CORRESPONDENCE SOCIALISM

SEND FOR OUR CIRCULAR

140 EAST 19TH ST., NEW YORK
Lesson I.

What is Wrong with the World.

Why is there a Labor Movement? Why are working-men and working-women everywhere organized into unions? Why is there a Socialist movement in every country of any importance? And why is this movement growing so fast that it bids fair to control the world in a short time?

Movements like the Non-Partisan League in the Middle-West, like the Trade Unions, the British Labor Party and the Socialist movement do not arise out of nothing. They do not spring into existence of their own accord. There is no effect without a cause. There must then be a reason for the existence of these widespread and growing organizations. What is the reason?

The answer is that there is something wrong with the world, and the peoples of all countries are beginning to find it out. In every country a small class of privileged persons has had control of industry and government, and has mismanaged both. It has managed industry for its own benefit. It has paid little attention to the well-being of the great masses. And the masses are finding it out. And out of this discovery of the workers rise the movements mentioned above.

Present-Day Problems.

Of all the wealth in the United States, 95% is in the hands of 10% of the people. These are the real rulers of the country. The rest of the people depend upon their kindness for a decent living. When the discovery was made that wealth was so unevenly distributed, these powerful Captains of Industry, fearing the results if the knowledge were to spread, did everything in their power to hush it up. But they did not succeed.
People know about it. And because they know, radical sentiment is growing.

The cost of living is opening the eyes of thousands and hundreds of thousands. Wages in some trades are going up, but the cost of food and clothing always keeps one jump ahead. Workers are beginning to understand that it is not enough to demand higher wages. Therefore, the radical movement is growing.

All the age-old sufferings of the workers, who really have made the world what it is today, are helping now to open the eyes of those who have not understood till now, what was wrong. Working people are beginning to ask why they who build all houses should live in the poorest houses, and in the most crowded quarters of the town; why they, who make all clothing, should wear the least and the cheapest. And at the same time, they are asking why others, who do no useful work, should live lives of ease and comfort.

The worker is beginning to object to working ten hours. He wants a shorter work-day. He is sick of spending a life of working, eating and sleeping, with no time for study or recreation, and with no time for his children.

More than half the children of working people leave school before finishing the fifth year. In a world where promotion depends upon skill and education, these poor children are doomed to be the slaves of some machine for the rest of their lives. Why did they leave school? Because their parents needed the few dollars they could earn, and because there is more profit to the employer in the labor of children than in the labor of men and women. A child of fourteen can often do the work of a man or woman, but his pay is much smaller.

Those children who stay at school are often undernourished. In 1918 there were in New York City over 200,000 school children out of 850,000 who were not getting enough to eat. They do not get along well in their studies,—they drop out of school because they are not promoted, and they become machine-slaves.

Families are broken up, because eight million women in the United States must go out of their homes to work. They work long hours, for smaller pay than the men get. They become old and wrinkled and bent at thirty-five. Is it any wonder that their children are pale and under-sized?

In many trades there are occupational diseases. Painters, printers and garment workers often get consumption. Matchmakers get phosphorus poisoning; painters and chemical workers are liable to lead-poisoning. Women working at machines get crooked spines and flat feet. The terrible mo-
notory of doing the same thing for ten hours a day, three hundred days in the year, for thirty years, deadens the mind of even the most intelligent person. There is no need of occupational diseases. They could all be prevented. An intelligent management of industry would provide printers and garment workers with airy work-rooms, and shorter hours. If the making of matches out of phosphorus is dangerous, some other way of making matches can be found. If working at a machine hurts the spine and the feet, the machine can be changed to a better model, and the hours of labor can be shortened. All these evils can be avoided—and the workers are finding this out. If consumption and "phossy-jaw" and lead-poisoning were altogether unavoidable, there would be no protest. We would take them as we take an earthquake, or a tidal wave—with regret and a determination to find some way of conquering them. But they are avoidable. Therefore, there is a protest.

Many factories have not sufficient protection against accidents and fires. The Triangle fire in 1911 caused the death of 145 working girls. In the Binghamton fire and in the Newark fire many people were lost. Annually thousands of people are killed by the railroads, and in factories. Many more thousands lose arms, legs and eyes, and are crippled for life. Most of these accidents are preventable. There are plenty of patent safeguards, and the workers are beginning to understand why they are not used.

Nor is it the factory worker in the city only who is suffering because the affairs of the world are mismanaged. The tenant-farmer is badly exploited by those who own the railroads, the warehouses, the granaries, the markets. The railroads own one-third of all the state of Texas, and tremendous stretches of excellent farm land throughout the West and Southwest. About one-third the farmers in the country are tenant-farmers. This means that the farmer does the work of producing the crop, and somebody else grows rich on his labor.

The farmer is beginning to realize this. Therefore there is the farmer's movement of protest spreading through the West.

In the cities, the retailer,—the butcher, the baker, the tobacconist, the druggist,—are rapidly being displaced by the chain stores. The Atlantic & Pacific Tea Co., the Hegeman-Riker-Jaynes Drug Stores, the United Cigar Stores, the Armour Stores are pushing the little fellow to the wall, because combination always wins over competition. The retailer is today only the agent of the manufacturers. His profits are
only an agent's commissions. The real profits are made by the railroads and by the manufacturers. The little business men are finding this out, and therefore there is a movement of protest against the way the world has been mismanaged.

No man today faces the future with any degree of certainty. Every man fears that tomorrow he will lose his job, or tomorrow he must close his shop, or tomorrow his mortgage will be foreclosed. The fear of unemployment and the fear of the poverty that comes with it is always with us. During ordinary times there are sometimes hundreds of thousands of workers—men and women—without jobs. They are willing and able to work. There is plenty of work to be done. But Capitalists either cannot, or for reasons of their own, will not connect the job and the worker.

Poverty, overcrowding, unemployment, long hours and low wages, unnecessary accidents and disease, for the many on the one hand,—luxury, growing wealth, ease and comfort, and power for the few, on the other hand,—this is what is wrong with the world. And all the movements mentioned at the beginning of the lesson exist because these evils exist. They exist because they wish to combat the things that are wrong.

Questions.

Note: These questions are for the guidance of the students and are not intended to be answered in writing and sent to the school for correction.

1. Why are you interested in Socialism?
2. Compare the cost of food today with that in 1914? Clothing? Rent?
3. Find out the length of the average working-day in the various trades in your vicinity.
4. Write five arguments against child labor.
5. Who is in a worse position, the farm laborer or the city laborer?
6. Is there equality of opportunity in America today?
7. What trades have the eight-hour day?
8. Can you explain why employers do not always use safeguards against accidents?

Readings.


Copyright Rand School of Social Science 1919.
The world does not remain stationary. Everything moves,—shifts,—changes. Even the methods by which people earn their daily bread changes. It is a far cry from the savage hunter who eats his meat raw, to the factory hand, who never sees the live ox from which his food is to come. The industrial system which exists today has not always existed. In fact it is only one hundred and fifty years old. There have been many systems of society, some lasting thousands of years. Each in the end was destroyed by a better one that came to take its place. Karl Marx states this law of the evolution of society in a beautiful sentence. “Each system of society carries within itself the seeds of its own destruction.”

The Societies of the Past.

We classify societies by their methods of producing wealth. Thus we speak of “The Hunting and Fishing Age,” “Pastoral Society,” “The Slave System.” Wealth, as we understand it, in speaking of economics, means goods. It is very important to keep that in mind. Money is only one form of wealth. When a man says he has a hundred dollars, he means that he can, if he wishes to, get and use a certain quantity of desirable goods.

We have not room here to go into a detailed discussion of all the different forms of production of food and shelter and clothing that have existed. That properly belongs to a course in History. But we must, in order to understand our problems, know a little of the system of production that existed before Capitalism came into being.
Feudalism.

This system is called Feudalism. It lasted from about 500 A. D. to about 1750 A. D. (These dates are intended to be only approximate.) Under this system, Europe was divided into countless little kingdoms, duchies, counties, manors, etc.; each of which was practically independent. We can best understand the whole idea of Feudalism by describing an English manor.

A manor was a bit of land ranging from about one to one hundred square miles in area. It was theoretically the property of the king, but it actually belonged to some duke or count who paid dues or taxes to the king.

The chief industry of the manor was farming. This was done by serfs. The serfs had little property. In fact they were the property, not of the lord of the manor, but of the manor itself. A lord could not sell a serf, but he could sell or give away land, and in that case, the serf went with it.

There were, in those days, no large towns, and no factories. Whatever was needed in the way of clothing was made on the manor, out of flax that was grown at home, or wool from home-raised sheep. Only a few necessary articles could not be made at home; and these were of such a nature that the demand for them was small. Armor, swords and certain luxuries were in this class of commodities.

Class distinctions were very sharply drawn under Feudalism. There were, roughly speaking, three classes: (1) the aristocracy; (2) the free middle class; (3) the serfs. Whatever trade existed, was in the hands of the middle class, who were known in England as burgesses, in Germany as burghers, and in France as the bourgeoisie. The discovery of America, and trade with India made these people, whom we know best by their French name, the bourgeoisie, very rich. But, under the laws of Feudalism, they had no power. Hence a struggle arose between the bourgeoisie, and the aristocracy, which in 1648 led to the rebellion of Cromwell, in 1688 to the expulsion of James Stuart, in 1776 to the American Revolution, and in 1789 to the great French Revolution.

