CORRESPONDENCE SOCIALISM

SEND FOR OUR CIRCULAR

140 EAST 19TH ST., NEW YORK
INTRODUCTION

A. SCOPE AND PLAN OF COURSE.

In this course we shall study Socialism as represented by the existing International Socialist Movement, and shall disregard all the poetic visions, sectarian communities, experimental colonies, and utopian schemes, from Plato to Ruskin Colony, which superficial writers often confuse with it.

We shall examine Socialism as a theory of social progress, as a criticism of existing society, as an ideal of social re-organization, and as an actual movement of the masses—especially of the wage-working class. (See Hillquit, Socialism in Theory and Practice, Introduction.) Our course will fall into three main portions: 1. Social Evolution. 2. Economic Theory. 3. Socialist Ideal and Movement.

First we shall try to understand how human society develops—to trace the main causes for the growth and decay of successive economic systems, with their accompanying political, legal, ethical, religious, intellectual and other phases of social life. The Materialistic Conception of History and the Theory of the Class Struggle will fall into this division.

Next we shall examine the existing system—that of Capitalism—briefly sketching its origin and growth, and more thoroughly analyzing its actual workings. In this division we shall take up such subjects as Production of Commodities, Utility, Price, Value, Capital, Labor-Power, Wages, Surplus Value (Rent, Interest, and Profit), Industrial Crises, Competition and Concentration, Accumulation of Capital, Expansion of Capitalism.

Finally, we shall study the Socialist movement—something of its history, more of its ultimate aim, its working program, and its policy in dealing with problems presented by capitalist society.

Throughout, we shall bear it in mind that Socialism is not a ready-made scheme invented by Karl Marx or anybody else; on its theoretic side, it is a scientific explanation of facts; on its practical side, it is a natural outgrowth of the workers' consciousness under the influence of capitalist conditions.
B. SOME FUNDAMENTAL POINTS.

To introduce us to the study of Social Evolution, we must consider some fundamental points in scientific thought.

**Universal Change.**—Everything in the universe is forever changing. This is true of stars and solar systems, of the earth itself, of every individual being, of all plant and animal species; it is equally true of languages, literatures, arts, religions, moral codes, sciences, political institutions, economic systems. The normal development of any particular thing inevitably brings about its ultimate destruction and the production of something else in its place. We really understand a thing only when we not only know what it is at a given moment, but also know its origin and its tendency.

**Cause and Effect.**—Changes do not come haphazard. There is an ascertainable order in all things. Every event necessarily results from previous events and necessarily causes subsequent ones. What we call a scientific law, or a law of nature, is simply our summing up of the observed relations of cause and effect between different events. To admit the possibility of anything happening without a cause is to make science impossible. Within the last century we have come to see that this is true in human affairs as well as in the external world, and thus to build up social sciences as well as physical and natural sciences. If social sciences are not yet so clear and certain as the others, this is because the facts of social life are more complex and harder to study.

**Things and Ideas.**—Our whole mental and spiritual life is drawn from experience—our own experience and that of our ancestors handed down to us in the form of physical instincts and of habits and knowledge which we learn from our elders. Things exist, whether we know them or not. Ideas have no independent existence; they are the reflection or resultant of things acting on our nerves and brains. In studying human affairs, therefore, we must explain ideas by things, not things by ideas. This is the materialistic or scientific method, as distinguished from the ideological method.

**Man and Beast.**—Man is an animal, the most complex and highly developed of all. In certain respects he pretty closely resembles some other animals; in certain other respects he differs widely from all of them. In many ways man resembles the ape more than the ape resembles the horse or the tiger. What is it that most sharply differentiates man from all other animals? Is it the possession of reason? No; for some beasts have reason in almost as high a degree as the lowest men. Is it the fact that he is a social being? Not exactly; for many other animals are social—f.i., bees, ants, beavers, to some extent wolves, monkeys, some birds, etc. Yet this answer comes nearer the truth. Human society differs from any kind of animal society more than these differ from each other. This leads to the true answer: 1. Man alone has articulate speech; while the cries of animals express only a few feelings, such
as hunger, love, anger, fear, pain, man can also use words to
describe objects, relate events, and state opinions. 2. Man alone
uses tools and invents new tools, thus supplementing the natural
powers of his body. The higher development of his reason is no
doubt due to his use of language and of tools; and it is the
use of tools and language that makes human society planful and
progressive, in contrast with the instinctive and almost change-
less social systems of bees, ants, beavers, etc.

**Two Kinds of Evolution.**—We must distinguish two kinds of
inheritance, and two kinds of evolution connected with them. We
say a man inherits long legs or strong muscles or keen eyes from
his parents. This is organic inheritance. We also say a man inherits
a fortune from his father or from someone else. This is quite a
different kind of inheritance. In this latter sense we inherit, for
instance, scientific ideas or religious beliefs from our seniors.
Plant and animal species develop only through organic evolution.
The individuals least fitted to their environment die prematurely;
the species is propagated from the better adapted survivors; thus
each successive generation inherits in larger measure such organic
qualities—strength, swiftness, courage or caution, keenness of sense,
special organs or instincts, etc.—as are most useful to it under exist-
ing conditions. No doubt man also is undergoing this organic evo-
lution; but it is too slow to be perceptible in a few hundred genera-
tions. Man advances chiefly by social evolution. The difference
between the modern horse and his remote ancestor, the little five-
toed eohippus, is wholly an organic difference. There is very little
organic difference between civilized man and his primitive savage
ancestors; the chief difference consists in the knowledge, beliefs,
resentments, habits, customs, laws, etc., which have been accumulated
and modified and handed down from generation to generation. This
social evolution, so different from and so much more rapid than
organic evolution, is made possible by tools and language.

**Social Evolution.**—Just as biologists work out the laws of
organic evolution by observing and comparing plants and animals,
sociologists are working out the laws of social evolution by observing
and comparing the facts of human life, past and present. In this
study, we find a certain normal order of development, which all
peoples tend to follow. To illustrate: Some oak trees are killed
before they mature; some are dwarfed by lack of light or fertile
soil; some are twisted by overhanging rocks or bent by prevailing
winds; yet we recognize a certain normal order of growth which
all oak trees tend to follow, from the acorn up. So some branches
of the human race have advanced faster than others; the progress
of some has been hastened or retarded or somewhat changed, as
when one people has been conquered or otherwise influenced by
another people in a higher or a lower stage; but they have all tended
to follow a certain order from savagery to civilization.

**Natural and Social Sciences.** It is the task of the natural
sciences to investigate the actual life of plants and animals, as indi-
viduals and as species; to ascertain the normal tendencies of their development; and to explain the exceptions caused by special conditions in particular cases. It is the task of the social or historical sciences to examine and compare the facts of man’s social life, past and present; to discover the normal course of its evolution; to show what special conditions have caused this or that society to develop in a manner somewhat different from others; and so to give us an understanding of the forces at work in the society in which we live.

The “practical” or utilitarian use of science consists largely in this, that by making us understand how things have come to be as they are, it enables us more or less clearly to foresee what they are going to become, and even to modify their future development by changing the conditions under which they exist. Thus our scientific understanding of the natural evolution of vegetable and animal species has increased our power to create new breeds of domestic plants and animals to suit our needs. In the same way, the better we understand how human society has developed to its present state, the better may we predict its future tendencies, and guide it into the channels most favorable to human happiness. Whereas man’s social evolution in the past has been almost as blind and passive as the organic evolution of plants and animals, the study of historical science is now making social progress self-conscious and purposeful. Instead of drifting with the stream, we are now beginning to be able to steer our course.

ASSIGNED READING.

Each student should read, within the next four weeks, some one of the following little books, so that all may contribute to the discussion: Meyer, The Making of the World; Thomson and Geddes, Evolution; Lewis, Evolution, Social and Organic; Boelsche, The Evolution of Man; Engels, Origin of the Family; Untermann, Science and Revolution; Lafargue, Evolution of Property; Lafargue, Social and Philosophical Studies; Kantsky, Ethics and the Materialistic Conception of History; Myres, The Dawn of History.

QUESTIONS AND SUGGESTIONS.

1. Is it a waste of time for twentieth-century workingmen to study the early history of the human race? If not, why not?
2. State, without referring to your paper, the principal divisions of this course in their order.
3. Give illustrations of the statement that the normal development of anything brings about its own destruction.
4. Do the actions of individual human beings have causes? Give illustrations.
5. Do you agree that all our ideas are derived from experience? You should not accept this statement without thinking it out.
6. What is the fundamental difference between the society of bees or ants and that of human beings?
8. In what manner have the use of language and of tools enabled man to develop differently from the beasts? What is the difference between man’s relation to his environment and the relation of the beasts to theirs?

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LESSON II.

MAN'S EARLY PROGRESS

A GENERAL VIEW.—Food is the prime necessity. Somewhat less imperative are the needs for shelter, clothing, ornament, amusement, etc. Among primitive men, protection from wild beasts was also a pressing need. The development of the methods by which man supplies these needs furnishes the basis of all social progress.

From the beginning, man was a social animal. His inferiority to other animals in strength and swiftness necessitated this, and his use of tools and of language favored it. Mutual help is a universal feature of human life. Isolated individuals or couples have no chance to survive. The size of communities and the form of social organization vary widely in different periods, in consequence of changes in the means and methods of getting a living.

The human race is probably from quarter to half a million years old. Some peoples have advanced much more rapidly than others. More than half the time was spent, even by the most progressive stocks, in the period of Savagery. Next comes Barbarism, a somewhat shorter period. The third stage, Civilization, began not more than ten or fifteen thousand years ago. Definite written history carries us back only about three thousand years. What went before we have to infer from scientific study of the life of modern savages and barbarians, of prehistoric remains (dwellings, tombs, weapons, tools, etc.), of evidence preserved in language and mythology, etc. Only within the last few hundred years has social progress begun to be somewhat conscious and purposeful. In general, the rate of advance becomes ever more rapid.

THE ARTS OF LIFE.—Primitive men lived in bands or hordes, roaming through tropical forests, feeding on raw fruits, nuts, etc. The first tools were mere sticks and stones. During the period of Savagery we find the following principal inventions and discoveries: Art of making fire and cooking food; fishing with spear, hook, or net; the raft, dugout, and then the bark or skin canoe; huts made of boughs or of poles and bark; stone knives, axes, etc.; the bow and arrow; basket work; tents and clothes, first of skins, then of felt, later of woven cloth. The use of fire makes fish available for
food; this enables man to spread along sea shores far beyond the tropics. The bow adds game to his food supply and further extends his habitat. Each of these inventions makes his subsistence somewhat more regular and abundant. At the close of this period, while still living chiefly on fish, game, and wild fruits and nuts, men begin to till the soil occasionally; the camp becomes a temporary village, the band remaining in one place long enough to raise a crop or two, then moving to a new home.

The period of Barbarism begins with the invention of pottery. This is followed by the working of copper; boats and houses of hewn timber; domestication of animals; regular cultivation of the soil. This leads to permanent settlement, followed by building with adobe and stone, working of iron, invention of wheeled vehicles, plow, etc.

Picture-writing develops into hieroglyphics and then a phonetic alphabet, which we count as the beginning of Civilization. This makes possible more certain transmission and rapid accumulation of knowledge, and greatly accelerates progress.

PRIMITIVE COMMUNISM.—The rule of early savagery was solidarity within the horde and enmity to strangers. Class distinctions and property rights were unknown. This was due to necessity. So long as man lived absolutely from hand to mouth, individual ownership of food would have meant starvation for the horde. For the same reason, each horde looked on other hordes as rivals in the daily search for food.

Observe here, the right of property means not merely a certain person's right to use a certain thing, but his right to prevent others from using it. This was unknown in primitive times. The practice and theory of property rights rose gradually; along with it rose class division and class rule. They became possible at a certain stage in the development of the arts of life. Having become possible, they promoted further progress. For long ages, during which they underwent many changes, they continued to be helpful to the advancement of society.

ORIGIN OF THE FAMILY.—At first, promiscuity of sexual relations within the horde prevailed. This was gradually limited by prohibition of intercourse, first between older and younger generations, then between persons born of the same mother, then between members of the same gens—that is, persons known or believed to be descended through females from a common ancestress. How these prohibitions arose, we do not know. Very likely those who originated them had reasons that would seem to us absurd. We find among savages innumerable taboos (rules forbidding this or that act), some of which seem to have no rational basis. Some taboos and other customs may be useless and harmless, some beneficial, some positively injurious. The taboos that forbade intercourse between near kin happening to be socially beneficial (since in-breeding tends to bodily and mental degeneration), the peoples
that adopted them survived and prospered, and thus these rules were perpetuated.

These limitations give us group marriage—several women of one gens jointly married to several men of another. This implies the breaking up of the camp into separate households, each family group having its own hut and household goods.

Thus far, since paternity is uncertain, kinship is traced only in the female line. The relation of father and child is not recognized. When a man dies, his personal belongings (weapons and ornaments) pass to his brothers or to his sisters' sons; household goods pass from mothers to daughters. In so far as the idea of ownership (as distinguished from use) has yet arisen, things are regarded as belonging either to the gens or to the household, rather than to the individual.

Out of group marriage insensibly grows pairing marriage—the habitual mating of one man and one woman, dissoluble at the will of either, and not involving exclusive fidelity, especially on the man's part. This probably tends to better care for children, is therefore socially beneficial, and survives.

Pairing marriage, with kinship through females, continues far into the stage of barbarism.

Origins of Property and of Classes.—The first division of labor appears in the hunting and fishing stage. Men go out to fish and hunt, while women prepare the food, care for the children, and have charge of the camp. The women's life is more social, the men's more individualistic. The principal form of wealth is that of household goods, which are in the women's hands. Consequently, women are not subject to men, but rather the reverse; they have at least equal influence in tribal affairs.

Domestication of animals, in the middle stage of barbarism, introduces a new and more important form of wealth. Cattle are in the hands of men, who tend and guard them. The man now becomes head of the household, because he can get along without his wife better than she can get along without him. Agricultural life, by still more increasing the relative importance of men's goods as compared with women's goods, pushes this tendency still farther.

At this stage, pairing marriage passes into monogamy (or, in exceptional cases, polygamy), in which the wife is held to permanent and exclusive fidelity to one husband. (Note that only in modern times does the like obligation begin to be imposed upon men.)

At this stage, also, the rule of kinship and inheritance is changed. Henceforth, the children belong to the father's gens, not to the mother's; kinship in the male line, instead of the female, becomes the basis of all tribal relations. Women become, as a rule, incapable of inheriting or transmitting property.

War now becomes a means of enrichment, in the form of raids to capture other people's cattle. Here begins serious unequal-
ity of wealth within the tribe. Captured cattle belong to those "braves" who have won them in battle, rather than to the community.

Class distinctions now arise in two ways: 1.—Captives taken in war, instead of being killed, are brought home and made to tend cattle and do other work—that is, they become slaves; 2.—When warlike tribes conquer more settled and peaceful ones, instead of exterminating the beaten people the victors simply disarm them and permit them to live and work as before, on condition of giving up part of their produce and rendering menial services—that is, make them helots or serfs; the conquering and conquered peoples become ruling and subject classes in one community.

**HISTORIC FUNCTION OF CLASS RULE.**—Observe that slavery and serfdom and distinction between rich and poor could not arise till progress in the arts of life had led men out of the hunting and fishing stage into that of cattle raising and cultivation of the soil. For the time, class division is favorable to social progress. It means specialization of a part of the people as a leisure class, some of whom serve as observers, thinkers, preservers of knowledge, organizers of social action, maintainers of internal peace, accumulators of permanent wealth, promoters of culture. By this means, for many centuries, class societies can advance more rapidly than primitive classless societies, and thus survive in the struggle for existence or for supremacy. *Only within very modern times has the vast increase in man's productive powers made leisure and culture for all a practicable ideal,* and thus done away with the historic justification for class rule.

**QUESTIONS AND SUGGESTIONS.**

1. Go over the partial list of early inventions and try to see why they happened in this order and not in some other. For instance, why did the working of copper long precede that of iron? Try to form a mental picture of actual conditions of life in each stage.

2. Be sure you understand why communism was inevitable in early savagery. Also, why woman's social position was better in savagery and early barbarism than in later barbarism and early civilization. Observe that the change in customs is not caused by a change of ideas, but that the change of ideas is caused by a change in material conditions of life.

3. In the present age we regard slavery as an evil and regard a classless society as an ideal to be striven for. Is this inconsistent with the statement that the appearance of slavery, serfdom, and social inequality in general was a step in human advancement? If not, why not?

**NOTE.**—Members of the class may be interested in reading, now or at some future time, Marrett's *Anthropology*, Mason's *Origins of Invention* and *Woman's Share in Primitive Culture*, and Kropotkin's *Mutual Aid.*
People that had domesticated animals developed two types of society, according to the country they inhabited.

On the Great Plains.—Some found themselves on broad treeless plains. Here they led a simple, somewhat dangerous, but easy life, frequently moving their camps to find fresh pastures for their beasts, which provided them with food and clothing materials.

Such nomadic peoples are warlike and averse to steady work, despising peaceful and laborious peoples, whom they plunder without compunction. Flocks and herds, the principal possessions, are family property rather than strictly individual property. Slavery of a mild type generally exists, the slaves being virtually members of the family; it is not a source of enrichment, but only of leisure and dignity to the masters. The social status of women is low; every woman is personally subject to her husband or, if unmarried, to her father or nearest male kinsman. Polygamy and holding of female captives as concubines are common.

Examples of nomadic society are the ancient Jews as described in the first thirty-eight chapters of Genesis, and in more recent times the Tartars of Northern Asia and the Bedouins of Arabia and Syria. Such a society may go on for thousands of years with little change. But nomads have several times played a part in history, when they have left the plains and conquered more advanced peoples—for instance, the Huns, Arabs, Mongols, Turks, Manchus.

The nomadic tribe is ruled by a council composed of the hereditary heads of the various clans or gentes—kinship now being traced, the student will remember, in the male line. The principal chief holds his position largely by skill as war leader and as arbiter of disputes within the tribe. The rule of the chiefs is necessarily mild, since discontented factions in the tribe can easily secede and become independent tribes. When, through conquest, such a people becomes a ruling class, with numerous serfs and slaves on a settled area, the chieftancy becomes more strictly hereditary and develops into a “despotism tempered by assassination.”

In the River Valleys.—If a people that had domesticated animals found itself in a great river valley, it developed in a different way. Here permanent settlement and regular cultivation of a fertile soil made possible a dense population. Here arose, some five or ten thousand years ago, the first civilizations—the Egyptians on the Nile, Assyrians and Babylonians on the

Agricultural life makes these peoples less warlike and more industrious. Food being abundant, part of the population practice handicrafts, building, commerce, etc. The comparative wealth of such communities invites barbarian conquerors, who compensate to some extent for their oppression by maintaining order and repelling later invaders. The need for extensive drainage and irrigation works necessitates a central organization, and also calls into being the arts of land surveying and hydraulic engineering. Private property becomes more developed, though land, in general, continues to be owned by the village rather than by individuals.

**Tribe and Nation.**—We are now dealing with nations rather than tribes. We must note the difference.

A *tribe* is a body of savages or barbarians organized *on a basis of kinship*; no one belongs to a tribe unless born or adopted into one of its gentes. Several tribes, speaking the same language and descended from a common stock, may maintain a loose confederacy and help each other in war.

When such a people passes into the agricultural stage, it settles down tribe by tribe in various districts and villages, so that kinship and local residence go together, and the old organization continues for a time. But in course of time, persons of different tribes get mixed throughout the country. The gentile and tribal organization thus gradually breaks down. Meanwhile, a central authority grows up or is imposed by conquest, and the settled people becomes a nation.

By a *nation* we mean a body of people inhabiting a certain territory and organized *on a basis of residence*; every person dwelling in the country is subject to its government and in some sense a member of the nation. Relics of tribal institutions may persist for a long time, especially in village affairs, but they play a subordinate part and tend to die out.

**Oriental Civilizations.**—In all the river valleys named arose civilized nations of a similar type. The government was always a despotic monarchy, supported and controlled by classes of warriors and of priests. The latter were also the learned men, who kept records and laid the foundations of astronomy, mathematics, physics, medicine, and other sciences. This class monarchy levied a heavy tribute on the people (paid in labor and produce), conducted wars, carried on by slave labor enormous works for public use or royal ostentation, (palaces, temples, canals, bridges, the Pyramids, the Chinese Wall, etc.), and cruelly punished any resistance to its authority. But it meddled little with the people's daily life, leaving most matters of administration to the village communities. The rural masses were a sort of serfs, bound to the soil but enjoying personal freedom. Cities grew up, either as appendages to palaces and temples or as centers of commerce. Here there were many slaves, engaged in manual labor and handicraft; slavery in this period is profit-
able and severe. There might also be free laborers and craftsmen, but they were not an important class. Lastly, there were merchants who carried on trade with other countries.

After reaching a certain point in material development, little social change took place in these civilizations. The ruling classes had no incentive to take up new ways; any initiative among the masses was sharply suppressed; the merchants, the only class that might make for progress, were too weak to change the social order. Though new kings and warrior lords were from time to time put in place of old ones by palace revolutions or foreign conquest, life went on in the old ways for long periods.

EARLY COMMERCE.—Savages occasionally exchange articles. But it is obvious that no regular trade could begin till some peoples had approached civilization. Among the first articles of trade were natural products peculiar to this or that country—for instance, metals from the regions where they were mined, furs from cold climates, etc. Pastoral peoples might exchange cattle or hides and wool for things they lacked. Civilized peoples would exchange products of handicraft for materials gathered by barbarians in other lands.

Trade at first has the form of barter, or direct exchange of goods. Gradually, for convenience, some one kind of goods comes to be used as a universal equivalent. At certain periods cattle serve this purpose. But metals are more convenient, because easily kept and handled and always in demand. Copper, silver, and gold become common mediums of exchange. For ages they pass by weight. Only when commerce is well developed and stable governments exist does coinage come into use. A coin is simply a piece of metal stamped by a government to certify its weight and fineness, so as to save the trouble of weighing and testing in each transaction.

Even at the height of Oriental civilization, production for exchange was the exception. The general rule was production of goods to be used by particular persons or, at any rate, for sale in the neighborhood. But there was some trade between distant places, carried on by persons who devoted themselves to that occupation. Its difficulties were great—inadequate means of transportation and danger of being robbed in passing from nation to nation and tribe to tribe. If a merchant was successful, however, his gains were proportionately large. He accumulated wealth in a form more readily disposable than that of other rich men; his treasure could be concealed in time of trouble, could be exchanged for any kind of goods or services he might need, and could be used in getting still more wealth. Moreover, the merchant’s knowledge was broader, his activities more varied, his habits more adaptable than those of the ruling classes. They generally feared change, which might endanger their position. He rather desired it, because he could profit by men’s new needs. Thus the merchants became missionaries of civilization and the chief revolutionary force in later societies.

SEABOARD CIVILIZATIONS.—This leads us to the Phoenician and Carthaginian civilization. One or two thousand years before
the time of Christ we find independent cities springing up on the coasts of the Mediterranean Sea, first at its eastern or Asiatic end, later at various points on the islands and the African and European shores. They have little land outside their walls and little agriculture, and have to import food. The ruling class are merchants, whose ships and caravans buy, transport, and sell the various surplus products of the Babylonians, the Egyptians, and even the Indians, the nomads of Central Asia, Arabia, and Northern Africa, and the barbarian peoples of Southern and Western Europe. These commercial communities spring out of the older river valley civilizations and represent the effort of the merchant class to escape from the rigid rule of despotism and caste society and win greater freedom for trade. They acquire great wealth, possess numerous slaves, and hire fighting men; their caravans and fleets are equipped for war as well as for trade. They establish fortified trading posts on distant shores, some of which later become independent; Carthage was thus the daughter of Tyre and Sidon. These cities are republics, but only the merchants have a voice in the government. Slaves confined in great workshops resembling prisons carry on handicraft, producing goods for their masters to sell; slavery becomes still more profitable and more cruel than in the river valley states. If there are free workmen, they are little better off than slaves. Notwithstanding all this oppression, there is more liberty and chance for intellectual and social progress than in the earlier civilizations. One of these states—Carthage, near the modern Tunis, in Northern Africa—builds up a great empire, with subject cities on many coasts and a large territory cultivated by slave labor to feed it.

These commercial cities formed the link between the river valley despotisms and the much more free and progressive societies of Greece and Rome, whence directly springs all modern civilization.

QUESTIONS AND SUGGESTIONS.

1. Observe that geographical conditions had more influence on the rate and direction of social progress in early stages than it now has. Why is this so?

2. Make sure that in the discussion you bring out the reasons for the difference between the forms of economic activity and social organization on the great plains, in the river valleys, and on the sea coasts.

