatens danger and harm to others, it is not necessary to have special "laws" and organs of "authority" to remove such a contradiction; the teachings of science are sufficient to indicate the measures by which to cure that person, and the social sense of the people surrounding him will be sufficient to prevent any outbreak of violence on his part, while applying the minimum of violence to him. All meaning for compulsory standards in a higher form of society is lost for the further reason that with the disappearance of the social fetishism connected with them they also lose their "higher" form.

Those who think that the "State form," *i.e.*, a legal organisation, must be preserved in the new society because certain compulsory laws are necessary, like that requiring each one to work a certain number of hours per day for society, are mistaken. Every State form is an *organisation of class domination* and this cannot exist where there are no classes. The distribution of labour in society will be guaranteed on the one hand by the teachings of science and those who express them—the technical organisers of labour acting solely in the name of science, but having no power—and on the other by the power of the social sense which will bind men and women into one labour family by the sincere desire to do everything for the welfare of all.

Only in the transitional period, when survivals of class contradictions still exist, is the State form at all possible in the "future State." But this State is also an organisation of class domination; only it is the domination of the proletariat, which will abolish the division of society into classes and together with it the State form of society.

5. Forces of Development

The new society will be based not on exchange but on *natural self-sufficing* economy. Between production and consumption of products there will not be the market, buying and selling, but consciously and systematically organised distribution.

The new self-sufficing economy will be different from the old primitive communism, for instance, in that it will embrace not a large or a small community, but the whole of society, composed of hundreds of millions of people, and later of the whole of humanity.

In exchange societies the forces of development are "relative over-population," competition, class struggle, *i.e.*, in reality the *inherent* contradictions of social life. In the self-sufficing societies referred to above, tribal and feudal societies, &c., the forces of development are based upon "relative over-population," *i.e.*, the *outward contradictions* between nature and society, between the demands for the means of life arising out of the growth of the population and the sum of these means which nature in a given society can supply.

In the new self-sufficing society the forces of development will also lie in the *outward contradictions* between society and nature, in the very process of struggle between society and nature. Here the slow process of over-population will not be required to induce man still further to perfect his labour and knowledge: the needs of humanity will increase in the very process of labour and experience. Each new victory over nature and its mysteries will raise new problems in the highly-organised mentality of the new man, sensitive to the slightest disturbance and contradiction. Power over nature means the continual accumulation of the energy of society acquired by it from external nature. This accumulated energy will seek an outlet and will find it in the *creation* of new forces of labour and knowledge.

It is true that accumulated energy does not always lead to creativeness; it may lead to degeneration.

The parasitic classes of modern, as of former, societies accumulate energy at the expense of the labour of others and seek an outlet for it not in creativeness but in debauchery, luxury, perversity, and refinement. This leads to the weakening of the mentality and to the decline of these classes. But these are only *parasites*; they do not live in the sphere of socially useful labour, but almost entirely in the sphere of consumption. Naturally they seek new forms of indulgence in this sphere and find them in perversity and subtle refinements. But socialist society does not know of such parasites. In it all are workers, and they will satisfy their desire for creativeness arising out of the excess of energy in the *sphere of labour*. They will perfect technique and consequently perfect themselves.

The new forces of development arising out of the struggle with nature and of the labour experience of man operate the more strongly and rapidly the wider and more complex and diverse this experience is. For this reason, in the new society with its colossally wide and complex system of labour, with its numerous ties uniting the experience of the most diverse (although *equally* developed) human individualities, the forces of development must create such rapid progress as we in our day can hardly imagine. The harmonious progress of future society will be much more intensive than the semi-spontaneous progress, fluctuating between contradictions, of our epoch.

All *economic obstacles* to development will be abolished under the new system. Thus, the application of machinery, which under capitalism is determined by considerations of *profit*, under the new system will depend entirely upon *productivity*. As we have seen, machinery which may be very useful for saving labour is very frequently useless from the standpoint of capitalist profits. In socialist society such a point of view will not prevail and there will therefore be no obstacles to the application of labour-saving machinery.

The forces of development which will dominate at this stage will not be new forces; they will have operated

previously. In the natural self-sufficing system, however, these forces were suppressed by the general conservatism prevailing in it; under capitalism they are suppressed by virtue of the fact that the classes which take for themselves the product of surplus labour, *i.e.*, the main source of the forces of development of society, do not participate in the *direct* struggle with nature, do not conduct industry personally, but through others, and consequently remain outside the influence of the forces created in the struggle.

Under socialism, however, the sum total of surplus labour will be employed by the whole of society and every member will directly participate in the struggle against nature. Consequently the main and greatest driving force of progress will act unhindered and at top speed, not through a select minority, but through the whole of humanity, and the sphere of development must increase unceasingly.

Thus the general characteristics of the socialist system, the highest stage of society we can conceive, are: *power over nature, organisation, socialness, freedom, and progress.*