While this struggle was going on, other causes were digging the grave of Feudalism. Beginning with the invention of the steam-engine by Watts there was from 1750 to 1800 a perfect deluge of mechanical inventions. There were the cotton-gin, the power loom, the spinning-jenny, to mention only a few of the most important. Gradually it became cheaper to manufacture by machinery than by hand. This eventually changed the whole structure of society. The bourgeoisie invested heavily in the new machines. Its wealth grew rap-
idly, while the wealth and therefore the power of the landed gentry declined. At first the dying aristocracy fought the bourgeoisie tooth and nail, but evolution and progress cannot be restrained, and in the end the bourgeoisie got the upper hand. Feudalism disappeared in most of Europe by 1848. Laws restraining trade were wiped away.

The little duchies and counties joined hands, and became the great modern countries. Political democracy appeared, and constitutions were written. In a word, Feudalism was dead.

**Capitalism.**

But the new society, which we know as Capitalism was by no means perfect. New class divisions arose. Serfdom was dead; the wage-system took its place. It soon became clear that two new classes were being formed, the class of employers and the class of laborers. The old aristocracy retained its titles, in most cases, and in some cases its property and some of its power,—but the really important class was the old bourgeoisie, which we ought now to call the Capitalist class.

Let us compare the old Feudal system with the Capitalist system that took its place.

Feudalism produced goods for home consumption; Capitalism produces chiefly for the market. Feudalism produced in small quantities by hand; Capitalism produces in huge quantities by machinery. Feudalism depended on serf-labor; the laborer under Capitalism is legally free to work where he pleases and is legally allowed to bargain for the rate of his pay.

The law of Capitalism is a law of Business. Feudalism made most of its laws deal with land questions. Ninety per cent. of Capitalist law deals with contracts of various kinds. For its own protection, Capitalism made everybody equal before the law. What this equality means in actual practice, we know very well. But in theory, the poor man and the rich man have the same rights in a court.

Feudalism, not depending on skilled labor, did not give everyone an education. Capitalism, on the other hand, needs a large force of clerks, office workers, managers, and skilled laborers. It therefore has spread elementary education so that today most people can at least read and write, which is more than many a king could do in 1200 A. D.

There can be no question that Capitalism has brought progress. It has given the world an organized production; it has abolished legal class distinctions; it has spread education; it has opened up great stretches of new territory; it has put many commodities within the reach of great masses of the
people. It has created beautiful cities, improved sanitation and has greatly increased the comforts of life.

But there is a dark side to the picture. Capitalism has made the lives of many people hideous. It has turned life into a battle. Life is not secure—no matter how hard and faithfully a person works. It has tremendously increased the danger to life from accident. It has gradually developed a ruling class smaller and more powerful than ever were the kings and lords of feudalism. It has created slums in its beautiful cities. It has destroyed the home by forcing women and children into industry. It has degraded men and women into machine-like drudges.

While Capitalism is progress when compared to Feudalism, we now know of something better than Capitalism. Without sacrificing one of the good things that Capitalism has created, we can remove the evils it has created. Capitalism, like Feudalism, contains within itself the seeds of its own destruction.

Questions.

Note: These questions are for the guidance of the student and are not intended to be answered in writing and sent to the school for correction.

1. What is the difference between wealth and money?
2. What was a serf? What is the difference between a serf and a slave?
3. Mention some things, in use in the middle ages, that could not be produced on the manor. How were these articles obtained?
4. What good has Capitalism accomplished? What evil?
5. The text says that the American Revolution was part of the struggle between the aristocracy and the bourgeoisie. Explain.
6. Why did the serfs desert the manor?
7. What caused the downfall of Feudalism?
8. Define "bourgeoisie."

Suggested Readings.

4. The Declaration of Independence.
The Fundamentals of Socialism
Twelve Lessons prepared by DAVID P. BERENBERG

LESSON III.

PRODUCTION AND DISTRIBUTION.

Wealth.

As has been explained, we classify systems of society by the way the people in that Society produce and distribute wealth. Wealth is anything that people need and can use. Most people do not realize that a pair of shoes, a pencil and piece of paper and gold are all wealth of different kinds and with different uses. Money is only one form of wealth. It is that form of wealth that can be most readily used as a standard by which the other forms of wealth can be measured. Nothing that is worth having can be obtained without first being subject to a process of production. Even in the simplest cases of production of wealth, there is a certain amount of effort required to make that wealth convertible for human beings’ use.

For example, even wild fruit, or fish cannot be obtained without first being the result of a process of production—which in these cases, is very simple indeed. Most types of wealth are not produced so simply as are wild fruit or fish. Every meal that we consume, every article of clothing that we wear, every bit of furniture in our homes—is the result of a long and complicated process of production.

The Production of Wealth.

Of all processes of production, however, ranging from the simplest to the most complicated, we can discover three things that must always be present. So for example, the raw material used in the production of any kind of wealth has its origin in the land. Further, it requires labor to get the raw material from the land and to change it into such form as to make it useful to human beings, and third, in our modern production, we make use of machines and tools to simplify the process of production of wealth. So in every case of production, the three factors that are always present are land, labor, capital.
The word Land as used in this description of production, does not mean only the ground or soil. It means the earth and everything that is in it or on it. It includes bodies of water as well as stretches of dry land. It includes gold mines and oil wells; forests and pasture lands. It is readily seen that all raw materials must come from the land. It must also be perfectly plain to everybody that without land, there could be no production.

The second factor of which we speak is Labor. Labor means the conscious effort of human beings to change articles taken from the land into the forms of wealth. So, for example, a tree standing in a forest is Land. In order to turn this tree into a beam to be used in building a house, conscious human effort must be applied to it. This conscious human effort, we have already called Labor. We must make the distinction here between Labor and mere activity. If a child carries a piece of stone aimlessly from one place to another, or when two grown people bat a tennis ball across a net, they are engaged in activity, but they are not engaged in Labor. Activity must be applied definitely and consciously to the production of wealth before it can be called Labor.

The first savages that applied Labor to land very soon discovered ways of making their labor easier. Historians are learning more and more every day about the primitive hammers, and axes our ancestors chipped out of the hard flint. These first tools made the labor of cutting down a tree, and of building shelters, and of plowing the soil much easier. Today we have developed the tool until we have machines that require merely to be set into motion in order to perform the labor of thousands of men; so, for example, a motorman with the mere turn of a lever can set into motion a train weighing several hundred tons and carrying perhaps a thousand people. Two hundred years ago, no human agency on earth could have moved a train of this weight even one inch. It is the machine which has made it possible for human effort to create wealth in the tremendous quantities in which it is today created.

We have now seen that production of wealth today requires three things: (1) Land; (2) Labor; (3) Capital. Further examination of the question, however, shows that Capital is itself a form of wealth. Every machine had to be created out of raw material, taken from the land by labor applied to this raw material. Capital, therefore, resolves itself into Labor and Land, so the three factors of production—Land, Labor and Capital—become Land and Labor alone.

We have so far spoken of Capital as meaning only the machine of the tool that is used in the production of wealth. But Capital is more than this. Capital is any form of wealth
that is used for the further production of wealth, under the wage system. Karl Marx says that “Capital also is a social relation of production.”

“Capital does not consist of means of subsistence, implements of labor and raw material alone, nor only of material products; it consists just as much of exchange values. . . . Thus Capital is not merely the sum of material products; it is a sum of commodities, of exchange values, of social quantities.”

The full force of the term Capital can best be understood when we take into consideration that “it is the lordship of the past, stored-up, realized labor over actual, living labor that transforms the stored-up labor into Capital.”

**Social Production.**

In many of the former states of Society, it was possible for the worker to own his own simple hand tools. Today production is so complicated a process that the individual worker no longer owns any part of the tools which he uses. The production of wealth has long ago ceased to be an individual matter and is today what is called a socialized process. So, for example, the production of anything involves the labor of nearly every kind of trade. The production of paper upon which we write involves the wood-chopper, the miner, the tool-maker, the machinist, the railroad engineer and chemist—to say nothing of the actual paper makers. So the making of paper is a highly socialized process. It may be argued that it is possible for individuals to live as did Robinson Crusoe entirely by the work of his own hands—but it must not be forgotten that Robinson Crusoe came to the desert island prepared with an education, in a ship built by many trades and supplied with guns, knives and a hundred other utensils created by the combined efforts of thousands of people. The achievements of Robinson Crusoe are possible only with the help that he got from others outside of himself. There can be no question but that production necessarily must be a socialized process.

**The Distribution of Wealth.**

Socialists have very little quarrel with the methods employed in the production of wealth, although they do see very clearly that there is much waste, much duplication of effort and much disorganization in the present methods employed. But they have a very serious quarrel with the methods by which the wealth produced by social effort is distributed.

Referring back to the last lesson, we find that all wealth is produced by the cooperation of Land, Labor and Capital. The wealth so produced has gone, according to the theory of most
modern economists, to the owners of the land, the labor and the capital which together produced the wealth in question. The share which is given to the owner of the land is called Rent. The share which is given to the owner of capital is called Interest; and the share which is given to the owner of labor power is called Wages.

That wealth is very unevenly distributed is admitted by all. If it were not admitted, it would be easy to quote statistics to prove the point. So, for example, the United States Government published in the report of the Industrial Relations Committee in 1916 that 65% of the productive wealth of the country was owned by 2% of the people.

It is argued by present-day economists—who are not Socialists—that the shares of land, labor and capital are equal. Even if this is admitted, it must be remembered that there are 100 laborers to every landlord and every capitalist in the country, so the share given to the owner of land and the share given to the owner of capital remains intact, while the share given the laborer must be divided into many parts, each laborer receiving only a small portion. This is manifestly unfair. It will appear more unfair after the Socialist position on the production of wealth is further explained.