3. Observe that slavery is not necessarily a state of cruel oppression, but becomes such only when it becomes a source of enrichment to the masters.

4. Why was profit-making handicraft carried on in ancient times by slaves and not by free wage workers, as now? The reason for this may not become altogether clear till later in the course, but it may be considered at this point.

5. Why were the commercial states republics, while the agricultural states were despotic monarchies?

NOTE.—Students should examine maps of the regions mentioned in this and future lessons. The maps in school textbooks of geography and history will serve the purpose.
LESSON IV

GREEK AND ROMAN SOCIETY

The Greeks and Romans started under the influence of Oriental civilization, but developed new forms of society, distinguished by greater mobility and variety, by a new sense of human dignity and personal right, by a large measure of political liberty and legal administration, and by keener intellectual interests and aesthetic tastes. Greek and Roman history occupies twelve hundred years, as follows:

1. From the eighth to the third century B.C.; a creative period; Greece and Italy occupied by scores of independent city-states; ends with Alexander conquering all Greek states and Rome becoming mistress of Italy.

2. Thence till the time of Christ; a period of extension; half a dozen great states struggling for the mastery and spreading civilization over wider areas; ends with Rome conquering the others.

3. Thence till the fifth century A.D.; a period of assimilation, under the Roman Empire; ends with Germanic and Slavic barbarians breaking up the Empire.

(Note.—Students should examine maps of the regions mentioned, which may be found in any school textbook of geography or ancient history.)

GREEK CIVILIZATION.—The home of this civilization was in the peninsula still known as Greece, with the neighboring islands and the opposite shore of the Aegean Sea: This region is cut up by mountains, with little valleys between and narrow level strips on the seashore; the coast is irregular, the climate mild but not tropical, the soil not very fertile. These conditions produced a society different from those of the plains and river valleys. The people's economic life was more varied; they combined sea fishing and trading with grazing, tillage, and handicraft. Unlike the Arabs and Tartars, they had settled homes. Unlike the Phoenicians, they were not primarily commercial. Unlike the Assyrians and Egyptians, they did not easily come under a single government. The settlers in each district, cut off from others by mountains or bays, formed a separate state—first a federation of villages, later a walled city with its few miles of surrounding territory. The public life of each community was
intensely active, but narrowly local. Sometimes one or two states could dominate the others, but only for a little while.

The Greeks got the art of writing and some other knowledge from Phoenicians who established trading posts among them. They needed only the stimulus, and soon surpassed their teachers. Their exceptionally progressive character was chiefly due to the varied nature of their life, calling all their faculties into play, and to the political freedom within the numerous states, giving occasion for a large proportion of the people to use their brains.

In the fifth and fourth centuries B.C. Greece produced masterpieces in architecture, sculpture, poetry, drama, oratory, and philosophy which still command admiration, and which laid the foundation for all that has since been achieved on these lines.

Such progress, however, required a broader field than that of the city-states. Moreover, these states were internally weakened by class struggles. The growth of commerce also demanded a wider basis, since separatism involved frequent war, lack of protection against pirates, and troublesome differences of law and administration.

Unity was imposed from outside. The people of Macedon, north of Greece, had absorbed much of Greek civilization, but had not become city dwellers. From a federation of barbarian tribes, they grew into a half-civilized monarchy which was able to wield great military power. Under Philip and Alexander the Great (359-323 B.C.) they subjugated Greece.

The Rise of Rome.—Italy also contained many city-states. But geographical conditions caused different development. Italy is less broken up by mountains and bays and has more land fit for pasture and farming. Hence the Italians were more largely agricultural than the Greeks. The simpler routine of their lives, together with their greater distance from the older civilizations, made them start later and advance more slowly. It was easier here for war to result in consolidation. By the time when Alexander subdued Greece, the city-state of Rome had conquered most of the other Italian states. Thus there was less of free political life, except among the Romans themselves, and they were more given to war and administration than to art and learning.

Class Struggles in the City-States.—Slavery existed throughout Greek and Roman history, dating from prehistoric times. At first it was of a mild domestic type, but later it became a terrible form of exploitation. The slaves had no active share in civilization, but furnished its material basis. (See Lesson II.) They often rebelled, but were always crushed. Neither the slaves themselves nor such deep thinkers as Plato, Aristotle, and Marcus Aurelius, imagined the possibility of a civilized society without slavery. The important class struggles were not servile revolts, but conflicts between different classes of freemen.

Each state was a tiny republic. The so-called "kings" of early
Greek and Roman history were merely hereditary tribal chiefs. About the seventh and sixth centuries B.C., they gave way to elected magistrates. At first equality prevailed within each state. The whole free people—all descendants of the original settlers, organized in their tribes and gentes—shared in the public life, which still rested largely on the kinship basis.

Gradually a new class rose in each state—freemen who did not belong to old families and had no voice in public affairs. These were partly descendants of emancipated slaves or helots; partly fugitives from the disasters of war, feud, or famine in other states; partly foreigners who came to carry on trade and became permanent residents. They grew numerous and some of them wealthy, and resented their exclusion from political power. A struggle ensued—known in Greek history as the conflict between aristocracy or oligarchy and democracy, in Roman history as the strife between patricians and plebeians. It ended in the extension of citizenship to all freemen; kinship thus lost its political significance. This took place in the Greek states about 600-450 B.C., in Rome about 450-350 B.C.

New class antagonisms later developed out of profit-making commerce and concentrated ownership of land and slaves, connected with unequal division of conquered lands and spoils of war. There was conflict between land owners and merchants and money lenders, and between small farmers who worked their own land and planters who had thousands of slaves. The landed, mercantile, and moneyed interests finally fused into one plutocratic class, and the lines were drawn between rich and poor.

No machinery was yet in use. All labor was handicraft. Besides free artisans, there were large numbers of slaves engaged in handicraft for their masters’ profit. The free artisans sometimes played a part in the class struggles, but with little success, being overwhelmed by the competition of slave labor. The chief means of amassing riches were either to get a high political office (especially in the administration of conquered provinces) and practice wholesale bribery and extortion, or to own and pitilessly exploit a multitude of slaves. The two were often combined, and the demand for more slaves was a powerful incentive to war and conquest. A feature of the large cities was the “proletariat”—not workingmen, but a parasitic rabble, living partly by casual labor, partly by alms, and largely by prostitution and crime. This class could always be hired by the rich to mob and murder advocates of the poor.

The Great States.—Alexander conquered not only Greece, but also Western Asia and Egypt. While this killed political liberty and checked the inner growth of Greek culture, it spread this culture over vast and varied populations. It enlarged the opportunities for commerce and travel and promoted a conception of humanity in place of narrow local and tribal feelings. About the same time the Romans rapidly assimilated Greek culture, which they carried to all the lands they conquered.

After Alexander’s death his dominion split into four monarchies. These, together with Carthage (see Lesson III) and Rome, made six
great states dominating the Mediterranean world, all but one of which owed their civilization to Greece. These were not real nations, for each comprised many distinct peoples held together by armed force, with no feeling of unity. Each state had to fight for its life against the others, since it could not rest on the attachment of its subjects. In three centuries of war Rome overthrew Carthage, subdued the Alexandrian kingdoms, and extended its power over neighboring barbarian peoples until, by the time of Julius Caesar (68-44 B.C.) it included under one government all Western and Southern Europe, Western Asia, and Northern Africa.

THE ROMAN EMPIRE.—Rome was still nominally a city republic when it won this widespread dominion. Only Roman citizens shared political power, and in practice only rich Romans filled offices and used power for their own benefit.

The class struggle now came to a head. The poorer Romans, as well as the provincials, rallied to the support of ambitious military leaders against the rich. One of these leaders, Julius Caesar, overthrew the constitution and became virtually an autocrat. The masses preferred a stable and efficient monarchy to a corrupt plutocratic republic.

For almost five centuries, eighty million people enjoyed internal peace, uniform law, and a fairly good legal and financial administration, with some municipal self-government, at the cost of submitting to imperial rule and maintaining an immense army to guard the frontier. The results of Greco-Roman civilization had time to enter into the very lives of the people. The thoroughness of this assimilation is shown by the fact that to this day most Continental nations have legal systems founded on Roman law; that the Belgians, French, Spaniards, Portuguese, Italians, and Rumanians speak tongues derived from Latin, the language of the Romans, while English also contains many Latin and Greek words; that the organization of the Catholic Church is modeled on that of the Empire; while the doctrines of all Christian churches, and all our philosophy, science, art, and literature show the influence of Greek thought and Roman discipline.

Although civilization suffered a setback at the fall of the Empire, the sparks of liberty and intellectual life were never quite extinguished. Europe has never gone back to complete barbarism or to the deadening arbitrary despotism and caste system of the Orient.

QUESTIONS AND SUGGESTIONS

1. Compare Egypt and Greece: a) Natural environment; b) Effect of this on economic activities; c) Effect of economic conditions on political and intellectual progress. Do not be content with general phrases, but try to picture the actual life of the people.

2. Name some of the chief permanent contributions which the Greeks made to our civilization.

3. Why do science and art generally flourish in a state where many of the people enjoy political liberty better than they do under a despotism?
LESSON V

THE FEUDAL SYSTEM

DECAY OF THE ROMAN EMPIRE.—The tyranny of the rich was somewhat restrained under the Empire, but concentration still went on. Small farmers, competing with slaveholding planters, lost their lands. Some perished in want or became beggars or thieves; most became hereditary tenants on lands they once had owned. The degradation of the peasant class gradually reduced the military strength of the Empire.

Slaves are generally too lazy and ignorant to be efficient workers, slaveholders too proud and extravagant to be good managers. Agriculture on a large scale conducted by slave labor exhausted the soil, impaired the economic strength of the Empire.

A vast and costly army was needed to hold the frontier against the barbarians. Heavy taxation provoked popular discontent. Repressive measures had to be used to maintain imperial unity—cruel penal laws, espionage, prohibition of organization, limitation of right to change residence or occupation. Systematic repression, burdensome taxes, and official extortion hampered commerce, discouraged thrift and enterprise, and diminished the people’s productive power.

In the fourth century the frontier began to give way. For several hundred years barbarian peoples poured in—Goths, Huns, Vandals, Lombards, Franks in Western Europe; Magyars, Serbs, Bulgars in the East; Angles and Saxons in Britain; Arabs and Moors in North Africa and Spain. In the East a fragment of the Empire, with its capital at Constantinople, lingered till the fifteenth century, when the Turks crushed it. The Empire in the West came to an end in the fifth century.

The conquerors comprised hundreds of distinct tribes. Each tribe seizing a certain district made it a virtually independent state. With the destruction of the centralized administration the great harbors, canals, aqueducts, bridges, and roads which the Romans had created fell into decay. Travel and transportation became very difficult. Only a few cities, mostly on the Mediterranean shores, kept up a little industry, commerce, and civic life, paying tribute to barbarian chiefs.

CHRISTIANITY.—The Christian religion had arisen simultaneously with the Empire. It appealed to the oppressed, consoling them with a promise of happiness in Heaven. At first the authorities
persecuted it, supposing that a religion welcomed by slaves and poor men must be seditious. In fact, it taught submission and contentment. When the ruling classes understood this, they changed their attitude. In 324 A.D. the Emperor Constantine made it the state religion, and his successors persecuted other beliefs. A strong organization grew up, with priests, bishops, and the Pope at the head, ruled from above, in close touch with the government, and enriched by taxes as well as voluntary gifts. Some of the barbarians had been converted before the invasions; other accepted Christianity soon after. The Church was the only organization that kept up any unity throughout Europe and was the chief preserver of civilization through the Dark Ages, till commerce began to revive about the eleventh century.

SERFDOM.—A serf is one who is bound to a certain piece of land, must do certain work for its owner without pay, but works the rest of the time for himself; he has no right to leave the estate, nor has the lord a right to turn him off. A slave is a piece of personal property who may be sold at will. From the rise of class society till the capitalist age, serfdom generally prevailed where the chief occupation was tilling the soil to raise crops for use, while slavery took its place where production for sale became common, whether in agriculture or handicraft, as well as in domestic service.

In the last century of the Empire, the laws forbade the landowner to sell his slaves, lest he should be unable to pay his taxes; for the same reason small farmers were forbidden to leave their lands; thus all rural workers became a sort of serfs. The barbarian conquests completed the change. The people were permitted to go on working the land, cultivating a part for the conquerors and making their living on the rest. Slavery almost disappeared, while serfdom became general except in the few surviving cities.

FEUDAL GOVERNMENT.—As the tribes settled down the greater and lesser chiefs became rulers of districts, with titles of king, duke, count, baron, etc.; in general we call them lords or nobles. The warriors attached to these chiefs formed the order of knights. The lord assigned to each knight a tract of land with the serfs on it to maintain him. The nobles and knights spent their time in hunting, fighting, and ruling, and disdained manual labor and trade.

The whole body of lords and knights was bound together by obligations of mutual loyalty. Each owed honor and obedience to his superior and protection to his inferiors. In practice, authority was strong in the lower ranks and weak in the higher. The petty lord, supported by his knights, held almost absolute rule over the people in his little territory. He tried civil and criminal cases and regulated affairs about as he pleased, because none had power to oppose him. It was easier for him, dwelling in a strong castle, to resist his overlord. As for the king, his authority was hardly more than nominal, unless he had great estates of his own and was a good war leader.

War was the chief function of the government. When war was declared, the king summoned his great lords and these their
inferiors and so on down to the knights. In consideration of the land he held, each owed his superior a certain amount of military service and might render more in hope of additional land and loot. Every lord claimed the right to make private war against anyone but his overlord, and only very able kings could keep peace within their realms.

The needs of the king and of each lord were supplied chiefly from his own lands, though each landholder made small payments at stated times to his superior, sometimes in money, oftener in produce. Every lord collected tolls from traders or travelers within his domain, and often plundered them.

Although in practice arbitrary power was often used, feudal government was not despotic but legal. The old laws of the tribes prevailed in the various countries, gradually modified to suit changed conditions and sometimes mixed with principles of Roman law, especially where the Church used its influence. From time to time the king called together the great nobles and the bishops and heads of monasteries, to ask their advice and induce them to supply him with funds. In consenting to tax themselves they often imposed conditions as to how he should use his power. These assemblies were the germ which, by the addition of elected representatives of the middle classes, later grew into true parliaments.

Feudal Property.—Land was the chief form of wealth, and almost the only productive wealth. In general, it was not absolute private property. Each knight or nobleman held his land by hereditary grant from his overlord. He had a right to use it during his life, on condition of rendering the respect, obedience, service, and payments due the overlord. He could not dispose of it by sale, mortgage, or will; it must pass on to his heir, subject to the same conditions. As a rule, only males could inherit, because only they could render military service. If the holder failed of his duties or died without heirs, the land went back to the overlord, who might grant it to someone else on similar terms. The amount of service, payments, etc., varied with each estate; they were hereditary rights and obligations and could not be changed at will, as can the terms of a modern lease.

The land system was thus closely connected with the system of government; social rank, duties, rights, and powers were inherited along with specific land estates; a landless man, as a rule, had no share in political power. The main consideration was to keep up the military force of the state, which was necessary to protect it from neighboring powers. The system tended to keep every man in the position to which he was born and hampered social change; each person drew from a particular piece of land a livelihood suited to his rank; but even a great landholder could not easily raise means for any enterprise outside the regular routine.

Economic Life.—An estate might consist of a few hundred acres or many square miles. The lord with his family, armed followers, and domestic servants, lived in a fortified house or castle. The serfs dwelt in cottages forming a village near by. Part of the
land was reserved for the lord's household; every serf had to work on it a certain number of days, from 100 to 200 in the year. Another part was assigned to the serfs; at first they held it in common, but later divided it individually; whatever a serf raised on this land was his own—for serfs, unlike slaves, could own personal property. A third part was common pasture, where each serf had a right to keep a certain number of beasts. There was also waste and woodland; the lord reserved the right of hunting, but serfs might fish, gather firewood, and feed swine in the forest.

In connection with farm work, various handicrafts were carried on to supply local needs—grinding grain, brewing, tanning leather, spinning and weaving wool and flax, making clothes, blacksmith work, etc. The common people's wants and most of those of the upper class were supplied on the spot. A very small amount of specialized industry and trade between distant places was required to provide metals, sea fish, salt, and a few other necessities that could not be produced everywhere; articles requiring skilled workmanship that could be found only in the towns—weapons and armor, fine cloth, etc., and small quantities of foreign luxuries—wine, olive oil, pepper and spices, furs, silk, jewels.

SUMMARY.—1. Medieval society was behind that of the Roman Empire in the arts of life and in intellectual activity; 2. The knowledge, interests, and ideals, even of the upper classes, were narrowly local; 3. The general tone of society was intensely conservative—the very idea of social progress was unknown.

ADVISED READING

Students who have little knowledge of history will find it worth while to read textbooks of General History and of English History such as are used in the local high school. Gibbins' Industrial History of England is very helpful.

QUESTIONS AND SUGGESTIONS

1. Describe the internal weaknesses that caused the civilized Roman society to give way before barbarian attack.
2. Why were these weaknesses unavoidable? Why could not the Roman Empire combine freedom and personal initiative with order and defence on a large scale, as great modern nations do?
3. Observe that institutions which are favorable to progress at one period may be hurtful at another, and vice versa. Illustrate this from what you have learned in this course.
4. Explain the difference between slavery and serfdom. With what different economic conditions do they correspond, and why?
5. How did feudal land ownership differ from that of modern times? Describe it and show its effect on economic progress.
6. Compare feudal government with that of the Roman Empire, and also with that of modern nations, showing points of difference and resemblance.
CONSOLIDATION OF POLITICAL POWER.—An essential feature of feudalism was the virtual independence of innumerable lords. But this gave occasion for each to strive to aggrandize himself at his neighbors’ expense. In the universal strife the weaker combatants went to the wall and the strong grew stronger. Political power became concentrated, royal authority increased, and this gave better administration and promoted the growth of trade.

ALIENATION OF FEUDAL RIGHTS.—The greater the kings and ruling lords became, the more they must seek further aggrandizement by distant and prolonged wars—such, for instance, as the Crusades. For such enterprises they needed ready cash. Under the feudal economy each drew from his estate a steady supply of goods adequate to his ordinary needs so long as he stayed near home; but it gave him little money and could not furnish large funds for special occasions. Much as the nobles despised labor and trade, they had to make concessions to them. Hoping to become richer and greater, they were willing to risk the basis of their present wealth and power, and alienated part of their feudal rights.

EMANCIPATION OF SERFS.—One way for the lord to raise funds was to sell his serfs their freedom. This was done to some extent on the Continent, but more in England, where serfdom became almost extinct before the fifteenth century. Some of the emancipated serfs went to the towns, but most remained on the land as hereditary free tenants. Under the new arrangement the former serf and his descendants might keep their ancestral holding as long as they chose, paying a money rent; the lord had no right to turn them off or raise their rent, but they were free to quit when they liked.

SALE OF LANDS.—Under pressure of the need for money, the kings and lords relaxed the law prohibiting the sale or mortgaging of feudal lands. Many estates were disposed of wholly or in part, passing into the hands of the church or of merchants who had money with which to buy. Such lands could thereafter be bought and sold like other property. Thus arose a class of non-feudal landowners, whose ruling motive was accumulation of wealth, not maintenance of military force and chivalric glory.

RISE OF CITIES.—Some little commerce had survived the barbarian conquests. (See Lesson V.) The rise of royal power fostered this, by maintaining law and order and by creating a demand for articles of luxury. As political conditions became somewhat settled, trading centers grew up at many points, where merchants brought foreign goods and neighboring peasants their surplus produce for sale. Feudal laws and institutions being ill adapted to the needs of commerce, the people of a trading center were always glad to pay the king for a charter incorporating them as a city with privileges of building a wall, keeping up a militia,
and having an elected council and magistrate to make and administer their own laws for internal affairs. Many Continental cities became for a time independent states; in England they were always subject to royal control. On account of the difference of occupations and environment, the people of the cities were more open to new ideas and more capable of united action than the rural population; moreover, their wealth grew more rapidly than that of the landed aristocracy. The difference of economic interests caused frequent conflicts between the urban and rural classes over questions of public policy.

Parliamentary Government.—As the cities grew in wealth they were required to send representatives to sit in parliament with the lords and prelates, thus sharing in political power. As a rule they supported the crown against the nobility and clergy, and in return the crown helped them to get laws favorable to mercantile interests. Out of this representation grew the British House of Commons and the lower houses of other parliaments. The city population formed a distinct element, variously known as the Bourgeoisie, dwellers in “bourgs” or towns; as the Third Estate, in distinction from nobility and clergy, the two higher “estates” or classes; and as the Middle Class, because they were between these upper classes and the peasants. (Note.—Marx and other European writers use the term “middle class” as synonymous with “capitalist class” or “bourgeoisie,” while Americans apply it only to the small capitalists.)

Merchants and Artizans.—At first the city government was fairly democratic. The rights of citizenship, however, did not necessarily belong to all inhabitants, but only to the original recipients of the charter and their descendants and such persons as they might admit on an equal footing. For a time, feeling the need for a large population, they extended civic rights to new comers and even welcomed runaway serfs. Later they made acquisition of citizenship more difficult. Thus was formed an urban aristocracy, composed of older families, and a body of newer inhabitants with little voice in public affairs. In general, this corresponded to the distinction between richer and poorer elements or between merchants, engaged in foreign and wholesale trade, and artizans and shopkeepers, engaged in handicraft and local retail trade.

The medieval merchants were the forerunners of modern capitalists. Only incidentally, however, were they employers of labor. Their profits were made in buying and selling, not in manufacturing. Industrial production was still concluded by artizans working with hand tools alone or in small shops.

There were some unskilled laborers who might be life-long wage-workers. But the typical artizan was a skilled workman and not a permanent wage-worker. He began as an apprentice, serving a master who taught him his trade. Then he became a journeyman (from journée, French for “a day’s work”) and worked for wages wherever he could get a job. In time he was admitted to the degree of master, when he might set up a shop, take one or more apprentices, and hire journeymen if he chose. Every apprentice could reasonably expect to become a master in time. The master was still a manual worker, but also a buyer of materials, a seller of goods, and often a small property owner.

Goods were made largely “to order” or, at any rate, for sale directly to local consumers, but partly also for sale to merchants.
who disposed of them in other places. The equipment for a shop was comparatively inexpensive. There was not much advantage to a master in having many workmen under him, since he had to pay them nearly as much as their labor produced, else they would set up for themselves.

The artizans thus differed from modern wage-workers even more than the merchants differed from modern capitalists. There was no such conflict between employers and employees as now prevails, because there was no permanent distinction between the two.

The Gilds.—The word *gild* (sometimes spelled *guild*; connected with *yield, i.e. pay*) meant any society having a common fund or treasury.

In every medieval city there was a *merchant gild*, whose function was to regulate commercial affairs, and which was often practically the governing body of the community.

The artizans were organized in *craft gilds*. These were not like our trade unions. Their function was not to protect wage-workers against employers, for they included both masters and journeymen. Each craft gild, subject to royal laws and municipal ordinances, regulated the standard of materials and workmanship, the number of apprentices and journeymen and their pay and treatment, and the price of products in its special trade. No one might practice a trade unless he had been admitted to the gild. The gilds were local bodies; in few cases was there any general organization of a trade.

“Competition is the life of trade,” is a modern maxim. In the Middle Ages all classes regarded competition as an evil to be restrained. There was good reason for this. Nowadays, a scarcity of any commodity in one region is quickly supplied from the surplus in other places, and fluctuations of price are thus automatically kept within limits. With the imperfect means of production and transportation in the Middle Ages there was constant danger of famine prices that would cause intense suffering or of glut prices that would ruin tradesmen. This justified the policy of legally fixing maximum and minimum prices for the chief commodities, and of regulating also wages of labor and quality of goods. Most of the people had reason to dread rather than to desire change. “Live and let live,” was their motto. The first to become dissatisfied with this policy were the merchants, who aspired to increase their fortunes, not merely to make a living. On the other hand, the rural classes, especially the feudal landholders, adhered to the policy longest, because they were least able to adapt themselves to new methods.

To the same general policy belonged numerous sumptuary laws, limiting the amount which a person of any given class might spend on articles of luxury; laws prohibiting or restricting importation or exportation of certain kinds of goods; laws requiring each landowner to devote a certain proportion of his land to the raising of grain, or to keep a certain number of cattle, and many other such restrictions of individual liberty. While this policy was often abused for the benefit of particular classes, its aim was to prevent any existing class, high or low, from being deprived of its means of livelihood through economic change.

Medieval Class Struggles.—There were class struggles within the rural portion, within the urban portion, and especially between the two portions of medieval society.

There were many revolts of serfs. They achieved no last-
ing success except in England (1381), where serfdom was already declining. They failed for the same reason as the slave risings of earlier days—the serfs were isolated and ignorant, had no constructive ideals, could not act on a large scale, and directed their attack against individual lords, not against the system.