Questions.

Note: These questions are for the guidance of the student and are not to be answered in writing and sent in for correction.

1. What is the difference between Capital as the economist understands the term, and capital as the business man understands it?
2. What trades would be involved directly in the making of a chair?
3. Mention some facts that you have noticed that indicate uneven distribution of wealth.
4. Was Robinson Crusoe an independent individual?
5. Would it be possible to destroy the socialized production of wealth? Would it be desirable?
6. Why did distribution remain on an individual basis while production became socialized?

Readings.

The Fundamentals of Socialism

Twelve Lessons prepared by DAVID P. BERENBERG

LESSON IV.

VALUE.

Capitalism produces commodities chiefly for exchange. Every commodity has a certain value. Naturally it follows that if a person exchanges one commodity for another commodity, the two commodities will be of approximately equal value. Of course there are occasions in which one person is cheated in an exchange, but in the long run exchanges such as these are not often met with. We can assume as a law that commodities exchange at their value.

The Labor Theory of Value.

What is it that determines the value of these commodities? In a very interesting book entitled "Value, Price and Profit", Karl Marx one of the founders of scientific Socialism expounds the theory that value is determined by the amount of social labor required to produce a commodity. Let us see if this theory can stand examination.

The first step in the production of any commodity is the combination of labor and land. If the land is allowed to lie unused it will produce nothing. Only when the land is cultivated, in other words only when labor is applied to it will it produce things useful to humanity. We find then that in the very first instance that labor has caused the product of land to have value.

The raw material is taken to a factory. Here it is again handled by labor and a machine. This machine also had to be created by a joining of land and labor. The finished product is then brought out into the market to be sold. Proceeding on the assumption that it must be exchanged with some-
thing of equal value we find upon an examination of a great many commodities that each will exchange for an article that has required about the same amount of labor to produce. So for example a yard of linen would exchange for several yards of cotton simply because more labor is required to produce a yard of linen than a yard of cotton. A yard of silk requires even more labor than a yard of linen and therefore a yard of silk is more valuable. There are certain rather common articles which are always equal in price no matter what the price may be. For example a pound of butter and a dozen eggs always approximate each other in price, and therefore are about equivalent in value. The pound of butter and the dozen eggs must contain an equal quantity of something to make them equal in value. The only thing they have in common is the labor that was put into their production. Labor is the one thing that is found in all commodities no matter how these may otherwise differ from one another.

Opponents of Socialism very frequently say that diamonds and gold have a value entirely disproportionate to the amount of labor involved in their production. If one considers merely the actual labor of picking up an individual diamond from the soil, the objection is well taken, but if one adds to this the amount of labor that was expended in finding the mines and in working the clay it will be found that after all even the value of a diamond can be expressed in terms of labor.

The law of value applies only to commodities produced for the market under competitive conditions. Articles that are only accidentally and occasionally on the market do not come under its provisions.

Value and Price.

Value must be carefully distinguished from price. Price is the measure of value in terms of money. Value can be measured in many ways. We may say that a house is worth 100 cows, or 50 horses, or two automobiles, or $5000, and in each case state its value correctly. Price and value are not always equal. A thing may sell below or above its value. Prices vary according to the well-known law of supply and demand. When there is an increasing demand for articles, the price goes up. When there is a diminishing demand the price goes down.

The rise of price stimulates production which in turn increases the supply. The increase of supply then tends to bring prices down. This fall in prices brought on by an increasing supply then tends to diminish the supply. This process results in a fluctuation of prices. But this variation
must be above or below some fixed figure. It may sometimes happen that the supply will exactly equal the demand. What is then the price?

In the long run, the variations of price caused by supply and demand tend to equalize and neutralize themselves. So an article may sell within six months for 48, 52, 46, 53, 55, 44, 47 and 50 cents. If all these prices are averaged, we get what is called the average or natural price. It is this average price that is the value of an article.

The law of supply and demand, while it affects variations from the average or natural price of a commodity, cannot affect this natural price itself. It cannot therefore in any way affect the value of an article. The value of a commodity is a more or less stable quantity. It changes only when more or less social labor is required to produce a given article of wealth. When, for example, the invention of a new machine reduces the amount of labor needed to produce a yard of cotton, the value of cotton goods comes down. In 1775, cotton was as valuable as linen. Today, because of the cotton gin, cotton is very much less valuable.

Social labor has created all value. It is to be noted that it is not the actual concrete labor of any individual that has created the value of a commodity. Any given laborer adds something to the value of the raw material that passes thru his hands on its way to completion. But the whole value of that commodity was created by the countless laborers who directly or indirectly had anything to do with the production of that commodity? It can be readily demonstrated that any article from the simplest to the most complicated is produced by the efforts of society as a whole. Even a toothpick requires for its production the cooperation of all the important trades and industries. This accumulated labor is called social labor. It is Social Labor that has created all the Value existing in commodities.

It must be clearly understood that this theory of Value is not accepted by most economists outside of the Socialist Movement. It was first hinted at by Adams Smith in his great work on “The Wealth of Nations,” by Benjamin Franklin and by Ricardo, but it remained for Karl Marx, the great economist of the nineteenth century, to put the idea into such form as to make it clear and unequivocal to all.

The opponents of the Labor Theory of Value advance various other theories. For example, some believe that Value is purely a personal and temperamental thing. Others would say that while we must speak of values in terms of market conditions and that personal elements affect these values very little, value is still not created entirely by Labor but by the in-
teraction of Land, Labor and Capital. Those who use this argument confuse Value and Wealth. It is not maintained by Socialists that Labor alone can create goods. It is admitted that Land must be part of the goods-producing process, but Value and goods are not the same thing. Coal may lie unused in the ground a long period, but until Labor is applied to it, coal has no human value. It is this human value which Socialists claim has been produced by Labor solely.

It is claimed that Capital has done its share in producing Value. If, by Capital is meant machinery and equipment, this is admitted by Socialists, who—however—at once point out that machinery and equipment are themselves the products of Labor. If, however, Capital is interpreted to mean only an investment, Socialists emphatically repudiate the argument on the ground that an investment is merely an expression of ownership and not, in any way, a productive force.

Another point that must be kept in mind is, that by Social Labor, we do not mean only manual or mechanical labor. All types of inventive ability and intellectual labor that have gone into the creation of a given commodity, are part of the total Social Labor which that commodity represents.

Questions.

Note: These questions are for the guidance of the student and not intended to be answered in writing and sent to the school for correction.

1. What is Social Labor?
2. What determines price?
3. How is natural price determined?
4. What factors may affect prices?
5. Do "Use Values" have any affect upon prices?
7. Do personal and sentimental reasons affect values? Do they affect Prices?

Readings.

The share of the product that comes to labor is called wages. How are wages determined? Under capitalism every man lives by selling something. What has the laborer to sell? Only the power of his hands and brain; only his labor power. Labor power is a commodity and every commodity has its value. Then what is the value of labor power?

The value of any commodity is determined by the amount of social labor necessary to produce it. Then the value of labor power is also measured by the amount of social labor necessary to produce it. But how is it possible to determine how much social labor is required to produce labor power?

This question is not very difficult to answer. To possess labor power a man must be fed, clothed and sheltered. He must be educated to use his labor power. The value of this food and clothing and shelter and the amount of labor expended on education determines the value of a man's labor power.

Wages are the price of labor power, and since prices tend to equal values, wages also tend to equal the value of the food and shelter and clothing necessary to keep the laborer alive. Putting this into simpler language, wages are just enough to permit the laborer to live. Prices of all articles go up and down now and then, but in the end price and value are the same. The same is true of wages. Sometimes they are higher and sometimes lower than the cost of living. Most of the time wages and the cost of living are about the same.

Surplus Value.

We have shown that labor produces all value. We have also seen that labor receives only a part of the value which
it produces. What happens to the rest of the product? Is it lost? If not, who gets it?

Have you ever considered where the employer's profits come from? The employer owns the land and the machine, the laborer gives his labor. The whole product goes to the employer. But because a live workingman is better and more profitable than a dead one, the employer gives to the worker a part of the product which is called wages. The rest he keeps.

The product was made by labor. The part which he does not get and which the employer keeps is called Surplus Value. Surplus Value is the difference between wages and the real value of an article. All profits and all interest, come out of surplus value. There can be no other source from which profits can come.

It has been shown that goods sell at their value. Profits must therefore be made out of goods sold at their value. Most people believe that profits are made by selling goods above their values, but this is not true in the long run. Now if all the value is created by Labor, and if the employer makes profits by selling goods at their value, then these profits come from Social Labor, and the employer is not justified in taking them.

Exploitation.

The taking of Surplus Value is called "exploitation." All labor is being exploited, no matter whether it is receiving high wages or low wages. As long as wages do not equal the whole value of the product, the employer is getting something for nothing, and labor is being exploited.

From this point of view there is no such thing as a "fair wage." There are high wages and low wages. High wages are better than low wages, yet the whole wage system is an organized robbery of labor. Robbery can never be fair.

The employer lays claim to profits for the reasons already explained in a previous lesson. But ownership, as has been explained, does not add anything to the value of the product. If the employer is himself a worker he is entitled to his full product. But Socialists do not allow any man's claim to the product of any other man. Therefore the very existence of exploitation and Surplus Value is wrong.

How to Calculate Surplus Value.

Laborers do not know the extent to which they are robbed. When a business man figures his profits he figures on the basis of his investment. That is, if he invests $10,000 and makes a profit of $3,000 he says he has made 30 per cent. But from the point of view of the laborer his rate of exploitation is much higher. If the value produced in this concern was
$6,000 and the profits were $3,000, then the wages were $3,000. The rate of exploitation is then 100 per cent.

The Accumulation of Wealth.

One of the worst results of the exploitation of labor and the taking of surplus value, is that the rich are growing richer and the poor are growing poorer. Before 1916, 2 per cent. of the people owned 65 per cent. of the wealth in the United States. In 1917 there were reported to be 8,000 new millionaires in the country. In 1919 Congressman Rainey put the number of millionaires in the country at 30,000, of which 22,000 had accumulated their wealth between 1914 and 1919, the period of the war. This means that so much more wealth passed from the hands of many people into the hands of a few. It is quite likely that today these 2 per cent. of the people own 75 per cent. of all the wealth in the United States.

When a man makes a large profit, he invests it. Then he makes a still bigger profit and invests that. That keeps on and wealth accumulates and concentrates in the hands of a few people.

The Exploitation of Social Labor.

When we say that surplus value is taken from the value produced by labor we mean that it is taken from social labor.

For example: if a certain quantity of cotton seed is sown into an acre of ground, it produces, say, 150 pounds of cotton. This cotton is worth about $75. Labor has cost about $40, leaving a surplus value of $35.

The $75 worth of cotton is taken to a mill. The cost of transportation is added on to it. Here the railroads take surplus value from the labor of the railroad workers.

The cotton, now costing about $85, is spun and woven into cloth worth $300. Of the $215 of new value, the cotton spinners and weavers receive about $100, leaving $115 of new surplus value.

Then the cloth, worth now $300, is turned into garments worth $600. Again labor receives $150 in wages, leaving $150 of new surplus value.

Up to this point then the value created by labor is $600. Labor along the line has received about half. Capitalists along the line have received the other half.

This explanation will serve. It is not intended to be complete or accurate. It does not take into account the value of the tools used, of the coal, of the electricity, of the metal, and the million things that are needed in modern industry. It is impossible to give a complete illustration of Surplus Value without giving the history of the world.
Wage Slavery.

Surplus Value has always been taken from Labor. When the Roman Patrician lived on the labor of the slaves, he was living on Surplus Value. He, too, had to give to his slaves the amount of food, shelter and clothing necessary to preserve their lives and their working efficiency. He did this not out of love for his slaves but because of economic necessity. It may appear that under Chattel Slavery, all Labor was unpaid labor. A closer examination of this system will show that this was not the case.

The Feudal Lord of the Middle Ages did not deny that he was exploiting the serfs. He lived on their labor openly and gave them in return an opportunity to labor and produce for themselves food, shelter and clothing for their support. It is plain that under the Feudal System, part of the Labor was paid Labor and part of the labor was unpaid Labor.

In both these cases, the exploitation of the Laborer is clear. It is not so clear in the case of Wage Labor. The delusion exists in the minds of most people that under Capitalism all Labor is fully paid for. When, however, the theory of Surplus Value demonstrates that all the rent, interest and profit of the Capitalists come from Labor's Product, which Labor has never received, it becomes clear that the laborer receiving wages is economically as much a slave as was the Chattel Slave or the Serf. When Socialists speak of wage slavery, they are not using a fantastic phrase. They are speaking of a cold, hard fact.

Questions.

Note: These questions are for the guidance of the student and are not to be answered in writing and sent in for correction.

1. How are wages determined?
2. Define exploitation of labor.
3. Can wages be fixed by legislation?
4. What is the minimum wage?
5. What is a fair wage?
6. In what way does the present wage-system differ from Slavery?
7. Labor-power is always paid at its full value. Do you not think that this is all that Labor should demand?

Readings.

MATERIALIST CONCEPTION OF HISTORY.

We have now shown how the worker is defrauded of a part of his product, and why there is poverty and the evils that go with it. The question now arises "Why do the capitalists not realize this wrong and of their own accord help the worker?"

There are some people who believe sincerely that all that is necessary to reform society is to educate the people morally, to make them know what is right and good. If men know the right, these people argue, they will do right.

The trouble with such people is that they never stop to define "right" and "good." These terms in themselves mean no more than the words "high" or "low." What is a "fair" wage and what is a "reasonable" profit? Most attempts at social improvement fail because they do not attempt to face these questions squarely.

The fact is that what seems good to me seems bad to someone else. What seems right for my neighbor to do, may be wrong to me. In other words, the meaning of these words depend upon a great many circumstances. We will always interpret them as our birth, breeding and social position compel us to interpret them. So for example, the demand for the forty-four hour week seems like outrageous robbery to the manufacturer and like only the plainest justice to the laborer.

The Socialist's explanation of these different points of view is this. Material conditions determine the actions of human beings. The Capitalist is, for example, compelled by the conditions under which he exists to charge a certain price for his article, to pay a certain wage to his labor, to resist to the utmost any effort on the part of his laborers to increase their wages. A Capitalist may have good intentions. He may be personally a fine fellow, yet he is faced with the following circumstances. If he raises the wages of
his laborers and if his competitors do not, they will be able to undersell him and his business will go to pieces. Whether the Capitalist is good or bad, whether he is a Christian or not, does not enter into the discussion for one moment. So, on the other hand, the laborer is not necessarily selfish when he asks for an increase in wages and says that he does not care whether his employer can afford to give the increase to him or not. He, too, is faced by conditions which makes it imperative for him to demand the increase in wages. He finds prices of food and clothing going up, and he finds himself unable—with his present wage—to meet the increase. The natural result of this is that he demands more.

Not personal interest alone, but the entire material environment determines people’s conduct. So for example, any business man will invariably pay his personal bills, but will, if hard pressed, cheerfully go into bankruptcy to avoid paying business obligations. So again artists find that they are painting not the picture they want to paint, but the picture for which there is a market, in other words the picture which the material conditions force upon them.

There are dozens of cases that could be quoted, in which people seemed to defy material conditions. There have been artists and writers who starved rather than paint or write the trash that sells. There have been men who died rather than offend their consciences. Yet these instances are rare. It is impossible to build a law on them. They must be regarded as the exceptions to the law. And it must be noted that most of those who defy this law end as failures. For the great mass of the unheroic people the law stands unchanged. They will act as material conditions compel them to act. The preachings of churches and public men to the contrary have not changed men in this respect in the last two thousand years—and will not change them. The only thing that can be done is to harness this natural force and use it for the benefit instead of to the detriment of the world.

This law of human nature, the Socialists call Material Determinism. They interpret historical events and the daily events in the light of this rule. The application of the law makes clear many things that might otherwise be unclear.

In the light of the law of Material Determinism it becomes plain why even the best hearted Capitalist tries to keep wages down, and why every worker constantly tries to get higher wages.

The Class Struggle.

Labor produces Surplus Value. The employer takes the greater part of this surplus. Labor constantly tries to get a greater share and capital constantly tries to keep the share of labor down. Out of this arises the Class Struggle.
Under the American law, all men are considered equal, and no classes are recognized. Yet classes do exist. Roughly speaking, there are two classes—the employers or capitalists, and the laborers. Between these two classes there exists a bitter enmity because their material interests are opposed. One class wants exactly what the other class wants. They quarrel over the division of that Surplus Value which labor produces.

This struggle is inevitable. It is impossible to close our eyes and say there is no Class Struggle because there ought to be none. The fact is that there is a Class Struggle and it is growing in violence. The lines between the classes are being more sharply drawn.

Labor is organized into unions and capital is organized into employer's associations and chambers of commerce. Both organizations are growing and becoming stronger. Both will in the end include all the members of the respective classes. In the meantime there are strikes and lockouts all over the country. There is violence and bloodshed in labor disputes nearly all the time. Of course, the capitalist seeks to blame all of this upon the workers. Most of this disorder arises from the greed and lawlessness of the employers. Every strike, boycott, every blacklist is a battle in the Class Struggle.

Certain kind-hearted persons seek to do away with the Class Struggle by creating a better understanding between capital and labor. This effort must fail because the law of Material Determinism decrees that self-interest comes first. Both labor and capital eventually come to a point at which neither can yield. Then the Class Struggle Flames up anew.

The Middle Class.

There is in this country a small group of people that are neither employers of labor or themselves laborers for wages. They are the small shop keepers, the professional and the independent farmer. Until now these people have been sympathetic with capital. They have looked upon themselves as the sound, conservative backbone of the country. They have persistently proclaimed that in this land of opportunity each man can rise if he has the necessary ability.

The growing of the chain stores in the retail trade controlled by the large trusts has forced many shop keepers into the ranks of laborers. The farmers are beginning to understand that they are working chiefly for the benefit of the railroads and the trusts. Those professionals who work among laborers are learning that economic causes are at the root of our physical and social diseases. The middle class is rapidly disappearing. A few of its members grow into
the capitalist class. The great majority drop back into the proletariat, the working class.

At a rough estimate based upon the income tax returns and the report of the Industrial Relations Commission, the population of the United States is divided into classes as follows:

I. Capitalist Class 2,000,000
II. Middle Class 33,000,000
III. Working Class (Proletariat) 65,000,000

Socialism and the Class Struggle.

Socialists are blamed for teaching the existence of the class struggle. The newspapers of the capitalists say that the Socialists teach class hatred, and that there would be no trouble between labor and capital if agitators did not stir it up.