Within the cities there were conflicts between merchants and artizans. The former generally triumphed, because the latter depended on them for their supply of materials and for the marketing of a part of their products. But they dared not go too far in oppressing the artizans, because they needed their help in more pressing conflicts.

The chief struggle was between the feudal lords and the kings backed by the cities. In most countries the kings got the upper hand. By the fifteenth century strong centralized monarchies were taking form. The nobles lost their individual independence and became a privileged class attached to the crown.

The Church wielded great power: 1. Through its religious influence on men's minds; 2. Through its ever growing wealth; 3. Through its mental culture, few except the clergy being able to read and write; 4. Through its international organization, reaching down from the Pope to the parish priests in direct touch with the people. It had its own canon law and ecclesiastical courts, and claimed exclusive jurisdiction in all cases touching its interests. In the various class struggles, it played its own hand, siding now with one party, now with another. Though the upper clergy generally helped either king or nobles, the parish priests often championed the poor and did much to relieve misery by almsgiving, care for the sick, etc. Toward the end of the Middle Ages the church became a reactionary force.

Once the kings had gained the mastery, they tried to make their power absolute. Having used the parliaments and strengthened the bourgeoisie, they now tried to hold it in check. A struggle followed in which nobles and clergy generally sided with the crown.

QUESTIONS AND SUGGESTIONS

1. Why did the trading and industrial classes prefer a strong monarchy to a loose feudal state? What advantage did they get from the subjection of the nobles to the royal power? On the other hand, what advantage did the kings get from the strengthening of the cities?

2. Observe that in the early Middle Ages the kings and the bourgeoisie stood together against the nobles, while at the end of that period the kings and nobles stood together against the bourgeoisie. Why?

3. Reread the first paragraph of this lesson and see if you can find in present economic society any parallel to the process by which the strife of independent lords resulted in political consolidation.

4. Does the artizan class survive at all in modern society?

5. How does it happen that European writers apply the term “middle class” to the capitalists as a whole and American writers apply it only to the small capitalists?

6. The people of the Middle Ages rejected the competitive ideal. Modern Socialists also reject it. Does this mean that Socialists hold the same view as did the medieval people?

7. Were the medieval merchants, strictly speaking, an exploiting or parasitic class? If not, what social service did they render? Is the same true of modern capitalists?
THE COMMERCIAL REVOLUTION

We now reach the transition from medieval to modern history, from Feudalism to Capitalism. We must first study the Commercial Revolution of the Sixteenth Century, by which the Capitalist System was born; then the Industrial Revolution of the Eighteenth Century, by which it entered its mature stage. As in the case of every revolution, we must note that germs of the new system have long been developing within the old, and that vestiges of the old system long remain within the new one.

THREE GREAT INVENTIONS.—A few important inventions had been made in the later Middle Ages:

Gunpowder, about 1346; rapidly revolutionized the art of war; required larger armies, lessened hand-to-hand conflict, made mass discipline more valuable than personal bravery; substituted paid soldiers for lords and knights; fighting became a trade or profession instead of a class function; strengthened monarchical state, necessitated larger revenue and more orderly administration, enhanced political importance of classes that furnished men and money.

Printing, about 1438; made books much cheaper, facilitated diffusion of knowledge and exchange of opinions, broke clerical monopoly of learning, stimulated mental activity of middle class, weakened power of custom and tradition.

Compass and sextant, early fifteenth century; enabled mariner to know his location and guide his course when out of sight of land; made long voyages possible, led to improvements in shipbuilding, promoted exploration.

GEOGRAPHICAL DISCOVERIES.—Tartar and Turkish conquests in fourteenth and fifteenth centuries, extending over Russia, Balkan Peninsula, Asia Minor, Syria, and Egypt, interposed barrier of barbaric despotism and cut off Italian trade with Far East; upset whole mercantile system of Europe; commercial center shifted from Mediterranean to Atlantic Coast.

European merchants felt need for sea route to India and China. Seeking this, mariners found much more. Between 1450 and 1520 African Coasts were explored, North and South America discovered, communication established with Southern and Eastern Asia. Immense new sources of wealth were opened. Portuguese, Spaniards, English, Dutch, and French vied in exploring, plundering, trading, conquering, and colonizing in new lands.

ECONOMIC EFFECTS ON EUROPEAN SOCIETY.—Old conservative ways were broken up. An Age of Enterprise began. Cheapening of money through influx of silver and gold from Mexico, Peru,
Guinea, and India caused general rise of prices, impoverishing some
classes and enriching others. Abundance of ready money and open-
ing of new markets increased demand for commodities. Hand
methods still prevailed, but industry expanded and production for
sale in the general market tended to displace production for use or
local sale.

Foreign and wholesale trade became a means of quickly amass-
ing fortunes. The Commercial Bourgeoisie rapidly rose in social
importance. Under this head we include: 1. Merchants proper;
2. Landowners whose produce entered as a commodity into general
commerce; 3. Persons who were in a position to control industrial
production for the market.

During the Middle Ages, the only form of income-yielding prop-
erty on a large scale was land. The master craftsman could ad-
vantageously use but a comparatively small amount of wealth for
tools and materials. Even the merchants, with few exceptions,
could not profitably employ any very large sums for stock in trade.
Accumulated gains of the industrial and mercantile classes, there-
fore, except when they found opportunity for investment in pur-
chase of land, were generally hoarded in the form of coin, bullion,
or plate. Money was seldom borrowed for productive purposes,
as is oftenest the case now. The money lender was regarded as
a vampire preying on the personal needs of his creditors. Money
lending was mostly in the hands of Jews and Italians, and was often
connected with the goldsmith's trade.

The many and various opportunities for lucrative business now
created a demand for mobile capital, capable of flowing into what-
ever channel might offer the most profit. All who had gold and
silver could lend it to eager enterprisers, who counted on making
a profit in excess of the interest they paid. Out of the business of
the goldsmith and usurer rose the modern banking and credit
system. The first real bank was founded at Venice in 1171; the
first outside of Italy was at Barcelona in 1401; the next was at
Amsterdam, 1609; after this the system developed much faster; the
Bank of England dates from 1694.

The expense and possible loss as well as the expected profits
of distant voyages being very heavy in proportion to individual for-
tunes of that time, few persons could take up such ventures alone.
Various forms of association were devised for uniting the capital
of numerous persons and sharing cost and risk, from which at last
grew, after 1700, the modern joint stock company.

The general and long continued rise of prices was injurious to
all who could not readily increase their cash income in proportion.
This was the case with all landowners who were not engaged in
raising commodities that could be turned into money; especially with
the nobles, who had little aptitude for businesslike management of
their estates, and who needed ever more money to keep up their
grand style of living. Many nobles fell into poverty. The nobility
as a whole became bitterly reactionary, blindly hating the new order
and trying to impede all social change.

The church, though very rich, was not able to use its riches
in profitable enterprise. It was closely allied with the old ruling
class and shared its hatred for change. Moreover, now that money
could be used so well in getting more money, the new wealthy class was less inclined to give to the church and more inclined to seize clerical wealth and turn it into capital.

How the peasants and artizans were affected, we shall consider later.

We must note three features of national policy which became important as governments came more under bourgeois influence:

1. Since possession of cash for trading purposes was essential to economic success, each nation wished to keep within its own bounds as much gold and silver as possible. To do this it must swell its exportation and restrict its importation of commodities. This they all sought to do—by bounties to exporters, by subsidies to home industries, by putting a tax on precious metals sent abroad, especially by a heavy tax on imported goods. This is commonly referred to as the Mercantile System. It is the progenitor of modern Protectionism, though the effects are not exactly the same under the different conditions of machine industry.

2. But each country needed many commodities that it could not produce at home. Especially, if it was to develop a great and varied industrial production for export, it needed raw materials from abroad. Hence, each country sought to conquer lands in America, Asia, and Africa, whence it could draw these materials without paying money to its rivals. Colonialism is thus closely connected with Mercantilism. At first there was little effort to settle these conquered lands. The plan was to build forts and trading stations and have mines, plantations, and fisheries worked by the natives as slaves or peons. When, through pressure of population at home, settlement on a considerable scale did take place, the colonists were restricted to agriculture and other extractive occupations and forbidden by law to practice industry or to trade with any but the mother country.

3. Rivalry in the world market made all the industrial and commercial nations mutual enemies. They had to arm against each other, and even backward and agricultural nations had to arm for defense, because the others sought to reduce them to economic subjection. Hence arose Militarism—including, of course, war and armaments on sea as well as land.

Many historians and economists speak of Mercantilism, Colonialism, and Militarism as mistaken policies, due to the ignorance of statesmen of those times. They fail to take account of the difference between conditions then and now. Commercial advantage, not industrial efficiency, was then the chief means to accumulation of wealth. These policies were well suited to their purpose. Any nation that failed to adopt them would have doomed itself to economic failure, national weakness, and probable loss of political independence. Not till the nineteenth century was it safe for any country to adopt the Free Trade policy, as England did in 1823-49; and even England still has to cling to Colonialism and Militarism.

Other Effects on European Society.—We can barely mention the general social effects of the events recorded at the beginning of this lesson.

The increase of knowledge, broadening of the world's horizon, shaking of old beliefs, dislocation of old class relations, opening of new interests and opportunities, which resulted from these inven-
tions and discoveries, caused a wonderful outburst of activity along all lines.

On its intellectual and artistic side, the period from 1450 to 1600 (about) is called the Renaissance—that is, the Rebirth. It was marked by novel and splendid achievements in architecture, sculpture, painting, poetry, drama, independent thought in philosophy and religion, and keen interest in natural phenomena.

The sixteenth century brought the Reformation, which shattered the ecclesiastical unity of Christendom and began the establishment of individual freedom in religious matters. The causes of this movement were primarily economic and political, though it took the form of a struggle over questions of doctrine and church discipline.

From this period dates the rapid development of physical and natural science. Some progress had been made during the later Middle Ages, but not enough to regain the point which had been reached by the Greeks and Romans about the time of Christ. Since the days of Copernicus (1473-1545) there has been a steady and accelerating advance.

A consideration of the struggles by which the bourgeoisie won political power must be left for the following lessons.

ADVISED READING

Every student should within the next three weeks read carefully Engels' Socialism Utopian and Scientific and The Communist Manifesto by Marx and Engels. It may be well, after Lesson IX, to give one session of the class of a special discussion of the Manifesto.

Students who intend in future to read more extensively should take note of the following books: The Development of Modern Europe, by Robinson and Beard; History of Commerce in Europe, by Gibbins; German Society at the Close of the Middle Ages, by Bax; The Era of the Protestant Revolution, by Seebohm.

QUESTIONS AND SUGGESTIONS

1. Be sure you understand just how the use of firearms gave the death-blow to feudalism and promoted centralized government.

2. Examine a globe or map and get a vivid idea of the extent to which the known world was enlarged about Columbus' time.

3. Do you quite understand how an increase in the supply of the money metals shows itself in a rise of commodity prices?

4. Do you understand how the influx of gold and silver stimulated industry?

5. In the Middle Ages the lending of money for interest was looked on as dishonest and contemptible. In modern times it is not so regarded. Why this difference of moral feeling?

6. What are the essential characteristics of the joint stock company? In what does it differ from a partnership?

7. Note that in the Middle Ages commerce was subsidiary to agriculture and handicraft, and that now their relations began to be reversed. Consider this in detail.
LESSON VIII

THE EARLY STAGE OF CAPITALISM

ENGLAND'S LEADERSHIP.—Being an island, England suffered less from war in the Middle Ages, and the processes described in Lesson VI went on more steadily and rapidly than on the Continent. Her aggregate wealth was greater and somewhat more widely distributed. When the center of trade shifted to the Atlantic, she at once became one of the leading nations, and during the next three centuries won commercial supremacy. In England capitalism had its earliest normal development. We therefore fix our attention on English economic history.

THE END OF SERFDOM.—In 134%50 the Great Plague reached England, after sweeping across Europe from east to west, destroying everywhere a third of the population. On the Continent, where feudalism still prevailed, it put back the progress of civilization. In England it had a different effect. Serfdom was already declining and agriculture becoming dependent on free laborers. Reducing the supply of labor, the plague enabled the survivors to demand higher pay. In spite of the Statute of Laborers, hastily enacted to keep wages down, employers had to come to terms. Many more serfs became free tenants, and the number of small landholders increased. There was an attempt at reaction, but it was defeated by the Peasants' Revolt of 1381. Serfdom became practically extinct. Now began the so-called Golden Age of English Labor, lasting through the fifteenth century. In consequence of the comparative freedom of small cultivators, improvements were made in agriculture. Food was abundant, making it possible for more labor to be diverted to handicraft. Foreign commerce gradually expanded. There was general prosperity, a steady accumulation of wealth, and no violent class struggles.

THE WOOL TRADE.—In those days wool was the chief clothing material and one of the chief articles of commerce of the civilized world. Frequent wars on the Continent discouraged sheep raising. Throughout the Middle Ages England produced an ever increasing quantity of wool, most of which was exported to the Low Countries, where it was spun and woven. The results of the Great Plague and the Peasants' Revolt affected this trade in two ways. 1. The rise of wages prompted many large landholders to turn their land into sheep pasture, because this required less labor than did tillage. Thus the supply of wool was increased. 2. Many workers left the land and became artizans. The cloth industry grew rapidly. England became an exporter of cloth. Thus arose the first considerable industry engaged in production for the general market.
Up to a certain point this meant prosperity for the workers as well as for merchants and landholders. Eventually it led to a conflict of interest between these classes.

Sheep vs. Men.—Wool raising was so much more lucrative than agriculture, when conducted on a large scale, that great proprietors reached out for even more land on which to raise sheep. Using the political power, year by year, they seized more and more of the common lands (see Lesson V), turned off tenants wherever they could, and by force or fraud dispossessed small owners. This injured the working people in two ways: 1. It reduced the supply of food, increasing the cost of living; 2. It swelled the number of landless men, who must seek employment in industry, since the demand for farm labor was diminished.

Failure of the Gilds.—The gild system was now put to the test and failed. Well fitted to regulate production for a stable and local market, it could not adapt itself to the needs of expanding general commerce.

As we have seen, the master craftsman had no incentive to enlarge his business beyond certain rather narrow limits. He was primarily a workman and shopkeeper, only incidentally an employer. A new figure now appeared in the cloth industry—the merchant manufacturer, who was primarily a trader, incidentally an employer, and not a workman at all. Investing a considerable capital, he bought material on a large scale, gave it out to individuals to be worked up, and sold the product in the wholesale or export market. His profits came from the mercantile rather than the industrial side of the business. The larger his trade, the greater his profits.

These merchant manufacturers were hampered by gild regulations, which sought to fix a standard of methods of work and quality of goods as well as of wages and prices. To escape these restrictions they took work away from the towns and gave it out in rural districts where no gilds existed. Industrial villages grew up, where people spent their time partly in tilling the soil and partly in spinning or weaving in their cottages. They differed from gild artizans in that they did not own the materials nor the product. They differed from real wage-workers in that they owned their tools and worked at home on their own time. For a while they fared well; but with the glutting of the labor market, noted above, their position became worse. Being scattered in villages and having no legal or customary privileges, they were unorganized and helpless in dealing with the givers of work. Meanwhile, this competition fatally weakened the gilds.

The Tudor Period.—The reigns of the five monarchs of the Tudor family—Henry VII, Henry VIII, Edward VI, Mary, and Elizabeth—from 1485 to 1603, covered the period treated in the preceding lesson. For England it was an age of national glory, rapid economic growth, and disaster to the working classes.

Politically, it was marked by a closer approach to royal despotism than ever before or since. The subserviency of parliament at this time has an economic explanation. The dominant social force was that of the new money-getting classes, urban and rural. These had a common interest in destroying old institutions and establishing policies favorable to commercial expansion. They had not yet enough power or political experience to take
control directly into their own hands. They therefore submitted to a *monarchical dictatorship* which served their purposes till they grew strong enough to act independently.

In this period came the Protestant Reformation. The Pope’s authority was repudiated, the King made head of the English Church, and Romanism and all forms of Dissent persecuted. The monasteries were suppressed and their property confiscated, amounting to a fifth, perhaps a third, of all the wealth in the kingdom. The monasteries had been mild landlords; their land passed into the hands of rack-renting proprietors. They had been liberal to the poor; their charities were discontinued.

At the same time the gilds were shorn of most of their privileges and their property confiscated.

Old feudal laws restricting the alienation of land were repealed. Land became a commodity, easily bought and sold.

Commercial companies were formed, each with a royal charter granting monopolistic privileges, to conduct and promote trade with foreign countries—the Russia Company, Turkey Company, West Africa Company, East India Company, and so forth. The Mercantile Policy (see Lesson VII) was developed.

Monopolization of land and expropriation of peasants was carried on ever more vigorously. The number of propertiless persons grew faster than expanding industry could employ them. Competition forced wages down just when the cheapening of gold and silver was forcing prices up. The army of the unemployed became a permanent thing.

The government dealt with popular discontent through two kinds of legislation: 1. Ferocious *Penal Laws*, directed chiefly against vagrants, beggars, thieves, and robbers. Nearly 200 offences were made punishable with death. Many thousands were executed, often with cruel tortures, for offences against property; still greater numbers were whipped, branded, or mutilated; the prisons were always crowded. 2. A system of *Poor Laws* cunningly devised, while saving the poor from actual starvation, to keep them unorganized, servile, subject to surveillance, and dependent on charity to eke out their scanty earnings. Both crime and pauperism flourished under such treatment. It was not till about 1835 that these codes were reformed.

**Political Triumph of Bourgeoisie.**—At last the bourgeois elements felt strong enough to dispense with the royal dictatorship. Parliament became unruly under James I, 1603-25, and still more under Charles I. The nobles, clergy, and country gentlemen, especially in the agricultural North and West, generally supported the king; the mercantile and industrial elements opposed him. The conflict was waged under religious forms—Puritanism and Presbyterianism against the Established Church—but was really a struggle of economic classes for political power. In 1642 came the Civil War, ending in 1649 with the beheading of King Charles, abolition of the monarchy, and establishment of the Commonwealth. In 1660 monarchy was restored and reaction prevailed under Charles II and James II. But in 1688 James was deposed and William II crowned under provisions which assured parliamentary supremacy. For a century and a half thereafter political power was held by a coalition of commercial and large landholding interests.
THE MANUFACTURING SYSTEM.—Meanwhile there had grown up what economists call the “Manufacturing System,” as distinguished from the modern “Factory System.”

The merchant manufacturer, described above, was succeeded by the manufacturer proper. The cloth manufacturer, for instance, instead of giving out material to workers at their homes, equipped a large building with looms and had people come there to work under supervision. Many other industries took the same form. Hand tools were still used; in that sense labor was still individual. But the worker no longer owned his tools, no longer worked alone at his convenience. The employer found his interest in speeding the workers and keeping wages down by their competition for employment.

Some relics of medieval handicraft and of village industry still lingered, but the new system steadily gained ground.

Thus we have the beginnings of a true Industrial Proletariat and a true Industrial Bourgeoisie. The latter, however, still remained second in importance to the Commercial Bourgeoisie. Merchants could make much larger fortunes than manufacturers, so long as hand methods prevailed.

ENGLAND’S SUPREMACY.—By war on land and sea the English beat the Spaniards in the later sixteenth century, the Dutch in the seventeenth, and the French in the eighteenth, won vast colonial possessions in India, America, and elsewhere, and obtained commercial advantages in every part of the world.

After the sixteenth century conditions of labor became somewhat better through improvement of agriculture and growth of industrial employment. But the workers remained unorganized and of course politically powerless, and were still far worse off than in the time following the Peasants’ Revolt. Population increased rapidly, and the number of wage workers grew still faster.

By the middle of the eighteenth century conditions were ripe for another economic revolution. England now had such vast opportunities for export trade that the pressing question was how to produce enough goods for the world market. There rose a conscious need for more efficient methods of industrial production, and inventive genius was directed to this problem.

QUESTIONS AND SUGGESTIONS

1. Observe that the same force, acting on societies in different stages of development, may produce very different effects. The Great Plague had a retarding influence on the Continent, an accelerating influence in England. Try to see clearly why this was so, and to find in history and in nature other illustrations of the same general principle.

2. Consider the geographical position of England. In what respects was it advantageous at the close of the Middle Ages? Do geographical conditions count for so much today? If not, why?

3. Why was wool, rather than grain or meat, the dominant commodity in world commerce in the medieval and early modern period? What two industrial commodities have dominated within the last century?

4. Distinguish carefully the four successive types of industrial workers from the gild artizan to the factory operative of today. In the same way, trace the genealogy of the modern capitalist employer.

5. If the Reformation was essentially a struggle of economic classes for political power, does it follow that the professed religious motives on either side were hypocritical? If not, why not? What is the relation between people’s conscious motives and the controlling class interests in social movements?
LESSON IX

THE INDUSTRIAL REVOLUTION

TOOL AND MACHINE.—The distinction between tool and machine is not in the source of power, but in the manner of applying it. The machine includes three portions: 1. The motor part—treadle, hand lever, wind or water wheel, steam engine; 2. The working part—spindle, shuttle, needle, saw, or what not—which is itself a tool; 3. The transmitting part—shafts, pulleys, belts, cogs, cams, springs, etc. The sewing machine, though run by human power, is a machine; the plow, though drawn by a horse or ox, is a tool; in the latter power is applied directly, in the former indirectly.

Indirect impulsion makes it possible and generally desirable to use other than human power, moving many tools simultaneously, giving them greater speed and force, and simplifying the worker’s task.

The implements of English industry in the early eighteenth century differed little from those used by civilized peoples two thousand years before. The power of animals or of wind or water was employed in grinding grain and one or two other processes. Everything else was done with hand tools.

SCIENCE AND INVENTION.—The rate of scientific and of technical progress varies greatly; but, whether quickly or slowly, discoveries and inventions come in approximately a fixed order. Each step depends on steps taken before.

Practice precedes theory. Science owes its birth to invention, and later repays the debt. Man had existed thousands of centuries and made many inventions before the dawn of science. The needs of agricultural peoples in the Egyptian and Assyrian river valleys—necessity of anticipating the seasons, measuring land, handling floods, irrigating fields—produced the germs of astronomy, mathematics, and physics. But only among the Greeks, when political liberty had made free discussion and intellectual interests possible, did these and other studies begin to take the form of true science—systematized and reasoned knowledge.

The Barbarian Invasions gave technical progress a great and scientific progress a greater setback. Through the Dark Ages theology occupied the minds of the few studious men and the study of nature was frowned on. Only after the invention of printing and breakdown of church authority did thought again attain the freedom it had reached among the Greeks.

SOCIAL CONDITIONS AND TECHNICAL PROGRESS.—The inventions that can be made in any age are limited, not only by technical practice and scientific knowledge already developed, but also by prevailing social conditions.

In ancient society, based on slavery, labor was negligibly cheap. The easiest way to expand production was to get more slaves and drive them harder. Slave labor being ignorant and inert, only simple methods and implements were practicable. The degradation of
labor in the person of the slave inspired contempt for manual work, preventing thinkers from taking interest in industrial technic. Consequently, while Greek and Roman science contributed valuable inventions to architecture, irrigation and water supply, warfare, navigation, medicine, and even agriculture, it did nothing for industrial progress. The principle of the steam engine was discovered by Hero, an Alexandrian Greek, about 250 B.C., but no one thought of putting it to use.

In the early modern period, for the first time in history, coexisted three conditions necessary to rapid technical progress in industry: 1. Science developed to a point where it could serve as a handmaid to invention; 2. Production for sale, giving an incentive to expand industry; 3. Dependence on free wage labor, which is more costly and potentially more efficient than slave or serf labor.

The Era of Machinery.—In the eighteenth century, having a good market and competing with each other, English manufacturers wished to produce as much, as fast, and as cheaply as possible. The number of hand workers it was practicable to employ in an establishment was limited to one or two hundred at most. There was a limit to what could be got out of them by speeding and low wages. Manufacturers desired improvement of methods, and invention responded to the demand.

In 1738 came Kay's fly shuttle, an attachment to the hand loom, by which a weaver's speed on certain goods was doubled.

This stimulated improvements in spinning. After years of experiment came Hargreaves' spinning jenny in 1769, Arkwright's water frame in 1771, and Crompton's mule in 1779, each increasing the number of spindles a worker could tend.

These machines were run first by human power, then by animals, wind, or water. All these have disadvantages. Animal power is limited and costly. The water wheel can be used only in certain places and the wind wheel only at uncertain times. Manufacturers needed a better motor.

The destruction of forests had already created a demand for coal. A great problem was to keep the mines free of water. For this a steam pump was developed through inventions by Somerset in 1663, Savery in 1698, Papin about 1700, and Newcomen in 1705. When textile machinery created the need for a motor usable at all times and places and able to yield any desired amount of power, inventors took the steam pump as a basis. In 1769 Watt and Boulton patented the steam engine. By 1785 it began to be used in textile mills.