Socialism does not teach class hatred. It points out the existence of the Class Struggle and it then proceeds to point out how the Class Struggle can be stopped. The Class Struggle arises out of a quarrel over surplus value. If this quarrel can be avoided there will be no Class Struggle. The whole aim of Socialism is to stop this quarrel over the division of surplus value. How this is to be done will be explained in the next lessons.

Questions.

Note: These questions are for the guidance of the student and are not to be answered in writing and sent in for correction.

1. What is the Class Struggle?
2. Can this struggle be avoided?
3. How does the Class Struggle show itself?
4. Can the Class Struggle be legislated out of existence. Explain.
5. What are the classes in American Society?
6. What is a strike? A boycott?
7. What is the law of Material Determinism?
8. How do the economic conditions affect newspapers? Schools? The theatre?

Readings.

The Fundamentals of Socialism

Twelve Lessons prepared by DAVID P. BERENBERG

LESSON VII.

CAPITALIST ARGUMENTS.

It must not be assumed for one minute that the Capitalists have not some arguments to support their position which seem very strong to many people even today. Generally speaking, however, Capitalists base their claim to Surplus Value on three grounds. They say they are entitled to profits, first as wages of thrift; second, as wages of risk; third, as wages of superintendence. It must be noted that they call all three reasons for taking profit—Wages. That is in itself a concession of the popular demand that a reward be given only in return for some sort of labor.

Thrift.

Let us now examine each of these claims individually. The first excuse of the Capitalist for taking profit is that by means of his thrift, he preserves wealth from destruction; that the preserving of wealth is of equal importance with the production of wealth and that by preserving wealth, the Capitalist is performing a social service for which he is entitled to a return.

To a certain extent this argument is justified, but how far it forms an everlasting claim on return, it is hard to say. Why—for example—should Society pay in 1919 a return on thrift practised in 1860? The thing which was preserved in 1860 certainly no longer exists today as productive wealth. The obvious answer to the argument is that all people who preserve articles of wealth are entitled to those articles but to no more. The saving of wealth does not give the Capitalist any right to exploit Labor.

It is sometimes claimed that if working men were thrifty, they could themselves become Capitalists. Plainly this is not the case. If it were true, if all working men were thrifty and thrift led to ownership of Capital, we would have created a Society composed entirely of Capitalists, and of no laborers. This is absurd. But even in individual cases, it
is not true. It is impossible for a working man earning $1,000 a year to save a fortune of $100,000 in the course of his life. The best that he can do is to save $1,000 or $2,000 and then to increase this sum by means of some form of exploitation of other laborers.

Risk.

The second excuse for making profits is that the Capitalist risks his fortune whenever he invests his money in any enterprise. It is not shown how this risking of fortune is a public service. Let us suppose that Mr. Smith, a Capitalist, invests $10,000 in a business which fails. It is true that Mr. Smith has risked and lost $10,000, but who gets the $10,000? It must be remembered that the $10,000 is not capital, but only represents capital. The real capital that Mr. Smith possessed for a while, consisted of buildings and machinery. Now when Mr. Smith goes out of business, these buildings and that machinery continue to exist. They may have passed from the hands of Mr. Smith to some national bank or to Mr. Jones, but the capital has not been lost. Mr. Smith, or any other Capitalist, is incapable of risking capital. The only thing that he is able to risk is his title to Capital in which Society is not in the least interested. What one Capitalists loses, another Capitalist gains. Capital never loses. It must become clear that risking is a sort of gambling in which Capitalists take part, which performs not the slightest social service.

Superintendence.

The third claim we can readily grant, with the provision that it is an honest claim. Managing and Superintendence certainly are forms of Labor and certainly play their part in the production of Value. Any person is entitled to the full value of his product, and if it can be shown that a Capitalist has actually worked at a machine or in managing his factory, he is entitled to wages as is any other laborer. But it must be remembered that the number of Capitalists who themselves manage factories is small and is constantly growing smaller. A child of six months may be the owner of many factories; so may a cripple or an idiot. Such people are plainly incapable of any kind of labor or superintendence.

Today most business concerns are organized as corporations and stock companies. The owner of a share of stock receives Surplus Value without performing any kind of labor. It certainly cannot be claimed that a person receiving dividends in a factory one thousand miles away from his home, is entitled to any wage of superintendence; yet about half of the wealth of the country today is owned in such a fashion that the wage of superintendence deserves very little consideration from serious students of Economics.
Besides, it must be remembered that wages of managers can be determined. So, for example, let us suppose there are two factories, one owned by Mr. Smith and another one owned by Mr. Jones. Mr. Smith manages his factory himself, and at the end of the year has a profit of $10,000. Mr. Jones hires a manager and pays him $3,000 a year. His factory does the same volume of business as the factory of Mr. Smith and makes the same return on sales, but the profits of this factory are only $7,000, the reason is that Mr. Jones has paid to another man a sum of money for labor performed, but instead of paying it to an employee, he has paid it to himself. Wages of Superintendence in both cases are $3,000. The $7,000 which Mr. Jones received and which are included in the $10,000 which Mr. Smith received represent not Wages of Superintendence but Surplus Value. It is this figure of $7,000 with which Socialists have their quarrel, and not the $3,000 for Wages of Superintendence involved in both cases.

Ownership.

Eventually all claims of Capitalists come down to this: that the Capitalist gets his Surplus Value for the simple reason that he owns the land and owns the capital involved in production. Labor owns laboring power and gets wages not for any work it does, but simply because it owns laboring power which is necessary for production.

Ownership is the key to the whole system, and any other excuses of the Capitalist for receiving returns on investments are false and futile. It remains now for the Socialist to prove that the title of ownership in land and capital which Capitalists possess today is not a valid one. This becomes obvious when we remember that most such titles can be traced back to (1) Purchase; (2) Inheritance; (3) Force and exploitation.

Ownership Titles.

Title by purchase implies that the purchaser had wealth with which to purchase land and capital. This wealth could have come to him only by thrift, or inheritance, or force and exploitation. We have already explained the Socialist attitude on Thrift—that it entitles the thrifty person to that which he has saved, but to no results of exploitation as a consequence of his thrift. Inheritance is repugnant to Socialist ideas, since the person inheriting wealth has had no share whatsoever in the production of wealth. Force and Exploitation are both repugnant to Socialist ideas, since the person owning things as a result of force or exploitation had no share whatsoever in the production of the wealth possessed. It therefore asserts that Society need not recognize the title of ownership now possessed by any owner of land and capital.
The Social Value of Ownership.

Ownership as such does not add one iota to the wealth of the world. The Colorado Coal Mines are now owned by the Rockefeller interests. They would not be potentially one bit less productive if they were owned by John Smith or by a committee of workmen. Given the same workmen now on the job in Colorado and the mines would produce coal as they are producing coal today, whether Mr. Rockefeller owned them or not.

Ownership is a modern superstition, just as hereditary nobility was a superstition of the Eighteenth century. The nobles of France believed themselves divinely called to own the land; so today, many Capitalists believe themselves divinely entrusted with the ownership of both Land and productive Capital. They have never looked into the matter systematically; they have taken it for granted that there must be owners of Capital, and popular magazines and newspapers have fostered the impression that the owners of the great industries are real Captains of Industry, whose leadership was necessary for the production of wealth. When, however, we consider that these Captains of Industry may as well be imbecilcs or infants, and when we take into account the fact that most ownership is today absentee ownership, we see the hollowness of this claim. The real Captain of Industry is the paid manager, who is as much a laborer as the factory hand himself. Ownership is an accident. It is unnecessary; it is non-productive and it entitles the Capitalist to nothing.

Questions.

Note: These questions are for the guidance of the students and are not to be answered in writing and sent into the school for correction.
1. What is absentee ownership?
2. Is it possible for the average workingman to become a Capitalist?
3. By what methods are fortunes usually accumulated?
4. What was the Industrial Relations Commission?
5. Give the Socialist arguments against the claim to return on the ground of 'thrift.
6. Upon what grounds does the businessman claim a right to profit?
7. Does "superior ability" create value?
8. What is a stock company?

Readings.

Copyright Rand School of Social Science 1919.
The Fundamentals of Socialism

Twelve Lessons prepared by DAVID P. BERENBERG

LESSON VIII.

COLLECTIVISM.

All profits come out of Surplus Value. All the material sufferings of modern life exist because the worker does not receive the full value of his product. Regularly, a large part of this product is taken from the laborer and is appropriated by the owners of the machines. The owners of the machinery thereby become the real masters of society.

If the worker were himself landlord, laborer and capitalist all in one, all the evil results of exploitation would disappear, because there would be no exploitation. There would be no poverty, because wealth would be distributed more evenly than today. There would be no unemployment because there would be no need of making some men and women work ten hours a day, while others starved in idleness. There would be less of sickness, no child labor, more education. And the net result would be greater happiness.

That sounds like a dream to many people, because the world has become so accustomed to suffering that it does not believe that suffering can ever disappear. Yet it must be plain that if exploitation and poverty are abolished, a great many of the present-day evils will go with them. The question next to be answered is “How can we remove the exploiter of labor?” The answer of the Socialist is “By collective ownership of the socially necessary tools of production and distribution.” If all the people owned the factories instead of a few individuals, Surplus Value would go to all the people. In other words, the employer of labor, the businessman, the capitalist are not at all necessary to production. The worker, the land, and the machine are all that is needed. Socialism simply intends to give the worker complete ownership and control of land and capital.
Socialism.