Spinning machinery being well developed, attention was again turned to weaving. In 1785 Cartwright patented the power loom.

In 1792 an American, Eli Whitney, invented the cotton gin. One hand worker could pick the seed from six pounds of cotton fiber in a day; using the gin run by a horse he could clean 300 pounds, with steam a still larger amount. This so cheapened cotton goods that they displaced woolens for many uses. The English cotton manufacture trebled between 1788 and 1803.

These changes in the textile industry had a reflex effect on the iron and coal industries. Iron mining and iron and steel manufacture had to expand to provide material for engines and machines. Coal mining had to grow to provide fuel for working iron and steel and firing engines. Machines for use in these industries were invented in rapid succession—blast furnace, steam hammer, etc.
production of iron rose from 17,000 tons in 1740 to 125,000 in 1796, to 258,000 in 1806, to 703,000 in 1825.

The process once started, one industry after another was revolutionized. Mechanical inventions came ever faster, all reducing the cost and increasing the bulk of production.

Effect on the Workers.—At first workers employed at machines got relatively good wages. But the effect was reversed as soon as the use of machinery became general. Population was congested in industrial centers. The worker could no longer have a garden and a few sheep, pigs, and geese. He became a wage worker pure and simple, dependent solely on his job. Many machines were so perfected that women or children could tend them, competing with men.

In 1769 the number of wage workers in manufacture was estimated at 35 per cent of the adult population; by 1800 it was over 50 per cent. This made food dearer. Between 1782 and 1810 the price of wheat rose 80 per cent.

Both landlords and manufacturers had an interest in driving small tenants off the soil—the latter to glut the labor market, the former to take full advantage of high food prices. Monopolisation of the land, already well under way, was rapidly completed. The magistrates, who were all landowners or manufacturers, systematically used the Poor Law to keep wages down and to promote the breeding of large families among the poor. Pauperism increased at a frightful rate. Pauper children were regularly contracted out as “apprentices” to factory owners, with absolutely no protection against overwork, abuse, and slow starvation.

Cheapening of manufactured goods increased the comfort of the upper and middle classes, but gave little benefit to the workers, whose chief expense was for food. While food prices were going up, actual money wages declined and the workday was extended to the limit of human endurance.

In the last quarter of the eighteenth and first half of the nineteenth century the condition of the English working people was in most respects as bad and in some respects even worse than in the terrible days of the Tudors. Their position seemed hopeless. They had no political power. For two hundred years they had had no organization worth mentioning. Most of them were densely ignorant. Some made shift to emigrate to America. The majority toiled in dumb submission, finding solace only in beastly drunkenness. The more spirited few—the so-called Luddites—spent their energy in attempts to burn factories and smash machinery, hoping thus to bring back “the good old times.” These riots were easily suppressed. Not till a new generation had grown up did a real labor movement begin.

General Social Effects.—Cost of production fell faster than prices, so that industrial profit was increased both by larger margin on each article and by growing mass of production. Using larger amounts of capital and amassing larger and more numerous fortunes, factory owners acquired an economic importance greater than that of merchants. Henceforth the typical form of capital was that invested in industrial production. The Commercial Bourgeoisie became subordinate to or merged in the Industrial Bourgeoisie.

Two class struggles now developed: 1. That of capitalists vs. landholders, politically represented by Liberalism and Conservatism,
which began in the eighteenth century and ended about 1850 in the triumphant to the new form of wealth. 2. That of wage workers vs. capitalists, which got fairly under way about 1820 and is still going on, under the forms of Trade Unionism and Socialism. During the time that these overlapped, both propertied classes made concessions to the workers, each seeking their aid against the other. The most important were the repeal of the Combination Laws, 1824, legalizing labor organization, and the passage of the Factory Acts, 1833, '47, and '50, limiting the workday for women and children. The workers got indirect benefit also from some primarily bourgeois measures—partial extension of suffrage, secret voting, poor law reform, mitigation of penal laws, public education, and free trade.

A scientific treatment of value and related subjects could not arise till production for the market had become usual, so that men commonly thought of goods as commodities—as exchangeable things, not merely as usable things. Economics now definitely became a science. Two epoch making books were Adam Smith's Wealth of Nations, 1776, and David Ricardo's Principles of Political Economy, 1817. The economists idealized capitalism, thought the "enlightened self-interest" of individuals would solve all social problems, advocated free competition and reduction of government to a minimum.

This emphasis on individual liberty and confidence that things would come out right if not too much regulated and restricted characterized almost all advanced political and social thought till the middle of the nineteenth century. In somewhat modified forms it was the creed, not only of great bourgeois Liberalism, but also of the Radicalism or Democracy of the lower middle classes (shopkeepers, artisans, etc.) and of the intellectuals and humanitarians such as Rousseau, Paine, and Shelley. Even the workingmen accepted it, for the time. It suited their ultimate as well as their immediate class interest, for the industrial proletariat could grow strong only through the development of capitalist industry.

ADVISED READING

All members of the class should finish reading Socialism, Utopian and Scientific, or The Communist Manifesto (preferably both) before taking up Lesson X.

Those who intend to study more thoroughly in future will find the following useful: Rogers' Six Centuries of Work and Wages (Bliss's abridgement); Toynbee's Industrial Revolution; Engels' Condition of the Working Class in 1844; McCarthy's Epoch of Reform; and Hobson's Evolution of Modern Capitalism.

QUESTIONS AND SUGGESTIONS

1. In the second paragraph are mentioned certain advantages of the power-driven machine over the hand tool. Try to think of others and to call to mind all the different ways in which the use of machinery changes the worker's life in the shop. Illustrate from trade with which you are familiar.

2. Observe the three stages in technical progress—haphazard and unforeseen discovery; intentional but planless "rule-of-thumb" invention; systematic invention by the aid of scientific knowledge. Work this out in detail.

3. Why are only crude and simple implements practicable in the hands of slave labor?

4. Why is free wage labor more profitable to the modern employer than slave or serf labor would be, though decidedly more costly?

5. If the wage worker toils harder than the slave and gets a smaller proportion of his product, does it follow that he is not better off? In what respects is his condition preferable?

6. Be sure you get the full significance of the italicized words in the last sentence of this lesson.

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Later in our course we must observe the expansion of capitalism from England to the rest of Europe and to America. For the present, we shall leave the historical development, and undertake an economic analysis of this social system.

In order to understand the workings of the capitalist system, and to understand the Socialist movement which grows out of it and seeks to destroy it, we must bear in mind the chief features by which it is distinguished from other systems of society.

I. PRODUCTION OF COMMODITIES FOR THE GENERAL MARKET.—Superficial thinkers assume that men have always been engaged in producing things for sale. Our study has shown us that this is not true. Some exchange of products has, indeed, existed ever since the days of barbarism. At certain periods it has been more extensive than at others. In general, the grade of civilization at any time has corresponded to the amount of exchange. But even at the height of the ancient civilization, only a small proportion of the products of labor were destined for sale, and even of these the greater part were sold in the localities where they were made. During the Middle Ages commodity production was still more limited. The vast majority of the people worked on the land, and far the greater part of the produce was consumed on the particular estates where it was raised; even the minority who worked at handicraft made goods largely to order for specific customers. After the fifteenth century production for sale grew rapidly. But only since the great mechanical inventions has it ceased to be exceptional and become the dominant form of production in the economically advanced countries. In such countries to-day only a minority of the people are engaged in agriculture. Even these sell most of their produce and buy much of their food and nearly all their fuel, clothing, furniture, tools, etc. In other branches, goods are turned out almost exclusively for sale, neither the workers nor the employers knowing or caring who is to use the things they put into the market.

2. FREEDOM OF COMPETITION.—In earlier societies most people were confined by economic necessity, by custom, or by law to specific occupations in specific places; land was hereditary in families and not easily transferred; in so far as sale of goods and hiring of labor took place at all, prices and wages were strictly regulated. In capitalist society, as a rule, every person is legally free to change his occupation and his residence at will, and to buy or sell land, goods, and services at whatever terms may he agreed on in each case. Buyers may bid against each other to get goods, sellers to dispose of them, employers to procure workmen, workers to get jobs. Not only do law and custom permit competition, but they generally forbid agreements restricting it. Competition being the general rule, economic necessity compels individuals to compete,
whether they like it or not. Whoever would buy or sell, hire or be hired, must meet the conditions set by competitors having the same desire.

In legal terminology, we may say that in earlier class societies the relations between men depended on the status in which each found himself; in capitalist society they are regulated by contract among individuals.

N. B.—As we shall see later, when capitalism becomes very highly developed, competition tends to disappear. But this new non-competitive stage differs from the non-competitive stage which preceded capitalism as an old man’s “second childhood” differs from his real childhood of long ago. The decline of competition is a sign that capitalism is passing from maturity into decay. For the present we are studying capitalism in its normal and mature form.

3. LARGE-SCALE PRODUCTION WITH POWER-DRIVEN MACHINERY.
—The introduction of machinery driven by power into various industries has doubled, trebled, multiplied ten, fifty, or even a hundred fold the amount of goods that a given number of workers can turn out in a given time. This makes it possible for such goods to be sold cheaper. Hand production cannot continue in competition with the new methods. Once an effective machine for any purpose is introduced, men have no choice but to abandon hand tools and use the new method.

4. A CHANGING AND EXPANDING SYSTEM.—Each invention facilitates and necessitates others. Improvement of methods is continuous. Each change in productive methods modifies the conditions of life for some of the people and alters the relations among classes and nations. A single mechanical invention may slowly or suddenly wipe out a trade which gave employment to large numbers of workers and engaged the capital of numerous investors, employers, and dealers, while it creates new forms of investment and employment. It may enrich one section of the people and impoverish another, depopulate one region and congest others, reverse the practical effect of existing laws or customs and call new ones into being. The most advanced nations and the most efficient establishments in each are ever extending their business at the expense of those less advanced, through superior cheapness of production. New ways of working and living create new habits, interests, aspirations, sentiments, and beliefs—give nations and classes a new social psychology.

5. SOCIAL PRODUCTION.—From the earliest times, the work by which men satisfied their material wants has always involved some amount of mutual aid. Never was there a time when each person produced everything for himself, in Robinson Crusoe fashion. From the break-up of the primitive communal horde down to recent times, however, the individualistic aspect of productive labor has always on the whole predominated over its social aspect. The substitution of the power-driven machine for the hand tool has reversed this. In the modern industrial establishment no one worker produces a single complete article. Each one’s work has no use or meaning except in relation to that of all the others. The factory is a complex unit, in which many heads and hands, specialized for many correlated processes, act together under one plan and control. All the goods turned out are collectively produced by all the workers, including some who never touch or see them. Even the factory as a whole is not self-sufficing; it is interrelated with other establish-
ments from which it gets its equipment, materials, and fuel or which dispose of its product. Since small hand production cannot survive in competition with great machine production, the formerly more or less independent individual producers have to become joint or social producers, regardless of their will.

6. INDIVIDUALISTIC OWNERSHIP.—While the social character thus prevails on the productive side of capitalism, it is essentially individualistic on the side of ownership or distribution. The factory, with all its equipment, materials, etc., is held and controlled as the private property of one person or a group of persons. The product of the workers' social labor, like the vast instrument which they jointly operate, is the employer's private property. The workers are individually remunerated out of the value of this product, not with reference to the services which they severally render, but with reference to their position as individual competitors in the labor market.

N. B.—The fact that the means of production are now generally owned by firms or corporations rather than by single persons does not lessen the individualistic nature of such ownership. Each member of a company owns certain shares of its stock, which he may sell at will, and the profits are appropriated by the stockholders individually in the form of dividends. The joint-stock company is simply a legal device by means of which numerous capitalists, large or small, may take advantage of the economies of great capital, centralized management, and socialized production, while retaining their individual rights as owners of property.

7. PROPERTY AND LABOR DIVORCED.—The effect of private ownership of the means of production depends upon the nature of the things owned. When work was done by isolated persons using simple and inexpensive tools, private property in the means of production meant ownership by each worker of the things he needed in carrying on his trade, and consequently ownership of the product by the person who made it; such a person, worker and owner at once, was "his own master"—an economically free individual. Now that such tools have been supplanted by complex and costly machines requiring the joint labor of many workers to operate them, private property in the means of production has just the opposite effect; it means ownership by some persons of things which other persons must have in order to work and live; it tends to divide industrial society into two classes—owners who need not work, and workers who do not own—and to subject the latter to the former. This contrast is reflected in the social psychology of the workers in different historical periods. So long as hand production prevails, their tendencies are individualistic and they idealize private property; when machine production takes its place, they tend to collective action and make social ownership their ideal. In both cases they aim at liberty and equality, but use different means in accordance with the differences in the economic environment.

EXCEPTIONS AND ANOMALIES.—No doubt it would be easy to find in existing capitalist society some exceptions to all the statements made above, and also to point out that some of the features here enumerated have existed before the rise of capitalism, while others may be expected to continue after it has passed away.

No one of the foregoing characteristics, taken by itself, would be sufficient to distinguish capitalism from all other systems. Taken
all together, however, they make up a satisfactory definition. Some apparent exceptions or anomalies do not affect its general truth.

The student will understand that successive historic periods and social systems cannot be quite sharply marked off one from the other. Just as, in the life of an individual, we cannot fix to the day the passage from infancy to boyhood, to youth, to manhood, to old age, so in the life of society, we cannot name the year, though we can well enough point to the century, in which feudalism gave place to early capitalism, or this to mature capitalism. History records an alternation of long ages of slow growth within the forms of a given social system and shorter periods of comparatively rapid change by which a new system is established. These revolutions are not accidental or abnormal; they are parts of the whole evolution of society. Each system germinates within the preceding one and, having reached a certain stage of development, cannot grow farther without destroying and supplanting that which gave it birth. But relics or remnants of the old system may survive long after the new one is fairly established. Each system has its periods of youth, maturity, and decline. At any particular time some nations are advancing more rapidly than others, so that we may observe different social systems or different stages of the same system existing side by side. There is a difference in the rate of progress, not only among nations, but also among various branches of economic activity. Thus the methods of agriculture have developed much more slowly in the last two centuries than those of manufacture, mining, and transportation. Even within the industrial field, some trades retain hand tools and individual workmanship to a much greater degree than others. But all are tending in the same direction. Allowing for inequalities in the rate of progress, our description of capitalism may stand.

**ADVISER READING**

During the next six weeks, each student should read carefully some one of the following books: Marx' *Value, Price and Profit*; Deville's *The People's Marx*; Vail's *Principles of Scientific Socialism*; Hyndman's *Economics of Socialism*; Spargo's *Socialism*.

**QUESTIONS AND SUGGESTIONS**

1. State the seven distinguishing characteristics of capitalism as given in this lesson. Do not "learn them by heart," but get to know and understand them so thoroughly that they will be as ready at the tip of your tongue as the names of the streets in your neighborhood.

2. In this country at the present time what are the chief exceptions to the rule of production for sale? What sorts of workers are engaged in production for use? Are they increasing, stationary, or diminishing?

3. What kinds of work have within your lifetime passed from the field of use production to that of commodity production, or from sale in a local to sale in a general market?

4. Give recent illustrations of the points stated under the head "A Changing and Expanding System."

5. Name some of the trades in which hand methods still largely prevail. Some in which the use of machinery and socialization of production has gone farthest.

6. Consider any familiar article—a muslin shirt, a woolen coat, a watch, or a pocket knife—and try to think of all the different kinds of workers who have helped to make it.

7. You probably know Longfellow's poem "The Village Blacksmith." Read it again and try to picture American society when it was written (in 1839) and contrast it with American society to-day.
THE ECONOMICS OF CAPITALISM: I.

A FEW DEFINITIONS.—The same word may be used in various senses by different persons or on different occasions. To guard against misunderstandings, we here state the meanings attached to certain terms as used in economic discussions. The student must beware, however, of letting a memorized definition serve in place of a knowledge and understanding of the thing defined.

Economics may be defined as the scientific study of the ways in which people get their living; more satisfactorily, as the science of wealth, its production, exchange, distribution, and consumption. It is to be borne in mind that we are discussing the economics of capitalist society. We have nothing to do with Robinson Crusoe on his island, nor with the Eskimo and his canoe and harpoon, whom superficial thinkers often drag in. Nor shall we concern ourselves—except occasionally, by way of contrast, or to explain origins—with the economic phenomena of savagery and barbarism, of ancient civilizations, of feudal society, or of any system in which production for sale was the exception instead of the rule.

By Wealth we mean all things that have value—that are commonly bought and sold. When we speak of "production of wealth," we have in mind not merely the making of goods, but more especially the creation of value.

Production includes all processes which create or add to the value of goods, from the first step in providing the raw material to the last act which puts the finished product into the consumer's hands. Transportation comes under this head.

Under Means of Production we include all things other than human labor-power which are used in productive processes—land and improvements thereon, mines, railways and their equipment, mills and factories with their engines and machinery, fuel, materials, tools, etc.—no matter how owned or by whom used. Capital is a narrower term, which we shall discuss and define later. Its essential characteristic is that it yields an income to its owner by reason of his ownership.

By Distribution we mean the division of value among various persons concerned—wages to workingmen, rent to landlords, interest and profit to investors and enterprisers, etc. We must not confuse distribution with transportation, nor with exchange.

In capitalist society, Exchange almost always takes the form of buying and selling with money, even though actual cash does not change hands in each transaction. The various kinds of "paper" that are used for convenience in trade—treasury notes, bank notes,
silver and gold certificates, checks and drafts, postal and express orders, individuals' promissory notes, etc.—are all promises to pay definite amounts of money at some future time, and pass only in so far as the promise is believed.

Money is the particular commodity which, in any given society, is commonly used as a universal equivalent in buying and selling other commodities. In most capitalist countries today only gold is money in the strict sense. The government makes gold into coins of fixed weight and fineness, giving each an official name, and stamping it so that it may be recognized at sight. But the value of the coin is not produced by law. A dollar is simply 23.22 grains' weight of gold, attested by the government stamp. Its value is the value of that much gold, and is determined by the same forces that determine the value of a pound of copper or a ton of steel. The student must be on his guard against the Populist fallacy that government can create value by law.

In this course we shall say but little about Consumption—that is, the final using-up of things, which involves destruction of their value. Economists distinguish between "consumption goods," directly used up in satisfying human wants, and "production goods," used up in producing other goods. Bread and meat are consumption goods; tools and machines are production goods; coal is one or the other, according as it is used to run a factory or locomotive or to heat a dwelling.

By Commodities we mean goods which are produced for sale. Bread is a commodity when made in a bakeshop, not when baked by a housewife for her family.

By Utility we mean the power which any article possesses to satisfy some human want or desire. For our purpose it matters not whether the satisfaction of the desire is morally or hygienically right or wrong. The drinking of whiskey probably does more harm than good; yet whiskey is useful in the economic sense, because there is a considerable number of persons who actually desire it.

By Value we mean the power which any commodity possesses of commanding some definite quantity of any other commodity in exchange. We must not talk of "intrinsic value." There is no such thing. Objects have no value in themselves. Value arises wholly out of certain social relations among men. The word has no meaning in savage societies, where exchange is unknown or exceptional. Only with the growth of commodity production as a normal feature of economic life do objects come to exchange in definite ratios; only then does the phenomenon of value appear.

N. B.—Many writers use the terms "use value" and "exchange value" for what we here call "utility" and "value."

The words Price and Value differ in that the former is more concrete and specific, the latter more abstract and general. By the price of a commodity we mean the amount of some other commodity for which it exchanges. We may say that the price of a ton of coal is five bushels of wheat, in which case the price of a bushel of wheat would be 400 pounds of coal; the prices of both coal and wheat could further be stated in amounts of copper, cotton, wool, and other commodities. In practice, however, these things are not
directly exchanged for each other. All of them are sold for gold and bought with gold. We therefore express the prices of all other commodities in amounts of gold—that is, in dollars and fractions thereof. We say that the price of coal is $5 a ton, that of wheat $1 a bushel, that of copper 13 cents a pound, and so forth.

When we speak of the price of a commodity, we may be referring to some particular transaction. Unless this is stated, however, we are generally understood to mean its “ruling price”—the price at which it sells in most of the numerous transactions that are taking place at any given time. Out of a hundred sales of wheat made in the Chicago market within a few minutes, we may find that the price was $1 a bushel in ninety-eight cases, though one inexperienced buyer paid $1.05 and one seller, hard pressed for money, let his wheat go at 97 cents; unless we definitely refer to one of these exceptional cases, we will say that the price of wheat in the Chicago market at this moment is $1 a bushel.

Utility and Value.—We must note certain striking differences between utility and value.

Each kind of goods has a special utility, with reference to some particular human want. Coal is useful as fuel, but for no other purpose; we cannot wear bread nor eat and drink cloth. The utility of any article varies with persons and circumstances. A German book is useless to one who reads only English; cigars are useful to some men, useless to other men and to most women; as a man travels from Labrador to Cuba, his fur coat loses its utility, while he finds increasing usefulness in ice and linen garments. It would be nonsense to ask whether a barrel of flour or a cord of wood is the more useful, for neither can satisfy the want that the other satisfies. Two similar articles are not always more useful than one; one umbrella is very useful to a man in a rainstorm; an additional one would be a nuisance. To sum up: The utilities of various goods differ qualitatively; they are largely subjective, depending on the tastes and circumstances of individuals; and they cannot be measured or quantitatively compared.

With value it is just the reverse. So far as concerns their purchasing power, all commodities are interchangeable. There is no difference between the value of $1,000 worth of gold, $1,000 worth of pig iron, and $1,000 worth of silk; each will buy either of the others. The value of an object to its possessor does not depend on its usefulness to him; many a liquor dealer is a total abstainer; from his point of view whiskey is worse than useless; but that does not make his stock less valuable to him. No man can use a million pairs of shoes; so far as concerns their utility to him, a hundred pairs are as good as a million; but the man who has a million pairs can get for them ten thousand times as much of all other things he cares to buy, as the man who has only a hundred pairs. In brief: The values of various commodities are qualitatively identical; they are wholly objective, so far as the individual is concerned, not depending at all on the possessor’s personality; and they can be measured and quantitatively compared.

What Things Have Value?—In a state of society where production is carried on for use, men are primarily interested in the
utilities of various goods. But we live in a society where production for sale is almost universal, and are on the whole more interested in the values of commodities than in their utilities. We wish, therefore, to understand what gives things their value, what determines the relative values of various commodities. We begin by asking what kinds of things have value. The answer falls into two parts.

1. Only useful things have value. This is obvious. If a thing is useless, if it can satisfy no human want, if no one desires to possess it, then no one will give anything for it; it will have no purchasing power, no value. A thing may even be useful to some particular person, and yet be valueless; if he cannot find anyone else who desires it, he cannot buy anything with it, and it will have no value. To have value, an object must be somewhat generally useful; there must be some considerable number of persons who wish to possess it and who are therefore willing to give something in exchange for it.

2. Not all useful things have value, but only such of them as cannot be obtained without effort. Air is absolutely necessary to human life. Yet it has no value. No one will pay a cent a ton for it. Water is highly useful. In large cities, and in desert regions, it is also valuable; the possessor can get a price for it. In most rural districts it is valueless; no one will buy what he can easily get for himself.

If we all had magic lamps like that of Aladdin, so that each could get whatever he desired by just wishing for it, such words as "purchase, sale, commodity, price, value, wages, rent, interest, profit, wealth" would lose their meaning, and the science of economics would soon be forgotten. We hope that something equivalent to this will happen in the future, when the economic power of man over man has been abolished and the powers of social production have been so expanded that there will be enough of everything for all. But in order to realize that dream, it is absolutely necessary that we understand the facts of our present society. If, without any thorough knowledge of the structure and workings of such steam engines as are now in use, a man should pretend that he could build a better one, we should laugh at his folly. It is equally absurd to imagine that we can establish a better social system without careful study of the existing one.

READING AND DISCUSSION

The students will continue the reading assigned last week, being careful never to pass a page without making sure that they have got a firm hold of the author's meaning. There is a great difference between reading with the eyes and reading with the brain.

The matter presented in this lesson is very elementary, but of prime importance. "It is the first step that costs," in economic study as in many other things. In our eagerness to get at conclusions, we often skim too lightly over preliminaries. The elementary points are the fundamental ones. The very fact that they seem so simple and commonplace involves a danger that we may not think them out thoroughly. The class should, if necessary, spend more than one session on this lesson, making sure that nothing is taken for granted, and carefully refraining from any anticipation of questions that we have not yet reached.