This is the ultimate aim of Socialists all over the world. It will be noticed that this program is not a list of reforms. It is a plan that would completely change society if it were put into effect. It aims simply to transfer ownership of the land and the machines from their present owners to the workers. At once there will arise certain objections to this plan. The most important of these are:

(1) that it is not right to take property away from its owners.
(2) that the workers could not manage industries alone.
(3) that the idea is impracticable.

Is Socialism Fair?

In answering the first question, it must be remembered that labor created all value. The value in land and capital was all created by labor. By a long process of robbery, fraud and exploitation, a few people have managed to take for themselves property which the workers have created. To undo this wrong is not itself wrong. It is not only our right; it is our duty.

Can the Workers Manage Industry?

The second objection that the workers could not themselves run industries, may be met with a definition of "labor." Labor is conscious human effort directed to some useful end. This includes brain-labor as well as the labor of muscles. The fact is that today all important industries are already managed by hired brains. The real owners spend their time in "financiering," which is only a refined name for gambling. They have nothing to do primarily with the process of production.

Referring back to our definition of labor, we have found that even today the industries are managed by labor. The experience of the Russian Soviets has been that where directing ability was needed, it could be found from among the ranks of the workers themselves or could be hired with little difficulty. It is, of course, understood that this hiring of intelligence will continue only until such time as the workers develop their own technical experts.

Is Socialism Practicable?

The third objection is that collectivism is impracticable. In a way, this objection depends upon the other two. Every
new plan meets the same obstacle. As a matter of fact, nobody can tell whether the idea is impracticable until it has been tried; and also, as a matter of fact, cooperative undertakings have worked in the past and the industrial plan of the Russian Soviets seems to be working very well at the present moment.

The idea is impracticable if we try to perpetuate the existence of a class of owners who do no work. It must be remembered that far from trying to keep this class of owners, it is our one aim to eliminate them.

**Forms of Collectivism.**

The collectivism of which we have spoken, must not be confused with the fantastic communistic schemes advanced in the past by such men as Robert Owens and Louis LeBlanc; neither must it be confused with such undertakings as the Brook Farm Colony or the various communities that arose all over the United States during the last century. These plans we know today as Utopian; in other words, as communistic plans founded upon no scientific understanding of production and distribution.

There are today two definite lines of collective development. One is the form of collectivism known as State Capitalism or State Socialism. Its distinctive feature is an extension of the functions of the existing State to a complete control of industry. Its outstanding program is the collective ownership of the railroads, of the telegraph lines and of various other industries. Its aim is to improve the condition of the workers and to eliminate the concentration of wealth in the hands of a few. Its effect, however, would be to substitute for the private capitalist, the State as the sole capitalist.

The second suggestion is that form of collectivism which we might call “industrial democracy,” in which the State would be reconstituted on a basis of industrial representation, rather than upon a basis of geographic representation. The workers of the various industries would own the land and capital involved in such industries. The State would then become a federation of industries. Its duties would be to regulate inter-industrial affairs. This plan aims—like the other—at the elimination of Surplus Value, but would give far more direct control into the hands of the workers. Both these plans are open to criticism. This is not the place to advocate either one or the other. The student must, of course, choose for himself, which one of these two plans he prefers.
Distribution Under Socialism.

Socialism aims chiefly at a more equitable distribution of wealth. What this system would be, we can only guess. It will become the duty of the Industrial Council, in Russia the Soviet, to fix the basis of exchange between industries. It will become possible, by means of an accounting system, to determine approximately what the laborer produces.

Some Socialists believe that in the Industrial Commonwealth, the necessaries and comforts of life will be freely at the disposal of all who perform social service—that is, of those who labor—much as today the streets, air and water are at the disposal of all.

Questions.

Note: These questions are intended for the guidance of the student and are not to be answered in writing and sent in for correction.

1. What is Collectivism?
2. What will Collectivism accomplish, if carried into effect?
3. Enumerate some popular objections to Collectivism.
4. Do you think Collectivism will work?
5. Outline a plan of price-fixing under Collectivism.
6. Will the small farmer disappear under Socialism?
7. Can we predict accurately what Collectivism will be like?

Readings.


The student is urged to make a careful comparison between the last two documents.
LESSON IX.

I. HOW CAN COLLECTIVISM BE ATTAINED?

In a discussion of Socialism with the non-Socialist at this point, we meet with the question: "Suppose we grant that all that you say about Surplus Value is true and that Collectivism would remove exploitation of the values resulting from it, how would you bring Collectivism into practice?

There are several ways of answering this question. (1) By purchasing land and capital from their present owners; (2) by cooperative competition with the present owners; (3) by confiscating land and capital for the benefit of the people.

A. Purchase.

The first of these methods is the one that appeals most to the prejudices of the average middle class person. It seems so altogether right and proper that a person should receive payment for his possessions. We, however, do not believe that the mere physical possession is proof of any right to hold wealth in the form of land and capital. We have shown how nearly all holdings of land and capital are the result of force, fraud and exploitation.

One thing that the advocates of the purchase-plan overlook is that even purchasing land and capital from their present holders is a type of confiscation. With what would we purchase the existing holdings of property? The only feasible way would be by giving bonds secured by the properties themselves. In this way, the control of the properties would pass to the people, but the real owners would be the holders of the bonds who would extract Surplus Value in the form of interest on their bonds. The only defense
that the people could have against these bond holders would be eventually to repudiate the debt which the bonds represent. This would be a form of confiscation much less to the taste of the Capitalist than any out-and-out open confiscation. It would, besides, be an underhand way of accomplishing the same end that could be accomplished openly.

B. Competition.

The second way—the method of competition is already under way. Workers' cooperatives have been in existence for some time and are growing with every year. Municipalities all over the world are entering into productive and trading operations in competition with private capital. If this tendency is prolonged, we will eventually see the retirement of the private capital. The method, however, is too slow to be very satisfactory. It involves a very careful and systematic education of both the purchaser and the producer. It tends to remove the ultimate goal from the minds of those who undertake such competition. It might possibly produce a bureaucracy that would be hard finally to remove.

C. Confiscation.

The third method is confiscation. The word carries with it a certain stigma. Capitalist Society, through its control of the school, the church and the press, has succeeded in fixing in the minds of the present generation the idea that property rights are sacred. Confiscation of property of the capitalist is pictured as something equivalent to murder. As a matter of fact, there exists plenty of historical precedent for a complete and thorough confiscation of wealth. When in 1863, Lincoln freed the slaves, he confiscated wealth totalling several billion dollars in value. When in 1918 the Government collected eight billion dollars in income and excess profit taxes, it confiscated "by due process of law," that much wealth. Whenever the Nation sees fit to confiscate any particular piece of property, the law of "Eminent Domain" gives it the right to do so. The only point to be decided is, "when will the people decide that it is to the interests of the Nation to confiscate land and capital?" As soon as they do so, the legal and moral justification for such confiscation already exists.

The tax program developed by the war of 1917 and 1918 has pointed the way clearly to an effective method of obtaining collective ownership within a rather short space of time, even without the accompaniment of a bloody revolution. The inheritance tax, approximating 100 per cent., would in the
course of a single generation (about thirty years) bring all of the important productive wealth into the hands of the State. If, as a corollary to this, the State were really controlled by the workers, the industrial democracy at which we are aiming would then be attained.

II. THE STATE.

At this point we must be very careful to distinguish between State ownership and Socialism. The State, as it is today constituted, is an expression of the needs and aims of a Capitalist Society. Most of the laws of the State concern property and property relations. This is only natural since the State in which we live is a Society based upon private property. If the modern State capitalistically arranged were to get control of industries, what would result would be despotism.

We have seen how public ownership by a Capitalist State works in the Post Office. There is no profit made by anybody in the conduct of the Post Office, and yet in the Post Office workers are exploited to an even greater extent than they are in private industry. Their hours of labor are no better, their wages are worse, and they are deprived often of their most elementary civil rights. The Post Office today is used not only as a means of making communication easier, but also as an effective means for controlling public opinion. All this is so because the State which controls the Post Office is a Capitalist State.

The treatment of the New York City school teachers, policemen and street cleaners is another illustration of the fact that mere State ownership and control of industries is not sufficient. The difference between the State as it exists today and the State as it would exist under Social Democracy, is very great. All States are determined by the economic system which produces them. A Socialist State would be based not upon private property, but upon collective property. The primary aim of such a State would be to prevent exploitation and not to be itself the greatest exploiter. The difficulty of reaching this condition is, of course, clear since today the courts, the political machines and legislative bodies—are in the hands of the property owners.

In order to understand Socialism, we must look upon the State not as something Divine and unchangeable, but rather as something that changes with the changing life of the people that compose it.
Government is only justified in its existence, if it serves the people whom it governs. Today, under capitalist conditions, the functions of the State are limited almost entirely to police duties. If we change the basis of Government from private property to collective property, a great many of the functions of the producer and distributor will revert to the State.

A Government based upon the workers' ownership of industry would be a very different government from that based upon private property. In the first place, most of the laws concerning private property would disappear. The functions of the State would cease to be merely police duties. The regulation of industrial conditions, the regulation of exchange, would become the prime function of the industrial State. Instead of devoting 90 per cent. of its attention to propping up individual property rights, such a Government would be free to give all its attention to the well-being of all its citizens. Nor need such a Government become paternalistic, as many opponents of Socialism claim. This Government would not be doing things for the citizens; it would merely be an executive committee of the citizens to carry out its demands. This would eventually tend to the ideal of a minimum of Government rather than to too much Government.