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A says that three "factors"—Labor, Land, and Capital—co-operate in producing wealth; B says, on the contrary, "Labor produces all wealth." Each is right or wrong, according to what he means. The one statement is used to justify the taking of rent and profit by landlords and capitalists, the other to sanction the workers' efforts to abolish rent and profit; in fact, neither premise proves either conclusion.

A says that land and capital without labor produce nothing; B replies that laborers cannot produce anything without the use of natural resources and tools or machines. Both statements are obviously true—and both worthless.

We must recall that by "production of wealth" we mean, not just the making of goods, but the creation of value. Moreover, we must not confuse production and distribution.

We cannot safely start with the proposition that every person ought to get as much value as he produces, nor even that only the producers are entitled to share the product. This is a question of social morality or expediency, not merely of economics.

Our first task is to analyze the actual process of production—show how value is created, what gives goods their value, what determines the amount of their value.

Next we must analyze the actual process of distribution—show what determines the division of the product-value among those who participate in or control its production.

Only when we have done this shall we be prepared to say what changes in the property system we thing practicable and desirable.

Let us begin, then, with a study of the facts of price and value—price first, then value.

**SUPPLY AND DEMAND.**—We all know that a commodity brings a higher price when it is scarce than when it is abundant; also that it brings a higher price when there are many persons eager to buy it than when there are few. We may state these facts as follows:

> Increase of supply or diminution of demand tends to lower price, and diminution of supply or increase of demand tends to raise price.

Observe, however, that mere desire does not constitute demand in the economic sense. The fact that many persons wish for a thing does not raise its price, unless they have the means to buy it. We often postpone the purchase of an article we need, because we hope it will become cheaper. We often buy an article for which we have
no present need, because it is now unusually cheap and we fear it will be dearer when we need it. It thus appears that demand is to some extent dependent on price.

Observe, further, that while the supply of each commodity may be partly limited by natural conditions, it is largely under human control. Men increase or diminish the supply of any commodity by directing more or less labor to the industry by which it is produced. In directing labor to or withdrawing it from a given industry, they are governed by the price of the product. If the price of a certain commodity rises, the manufacturers set more men to work producing it; if its price falls, they curtail production. Thus it appears that supply also is to some extent dependent on price.

These observations, forming a second part of our Law of Supply and Demand, may be formulated in these words:

*Rise of price tends to increase supply and diminish demand, and fall of price tends to diminish supply and increase demand.*

**Price and Value.**—An illustration from the natural world may help to make clear the relation between price and value.

"Water seeks its level." But it seldom is perfectly level. The surface is usually agitated by waves, caused by winds or other forces. Each part of the surface is always either rising or sinking. But no part rises or sinks indefinitely. The higher the crest rises, the more does its own weight tend to pull it down; the lower the trough sinks, the more does the weight of the adjacent water tend to push it up. Between the extremes is an intermediate point, toward which every particle in the surface tends to return, though it never remains there more than an instant. This intermediate point we call the level of the water.

In the same way, the price of every commodity is always being pushed up or pulled down, as we have seen. Its motions are confined within more or less definite limits. The higher the price rises, the more do increasing supply and diminishing demand tend to bring it down; the lower it sinks, the more do diminishing supply and increasing demand tend to bring it up. There is an intermediate amount, toward which the actual price always tends to return, though it may seldom or never actually coincide with it. This intermediate amount we call the value of the commodity. The value of a commodity is what its price tends to be. Early economists called it "natural price."

In the long run, the cases where a thing sells above its value are balanced by those where it sells below its value. In general, then, *every commodity is sold at its value, though this is seldom exactly true in any particular transaction.*

The reciprocal actions of price and of supply and demand are quicker where machinery is highly developed, where there are plenty of wage workers, where there are adequate means for transmission of news and transportation of goods and persons, and where there is a credit system to facilitate the transfer of capital and labor from one field to another, than where these things are lacking. With this development, fluctuation of price tends to become more rapid and smaller in range. It cannot altogether cease, however, so long as production for sale continues; and when this system disappears, price and value will disappear along with it.
WHAT DETERMINES VALUE?—We have still to explain the relation between the values of different commodities.

Say the price of wheat is varying a little above and below $1.20 a bushel, while that of copper ranges near $2.40 a ton. Allowing for the fluctuations of price, a ton of copper is worth 200 bushels of wheat. Why this proportion? Why should a ton of copper buy about 200 bushels of wheat, not ten bushels or 1,000 bushels? We may be answered, Because the supplies of and demands for wheat and copper are such as to keep them exchanging at about this ratio. But this is no answer; for we must then ask, What is it that regulates the supply of each of these commodities and the demand for each so as to maintain this ratio? The true answer is—

A ton of copper will buy 200 bushels of wheat, and vice versa, because it takes 200 times as much labor to produce a ton of copper as to produce a bushel of wheat.

Let us test this statement. Suppose it to be true that equal amounts of labor will produce either a ton of copper or 200 bushels of wheat. Now suppose that, for some reason, the price of copper rises to $3.00 a ton. A ton of copper will now buy 250 bushels of wheat. It will take the product of five days' labor on the farm to buy the product of four days' labor in the mine. Producers of copper will get 25 per cent more, in money or commodities, than producers of wheat get by equal amounts of labor. What will happen? Workers will be repelled from the wheat fields and attracted to the copper mines. Less wheat will be raised and more copper dug. The supply of wheat being diminished and the supply of copper increased, the grain will become dearer and the metal cheaper. Very likely the process will be carried too far; the price of copper may sink so much and that of wheat rise so much that labor in the field will become more remunerative than labor in the mine; then the flow of labor will be reversed.

The process is actually much more complicated than it appears in this statement, because not copper and wheat alone, but thousands of commodities are involved. But the simple illustration applies to the complex process. When the price of any commodity is so high that a given amount of labor spent in producing it yields a return appreciably greater than the average return from an equal amount of labor spent in producing other commodities, then a disproportionate number of workers will be drawn into that industry, the supply of that commodity will be increased, and its price will fall. The converse is of course also true.

It takes some time for the facts to become known, for the transfer of labor to be effected, and for the changed rate of supply to affect prices. According to circumstances, the interval may be weeks or months or years. Moreover, while one set of inequalities is being corrected, others arise. At any given moment there is considerable inequality among the returns from equal amounts of labor in the various industries. But the process of equalization is always at work.

Our Law of Value, then, may be tentatively formulated as follows:

All commodities tend to sell at such prices that the product of a given amount of labor in any branch of industry will buy the product of an equal amount of labor in any other branch; or, in other words—
The values of various commodities (the prices at which they tend to sell) are proportionate to the amounts of labor required to produce them.

This statement will have to be somewhat modified as we go on; but it may stand for the present.

NOTES AND QUESTIONS

1. The contents of Lessons X and XI must be kept well in mind, if this and the following lessons are to be understood.

2. Note that we assume a state of free competition. Later in the course we shall study the effect of monopolies and restraints on the flow of capital and labor.

3. Note that all economic laws are statements of tendencies. They cannot have the same rigid precision as the laws of natural and physical science, which in turn are less exact than those of mathematics.

4. Note that we are considering ordinary commodities. Our laws of price and value apply only imperfectly or not at all to Rembrandt paintings, Stradivarius violins, first editions of old books, wines of rare and aged vintage, exceptionally large gems, and other such objects. Why?

5. State and explain the two parts of the Law of Supply and Demand—of course without referring to your paper.

6. The two parts of this law contain an apparent contradiction, do they not? Yet both are true. Any student who is familiar with the "ball governor" attachment to the steam engine may be able to use it to illustrate and elucidate the paradox.

7. State and explain the Law of Value.

8. Let the Leader call on members of the class to give from memory the definitions contained in the first section of Lesson XI—not necessarily word for word, but in substance—and make sure that they are understood.

9. Let students define or explain the words premise, conclusion, curtail, adjacent, reciprocal, fluctuation, remunerative, proportionate, tendency.

ESSAY TOPIC FOR INDIVIDUAL STUDENTS

Persons taking this course as individual students (not class members) are invited to send in essays of from 1,000 to 2,000 words on the topic: My Occupation. Treat the subject in the light of what you have learned in this course. Try to make the essay intelligible, interesting, and instructive to readers who know nothing of your occupation. Do not use pencil nor red ink. Write on only one side of the paper. Leave a wide margin at top, sides, and bottom of each sheet.
Social History and Economics
Twenty-two Lessons prepared by Algernon Lee

LESSON XIII

THE ECONOMICS OF CAPITALISM: 3.

Changes of Value.—We have considered the fluctuation of price—its continuous, limited, and rhythmic movement above and below an intermediate level, which we call value. But there are also larger upward and downward movements, continuing through long periods, sometimes gradual and sometimes sudden, and not showing any such regular alternation.

It takes from four to six times as much silver to buy a bushel of wheat nowadays as it did four or five hundred years ago, while a ton of iron then cost from two to three times as much silver as it now does. If we were to measure with gold instead of silver, the contrast would be equally striking. The highest modern price of iron is far below its lowest medieval price, while the lowest recent price of wheat is much above the highest point it ever reached in those days. Allowing for the continuous oscillation of all prices, it is clear that silver and gold have been permanently cheapened in comparison with wheat, while iron has been cheapened in a still greater degree. Between the middle of the eighteenth century and the end of the nineteenth, the prices of all kinds of manufactured goods were permanently reduced, some more and some less rapidly, in comparison with gold and silver or with agricultural products. During the last twenty years the cheapening of manufactured goods has been checked, while agricultural products have become permanently dearer, measured by gold or by silver.

Now, since the word "value" means simply normal price, or what price tends to be in the course of its oscillation, it is obvious that a permanent change of price is a change of value.

Some of the Causes.—We must look for the causes of such changes in value. When we have noted several of these causes, we must see what they have in common, what general conclusion we may draw from them.

Man does not produce things with his bare hands. He uses various Means of Production—the soil, water, forests, mineral deposits, and other natural resources, which we group under the one term Land; also tools, machines, buildings, and other artificial things, all of which bourgeois economists include under the term Capital; later we shall see that this last term must be somewhat more narrowly defined, but we may waive that point for the present.

Land varies in quality and in accessibility. While the population is sparse, only the best and nearest land is used. As it grows denser, it becomes necessary to use also land of a poorer grade or
more remote from the market. The result is a gradual and permanent rise in the prices of agricultural produce.

Again, ignorant or careless methods of tillage will exhaust the fertility of even the best soils. This also tends to cause a permanent rise in the prices of farm products.

On the other hand, these causes may be partly or completely offset, prices of products of the soil may be prevented from rising and may even be reduced, by improvement of agricultural technique—use of better implements, irrigation, drainage, artificial fertilization, selective breeding of plants and animals, etc.—and by improvement of the means of transportation.

Up to the present time, the natural means of production are of prime importance in agriculture, and the artificial means of production play a larger part in mining, transportation, and manufacture. During the last few centuries the improvement of technique has been much more rapid in the industrial than in the agricultural field, though a beginning is of late being made in the latter.

Two features are to be noted in the gradual change from small handicraft production to great machine production: 1. The continuous increase in the amount of capital, as compared with product or with number of workers; 2. The simultaneous cheapening of the commodities produced by the new methods.

The old-fashioned artizan, working alone with hand tools, produced every year a value far greater than that of his whole equipment. In machine industry the reverse is true. The United States Census illustrates this change. In 1850, when machine industry was but slightly developed in this country and handicraft still prevailed to a large extent, the value of the total capital (in both large and small establishments) already exceeded that of the total annual net product by 15 per cent. In 1880, handicraft having greatly declined and machine industry greatly developed, capital exceeded yearly product by 41 per cent. By 1900, the process having gone much farther, capital was 73 per cent more than annual product. Leaving out handicraft establishments and considering only factories proper, capital exceeded yearly product by 86 per cent in 1900, and by 116 per cent in 1910. In the most highly developed industries—iron and steel, machinery, textiles, paper, etc.—the value of the capital used is now from three to five times that of the annual product. Again, the average capital per worker in 1850 was $557; in 1900 it was $1,850. Considering only factories proper, it was $1,904 in 1900, and $2,786 in 1910.

Now, during this same period the prices of various kinds of manufactured goods have been reduced to a half, a quarter, a tenth, or even a smaller fraction of what they commanded when the Industrial Revolution began.

Gold and silver, which we use as money in measuring the prices of other goods, are themselves commodities, products of the mining and smelting industry. Their price and value are subject to the same conditions which influence the price and value of lead, copper, or iron. But, as we give a fixed name (dollar, shilling, franc, etc.) to the value of a given amount of gold or of silver, a change in the price of the money metal appears as a reverse change in the prices of all other commodities. A dollar is the value of 23.22
grains' weight of gold, whatever that value may be. If this piece of gold becomes less valuable, it will buy less of other things; if it becomes more valuable, it will buy more of other things; we still call it a dollar, and say that the prices of other things, measured in dollars, have risen or fallen.

The general rise of prices in the sixteenth century was due chiefly to the cheapening of gold and especially of silver through the opening of the Mexican and Peruvian mines. Similar effects have been produced by the opening of vast deposits in the United States and Australia about the middle of the nineteenth century and of still vaster deposits in South Africa within the last generation.

LABOR AND VALUE.—What is there in common in all these facts? What generalization may we make as to the cause of permanent changes of price—that is, changes of value? Let us see.

Why does wheat command a higher price when population is dense than when it is sparse? Is it not because it takes more labor to raise a bushel and bring it to market from poor or distant land than from fertile soil near the market? Why does improvement of agricultural technique tend to lower food prices? Is it not because, taking everything into account, less labor is required to produce a given crop by the use of up-to-date farm machinery, artificial manures, irrigation, etc., than by older and simpler methods?

Why do manufacturers reinvest a part of their profits in order to add to their capital? Why do they put in costly machinery in place of cheap hand tools, and often throw out machinery before it is worn out in order to install more expensive machines that have just been invented? Is it not because they more than make up in the saving of labor for the cost of the added capital? The effect and the purpose of the increase of capital is to cheapen goods by reducing the net amount of necessary labor.

How have gold and silver been cheapened? First, by the discovery of deposits more easily worked than the older mines; second, by the invention of mechanical and chemical processes for handling the ore and extracting the metal with less labor.

Thus it is clear that the amount of goods of any particular kind that can be produced by a given amount of labor varies from time to time. It depends partly on natural conditions, partly on technical progress. The former count for more in agriculture, the latter for more in industry; and even in agriculture, improvement of technique may overcome adverse natural conditions.

We seem to be safe, then, in this conclusion: The fact that value changes does not conflict with the theory stated at the close of Lesson XII; on the contrary, it confirms it; for every change of value can be traced to a change in the amount of labor required for the production of the commodity in question.

THE LAW OF VALUE.—We are now prepared to state our Law of Value in its final form:

_The values of commodities at any given time are proportionate to the amounts of labor which would be necessary to produce them under the conditions and by the methods then generally prevailing._

The student will observe that all the articles of the same kind that are in the market at the same time have the same value—that
is, they tend to sell at the same price—even though some of them may actually have cost more labor than others. The price of a commodity is not determined by what a seller thinks he ought to get for it nor by what a buyer thinks he ought to pay; the dealer demands as much as he can get, and the purchaser pays no more than he must; the will of the individual counts for little in fixing prices, so long as there is competition among sellers and among buyers.

QUESTIONS AND SUGGESTIONS

1. Suppose by some magic process every object and person in the universe should be exactly doubled in size, would anybody be able to perceive the change? Is it not a fact that we know only the proportionate sizes of various things—that one thing is twice as large as another, one half as large, and so forth? Is not the same thing true with regard to value—that each thing has a certain amount of value only in relation to all other things?

2. Again, suppose that, on measuring yourself and other things, your foot-rule declared them all to be twice as large as they were yesterday when measured with the same instrument, would you conclude that they had all doubled in size or that the foot-rule had been reduced to half its former length? Would it not seem more probable that one thing had changed in size than that all the others had simultaneously changed in exactly the same ratio? Apply the same reasoning to the question of a general rise or fall in commodity prices as measured in gold or in silver.

3. Suppose a new method has just come into general use, by which cloth can be produced with half the labor that was formerly required. Suppose that there is still in the market a stock of cloth made by the old method. Will the present price of cloth be fixed by the amount of labor necessary under the old method or by that required under the new method?

4. It is generally the case that a few manufacturers are using the very latest methods, requiring a minimum amount of labor for the production of a given quantity of goods; that a few are still using very antiquated methods, expending an abnormally large amount of labor; while the bulk of the goods are produced by intermediate methods, with an amount of labor between the two extremes. Will the same price prevail for all these identical goods? If so, to which amount of labor will it correspond? What will be the effect upon the profits of the other two sets of manufacturers? As time goes on, assuming no more labor-saving inventions to be made, what will happen?

5. The Chicago market receives lots of wheat of identical quality, from many different farms, some near and some distant, some fertile and some infertile; some, consequently, requiring considerably more labor per bushel than others. Do these various lots of wheat command unequal prices? If not, which conditions of distance and fertility determine the price? What is the consequence to producers whose conditions are more or less favorable?
LESSON XIV


WAGE LABOR.—The position of the wage worker is worse in some respects and better in others than that of the slave or the serf. It is radically different from either. The question of better or worse is of minor importance, but it is necessary to understand the difference. On this depends the solution of such problems as these: Seeing that slaves and serfs always rebelled in vain, is it probable that wage workers can free themselves? Seeing that past revolutions have only substituted one ruling class for another, is it to be expected that the proletarian revolution will put an end to class rule? In what respects must its methods differ from those of previous class movements? To answer these questions, we must bear clearly in mind the precise nature of the wage workers' position.

The slave was legally in the same position as a horse or a cow. Himself a piece of property, he could not own anything. But, even if the law gave him no protection, his master's interest assured him at least a bare living. He had neither rights nor responsibilities with regard to his own maintenance.

The serf was bound by law to a certain home, a certain lord, and certain tasks. He had a legal claim to a specific opportunity of making a living. His relation to his lord was personal and permanent, and involved mutual rights and responsibilities.

The legal status of the wage worker does not differ from that of the capitalist. In theory he is free to go where he will, to choose his occupation and his employer, to work or not as he pleases. His relation with his employer is one of voluntary contract, terminable at the will of either. The responsibility for his maintenance rests wholly on himself, but he has no legal claim to any particular means of livelihood. In practice, being unable to employ himself, he is forced to enter into a contract with some capitalist at such terms as the conditions of the labor market dictate. Theoretically equal, the two parties to the contract really stand on a very unequal footing, since the workingman's need for a job is usually much more pressing than the capitalist's need for any particular workman.

CAPITAL.—When we speak of a capitalist, we mean an owner of capital. But what is capital?

The popularizers of bourgeois economics answer, "All products of past labor used in further production." This will include steel mills and textile factories and railways. Everyone will agree that these are capital. It will also include fish hooks and knitting needles and garden tools. No one who is not juggling with words will call these things capital and their possessors capitalists. Between these extremes are multitudinous "products of past labor used in further production," small and large, simple and complex,
cheap and costly. Where shall we draw the line? Shall we not do well to confine the term to those which are operated by wage labor and yield an income to their owners, excluding those owned by the persons who individually use them?

The yielding of profit seems as essential to the concept "capital" as is the beating of the heart to the concept "man." If a man's heart stops beating, he ceases to be a man and becomes a corpse; any means of production which stop yielding an income to their owner cease to function as capital.

In thus limiting the use of the term, Marxian economists give accurate expression to its common usage, and avoid the absurdity of saying that all men have been capitalists ever since savages first learned to use a club in knocking down a rabbit or to dig up roots with a sharp stick.

All buildings, machines, tools, materials, etc., used in mining, manufacture, or transportation, owned by one set of men and operated by another set, the former receiving profits and the latter wages out of the product, are included under industrial capital. But are there other forms of capital?

How about "natural means of production"? It has been found convenient to distinguish land from capital, for two reasons. First, the supply of land is almost a fixed quantity, while the amount of buildings, machines, and the like can be indefinitely increased. Second, the working of land by wage labor is exceptional; as a rule, where the cultivator is not the owner, the relation between them is different from that between industrial employer and wage worker; instead of the owner getting the product, paying a wage to the worker, and keeping the residue, the working tenant owns the product, pays a rent to the proprietor, and retains the balance. But we are learning to increase the fertility of the soil, if not its area, by all sorts of "improvements"; the contrast between natural and artificial means of production is gradually disappearing; we are using wage labor on the land to an increasing extent; the technical methods and economic relations of agriculture are being assimilated to those of industry. In some cases we might be justified in including improved land under the head of capital. On the whole, however, the distinction is still useful.

How about money and goods, other than means of production? Are they capital? Sometimes.

The manufacturer must have a stock of finished goods ready to fill orders. Also he needs more or less cash to meet current expenses. Since these are a necessary part of his equipment, since he could not run his plan advantageously without them, we must include them in his industrial capital.

Then there are merchants—importers and exporters, wholesalers, jobbers; commission men, retailers through whose hands commodities pass before they reach the consumers. Their wealth consists in goods and money, which can hardly be called means of production, but which constitute commercial capital.

Finally, there are investors, who get an income from their wealth, though they do not own any particular goods or means of production; and there are the bankers, brokers, underwriters, and promoters, to whom investors entrust their money by deposit, loan, or purchase of stock, and who direct it to this or that investment and
get an income from it. Is their wealth capital? We must call it so, for its owners are capitalists. So we recognize financial capital.

But the ownership of money becomes a source of revenue only as that money is invested—that is, turned into industrial or commercial capital, exchanged for means of production or for goods in course of transfer from producers to consumers. Financial capital, then, differs from other kinds only in form of ownership, not in substance.

If the student will think of actual things, not merely of words, he will have little difficulty in understanding at each point whether we are using the term "capital" in its narrower sense (industrial capital) or giving it the broader scope.

CAPITALISM AND THE PROLETARIAT.—Two conditions are necessary to the rise of capitalist industry. First, power-driven machinery must have been invented, by the use of which workers can produce much more than enough for their own living. Second, there must be a considerable body of workers who can be hired to run and tend this machinery for a wage appreciably less than the value of the net product. In a country where most of the people have easy access to land, forests, and fisheries, even the best machinery will not function as capital, because men cannot be induced to operate it on terms which will leave a profit to the owners.

In the sixteenth and following centuries, simultaneously with the development of machinery, the rulers of Great Britain created a proletariat or propertiless working class by despoiling masses of the people of their ancient rights in the soil and otherwise impoverishing them. In other parts of Europe the process began a little later. In the United States the same object has been attained by grants of land to individuals and corporations, by protective tariffs and other means, and has been facilitated by the rapid growth of population through immigration.

Once capitalist industry has got a start, it crushes the independent artizan and the small farmer through the increased productivity of labor and consequent cheapening of goods made possible by the use of machinery. The benefit goes almost wholly to the capitalists. The ruined small producers are transformed into wage workers and their little properties are absorbed into great capital.

LABOR-POWER AS A COMMODITY.—When the two conditions coexist, the labor power of the proletarians (their strength, skill, and knowledge) becomes a commodity whose price and value are determined in the same way as the price and value of cloth or iron.

Employer and wage worker are respectively buyer and seller of labor-power. Its price is called wages. Fluctuations of supply and demand in the labor market affect wages, and the rise and fall of wages affect the available supply of labor-power and the effective demand for it, just as in the case of any other commodity.

Labor-power tends to sell at its value, as do other commodities. Allowing for alternate fluctuations, the actual price of labor-power (wages) always approximates its value.

THE LAW OF WAGES.—What is the value of labor-power? May we not answer by applying the general Law of Value to this particular commodity? Doing so, we get this formula:

The value of a given quantity of labor-power is determined by the amount of labor which would be required to produce it at the time, under the conditions then generally prevailing.
To illustrate: If it takes as much labor to produce a week’s labor-power as it does to produce an ounce of gold, a week’s labor-power will buy an ounce of gold and vice versa—that is, a week’s wages will tend to be equivalent to an ounce of gold.

But how is labor-power “produced”? As the worker does his work, he uses up his labor-power from day to day; as he eats, sleeps, and continues his life, he reproduces his labor-power from day to day; as he rears children, he provides labor-power to replace his own when he grows old or dies. The production of labor-power, then, is the maintenance of the workers in condition for labor. So we may translate the formula as follows:

The wages of labor tend to be just sufficient to provide for the workers’ subsistence and to enable them to bring up a new generation of workers to take their places as they are worn out.

The student will note that this is a general rule, which applies to the mass of workers in the long run; if we observe particular workers at any one moment, we may find many real or apparent exceptions. He will note also that we assume free competition among hirers of labor and among seekers for jobs; in so far as competition is restricted on either side, the ruling price of labor-power may be above or below its value—that is, actual prevailing wage-rates may be above or below the cost of subsistence. Finally, he will note that the phrase “sufficient to provide for the workers’ subsistence” is somewhat elastic; the Law of Wages is not an “iron law,” because different bodies of workers have considerably different standards of living, things which are necessities of life to some are luxuries or dispensable comforts to others.

QUESTIONS AND SUGGESTIONS

1. The student is urged not to accept what he reads without being thoroughly convinced. He should consider all possible objections to the statements made in the lessons, bring them up for discussion in class, and insist on having them cleared up.

2. Although the subject will be taken up in a later lesson, it may be well for the class at this point to try to think out and state the difference between the social characters of slaves, serfs, and proletarians, of masters, lords, and capitalists, in greater detail than is done in the lesson. Consider the effect of their economic positions and ways of life upon the psychology of the various classes, on their habits of thought, ideals, hopes and fears, and on the practicability of this or that mode of action in each case.

3. A skilled mechanic, by thrift and good fortune, saves part of his wages every week, allows them to accumulate at interest in the savings bank, and from time to time invests in stocks or bonds. He is an owner of capital. Is he a capitalist or a wage worker? A young millionaire has spent some years working at the bench, learning the machinist’s trade thoroughly, and, it is reported, actually living on his wages. In which class would you place him? Does the existence of such cases negate the distinction between capitalist class and proletariat? If not, why not?

4. What classes other than capitalists and wage workers must we recognize as existing in the United States to-day?

5. Could modern industry, with power-driven machinery and division of labor, have arisen in a new country without the formation of capitalist and wage-working classes? Has this ever happened? What are the reasons?
THE ECONOMICS OF CAPITALISM: 5

DISTRIBUTION OF WEALTH.—So far we have discussed chiefly the production of wealth. We must now consider its distribution.

Whenever some persons own means of production which others must use in order to make a living, the former are able to keep back or take from the latter a part of the value of the product. Socialists call this Exploitation of Labor. (To "exploit" anything is to draw an income from it; thus the farmer exploits the soil, the miner exploits an ore bed.) Exploitation of labor has taken various forms, of which two prevail extensively in modern society. The older of these, which is most clearly illustrated in agriculture, is involved in the relation of landlord and tenant. The other, which is more commonly observed in the industrial field, is involved in the relation of employer and wage worker.

EMPLOYER AND WAGE WORKER.—Since the use of large and costly masses of power-driven machinery, operated by the joint labor of many workers, makes it possible to put goods on the market with less labor and consequently at a lower price than when they are made on a small scale with hand tools, it is no longer practicable for workmen individually to own their implements and materials and sell their products directly to consumers. They must become wage workers, applying their labor-power to social means of production owned by capitalists. Let us briefly trace the circulation of capital in the employment of wage labor.

A certain man, we will suppose, has a considerable sum of money. If he uses it merely to buy consumption-goods, it will grow less day by day and at last will be all gone. He wishes to live on his wealth without diminishing it. To do this he turns it into capital.

With a part of his money he buys land, buildings, and machinery suitable for the production of a certain kind of salable goods. With a second portion he buys a stock of materials, including fuel for his engines, etc. The rest he reserves for the payment of wages. So far, though he has changed the form of his wealth, its quantity remains the same. But it is now ready to increase—ready to act as capital.

The process of growth begins only when the workers whom he hires actually begin to expend their labor-power, to operate his plant, use up his materials, and make goods for him. He sells these goods, receiving their value in the form of money.

The value of the goods turned out is greater than the value of the materials consumed plus the value which the plant loses through wear and tear. These costs can be replaced, and what remains is
the new value produced in this particular establishment. The amount of this product-value depends on the amount of labor performed. Out of it the wages of the workers are paid—or, what is the same thing, the amount of original capital which has been paid out in wages is replaced.

If the product-value should be too little, or even barely enough, to pay for the labor-power used, leaving the employer poorer or at any rate no richer than he was before, he will abandon the enterprise. Such cases occur, through errors of investment, bad management, or unforeseen changes in market conditions; but they are exceptional. Normally, the value produced exceeds the value of the labor-power used. This excess, which remains to the employer, we call Surplus Value.

PRODUCTION OF SURPLUS VALUE.—If all value is produced by labor, and if the workers receive the full value of their labor-power—both of which statements have already been agreed upon—how does it come about that there is a surplus left to the employer? It sounds paradoxical; but it will be clear if we weigh the words and think of the facts they represent.

We say that the workers receive the full value of their labor-power, not that they receive the full value produced by their labor, which is quite a different thing. A day's labor is capable of producing more than the value of a day's labor-power. The value of the workers' labor-power is the value of the food, clothing, and other things which they must consume in order to maintain themselves and go on with their work; its amount depends on the amount of labor required to produce these necessaries of life for them. But the value which their labor produces depends upon the amount of labor they actually perform—the extent to which they use their labor-power.

It is within the truth to say that, in the present stage of technical development, taking all lines of production together, it does not require more than four hours of average labor to produce the average daily living of a working-class family. If the workers were to perform only four hours' labor a day, they would create a value barely sufficient to enable the employers to pay their wages. Of course, they cannot get employment on such terms. Their competition for jobs forces them to consent to a considerably longer workday—to perform more than enough labor to produce the value of their labor-power.

The actual length of the workday depends, within certain limits, on the intensity of competition in the labor market. There is a limit to human endurance; it would be quite impossible for men to work regularly twenty hours a day. In most cases, there is an economic limit considerably below the physiological maximum. An excessively long workday means slowness, inattention, mistakes, waste of various sorts. In any trade, at any given stage in its development, it is possible to ascertain by practical experience just how long a workday will yield the largest amount of surplus value. In most cases in advanced countries this now seems to range between nine and eleven hours, and a workday of that length prevails, except in so far as it is shortened by law or by trade-union action. We shall not be far wrong if we say that the people employed for wages in the United States now spend about four hours a day in producing their wages and about six hours in producing surplus value.
VARIATION OF SURPLUS VALUE.—Since surplus value is whatever is left of the value of product after deducting wages, it follows that, if the productivity of labor remains unchanged, increase of wages diminishes surplus value and reduction of wages increases it.

Since wages, in a competitive labor market, are determined by the workers' cost of living, it follows that increase or diminution of productivity does not directly affect wages, but only increases or diminishes surplus value.

The productivity of labor in any industry at a given time depends on several factors—length of workday, perfection of machinery, specialization of processes within the shop, avoidance of waste, speed of operation, skill and alertness of workers.

LANDLORD AND TENANT.—Leaving the industrial field for a moment, let us observe the exploitation of labor or extraction of surplus value in the domain of agriculture.

Land, together with the permanent improvements incorporated with it, is here the basic means of production. Under the conditions which have prevailed in agriculture until recent times, it has been so much more important than the accessory means—implements, stock, etc.—that we might almost disregard the latter; if one possessed land, it was generally not difficult for him to get other things required for tilling it.

The cultivator who owns his land is able, like the old-fashioned artizan who owned his shop, to retain the whole value of his product. But the one who does not own this necessary means of production must pay Rent to a landlord for its use. The amount of the rent is agreed on by contract for a specified time, but it is not fixed by the arbitrary will of either party. We must ask what it is that determines how much the tenant must pay and how little the landlord must accept.

Some land is so barren that no one can make a tolerable living on it; this will of course lie idle. Other portions, a little more fertile, will give a bare livelihood to the cultivators; these can be got for a merely nominal sum, and they are likely to be owned by small working farmers. But most of the soil will yield more than enough to maintain those who till it; to get the use of such land one must pay rent. There is obviously a maximum limit to what tenants will pay rather than be turned off; the rent must be such as to leave them enough to live on and continue their work. Each of them will wish and hope to get more than a bare livelihood. But if competition among would-be tenants is keen—as it usually is in a settled country with a growing population—they will bid against each other for the use of the land, and whoever offers most will get it. Under such circumstances, the rent of any grade of land tends to be equal to the whole surplus of the net value that can be produced from it by methods generally in use, over the amount required for the cultivators' subsistence.

This law, like other economic laws, does not work with absolute rigidity. It is a statement of tendency. We may often find a landlord accepting something less than the maximum competitive rent in order to keep a steady tenant and avoid the risk of having his land lie idle for a year. If any tenant, by exceptional skill or diligence, gets a crop larger than the average yielded by land of the same grade, he will be able to retain more than a subsistence; for his competitors, being less skillful and diligent, cannot bid up his rent. But the emphasis must here be put on the word "exceptional";
the case is quite different if the increase of yield is general. Every increase in the average value of the output, due to general improvement of methods or to rise of prices of farm products, tends to increase rent by an equal amount. Temporarily, however, a part of the advantage even from such general increase of productivity, may go to tenants, especially if the increase is rapid and if leases commonly run for long terms, because it takes time for the landlords to force up the rent.

The taking of rent is not confined to agriculture, though its nature is more clearly seen here than in the industrial field. We shall speak later of rent as applied to other than farm lands.

The taking of rent, moreover, is not the sole form of exploitation of labor in the agricultural domain. Both tenants and farmers who own their land are often exploited in other ways, especially as, in the course of technical and social development, necessary farm equipment becomes more costly and the marketing of crops becomes a more complex process, involving the use of a great system of railways, warehouses, etc., which the farmers do not own. Furthermore, there are exploited wage workers in agriculture as well as in other occupations, and their proportionate number is growing.

QUESTIONS AND SUGGESTIONS

1. Is it the interest of industrial employers generally to have high or low prices for the common necessaries of life? What is the interest of agricultural landlords? Of owning and tenant farmers, respectively? Of industrial wage workers? Give reasons in each case.

2. Which is in general more advantageous to wage workers—an increase of wages or a shortening of the workday? Why? Does one exclude the other?

3. We have seen that increase of the productivity of labor is beneficial to employers. Is it therefore injurious to wage workers? If not, why not? Is it possible to answer with an unqualified Yes or No?

4. A certain factory has an initial value of $100,000; it employs 100 men at an average of $50 a month; during the first month they use up materials to the value of $10,000; the plant deteriorates in value 1 per cent through wear and tear; the output sells for $26,000. What is the amount of value produced during the month? How is it divided between wages and surplus value? Assuming that the capitalist started with only a month's stock of materials and only enough money to pay a month's wages, what was the total capital? What percentage of return on his capital does the month's operation yield him? What percentage of the product does he receive?

5. The Class Leader will do well to give some time to questions and discussion based on the reading advised at the close of Lesson X.

TEST FOR ALL STUDENTS

Every member of a Local Study Class has a right, if he chooses, to submit a paper, which will be read and marked at the Rand School and returned with criticism and advice. All papers from each class are to be handed to the Class Leader, not later than the time when Lesson XX is taken up, and he will transmit them under one cover to the School.

Subject:—The student will select any twelve questions, from at least six of the first eighteen lessons, and answer them in order. The answer to each question should contain not more than 300 words.

Form:—Use large paper and either black ink or typewriter. Write on only one side of the sheet. Leave a margin of an inch and a half at top, bottom, and each side of each page. Number the sheets. Put your name and address at the top of each sheet. Give a separate paragraph to each question. Revise till you have done your best, and then make a clean copy for submission. Make your work as neat as possible; mechanical neatness generally indicates carefulness of thought and often promotes it. Do not delay.

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Rate of Exploitation.—In the section entitled "Variation of Surplus Value" in the foregoing lesson, we have said that improvement of methods increases product and does not directly affect wages, and that it therefore increases surplus value. The last portion of this statement is entirely correct; the first portion is true if we speak in terms of goods, but not if we speak in terms of value.

Improvement of methods enables a given amount of labor to turn out a larger quantity of goods. The value of the individual goods, however, is proportionately reduced, so that the same amount of labor produces the same quantity of value under the new methods as under the old, this value being embodied in a larger mass of commodities. As improved methods come into general use in any industry, the competing capitalists are enabled and compelled to reduce their selling prices in due proportion to the lesser amount of labor required on the average for the production of each article.

We have next to ask what effect improvement of methods has upon wages—not upon the subsistence of the workers, but upon the value of that subsistence. Two considerations are here involved—the effect of increased productivity upon competition in the labor market, and its effect upon the workers' cost of subsistence.

First, while cheapening of goods increases sales, it does not necessarily increase them in the same ratio. Lowering the price of some articles of luxury may make it possible to sell even more than a proportionally larger output; if so, the industries which turn out those goods will employ even more workers under the new methods than under the old. But this is not always the case, even with articles of luxury. On the other hand, a cheapening of the common necessaries of life seldom results in a proportionate increase of effective demand; when productivity is increased in the industries which furnish these goods, the actual output will hardly ever be enlarged in the same ratio; a smaller quantity of labor will be required to supply the market, and a part of the workers will be disemployed. The reduced demand for labor in these industries is likely to overbalance the increased demand in the others. Competition in the labor market thus tends to become keener.

This tendency is made still stronger when the improvement of methods takes the form of inventions which enable women and children to do work which could formerly be done only by men, thus increasing the available supply of labor-power in the market.

Second, the different classes of goods are to a great extent purchased by different classes of people. Cheapening of articles of luxury has no direct effect upon the workers' cost of living. But
in so far as improvement of methods takes place in those industries which provide the prime necessaries, it diminishes the value of labor-power by diminishing the value of the commodities which make up the subsistence of the working people.

So far it appears that industrial development tends both to enable and to compel the workers to accept lower wages, leaving an ever larger share of product value to the capitalists. This reduction of wages is not confined to the industries in which the improvement of methods takes place. Working people of different trades compete with each other in the labor market, though not so directly as they compete within each trade. A cheapening of the necessaries of life enables workers in all trades to accept lower wages; disemployment in certain industries directly compels workers in those lines to submit to a reduction, and in the course of a few years, through the tendency of workers to leave the worst paid and flock into the better paid trades, the depressing effect upon wages is spread out over the whole field of employment. We shall later note certain influences which partly offset this tendency to reduction of wages.

DIVISION OF SURPLUS VALUE.—To the possessor of capital, whether he owns it or not, economists give the name of Enterpriser—or, in the French form preferred by some writers, “Entrepreneur.” If the enterpriser is also the owner, he of course retains the whole of the surplus value produced. If not, he must share it with those from whom he has leased land or borrowed money. This leads us to consider three forms in which surplus value is appropriated, or three parts into which it is divided.

The owner of land who permits someone else to use it exacts Rent for the privilege. This is paid out of surplus value. Even if the enterpriser owns the land he uses, we may consider that a part of his income is rent, for by owning it he is enabled to retain what he would otherwise have to pay to a landlord.

The lender of money receives Interest for its use. This likewise is paid out of surplus value. Here again, if the enterpriser owns his whole capital, we may count as interest that part of his income which he would have to pay to a lender had he borrowed the whole amount.

Whatever remains of surplus value after deducting rent and interest is known as Profit, in the strict sense of that word.

The amount of rent or of interest is agreed on in a free contract between landlord and tenant or between lender and borrower, just as the price of goods and the wages of labor are freely agreed on by seller and buyer and by workingman and employer respectively. But in the case of rent and interest, just as with prices and wages, the terms of the contract are actually dictated by circumstances beyond the control of the contracting parties. Each gets as much as he can and gives no more than he has to. How much the one must pay, how little the other must accept, depends on market conditions.

The supply of land is virtually a fixed quantity. Growth of population and development of industry therefore cause a general rise of rents in all advancing countries. Rent tends to absorb an ever larger share of the total surplus value produced.

The rate of interest behaves differently, because the supply of all forms of wealth other than land can be indefinitely increased.
The larger the amount of such wealth being offered for investment at any time, the lower tends to be the rate of interest; the larger the demand for increased capital at any time, the higher tends to be this rate. To the simple investor, or lender, it makes no difference what particular use is to be made of the wealth he advances. Loan capital can flow indifferently into any channel. Consequently the rate of interest, at any moment, is the same for all branches of production. Many circumstances may cause temporary fluctuations; but on the whole, as the total mass of surplus value produced, besides providing for the personal expenditures of the recipients, furnishes an ever increasing amount available for reinvestment, the rate of interest tends to fall as capitalism develops.

Once capital is invested in a certain industry—turned into plant, material, and labor-power—it cannot easily be withdrawn and put to other uses. The relative amounts of capital, wages, and product depend upon the nature, stage of development, and particular circumstances of industry. Upon these depends, therefore, the total rate of return on the capital invested—the proportion between surplus values produced and capital used in its production. But since rent and interest are determined by general conditions, and enterprisers' profit is what is left after deducting these from surplus value, it follows that the rate of profit at any time varies considerably in different branches of production. Competition among capitalists is always tending to equalize it, but new inequalities are always being created by introduction of new methods or by other changes in this or that industry. On the whole, however, the rate of profit declines with the development of the capitalist system.

Students will observe that a fall in the rate of return on capital (even including rent with interest and profit) does not mean a diminution in the amount of the capitalists' income; nor is it inconsistent with an increase of the proportion of product appropriated by them. To solve this paradox we must consider capital itself more closely.

**Composition of Capital.**—The early economists distinguished between fixed capital, the portion embodied in plant; and circulating capital, that devoted to purchase of materials and payment of wages. This distinction has some practical worth, but it is not quite accurate, since the value of plant also "circulates," though more slowly than the other part.

Marx introduced a more exact and useful analysis. He called plant and materials constant capital, because their value has no power of growth—they contribute to the product only so much value as they themselves lose; while he gave the name of variable capital to the part which, being turned into labor-power, directly generates new value.

The proportion of fixed to circulating capital, and of constant to variable capital, is by no means the same in all industries, nor at all stages of development, nor under all conditions. In some cases much more costly lands, buildings, and machinery are needed to employ a given number of workers than in others. The value of materials used up is in some cases much less and in others much more than the wages of labor. The turnover period varies greatly; by this we mean the average time which must elapse between the beginning of the productive process and the sale of the product—
the period for which the enterpriser must advance value of materials and labor-power, in order to get it back with an increment.

Obviously, the larger the proportion of constant capital, the larger is the total capital per worker. Equal capitals, then, may employ unequal quantities of labor, and consequently may yield unequal products. If the ratio of division of product between workers and capitalists is the same in both cases, obviously that capital which employs less labor will yield less surplus value; and even though the ratio of division may be (as it generally is) more favorable to the capitalist, it is seldom if ever enough so to counterbalance the difference in the amount of labor employed. A capital which is largely of the constant sort brings a smaller percentage of profit to its possessor than one in which the constant element is small and the variable element large.

Now a new and improved machine, which makes it possible to turn out certain goods with less labor, almost invariably costs more than the inferior machine or tool which it displaces. In order to cheapen his goods and expand his trade, or to defend himself against competitors who are already doing so, each enterpriser is compelled to instal the latest labor-saving devices. Improvement of the methods of production involves an increase in the constant as compared with the variable part of capital; or, in other words, an increase in the total amount of capital per worker.

Thus it is that the improvement of methods, while increasing the rate of exploitation of labor, continually diminishes the rate of return on capital.

QUESTIONS AND SUGGESTIONS

1. If the matter in this lesson seems very dry and difficult, the students may be comforted by the assurance that, having once mastered it, they have passed the hardest part of the road. It will probably be found worth while to give more than one session to this lesson, especially in connection with the reading advised at the close of Lesson X.

2. If improvement of methods, while increasing the output of goods, lowers the value of those goods to such an extent that the same amount of labor produces only the same quantity of value that it did before, why do capitalists instal labor-saving machinery?

3. If technical progress were confined to those industries which provide articles of luxury such as are used only by the rich, how would wages be affected, if at all? To whom, and in what manner, would the benefit accrue?

4. When productivity is increased in industries that furnish necessities of life, to whom does the benefit go, and how?

5. Do you find, in the matter treated in this lesson, any grounds for conflict of interest among various sections of the propertied class?

6. Be sure you master the two classifications of capital. Consider different items of capital in any business, and determine whether each is fixed or circulating, constant or variable?

7. In a certain enterprise the plant is worth $500,000. It employs 200 workers at an average wage of $40 a month. The cost of material is 50 per cent greater than the payroll. On an average, three months elapse between the first stroke of work on any article and its sale. The gross value of the goods turned out is four times the amount of the wages. Wear and tear of plant is one per cent a month. What is the total capital? How much is fixed and how much circulating? How much constant and how much variable? What is the value produced monthly? How much of this is surplus value? What is the annual percentage of return on capital.
LES SSON XVII

THE ECONOMICS OF CAPITALISM: 7.

Accumulation of Capital.—Bourgeois economists draw a pretty picture of the origin and accumulation of capital from the savings of frugal working people, who thus gradually develop into captains of industry; they intimate that all might do the same, if all were equally thrifty. There is but a small element of truth in this idyl. In fact, the original capital came partly from the hoarded wealth of medieval merchants and proprietors; but in much larger part it was provided by the same processes which created a propertyless working class—eviction of peasants from their holdings, private appropriation of common lands, spoliation of gilds and monasteries, tax systems devised to favor the rich and ruin small traders, legal monopolization of the most lucrative branches of commerce, plundering or enslavement of conquered peoples. Similar methods are still used, especially in the extension of capitalism to new countries; but these are not now the chief means of accumulation. Once given a start, capital grows almost automatically.

Recipients of surplus value usually consume a part of it and add the rest to their capital. It seldom requires much self-denial for the capitalist to turn ten, twenty, or thirty per cent of his yearly revenue into additional capital, thus assuring himself a still larger future income. The greater his revenue, the easier is it for him to reinvest an ever larger amount.

We see reinvestment in its simplest aspect when an enterpriser uses a portion of his profits to enlarge or improve his plant. We see it in a more complex and indirect form when anyone who has a larger income than he cares to spend or use deposits his money in a bank, lends it on a note, or buys stocks and bonds.

The banking and credit system and the corporate form of ownership facilitate the flow of the available surplus from industries in which additional capital is not at the time needed into others where it is in demand. They also make it possible to turn into capital sums which are too small to be used as such separately. Reinvestment by capitalists is thus supplemented by investment of the savings of farmers, professional men, and well-paid working-men. The masters of industry are enabled to operate on a larger scale and besides the surplus value from their own capital, to get part of that yielded by capital put into their hands by others.

Not only has machinery increased the productivity of labor; the wage system spurs the workers to more intense, steady, and efficient effort than could generally be got out of slaves or serfs. Capitalists therefore get much larger revenues, in proportion to the number of their workers, than did feudal lords or slave owners, and can spare
more for accumulation. The productive plant of capitalism is thus able to grow faster than that of any earlier system. Moreover, competition among capitalists, as sellers of commodities, compels them to reinvest part of their income, instead of consuming or hoarding it. Increase of capital cheapens production. Every enterpriser who enlarges or improves his plant, with his own or borrowed capital, forces others to do likewise or give up to him a part of their trade. So capital as a whole must grow, because those enterprises which do not grow are destroyed in competition.

In so far as addition to capital employs more workers, it increases the quantity of value produced. In so far as it heightens the productivity of labor, it gives the capitalists a larger share of the product value. Both processes go on together. Consequently, while the mass of value produced is ever growing, the mass of surplus value grows still faster. The consumption expenses of the capitalists are not necessarily increased, at any rate not in the same ratio. There is thus an ever larger amount available for reinvestment, and capital grows at an accelerating rate.

Concentration of Capital.—As a rule, up to a limit set by the technical and social conditions of the time, a large capital gives its possessor a larger share of the product than does a small one in the same field. Large enterprises can undersell small ones and yet have sufficient surplus to increase their plant and gain still further advantage. The larger enterprises survive in the competitive struggle, while the smaller ones are either killed or forced to consolidate; and even large concerns voluntarily combine to increase their profits.

Combination generally begins with attempts to limit competition within certain groups while retaining separate ownership—price agreements, joint selling agencies, pools. These usually fail, partly because illegal, chiefly because their members cannot trust each other. Then comes consolidation of ownership by actual merger of formerly competing enterprises or by formation of "holding companies."

Centralization of control even outruns concentration of ownership. A corporation with a billion dollars capital may have a hundred thousand stockholders; but most of these have such small interests that they cannot influence the management; the company is governed by a few very large stockholders, who are able to act together and elect themselves or their tools to the directorate. These dominant members often divert to themselves, by means of high salaries and fees, fat contracts, and other methods, a share of the profits altogether disproportionate to their share of the capital. Moreover, through control of the supply of materials or of shipping and marketing facilities, large concerns are often able to levy tribute on smaller competitors and on retail traders and other groups of capitalists who are in some way dependent on them.

In place of the maxim of early capitalism, "Competition is the life of trade," we now have the principle acted on by business men and beginning to be recognized even by bourgeois economists and statesmen, that "Wherever combination becomes possible, competition becomes impossible."

Concentration is often hastened by legislative favors—protective tariffs, land grants, exclusive franchises, patents, and so forth—as well as by unlawful practices of great capitalists. But even without
these it would go on, though more slowly, as a result of the superior
economic efficiency of large capital.

To sum up: While capital increases in total mass, its ownership
becomes concentrated in fewer hands, and still more rapidly is con-
centrated the control of capital and the appropriation of profits.
Moreover, this process of concentration is a normal and inevitable
result of the competitive system, which in turn it destroys.