Questions.

Note: These questions are intended for the guidance of the student, and are not to be answered in writing and sent in for correction.

1. State the methods suggested for achieving Collectivism.
2. State the advantages and disadvantages of each.
3. What is the State?
4. Why do Co-operatives develop slowly in America?
5. State several historic examples of confiscation.
6. Which of the three plans of making Capital collective property seems best to you?

Readings.

LESSON X.

THE COLLAPSE OF CAPITALISM.

We have shown in our second lesson that everything changes with the passing of time. Capitalism itself developed out of Feudalism. Capitalism itself is doomed to die. As a matter of fact, almost from the beginning, Capitalism in its purest form began to give way to a greater and growing degree of Collectivism. Capitalism came into the world of undeveloped resources. For the past one hundred and fifty years Capitalism has been feverishly opening up new natural treasures in the forms of mines, wells and unexplored territories.

Causes of the Collapse.

One of the peculiarities of Capitalism is that it continually produces more than it can consume. It pays to Labor only as much as Labor can extort from it; the remainder reverts to Capital and is reinvested. This reinvestment means an even greater unconsumed surplus. To get rid of this surplus, becomes the great aim of the Capitalist. As long as there are foreign countries not Capitalistically developed (that is without factorics and railroads of their own) there will be foreign markets into which Capital can "dump" its surplus products, but the great tragedy of this from the point of view of the Capitalist is that almost at once a foreign market becomes itself a Capitalistic country producing its own unconsumed surplus.

Foreign Markets.

Fifty years ago the United States was a foreign market in which Great Britain, Germany, France and Italy sold their
surplus. From 1860 to the present day, machinery has developed to such an extent in America that today America produces the greatest surplus of any country, so Italy, England, Germany and France turned from America as a foreign market to look for other “dumping grounds” for their surplus, and together with America, they have developed the North Coast of Africa, the near East, Japan, the South Coast of China, the Philippine Islands, Mexico and South America. Today Japan has joined the group of surplus producing countries. The number of foreign markets is so small that none of the producing countries can today dispose of their surplus.

Unemployment.

The war of 1914-18 served to destroy—in the form of powder, ammunition, clothing and other properties—a tremendous amount of the surplus which would otherwise have remained as a burden upon the world, but this is only a temporary relief. Now that the war is over and man can turn once more to the business of producing a surplus of unconsumed wealth, there will be a constantly growing over-production and with the range of foreign markets more limited than ever, the strain upon capitalism will become more than Capitalism is able in the long run to bear.

The first result within any country of the production of a surplus which cannot be consumed or sold in foreign markets is the closing of factories, and the second—unemployment of labor. This is the crowning absurdity of the Capitalist system. In those times when there is more actual wealth on hand than at any other time, we find the maximum of unemployment and its consequent starvation and misery, and until the unconsumed surplus has managed to dribble away, the condition of under-unemployment persists. These periods of unemployment are accompanied by financial panics, the failure of small business houses, hard times, “bread lines,” and frequently “bread riots.” Frantic efforts are made by charitable organizations and by municipalities and States to relieve the worse effects of the condition of unemployment. Of course, none of these methods strike at the root of the evil.

These periods of crises have recurred in the United States since 1837 regularly at intervals of from ten to fifteen years. Such a period was due when the war broke out in 1914. The war served to delay the coming crisis, but the winter of 1918-19 will witness a great degree of unemployment and therefore, a great degree of suffering.
The Collapse.

The time must eventually come when the whole world will be developed capitalistically to such an extent that there are no foreign markets at all in which to "dump" surplus products. That time is already within sight. In another fifty years at the maximum, every country in the world that has the necessary resources will be not only a self-sustaining Capitalist country, but will actually produce a surplus. When that time comes, Capitalism must collapse. As a matter of fact, it will probably collapse long before the actual reaching of this point. Its break-down will come as soon as the world realizes the inevitableness of the collapse. Before the breaking-point comes, the populations of the various Capitalistic countries will begin to develop legislative plans for the prevention of over-production and under-consumption. All of these programs must tend toward Collectivism in some form or other. There must be—in order to achieve the necessary results—limitation of the hours of labor, regulation of wages and regulation of prices; possibly, even a regulation of the quantities produced, and this regulation will have to be not national but international. The individual rights of the Capitalist will have to become more and more subservient to the interests of Capitalist society as a whole, and as this international organization of Capitalists proceeds, side by side with it must proceed the international organization of Labor, and each concession of Capitalism to the demands of Labor for shorter hours and more pay will be met by a more aggressive demand for more and more political and economic rights, and in the end, Collectivism will supersede Capitalism.

Capitalists generally do not realize that their system must collapse. They look upon the recurring financial crises as being due rather to the manipulation of powerful financiers and to certain accidents such as wars, crop failures, and famines. As long as they remain blind to the economic forces at work in their system, they will head full speed to their own destruction. When the break-down comes, the world must be prepared for the substitution of Collectivism for individual Capitalism, or it must go through a painful period of chaos and reorganization.

If Labor realizes this necessity and organizes so as to be prepared when the inevitable collapse comes, it makes very little difference whether or not Capitalists have foreseen their ruin. The aristocrats of the 18th Century did not realize
that the day of Feudal landholding was gone until long after
the Feudal System had passed away. It may be that Cap-
italism will disappear in the same way, but this can only
happen if Labor is farsighted enough to organize and to
agitate intelligently.

The new Collectivist Society must be built up within
the Capitalist State. Already the indications are that in the
growth of the Industrial Union, we find foreshadowed the
organ through which the next state of society will function.

Questions.

Note: These questions are intended for the guidance of
the student and are not to be answered in writing and sent
in for correction.

1. What is a financial crisis?
2. What are the causes of financial crises?
3. Why do capitalists seek foreign markets?
4. Can crises be avoided?
5. What are some of the features of a financial crisis?
6. How does an undeveloped country change into a surplus-
producing one?
7. What is a craft union? An industrial union? Give ex-
amples.

Readings.

2. Industrial Unionism. Haywood and Bohn.
The Fundamentals of Socialism

Twelve Lessons prepared by DAVID P. BERENBERG

LESSON XI.

SOCIALISM AND ITS RELATIONS TO REFORM MOVEMENTS.

The evils which Socialism attributes to Capitalism are admitted by a great many non-Socialists. In fact, they are almost universally admitted. Those who are not Socialists, however, have various other methods of reform to suggest which they claim will remove these evils without the far-reaching changes of our economic system upon which Socialism insists. There are some also who say that these evils cannot be removed; that the world must always be composed of rich and poor; of exploiters and exploited. Most of us, however, bearing in mind the history of mankind and the changes which have taken place through long historical dramas, do not feel that the cause of Humanity is hopeless.

I. Reform Methods.

Among the methods suggested by non-Socialists for the removal of present-day evils are (1) Charity; (2) A greater exercise of Religion; (3) Prohibition; (4) The Single Tax; (5) Trade Unionism; (6) Anarchism.

(A) Charity.

It will be at once noticed that these methods of removing the evils are widely different from each other. The first mentioned, Charity, is the best method as yet evolved by present-day society for taking care of the wreckage of our economic system. The Capitalist State produces so much suffering, so much poverty and so much unemployment that almost every State is compelled to maintain a department of charities. Besides this Federal Bureau of Charities, there are usually a large number of private charitable organizations.
However, Charity can at best only remove the effects of poverty without reaching at the causes of poverty. A self-respecting person does not wish to receive charity in any form, and for that reason, it cannot be looked upon seriously as a cure for our conditions.

(B) Religion.

The second method is the greater exercise of religion. We are told by such people as Billy Sunday and by numerous well-meaning ministers of various churches that the trouble with the world is that we do not live up to the Law of Love. What such people overlook is that material conditions are much stronger than ideals. Christianity has never been seriously tried. That much we must admit. But we must also maintain that it cannot be tried in any State of Society in which the law of competition compels one man to strive for the position of another man; a Society which compels one man to seek to remove his neighbor from his job, for the sake of getting a living for himself and his family. As a matter of fact, so well-recognized is this incompatibility of religion and business that we are often told by business men that they do not run their concerns for love. We are of the opinion that Billy Sunday and the churches in general have reversed the facts. We believe that true religion never will have a chance until economic competition has first been removed.

(C) Prohibition.

The third method is prohibition. Prohibition is an effort to stop the manufacture and sale of liquor. The prohibitionists claim that poverty is the result of drunkenness; that if there were no liquor, there would be less poverty because working men would spend their incomes on food, shelter and clothing instead of on liquor. Prohibition, however, does not touch the root of the matter of the exploitation of the laborer. It will not affect the wage system. It will maintain the same conditions which now affect capital and labor, and can do nothing to remove the class struggle.

(D) Single Tax.

The Single Tax is a reform which would remove the burden of taxation from industry and labor and which would place it upon unused land. The chief effort of the single-taxers is to compel land owners either to use their land or to give up their ownership of the land. By so doing, they claim all land would be forced into use and the result would be a greater production, and consequently greater economic happiness. We have already pointed out that there is no shortage of production; that, as a matter of fact, the thing which will cause the collapse of capitalism is the continually
growing surplus of production which is not being consumed. The single-taxers would rush Capitalism a little sooner to its destruction. As a matter of fact, the land program of the single-taxers is—to all intents and purposes—a program of collective ownership of the land, and, in so far as this is true, Socialists endorse the Single Tax program, but the single tax program alone does not touch the Class Struggle or Surplus Value, and is, therefore, in itself not a sufficient change.