Expansion of Capitalism.—Capitalism expands, not only by
accumulation of capital in industries and countries where the
capitalist mode of production already exists, but also by its extension
to other lands and to other branches of activity. As the rate of
return falls in the more highly developed fields, a part of the avail-
able surplus there produced is attracted to investment in more back-
ward fields where higher rates of profit and interest prevail.

Capitalism in its mature form first appeared in the textile
industries of England in the eighteenth century. This created a
demand for machinery and fuel. Coal and iron mining and iron and
steel manufactures were thus drawn into the same course of develop-
ment. Cheapening of coal, iron, and steel facilitated the intro-
duction of machinery into still other industries. Once capitalist
methods had got a foothold in any field, it was only a question of
time till both domestic production for use and hand production for
sale must go to the wall.

The British bourgeoisie as a whole of course wished to confine
the new methods to their own country, so that all the rest of the
world might be a market for their manufactured goods and might
in return give Great Britain a cheap and abundant supply of food
stuffs, raw materials, and such articles as could not be produced in
that country. By law, taxation, war, and diplomacy, the government
sought for many years to effect this. But not only did other
countries begin spontaneously to develop in the same direction; even
within the British bourgeoisie there were elements which an-
tagonized the restrictive policy. British manufacturers of machinery
had a direct interest in promoting the rise of industrial capitalism in
other lands. Still more important, British financiers paid little heed
to national or class loyalty when they saw an opportunity to get
higher returns by investing part of their surplus abroad. Before
the middle of the nineteenth century the attempt to confine capitalist
production to Great Britain had to be given up.

The example of England stimulated and English competition
compelled the adoption of the new methods wherever social con-
ditions permitted it. The French Revolution and the Napoleonic
Wars, 1788 to 1815, largely swept away the antiquated political
institutions which had hampered economic progress in Western
Europe. The American Revolution, 1775 to 1783, together with the
War of 1812, set the United States free from the fetters of British
colonial policy, though the existence of chattel slavery in the South
continued for another half-century to impede the progress of
American capitalism. Since these countries passed into the capitalist
stage, the influence of the new system has spread still further;
capitalism has been extended to Southern and Eastern Europe, Latin
America, Australasia, South Africa, and Japan; and it is now
establishing itself in Turkey, Egypt, India, China, and other regions.

The later a country comes into the circle of capitalist civilization,
the more largely is the native capital supplemented by the investment there of part of the surplus realized from industry in the more advanced countries. British capitalists draw enormous amounts of rent, interest, and profits from almost every part of the world; French capitalism probably ranks next in the mass of its foreign holdings; German, Belgian, Dutch, and other European capitalists also have great international interests, and within recent years the United States, while still a debtor to the British bourgeoisie, has become a creditor nation with regard to many other countries.

Several stages may generally be observed in the entrance of capitalism into a land where simple agriculture and handicraft and production for use have heretofore prevailed. First, either peacefully or by force of arms, the country is opened to commerce and becomes a market for the industrial nations. Next, sometimes by conquest, sometimes by a combination of threats and bribes, capitalists get grants of land and mineral deposits, concessions for building railways, and exclusive commercial privileges, and manage besides to saddle the country with a national debt. Finally, they erect factories equipped with modern machinery and operate them with native labor at low wages, often using the most brutal methods to force the workers into their factories by making it impossible for them to get a livelihood otherwise.

Wherever capitalism is introduced, the new ways of working and living gradually undermine old customs and institutions. Racial and traditional peculiarities fade away, and a similar type of civilization tends to establish itself all over the world, the whole vast system dominated by the great capitalists and especially the financiers of Great Britain, Western Europe, and the United States.

Nor is capitalism confined to manufacture, mining, transportation, commerce, and finance, though it is in these that it first develops. Later it invades the field of agriculture. This stage has but recently begun; its extension will probably be one of the most striking phenomena of the near future, and may cause profound changes in the social life of even the older capitalist nations.

READING AND DISCUSSION

In connection with this lesson students should read as much as possible of Part VIII in the first volume of Marx' Capital; it will be well worth while to read at least the chapter on "The Historical Tendency of Capitalist Accumulation" in class.

The present lesson deals with very concrete phenomena, which are of vital interest at the present time. The Leader should see to it that, if possible, instances are cited to illustrate every sentence and have as much supplementary information brought out as class members can gather.

TOPIC FOR INDIVIDUAL STUDENTS

Persons taking this course as individual students (not class members) are invited to send in essays of from 1,000 to 2,000 words on the topic: In What Respects, if Any, Does the Class Interest of the Proletariat Coincide With That of the Bourgeoisie? Do not merely state your opinion, but give reasons for it. Do not jump to a conclusion, but try to examine every aspect of the question before you finish your paper. For instructions as to form, see end of Lesson XII.
LESSON XVIII

THE ECONOMICS OF CAPITALISM: 8.

INTEGRATION OF CAPITALISM.—In the earlier stages of this system the typical capitalist was interested in but one enterprise; and he was not only an owner of capital, but also an active director on either the technical side or the business side. Such capitalists still exist, but chiefly in the more backward industries.

In general, the work of management and superintendence, both in shop and office, is passing more and more into the hands of salaried employees, the majority of whom own but little of the capital whose operation they direct. The dominant stockholders in a great enterprise seldom take any part in its administration but merely control the investment of capital and appropriate the profits. As the introduction of machinery divorced ownership from manual labor, so the concentration of capital has divorced ownership from the labor of management and superintendence.

Nor does the typical capitalist of today confine himself to one business. He may have one chief source of income, but he reinvests a large part of his surplus in various other fields. The Rockefellers are primarily oil capitalists, the Morgans and Belmonts bankers, Ryan and Widener street railway magnates; but these men have also enormous interests in the Steel Trust, Copper Trust, Rubber Trust, Tobacco Trust, in railways and steamship lines, coal mines, insurance companies, and many other enterprises. This cross-investment by individual capitalists is supplemented by the fact that great financial corporations (banks, insurance companies, etc.) invest much of their surplus in manufacturing, mining, and transportation enterprises. Thus all kinds of capitalist interests become ever more closely linked together by overlapping investments. This integration of capitalism extends beyond all national frontiers.

Another kind of integration is taking place at the same time. Manufacturing corporations reach out in one direction to control the production of raw materials and in the other to control the marketing of products. The Steel Trust owns iron and coal mines, and also railways and steamboats to transport ore and fuel. Syndicates of American and European cotton manufacturers have bought vast areas of land in the South, on which tenant farmers raise cotton for them. The Tobacco Trust owns considerable tracts of tobacco land, especially in Cuba; it owns plants for manufacturing licorice, tinfoil, bags, boxes, wrappers, and other supplies; and through a subsidiary company it sells tobacco, cigars, and cigarettes at retail.

To sum up: The great capitalists—as distinguished from small investors and from proprietors of small establishments—tend to become capitalists pure and simple, mere owners and masters,
performing no function in the process of production. The distinctions among various kinds of capitalists tend to disappear. The dominant capitalists are no longer "captains of industry" but "lords of finance." In its financial form capital appears as simple capital, divested of all special characteristics, personal, local, or technical. While antagonisms still exist, especially among the capitalist classes of various nations, even these are being subordinated to international class interests.

N. B.—The student will bear in mind that, in what follows, when we speak of "demand" we mean effective demand—not only desire to buy, but also ability to pay; and that when we speak of "over-production" we mean the turning out of more goods than can be sold at a profit, not more than the people could use.

Overproduction and Disemployment.—We have already observed that, within any given market, the cheapening of goods through improvement of methods of production does not as a rule call forth a proportionately increased demand—that capitalist development therefore tends to cause overproduction of goods and disemployment of labor. We must examine this more closely.

The market in any country falls into three sections. The working people spend almost their whole wages in buying consumption goods, chiefly necessaries. The capitalists spend part of their income for consumption goods, luxuries as well as necessaries. They invest the remainder—that is, send it for production goods. Now how does the changing rate of exploitation of labor affect these three kinds of demand?

While the workers increase in proportionate number, their aggregate wages decrease relatively to the total value produced. Their purchasing power is limited to their wages. Every diminution in their share of the product value diminishes the share of the total output that they can buy. The capitalists' purchasing power is increased just as much as that of the workers is reduced. But they are becoming relatively fewer. Their consumption of necessaries is limited by their numbers. Thus the total demand for necessaries cannot keep pace with the increasing powers of production.

There is some increase in the per capita luxury expenditure of the rich. But this is restricted both by their comparatively small numbers and by the nature of their occupations. Most of them, though they perform no productive function, are active business men; the attention required by their business affairs keeps their luxury expenditure within bounds. The demand for luxury articles never grows fast enough to balance the relative decline in demand for necessaries.

Part of the labor disemployed by the operation of capital in these two fields can be re-employed in creating additional fixed capital for future use—building and equipping railways, opening mines, replacing old types of machinery with improved models, etc. This expenditure yields no immediate return to the capitalists, and therefore tends to relieve the glut in the labor market. But capitalists make such expenditures only in order to increase their share of future product. As fast as these new means of production are brought into operation, they displace labor on a still larger scale.

Taking all kinds of goods together, then, output always tends to
Exceed demand; by curtailment of production and disemployment of labor, the glut is transferred from the commodity market to the labor market; but unemployment and reduction of wages, its normal accompaniment, further diminish the workers' purchasing power and again check the demand for goods—and so on, in a "vicious circle." This suicidal tendency of capitalist development is to a certain extent retarded by influences which we have yet to mention, but it cannot be escaped so long as capitalism exists.

Economic Crises.—Capitalist development has hitherto shown alternating phases—periods of prosperity and of depression. In the United States we have had great crises beginning in 1819, 1837, 1857, 1873, 1893, and 1907, each lasting from two or three to six or seven years. Other capitalist nations have suffered similar depressions, though not always at just the same time.

In a period of prosperity every business man seeks to "make hay while the sun shines." Each manufacturer turns out goods as fast as he can. Plants are run at full capacity, and enlarged if possible. Stocks and bonds find ready sale. Goods are bought on credit. Money is borrowed right and left. All available funds are invested, and property loaded with mortgages to provide more. Workingmen have fairly steady employment, with overtime and speeding, and relatively high wages, partly offset by high cost of living. Many are able to save something out of their wages, and through the banks their savings are turned into capital. There is rapid accumulation of capital, with proportionate increase of its fixed and constant element; there is only slow concentration, perhaps even temporary diffusion, of ownership.

Though the creation of new means of production employs for a time more labor than their operation as yet displaces, and though widely extended credit enables people for a time to buy more goods than they can pay for—the accumulation of capital must eventually produce the effects described in the foregoing section. Output of goods begins to exceed demand. Price-cutting can only defer for a little while the glutting of the market. Curtailment of production must follow. Part of the workers are thrown out of employment, and their competition lowers the wages of such as still hold their jobs. The workingmen's savings are soon used up. Many merchants and manufacturers go into bankruptcy, especially the smaller ones and those who have run most largely on credit. They drag down with them dealers who have trusted them for goods and materials and sometimes bankers who have lent them money. Loans are called in. Securities depreciate because of the difficulty of cash payment. Small investors especially are forced to "realize" at a sacrifice. The ranks of the middle classes are decimated, much of their wealth passing into the hands of surviving competitors. Accumulation of capital is checked, while its ownership is rapidly concentrated. When economic relations have been readjusted by wiping out of credits and concentration of ownership, a period of expansion can again begin.

Recent crises differ from earlier ones in that centralized control of finance and of some large industries enables the great capitalists to some extent to avoid actual overproduction by earlier and more regulated curtailment. But the effect of this is merely to make the crises more prolonged and less acute and the bursts of activity shorter and less vigorous. Depression tends to become chronic.
THE WORLD MARKET.—The final breakdown of the capitalist system has thus far been prevented chiefly by the existence of countries which had not yet reached the capitalist stage, and which therefore furnished a market for the surplus output of more advanced industrial nations.

In the earlier stages capitalist industry, besides supplying the home market, produced consumption goods for export. Goods manufactured in Western Europe and the United States by the use of machinery could be sold in Asia or South America cheaper than similar goods made there by hand labor. In return, the advanced nations imported foodstuffs, materials, and certain luxury articles—wheat, rice, sugar, raw silk and cotton, hides, rubber, tea and coffee, spices, jewels, etc. So long as this could go on, the depressing effect of capitalist development was largely transferred to parts of the world where capitalism did not yet exist. Factory operatives in advanced countries got continued employment, while their competition ruined the handicraftsmen of backward nations.

But the exportation of manufactured goods tended to exceed the importation of other commodities. The balance due to the capitalists remained in their hands for investment. They began to find the most profitable investment for this surplus, not in further development of home industry, but in exporting production goods—tools, engines, machinery, etc.—to backward countries, equipping mines, railways, and factories there, thus introducing capitalist industry itself into those regions. For the time this also gave employment to the workers engaged at home in making machinery and the like for export, and further postponed the permanent crisis.

As fast as capitalist production is established in a new country, that country ceases to be a purchaser of goods from the older capitalist nations, and becomes itself a competitor in the world market. Japan has already made this step. China, India, and large parts of South America and Africa are fast making it. The export trade of the older capitalist nations, first in consumption goods, then in production goods also, is restricted. In proportion as capitalist industry spreads over the earth, the distinction between home market and foreign market disappears, and the inherent contradiction between expanding powers of production and limited purchasing power, hitherto staved off within each of the leading nations, asserts itself on a world-wide scale.

QUESTIONS AND SUGGESTIONS

1. Observe that managers, superintendents, accountants, statisticians, inventors and designers, and technical experts of various kinds are nowadays usually salaried employees, not owners of capital. Should we regard them as belonging to the wage-working class, along with laborers, mechanics, clerks, etc., or where should we place them in the classification of society?

2. Be sure you get the full force of the italicised passages near the end of the first section.
LESSON XIX

CLASSES AND CLASS STRUGGLES

INTEREST AND Morality.—Men's actions are prompted partly, but not wholly, by personal self-interest. Individual interests often conflict. If each sought only his own good, all would soon perish. Mankind has been enabled to survive only by developing customs, beliefs, sentiments, and ideals—morality or ethics, in a broad sense—which largely overrule individual self-interest.

In so far as we are guided by self-interest, it is clear that our conduct depends on the material conditions of life. It is equally true, though not so obvious, that moral influences have the same basis.

Only to a small extent does each of us originate ideas of right and wrong. In the main, we accept the moral standards of the people among whom we live—social conceptions, handed down by teaching and example, and slowly modified by the experience and reason of successive generations. If the ethics of a certain society prompt its members to conduct favorable to the material well-being of the society as a whole, it is likely to survive and prosper; if not, it is likely to go down in the struggle for existence. In the long run, only those ethics can survive which inspire socially beneficial conduct; and the beneficial or injurious effect of any particular line of conduct depends on the material conditions of existence. As these change, moral codes must change with them.

In the last analysis, then, all human conduct, whether egoistic, altruistic, or habitual, is determined by the material environment; and as this consists chiefly in the modes of producing and appropriating wealth, it is generally correct to say that the economic system is the basis on which all other features of society depend.

Morality is none the less genuine for being changeable and dependent on material interests. The student should be on his guard against the idea that, because what is right at one time is wrong at another, the distinction between right and wrong is artificial and fictitious; or that, because we ultimately attribute religious and ethical ideals to material causes, therefore those who profess such motives are hypocrites.

CLASS STRUGGLES.—We use the word class to designate all those persons who are similarly situated with respect to the production and distribution of wealth. Whether or not the existence of classes is legally recognized is a matter of minor importance.

Primitive society was classless. Its members all lived pretty much alike and shared alike in the use of such goods as it possessed.
The processes by which private property, class rule, and division of labor grew up have been sketched in Lesson II, which should be reviewed at this point. These changes brought greater productive efficiency. Classless societies went down in conflict with those which had become divided into two or more classes, ruling and ruled, owning and working, exploiting and exploited. It does not follow that this must forever be so. That which has been an indispensable condition to the progress of society, may at last become an obstacle to its continued progress. Socialists hold that the time is now at hand when class division not only can but must be eliminated. This will not, however, mean a return to primitive communism or anything closely resembling it.

In a classless society all tend to follow similar lines of conduct, because all have the same environment. Even in a class society, there are some conditions and interests common to the whole people, so that in some matters all tend to act in the same manner. Very largely, however, each class has its distinct interests, customs, beliefs, sentiments, and ideals, corresponding to its economic conditions. On the whole, members of the same class tend to think, feel, and act in the same way, members of different classes in different ways. This is only partly qualified by the fact that members of lower classes to some extent accept the opinions and imitate the conduct of their superiors. The general statement is true even of persons who never think of themselves as belonging to a particular class; it is doubly true of those who are class-conscious—who understand their social position and purposefully act in accordance with the interests of their class.

When we speak of the interest of a class, we mean the general or common interest of its members. This does not always coincide with the special interest of each one of them. Every man has sometimes to choose between a personally advantageous course of action and one injurious to himself but approved by his class ethics. The sharper and more frequent such conflicts of motive in any class, the less is its solidarity, which is a most important factor in its efforts to hold or gain power. Various classes differ greatly in solidity of interest and in class consciousness, according to their economic circumstances.

Each property system, with the institutions connected with it, gives leisure and comfort to part of the people and imposes toil and privation on others. The various classes therefore have divergent and often antagonistic interests and tendencies. The beneficiaries of the prevailing system are satisfied with it, and desire to maintain it; as a rule they sincerely regard it as right and just. Those whom it oppresses are discontented and wish for change. On all public or social questions, therefore, the various elements of society are commonly arrayed on class lines. This does not apply only to political questions in the narrower sense. As we have seen, ethical and religious ideas and practices have also a class character, and these have often been the immediate issues in struggles which had their actual basis in conflicts of economic interest. The whole record of society, with all its foreign and civil wars, its mutually hostile sects and parties, its changing institutions, its legislation, diplomacy, usurpations, conspiracies, rebellions, persecutions, and massacres, seems a tangle of senseless malice and treachery until
we apply to it the key of the *materialistic conception of history* and trace the interacting class interests which have dominated the acts of individuals and masses of men.

**Evolution and Revolution.**—History shows us long periods of relatively stable social organization, alternating with shorter periods in which society is radically, quickly, and often violently reconstructed. We are not to regard these sudden transformations as violations of a general law of gradual development. In fact, these *revolutions* are normal phases of the process of social *evolution*. Within each successive social system grow forces which tend to disrupt it. It holds these in check as long as it can. At length their accumulated power overcomes all restraint and sweeps everything before it. Each revolution is at once the death of an old social system and the birth of a new one.

A revolution is usually accompanied by violence, but this is not its characteristic feature. Indeed, violence is equally used during the intervening periods, though in different ways. Moreover, it is well to distinguish between a revolution and a *reaction*—a backward step which society sometimes takes temporarily, undoing progress already achieved—which may be just as violent and sudden.

Each stage in the development of society, as we have seen, is marked by a certain division of classes, with political, religious, and other institutions corresponding thereto. The prevailing property system—the nature of the most important forms of wealth, its distribution, and the manner in which it is owned, controlled, and exchanged—forms the basis of the whole social structure.

But each property system is adapted to certain methods of production. According as labor is homogeneous or specialized, is performed by isolated workers or by smaller or larger groups, with simple or with complex implements, according as it yields a small or a large surplus over the workers’ subsistence, according as this surplus consists of perishable or of durable things, according as goods are produced for local or general consumption, according as hunting weapons or cattle or land or machines and railways and ships are the chief means of production, one or another property system will be the most practicable and one or another division of classes will prevail.

The means and methods of production develop through discovery and invention, dissemination of knowledge, and growth of habits of order, diligence, and foresight. While under unfavorable natural or social conditions certain peoples may for ages stand still or even go backward in these respects, the general tendency is toward ever greater productive efficiency. The development of the methods of production consists generally in a multitude of small improvements and is more or less steady and continuous. But property systems cannot gradually adapt themselves to this change. Serfdom or slavery, for instance, did not imperceptibly grow into capitalism; on the contrary, capitalism grew up side by side with these older systems until it was strong enough to destroy them. We must look more closely into this contrast between the progressive tendency of methods of production and the conservative tendency of established property systems.
Let us begin with the early days of any social system. The forms of ownership, control, and exchange of wealth are well adapted to the prevailing modes of production. All the institutions of society have been modeled to suit it. Power and authority are in the hands of certain classes, the owners of the kind of property which is at the time most important. They are strong enough to suppress the reactionary discontent of the older class which has lost power and the merely negative discontent of the exploited workers. The social order thus established may stand for generations or centuries. But little by little, within this system, new and better methods of production are developed, new forms of wealth acquire importance, and some new class or classes grow in numbers, riches, and activity. They are not satisfied with existing institutions. Their interests conflict with those of the ruling classes. They strive for change, while the rulers oppose it. Whatever concessions the ruling classes may make, they cannot satisfy the malcontents without abdicating in their favor; nor can the latter give up the attack without inviting destruction. However eloquently and sincerely advocates on both sides may talk of law and order, natural rights, sacred institutions, and eternal justice, it is a question of power. The time comes when no further compromise is practicable. In a decisive struggle the new class wins the supremacy and proceeds to remodel society to suit its own needs. The revolution is accomplished, a new social order is established, and the revolutionary class becomes in its turn conservative.

It is the superior efficiency of the newer methods of production that has given to the insurgent class the power to win in the class struggle. No class revolt is truly revolutionary or can have lasting success, if the effect of its victory would be to diminish the productive powers of society. Such have on the whole been the revolts of the working classes of past ages. Should any society be reorganized in such a retrograde direction, either the old order must soon be restored or the nation falls an easy victim to attack by economically stronger neighbors. Every revolution in the past has consisted in the dethronement of one ruling class by another and the replacement of an antiquated system of exploitation by a new one, not always less oppressive to the workers. Our reason for believing that the proletariat can succeed where slaves, serfs, peasants, and artisans have failed, and that in emancipating itself it will put an end to class struggle and class rule, will be seen later.

N. B.—Students are again urged to read, if they have not already done so, the Communist Manifesto, Engels' Socialism—Utopian and Scientific, and Kautsky's Class Struggle—also Kautsky's Social Revolution.
LESSON XX

CLASSES IN CAPITALIST SOCIETY

The settlement of the New World began when feudalism in the Old World was already in its decline. Until lately there was plenty of room for the population to expand into new territory. In consequence of these facts, American society differs somewhat from that of Europe. Our farmers are very unlike European peasants. Moreover, we have no class corresponding to the aristocracy of the older countries. The nearest approach to this in the United States was the slaveholding planters of the Old South. Since the Civil War the large landowning elements in this country are hardly to be distinguished from capitalists.

AMERICAN CLASSES.—Classes overlap and merge into each other to some extent. Allowing for this, however, we may group the principal elements of the American people into these six classes:

1. Any precise definition we might give to the term Great Capitalists would be arbitrary; but we know well enough what we mean by it. If we count all millionaires, or even all owners of half a million, they do not comprise one per cent of the population. They are becoming relatively less numerous, because it takes an ever larger amount of capital to put a man in this class. But their wealth, economic power, and solidarity are increasing. Instead of freely competing with each other, they tend to act together under the lead of a few dozen giant financiers.

2. The Small Capitalists are much more numerous, but they also are probably becoming fewer relatively to the population. Certainly they are losing economic independence. They are largely at the mercy of the banks and the railways. Engaged in “cut-throat” competition among themselves, they cannot act effectively together in defense of their class interests.

3. Below these is a mass of petty retail dealers, contractors, brokers, and the like, whom we may lump with the little self-employing tailors, shoemakers, bakers, cigarmakers, and so forth, under the head of Shopkeepers and Artizans. Like capitalists they are sellers of commodities and to some extent buyers of labor-power; but they live hardly better than wage workers.

4. We may give the name of Professionals to those who render services instead of producing commodities, own the things they use in their work, and are not regularly engaged in serving particular employers. They constitute three or four per cent of the population, and are slowly increasing in proportionate numbers.

5. Next come the Working Farmers, both Owners and Tenants. In 1890 they constituted 23 per cent of the whole people, in 1910 only 17 per cent. In 1890, of every thousand farmers, 284 were tenants
and 716 owners; in 1910 the figures were 370 and 630. Nearly all farmers hire wage workers; but as a rule their income is derived chiefly from their own labor; those who employ hired labor on so large a scale as to draw their main revenue from it may be counted as capitalists. Farms of medium size (80 to 160 acres) are declining in relative number, large and small farms increasing. The old-fashioned independent farmers are slowly losing ground, their places being taken on the one hand by heavily exploited tenants, on the other by agricultural capitalists; the latter are of two types, with farms either large or small in area, but in both cases using an expensive plant operated by hired workmen. The number of laborers is growing much faster than the number of farmers.

6. Last but not least are the Wage Workers, who already constitute fully half the population and are steadily increasing in proportionate number. They fall into four subdivisions—Industrial, Agricultural, Clerical, and Domestic.

Two large groups are omitted from this list. Housewives have to some extent distinct conditions and interests; but it seems better to regard them as belonging to the same classes with their respective husbands; they have never played a separate class role. There is also a large number of Derelicts—persons who, often partly through personal deficiencies, but also largely through social conditions, are deprived of any regular and lawful livelihood; they form a heterogeneous mass—tramps, beggars, prostitutes, gamblers, criminals—having little in common but their parasitism and their misery; they never act as a class, though the capitalists are often able to use them as political "heelers," scabs, thugs, spies, and provocators.

Class Antagonisms.—Among these classes there are complicated conflicts of interest. The great capitalists alone are contented. They desire the continued development of the present system, which increases their wealth and power.

The small capitalists, engaged in a losing struggle for economic existence, have generally a reactionary tendency. They cherish the vain ideal of a return to an earlier stage, when the small man had a chance. They offer a vacillating resistance to great capitalist policies—vacillating, because whenever their negative opposition to the normal development of capitalism partially succeeds, it hurts them even more than it hurts their great competitors. Their immediate interests bind them to the essential feature of capitalist society—the exploitation of wage labor; and this prevents them, except in individual cases, from joining hands with the labor movement.

The shopkeepers and artizans hold a similar position, except that they have less to lose and may therefore somewhat more easily recognize the hopelessness of their condition and individually ally themselves with the working class.

The professionals have no very distinct class interest. Individually they tend to share the opinions and feelings of those with whom they are in closest contact, some acting as hangers-on to the great capitalists, others sympathizing with the small capitalists, the farmers, or the wage workers. To an increasing extent this class is being assimilated to that of the wage workers through the growth of employment on salary in various professions.
Though losing ground, the farmers are still a class to be reckoned with. They have more solidarity than the small capitalists, since they do not so directly compete with each other; but less than great capitalists or wage workers, because of the individual nature of their activities and their local isolation. Their interests are in sharp conflict with those of the great capitalists, who exploit them in the purchase of supplies, the sale and marketing of crops, and in their frequent need to borrow money to equip their farms or get through a bad season. This formerly led to agrarian movements on the political field, which were supported by the then immature labor movement. Within the last twenty years the high price of foodstuffs has largely quieted their discontent, while intensifying that of all other classes except the capitalists. In so far as the farmers are employers of labor, their interest is contrary to that of the wage workers. Being, like the small capitalists, a class of property-owners and commodity sellers handicapped by the power of great capital, they incline to individualistic and reactionary ideas. Their normal class ideal may be summed up in the words land ownership, low taxes, easy credit, cheap labor, a free market, and high prices for produce. In very recent years, indeed, many of them are taking a broader view. Foreseeing the capitalization of agriculture and their own reduction to the proletarian level, they throw their lot with the working class and attack not merely the capitalists, but capitalism. We are not warranted, however, in expecting the farmers as a body to take this course. Whether a program can be devised to harmonize the interests of the two classes is another question.

In diametrical opposition to the capitalist class, yet indissolubly linked with it, stands that of the wage workers. All other classes may pass away, but neither of these can disappear without the other. As capitalism develops, both grow—the one in wealth, the other in numbers, both of them in the two kinds of power that wealth and numbers respectively command. Society tends more and more to be divided into just these two classes. The conflict between their interests already overshadows all other antagonisms.

THE PROLETARIAT.—The industrial section of the proletariat—the mechanics, laborers, and manual operatives in the manufacturing, mining, building, and transportation trades—is not only the largest, but the most characteristic. The agricultural and clerical wage workers show less solidarity and class consciousness, though both are advancing in these respects. The domestic servants are the most backward of all, because of their individual isolation and close personal contact with their respective employers; but they are becoming relatively less numerous with the decline of private housekeeping. It is the industrial wage workers, who now number at least a quarter of the whole population, that we shall have chiefly in mind.

Marx has said that “What the bourgeoisie especially produces is its own grave-digger, the proletariat” . . . . “a class always increasing in numbers, and disciplined, united, and organized by the very mechanism of the capitalist process of production itself” . . . . a class having “nothing to lose but its chains, and a world to gain” . . . . a class which “cannot attain its emancipation from the sway of the exploiting and ruling class without at the same time, once for all, emancipating society at large from all exploitation, oppression, class distinctions and class struggles.” Let us examine this in detail.
The wage workers contrast their toilsome poverty with the comfortable leisure of others. They become desirous of change. They find themselves opposed to employers on questions of wages, hours, and conditions of labor, to landlords on the question of house-rent or room-rent, to all sellers of commodities on questions of price and quality of goods. They feel themselves a class apart from all the rest.

They go from place to place, crossing continents and oceans, in quest of employment. Regardless of racial, national, and religious differences, they are mingled and all subjected to similar treatment. They are brought together by hundreds in single establishments, by tens of thousands in industrial centers. They get rid of dividing prejudices, they realize their identity of interest and their latent power.

The production which they carry on is a social process, no one of them alone creating any complete article, but many by their united labor performing veritable miracles. As employees, they feel themselves individually helpless, while they see their employers gaining advantage by combination. They find themselves and their children doomed to lifelong wage-labor. Their individualistic aspirations are stifled and they look to united action for relief.

They are not in personal touch with their employers, who are often corporations. They go from one to another, and find all nearly alike. They see that even rich capitalists are individually subject to the control of economic forces. They learn to direct their opposition against the system, not against persons.

They see methods of production continually revolutionized and laws and institutions remodeled to suit new business conditions. They conceive the possibility of a radical social transformation.

Deprived of all property but their petty personal and household goods, not sure even of their opportunity to earn a bare living by hard work, they have no stake in the existing social order, no fear of thorough-going change.

In industrial depressions they see that, while the capitalists' interests are hostile to theirs, yet the mere negation of capitalist interest does not benefit them as wage workers. They learn that their action must not be merely destructive or obstructive.

Finally, for its own purposes, capitalism has to establish and maintain a large measure of civil rights, political liberty, and general education. Thus it equips the proletariat with the means of understanding and eventually reconstructing the society of which it is the basic class.
WHAT IS SOCIALISM?—We are not to think of the Socialist movement simply as a body of persons who happen to hold certain ideas and seek to realize them. We must look back of this to the causes which give rise to these beliefs and purposes and which confine them wholly to capitalist society and chiefly to a certain portion of it. To make these causes clear has been the aim of our whole course of study. No negative conception will suffice. Mere opposition to the existing order does not constitute Socialism. Anarchism, for instance, is an emphatic negation of the established ideals and institutions; yet it is diametrically opposed to Socialism. We shall best understand Socialism if we regard it on its theoretical side as the definite expression of the interests and aspirations of the wage-working class, and on its practical side as the most highly developed portion of the organized activity of that class in its struggles with the bourgeoisie. Individuals from other classes join the movement, and it can make good use of their services; but it can dispense with them, if need be, while it cannot exist at all without the wage workers. From this point of view, the relation of Socialism to Trade Unionism is far closer and more vital than its relation to Anarchism, Populism, Progressivism, and other so-called “radical” tendencies. The whole nature of the Socialist movement, its principles, its immediate and ultimate purposes, its methods of action, its attitude toward other movements, depends on the peculiar nature of the proletariat and its position in society. Perhaps the most comprehensive definition of Socialism would be: The self-conscious struggle of the proletariat for its own emancipation.

THE LABOR MOVEMENT.—We may use this term broadly to designate the whole organized activity of the proletariat and its various sections, from the crudest to the most mature forms. It will then include Socialism, Trade Unionism, and the numerous co-operative, mutual aid, self-educational, and other species of working-class action.

In the earlier stages of modern capitalism, the labor movement could not be revolutionary, for at least two reasons. In the first place, so long as the bourgeoisie had to struggle with the older aristocratic order for opportunity to develop the new economic system, the material interests of the wage workers were bound up with those of their employers in this struggle; for, however the latter might exploit them, any check to industrial progress must cause still more intense suffering for all who lived by wages. In the second place, the capitalists were still a socially necessary class;
for the working people had as yet neither the solidarity nor the trained ability to manage production for themselves. They could not yet aim at a transformation of society, but only at some amelioration of their lot within the capitalist system.

Trade Unionism.—At the time of the Industrial Revolution in England, in the later eighteenth century, the competition of machine-made goods caused keen distress among the hand workers. They sought to meet it by burning mills and smashing machinery. This reactionary attempt of course failed. The factory system triumphed and, whether they liked it or not, the workers had to come under the influences summarized in the preceding lesson. It took time, however, for these influences to have their effect.

Unions were formed, at first local and sporadic, then more general and permanent. They strove against heavy odds for higher wages, shorter hours, and better treatment in the shop. It took two generations of heroic effort to get such organizations firmly established in England. As capitalism arose later in other countries, so did Trade Unionism, but its growth in the newer industrial nations has been somewhat quicker. By the end of the nineteenth century it had become virtually a world-wide movement. It now counts nearly fifteen million members in Europe, America, and Australasia, and the number is rapidly growing.

Whatever its shortcomings, we cannot ignore the service this movement has rendered and still renders, by bettering the material condition of the wage workers and so inspiring them with self-respect and desire for further advancement, and also by training them in class consciousness and solidarity, through the experience of collective struggle with their employers, thus ripening their intelligence for larger tasks.

Utopian Socialism.—Under this head we group several plans of social reorganization which appeared in the early nineteenth century, the most important being those of the Frenchmen Henri Saint-Simon (1760-1825), Charles Fourier (1777-1837), and Etienne Cabet (1788-1856), and the Englishman Robert Owen (1771-1858). Utopian Socialism was not a proletarian movement; its leaders were intellectuals and did not address themselves particularly to the working class. Prompted by pity for the poor and by disgust with the greed, cruelty, fraud, and discord of capitalist society, and inspired by faith in the “inherent goodness of human nature,” each of them worked out a scheme of what he thought would be an ideal system. Much as their schemes differed in other respects, they were alike in that all regarded the individual struggle for wealth as the root of all social evil, and sought to remove it by communistic ownership and use, not only of means of production, but of consumption goods as well. They are alike, too, in their method of thought. In Plechanoff’s phrase, “The Utopian is one who, starting from an abstract principle, seeks for a perfect social organization.” The fallacy of the method is indicated by the words italicized. They did not regard history as an evolutionary process; they thought of society as an aggregate of individuals, and disregarded its class structure; they did not take into account the dominant influence of economic conditions, except in a superficial manner. Each of them seemed to think that the only reason for society being in such a bad way was that no one had yet happened to think of the right plan; each expected that, once his plan
was explained, people of all classes would accept it. The numerous attempts to put their ideas into practice in communistic colonies on both sides of the ocean all failed, and their positive theories had little direct effect on the working class. They did a valuable work, however, by criticizing the capitalist system, arousing interest in social questions, and preparing the way for more scientific thought.

Owen was the only one of these who came into touch with the labor organizations. Together with him we must mention P. J. Proudhon (French, 1809-'65) and Wilhelm Weitling (German, 1808-'71), in connection with two other schemes which commanded much attention among the working people toward the middle of the century. They are noteworthy as the first definite attempts of the working class toward social reorganization. One was the plan of voluntary co-operative societies, either for production or for purchasing. It was then premature, but has since been worked out on an enormous scale in Great Britain and also on the Continent. While they cannot by themselves revolutionize the social system, such societies are now most valuable auxiliaries to the Socialist and Trade Union movement. The other, which had greater vogue at the time, was the plan of "Labor Exchanges," for the direct interchange of commodities by their producers or, what is another form of the same idea, the plan of organized mutual credit. This was futile from the start. The interest which it aroused shows that the wage workers had not yet clearly realized their distinction from artizans and petty shopkeepers. Such methods were powerless to save the latter elements from capitalist concentration; they were useless to the industrial proletarians, since they implied individual production and ownership of commodities by the producers.

LABOR POLITICS.—In all countries a hundred years ago the powers of government were almost wholly in the hands of the propertied classes. As soon as the trade unions grew strong enough to cause inconvenience to the employers, the latter called the courts, the police, and if necessary the military forces into use to defeat their efforts. The workingmen had no choice but to strive for the ballot as a weapon for self-defence. In some cases they were aided by conflicts among other classes, as between capitalists and landowners. The Reform Bills of 1832, 1867, and 1884 in Great Britain, the revolutionary disturbances of 1830, 1848, and 1870-'71 on the Continent, and of 1904-06 in Russia, mark the chief stages by which the working class has advanced toward political equality, though it is not yet fully won. In the United States manhood suffrage came into general effect between 1825 and 1840, largely through the efforts of the young labor movement, which at the same time strove for free public education and for legal recognition of the right to organize and strike.

Whether the wage workers, on gaining the franchise, begin at once to form a party of their own, or whether they give their support to one or more of the other parties, depends on circumstances. In England the mass of the workingmen long remained attached to the bourgeois Liberal party, and especially its Radical wing, as against the landholding Conservatives. In the United States they have generally arrayed themselves with men of other classes as Republicans and Democrats; only within the last thirty years has there been a continuously active party of the working class. In most European countries, the conquest of the suffrage has meant independent working-class politics from the start.
The value of the ballot to the wage workers is not simply in the remedial legislation which may be gained and the increased respect with which governments and employers must treat workingmen who have votes. Still more important are its effects in giving them the machinery for open discussion and mass action, in place of secret and conspirative forms of organization, with their perils of intrigue and personal misleadership; and in compelling them to think of social questions from a broader viewpoint than that of the shop, and thus leading them to aim at ultimate emancipation as well as immediate relief.

MODERN SOCIALISM.—The proletarian movement reached maturity with the rise of modern Socialism, about the middle of the century. The three most memorable names in this connection are those of Karl Marx (1818-’83), Frederick Engels (1820-’95), and Ferdinand Lassalle (1825-’64). Though none of these belonged to the working class, all were in close connection with the labor organizations; they considered themselves as spokesmen of the proletariat, and sought to inspire and aid that class to emancipate itself. In this, as well as in their scientific method of thought, they differed from the Utopians.

Among the noteworthy dates in the history of this movement are the publication of the Communist Manifesto in 1848 and of the first volume of Capital in 1867; the foundation of Lassalle’s General German Workingmen’s Union in 1863, of the International Workingmen’s Association under Marxian leadership in 1864 (virtually dissolved in 1872), and of the German Social Democratic Party in 1875; and the beginning in 1889 of the new series of International Socialist Congresses.

By the very thoroughness of its nature, this movement cannot have a quick and easy success. Its growth was at first very slow, with repeated setbacks; but its advance has become ever more rapid, until to-day it is firmly established in every civilized country and counts its adherents by tens of millions.
SOCIALIST AIMS AND METHODS

THE SOCIALIST IDEAL.—In struggling to defend and advance its interests within the capitalist system, the proletariat develops a larger aspiration—that of completely emancipating itself by overthrowing capitalism and reorganizing society on a new basis. The nature of the social reorganization which it seeks to effect can be stated in a few words—Collective ownership and democratic administration of the socially created, socially operated, and socially necessary means of production. The acceptance of this as the only escape for the working class from capitalist exploitation follows logically from recognition of two facts: First, that since personal servitude has been abolished (a step which capitalism itself has achieved) the exploitation of the workers rests solely on the control by others of the things which they have to use in order to work and live; second, that use and ownership cannot be united in the same persons on an individual basis without throwing away the advantages of large-scale production which capitalism has established.

It will be observed that the Socialist ideal does not negate private property in general, but only such private property as gives one man power over another's livelihood. It does not exclude individual ownership of consumption goods, nor even of individually used means of production.

It is hardly worth while for us to speculate about the details of the future society—how the administrators will be chosen, how the product will be apportioned, how the right number of workers will be drawn into each branch of industry, and so forth. These problems can be solved only after the fundamental point has been won. We may safely leave them to be settled when the time comes, counting that when the whole people have collectively become masters of their own lives they will not tyrannize over themselves.

SOCIALIST POLICY.—When we say that Socialism is inevitable, we do not mean that it would come even though no one worked for it. We mean that capitalist conditions will inevitably cause an ever stronger and eventually an irresistible working class to strive for this ideal.

The present system will survive in all essential respects, however modified in detail, so long as power remains in the hands of its beneficiaries. It will be changed only when a strong enough element has a conscious interest in changing it. The advent of the Co-operative Commonwealth depends on the victory of the proletariat in a struggle for power. This is the key to all questions of Socialist policy. Our fundamental rule must be to follow such
courses of action as will tend to strengthen the proletariat in its conflict with the bourgeoisie. Certain more specific principles, consistent with this, have become established in two generations of Socialist experience.

A movement whose aim is to maintain a ruling class or put a new one in its place may find its interest in confining political rights to a part of the people and in working through an organization ruled from above. On the contrary, since the purpose of the Socialist movement is to do away with class rule, it must of necessity not only strive for the democratization of political institutions, but also practice democracy within its own ranks. Democracy does not mean liberty for everyone to do as he pleases. It means the right of all to express their opinions freely and the equal voice of all in making decisions, together with the duty of all to join in carrying out decisions once made.

The Socialist movement must necessarily be international in form and spirit and must combat militarism and jingoism. This idea is not based on mere sentiment. It has a material foundation in the facts that industry and commerce are international; that investment overleaps national frontiers; that workers of all races are intermingled in every land and suffer everywhere virtually identical exploitation; that they compete with each other, directly or indirectly, so that every change for better or worse in the lot of the proletariat in one country produces a similar effect on the workers of other parts of the world; that war and preparations for war benefit only certain propertied interests, while they divide and weaken the proletariat and distract attention from social problems.

This movement must be frankly revolutionary—that is, it must neither forget nor conceal its ultimate aim. It must keep its goal in view, in order to know whether each contemplated step will bring it nearer to that end or not. It must avow its purpose, because recruits gained through deceit would either desert it when they came to understand its nature or, adhering to it, would hamper its progress or divert it from its course. It must be borne in mind that the revolutionary character of the movement consists neither in wantonly offending accepted beliefs nor in advocating unlawful action, but in thoughtfully working for the ultimate triumph of the proletariat. There is a sham "revolutionism" which forgets that what is anti-capitalistic may be equally anti-socialistic.

The Socialist movement must be practical—that is, it must concern itself with questions of the day, especially with those that directly affect the working class. So far from being inconsistent with the revolutionary principle, this is its necessary corollary. The social revolution is not an act to be performed at some time in the future; it is a struggle that is now being fought. End and means are equally important; neither has any significance without the other. Those extremists within the movement who deserve the epithets of "opportunist" and "impossibilist" which they bestow on each other err equally in ignoring this fact. Whether we shall "grow into Socialism" through a series of reforms, or whether the class antagonism will become sharpened until at last a decisive struggle ends it, is a theoretical question much discussed in Socialist circles. The weight of opinion favors the latter view, which has been stated in an earlier lesson. But accepting this view, the fact remains that by devoting a large share of its energy to such
issues as wages and hours of labor, factory sanitation, insurance against accident, sickness, unemployment, and old age, limitation of child labor, housing of the workers, public health and education, extension of public ownership, as well as establishment of political democracy and of the right of organization, the Socialist party advances its revolutionary purpose, since such reforms, when won in systematic class struggle, increase the physical and intellectual powers of the proletariat, inspire it with self-confidence, strengthen its solidarity, and give it experience in disciplined action.

The battle must be fought simultaneously on the political and the industrial field. Experience has shown that pure-and-simple trade unionism and pure-and-simple parliamentarism are almost equally ineffective; neither can develop normally and exert its full strength without the aid of the other. In some countries the two modes of action are carried on by a single organization, but it seems better to have the party and the unions separately organized, so that the latter may take in all the workers of each trade or industry, regardless of their political opinions, and the former may take in all persons who agree in opinion, regardless of their occupations. The membership of the party and the unions will then largely overlap, and each can attend to its special functions, consulting with and helping each other whenever necessary. A third line of activity, that of the workingmen's co-operative societies, has within recent years been largely developed in Europe and is a valuable auxiliary to the other two.

The educational aspect of the movement must never be neglected. This is a corollary to its democracy. An ignorant rank and file is always at the mercy of its leaders, no matter what machinery of direct election, referendum, and recall the organization may have; and the most dangerous misleaders are those who flatter its ignorance, play on its suspicions, and pretend to disclaim leadership. With regard to the outside public as well as to its own membership, the party must be an educator. As a party it must seek to get votes and to elect its candidates. But it must win votes by convincing the voters' minds, or its victories will turn into defeats. Men who do not understand the policies of the party they support at the ballot-box cannot support the officials they have elected. A premature victory may be worse than one too long delayed. The task of the Socialist movement is so grave that a broad and deep culture of the whole proletariat will be required to carry it out.

The social revolution might conceivably be achieved without violent or unlawful means. To what extent it will be so achieved will depend largely on the conduct of the conservative elements as they feel power slipping out of their hands. The Socialist movement prefers peaceful and orderly methods and depends on them wherever possible. This attitude is not due solely to respect for law and dislike for brute force; there is a still weightier reason. In every revolution of the past success might be won through a violent overthrow of old institutions by a vigorous minority of the people. The majority simply changed masters. This cannot be the case with our revolution. The Co-operative Commonwealth must rest, not on the passive consent, but on the active approval of the large majority. Such approval cannot be won by force.
The attempt of a minority to establish Socialism by violence would alienate those whose support is necessary. Moreover, until a majority desire the change, the preponderance of military power is almost certain to be on the side of capitalism; it is therefore good strategy for the ruling class to precipitate a violent conflict while it has the advantage. Sentiment, theory, and experience agree in support of the proposition that, no matter what we think as to the probability of a final decision by physical force, the movement should fix its hopes on convincing and persuading the majority of the people; it should regard the use of force as permissible only in defense of the right of persuasion, until such time as it may be necessary to use it in enforcing the will of the majority.

The End of Class Rule.—The statement that the victory of the proletariat will mark the end of class division, class rule, and class struggle is not a mere pious wish, but a scientific prediction. Until modern times, class rule has been justified by the fact that class societies were economically more efficient than classless ones, because only a few of the people could have the leisure and culture to fit them for directing affairs and for accumulating knowledge. But science has at last made man the master of nature. Invention has so increased his productive powers that, under an equitable system of distribution, none need be overburdened with toil and all might enjoy ample leisure and share in a culture higher than that of any ruling class past or present. Production has become a social function and the masses have become at least potentially capable of democratically administering it for the common good. In the struggle for power their capacity will be realized. As the ownership of one man’s person and labor-power by another has been abolished, so now the ownership by some men of other men’s opportunities to use their labor-power will be swept away. All will become joint owners, and all comrade workers. In emancipating itself from the rule of the bourgeoisie, the proletariat will thus emancipate humanity from the domination of blind economic forces. A new chapter in history will be opened, in which mankind will consciously mould its environment and direct its own progress.

The End.
I. State in simple terms the theory of Evolution.

II. Trace the development of the modern institution of the family.

III. What is the origin of class rule?

IV. In what ways was production in ancient society different from modern production?

V. What were the chief contributions of Greece to civilization?

VI. Describe the Class Struggle in ancient Rome.

VII. Explain the Feudal system of land ownership.

VIII. Which condition is in your eyes preferable, that of a Roman slave, of a Carthaginian slave or of a feudal serf?

IX. Define the following terms: Tribe; Nation; Commerce; Property; Serf; Monarch; Barter; Polygamy.
I. Explain the decline of Feudalism and the break-up of serfdom.

II. Explain briefly the division of Society into classes at about 1300 A. D.

III. What effect did the following have upon economic life:

   (a) The invention of gunpowder;
   (b) The discovery of America;
   (c) The invention of printing.

IV. Why did England first develop industrialism and Commercialism?

V. What were the Poor Laws? The Penal Laws? The Statutes of Labor?

VI. Describe the Industrial Revolution.

VII. Wherein is Capitalism distinguished from Feudalism? From the Society of Ancient Rome?
I. What is the rate of Exploitation?

II. Define Rent; Interest; Profit. What is the difference between Surplus Value and Profit?

III. How does Capital accumulate?

IV. Why did Capital concentrate in the hands of a few?

V. Explain the relation between over-production and unemployment.

VI. What are the underlying motives of human conduct?

VII. Why is there a Class Struggle?

VIII. Give an outline of the classes existing in America today.

IX. What modern movements based on the Class Struggle have arisen?

X. Outline the difference between Socialism and Social Reform; between Utopian and Scientific Socialism.

XI. Do you think that Socialism is practicable?
I. Define Economics, Wealth, Commodity, Money.

II. What is the difference between Price and Value?

III. Illustrate the law of Supply and Demand.

IV. What is the relation between Price and Value?

V. Explain the Labor Theory of Value.

VI. Describe the condition of the Wage Laborer.

VII. What is meant by Exploitation?

VIII. Define and explain Surplus Value.

IX. Are farmers Proletarians? Explain.