(E) Trade Unionism.

Ever since Capitalism came into existence, Labor has made more or less systematic efforts to gain for itself a greater part of the Surplus Value. Today there exists all over the world well-organized national and international unions. Their aim, however, is merely to get what they call "A fair day’s pay for a fair day’s work.” In view of our analysis of Surplus Value, it will be noticed that the definition of this phrase is next to impossible. Unionism logically carried out leads to Socialism, but Trade Unions as they are at present organized, are not considered a weapon for the final elimination of classes and the class struggle. They are merely a sort of temporary club with which to get from the employers a little better living conditions.

There is rapidly developing a new form of Industrial Unionism which recognizes more clearly the outlines and the directions of the Class Struggle. The Railroad Brotherhoods are to a certain extent an industrial union. A better type are the Amalgamated Clothing Workers of America. The Industrial Workers of the World represent an effort to reach those great unskilled masses that cannot be brought into the Trade Unions because they have no trade.

(F) Anarchism.

Anarchism is a reform of Society which would eliminate all formal laws. There are a great many schools of anarchists. These schools vary in their principles from the non-resistant anarchist of Tolstoi’s type to the expounders of force, for its own sake, of the Nietzsche school. The one thing they have in common is a belief that the individual by himself is best able to take care of his own interests. What anarchists fail to realize is that industrial development has been carried to such a degree of efficiency that some form of organization must still be necessary to keep it going, unless we would revert to semi-barbarism.

Anarchism has no definite program for the elimination of Surplus Value or of the Class Struggle. As a consequence, a great many anarchists waste their efforts in personal hatred for this person or that institution and so accomplish nothing.
II. REFORMS COMPARED TO SOCIALISM.

All of the methods here analyzed are reform methods. The question at issue really is "Can the economic evils of our day be removed by reform?" It is a favorite figure among Socialist speakers to compare Society with a man suffering from a cancer. The only hope for the patient lies in an operation. Salves and ointments may relieve the pain of the patient temporarily, but unless the radical cure of the surgeon's knife is applied, the patient will perish.

The economic evils of Society are too far-reaching to be treated by petty reforms. Society must be reorganized completely in order to prevent the great masses of the workers from sinking into hopeless slavery. The Socialist Movement is a revolutionary movement, but revolutions must be distinguished carefully from the disorders and the violence which—only in some cases—come with them and then often come as a result of the effort of the ruling class to prevent their success.

A revolution simply means a complete change. Some of the world's greatest revolutions have been entirely peaceful. Revolutions are inevitable. We Americans owe our own existence as a nation to a revolution. The revolutionary tradition is not quite dead in America. It remains only for the American people to realize that the economic revolution is already taking place. As soon as they do realize that and as soon as they realize, too, that it is useless to attempt to hold this change back, they will peacefully and peacably accept the Collectivism that is sure to come.

Questions.

Note: These questions are intended for the guidance of the student and are not to be answered in writing and sent in for correction.

1. What is a reform?
2. What is a revolution?
3. Is Socialism a reform or a revolutionary change?
4. What is the fundamental cause of our economic wrong?
5. Can good men and wise leaders remove these evils?
6. Can you name any reforms not mentioned in the lesson? Analyze them.

Readings.

LESSON XII.

I. THE SOCIALIST PROGRAM.

The Ultimate Aim.

The Socialist movement all over the world has the same final aim; that is, the removal of exploitation and the ending of the Class Struggle.

To accomplish this end, it stands for Collective Ownership of industries by the workers in the industries. Its ultimate aim, however, is not the only thing for which Socialist Parties have in the past fought. Almost every Socialist organization has—in addition to its ultimate aim—also a program of immediate reforms.

Immediate Demands.

Generally speaking, these concern hours of labor, wages, permanence of employment, labor of women, labor of children, the minimum wage, old age pensions. Socialism insures against sickness, maternity insurance, housing conditions and certain political reforms, all tending to a greater democracy.

All these reforms are agitated by the Socialist movement for the purpose of making the Class Struggle weigh less heavily upon the workers, while Capitalism still exists, and also for the purpose of improving the political machinery by which the Socialists hope finally to attain their ultimate end.

This program of immediate reforms, however, presents to the Socialist a great danger. A number of people have in the past confused the demands of the immediate program for the complete program of the Socialist movement. Nothing can be more threatening to the final success of the Socialist program than this misunderstanding, because if the Socialist movement becomes simply a reform movement for the attainment of these very moderate demands, the Class Struggle
must continue to exist; the wage system must continue to exist with all its exploitation, and as long as this system continues to exist, there can be no industrial peace. It therefore becomes very important for every Socialist to get clear in his mind the ultimate aim of the movement, and it becomes his duty never to speak of the immediate program without at the same time making clear that this immediate program is only a temporary thing, and that beyond it lies the real end toward which the movement is going.

II. POPULAR OBJECTIONS TO SOCIALISM.

The Socialist regularly meets with a few popular objections to his doctrines. Some of these are: (1) that Socialism is opposed to religion; (2) that Socialism would break up the home; (3) that Socialism preaches free love; (4) that Socialism is impossible; (5) that Socialism is against human nature; (6) that Socialism would abolish incentive. These are not all the popular objections, but they are a few typical examples.

(A) Socialism and Religion.

Taking them up in order, we have already spoken of the matter of religion. We have shown that Socialism is not against religion, but that religion and Capitalism cannot exist side by side. No responsible Socialist organization today makes any declaration on religion whatsoever, and those opponents of Socialism who still claim that Socialism is against religion, are fighting windmills.

(B) Socialism and the Home.

The second objection is that Socialism aims to destroy the home. The home as it is today constituted will certainly be affected by a change in economic conditions, but it can only be improved. With eight million women working in industries outside of the home, with several million children being compelled to leave school to undertake some paid work and with several million men in the West engaged in migratory occupations which do not permit them to found homes, the home in the United States is rapidly becoming a tragic joke. The only possible effect that Socialism could have upon this situation is an improvement of home life.

(C) Socialism and Free Love.

The term "free love" is open to a great many interpretations. What the opponents of Socialism mean is that women will be collective property to be distributed among men as the State sees fit. This idea we can most emphatically deny.
In so far as "free love" means, however, a free selection of mates among both men and women, we can see no possible objection to such a method of marriage. Whether marriage is to become a State function or purely a religious function, we do not pretend to say. In most countries today it is both and will probably remain so. Whether marriage is to be permanent or not, depends—as it does today—upon the people themselves, and not upon any Law.

(D) The "Impossibility" of Socialism.

We are told that Socialism is impossible, because it has never been tried, and because even if tried, it could never succeed since it does not provide any reward for individual undertakings. It is true that Socialism has never been tried, but we do not believe this to be an argument against it. Neither had the steamboat been tried before 1807 nor the telegraph before Samuel Morse invented it.

As for the second part of the argument, we believe that social needs are a sufficient incentive for a continuance of effort and industry. It has already been shown that cooperative production is a success. The Soviets in Russia have shown that committees of workmen can run factories even more efficiently than private owners could.

(E) Socialism and Incentive.

The last objection is that Socialism would abolish incentive. This has already been—to a certain extent—answered in the last paragraph. In order to understand the question thoroughly, we must refer back to the statement that material conditions—to a large extent—influence our actions. Society has not always been organized on a Capitalist basis; yet in all previous Societies, there has been an incentive to effort. In ancient Greece the approval of the masses was given to the best oratory, to the finest poetry or the strongest athlete.

During the Middle Ages, the great incentive to activity was the hope to rise in the Church or in the Feudal State and this rise was often entirely distinct from any monetary reward.

Today the Capitalist Society gives its greatest approval to the person who succeeds in amassing the largest fortune. If we were to change the basis of society, we would simply change the form of service for which Society would give its approval. This approval is the greatest incentive. That it happens to be given in the form of money today is an accident of the present system and is not a matter inherent in human beings.

It may further be argued that human beings are restless creatures and that a mere desire to escape "boredom" is suffi-
cient incentive to keep them busy. You can no more keep
the inventor from inventing than you can keep the singer
from singing or the poet from writing poems.

SUMMARY.

We have pointed out that there are evils in society; that
these evils arise out of exploitation on the part of the owners
who take surplus value from the laborers. We have pointed
out that Surplus Value created the Class Struggle. The
Socialist movement exists because the Class Struggle exists
and for the purpose of removing that struggle. It aims to re-
move the Class Struggle by removing exploitation through
the substitution of Collective Ownership of land and capital
for the present private ownership of land and capital. So—
in a few words—may be stated the whole of the Socialist
theory.

The Socialist movement is an international movement. In
nearly all the great countries of the world economic and social
conditions are about the same. Nearly all have a capitalist
class and a working class. In all the Capitalists take Surplus
Value from the product of the workers. In all there is a
Class Struggle. Therefore the workers all over have organ-
ized first nationally, and later internationally. The aims of
the International Socialist Movement are first to perfect its
organization, and then to bring about not in one country, but
in all, Industrial Democracy in place of Capitalism.

Questions.

Note: These questions are intended for the guidance of
the student and are not to be answered in writing and sent
in for correction.

1. What is the ultimate aim of Socialism?
2. What is the purpose of political activity?
3. Why is Socialism a political as well as economic move-
ment?
4. How will Socialism affect personal property?
5. What is the International?

Readings.

2. Communist Manifesto.
   pp. 33-43; pp. 53-60.

Copyright Rand School of Social Science 1919.