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Beatrice Potter

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Discourse. Two Unpublished
Manuscripts and Other Writings

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A Victorian Woman in the «weird Marxian world»

Roberta Ferrari

*Raise your glass to the hard-working people
Let's drink to the uncounted heads
Let's think of the wavering millions
Who need leaders but get gamblers instead*

Between 1885 and 1887, a few years before meeting Sidney Webb and entering the Fabian Society, Beatrice Potter studies the work of Karl Marx. This goes hand in hand with an attempt to critique a political economy that appears to her frozen in time, unable to follow the sudden movements industry imposes on society, producing disorders, grey areas and conflicts. This critique is first of all the recognition of the crisis of *laissez faire* and the attempt to deal with a change of paradigm.

We publish here for the first time two original essays dating from the beginning of Potter's career that in some ways provide the basis of her subsequent reflections, because they take position inside a debate dealing not only with classical economic theory, but also with the social transformations that demanded its reassessment. The importance of these writings is twofold: on the one hand they are key to understanding Potter's political thought, because they show the theoretical and political movement from the centrality of the individual to the centrality of society, that is also a movement from Herbert Spencer, her mentor and friend, to Alfred Marshall and finally to socialism, as a political and administrative, rather than simply economic, project. On the other hand, rather than merely capturing the contradictions of her time, these writings anticipate the crucial questions of the century to come, and that will be at the core of the Fabian reformism to which she commits herself after 1892. The first manuscript on the history of English economy, finished in 1885, and the second on the Marxian theory of value, written between 1886 and 1887, attempt to draw attention to a historical turning point. The core of this analysis is not yet Potter' socialism, as a doctrine aiming at the rearrangement of industrial disorder, but the redefinition of political terms, including the individual, society and the State. This redefinition

depends first of all on the development of a new conception of the relation between production and consumption, crucial for the debate among marginalists and for the political reconsideration both of the individual and of social cooperation.

However these essays are also a necessary premise to the political discourse Potter will frame in the years to come – and here lies their greatest importance: the administration of democracy and collectivism as the political theory of administration. Her critique of economy as a science of material wealth, the uncontested realm of the economic individual, and the refusal of the Marxian theory of value show the peculiarity of the social scientist's thought, which, while seeing the limits of liberal discourse, tries to develop a new connection between individual and society, to think a new community open to dynamic movement rather than confined within limits, starting from the ethical re-foundation of labour and the reconsideration of the role of the State.

Potter moves in an historical, intellectual and scientific milieu crossed by uncertainties and tensions reflecting the political and social transformations her epoch is approaching. Progressively shaping her vision of industrial society, with these essays Potter emerges as an innovator of the critique of liberalism, simultaneously addressing in an original manner the reformistic and socialist reflections she will soon come into contact with through the Fabian Society.

The critique of liberalism and the place Potter occupies in the European reformist and socialist debate can be understood solely inside the frame of the crisis of *laissez-faire* as a doctrine for governing society.

1. Crisis and Critique of *Laissez faire*

The apparent quiet of the Victorian period is crossed by social turbulences and theoretical reappraisals. These turbulences are firstly the product of poverty and inequality, but also of the research of new political expressions able to overcome the, by that time, obsolete forms of Chartism and the insufficiency of the Radical movement and, thus, to give substance to the so-called “socialist revival” which was at that time still quite undefined.

During the 1870s trade union membership increased, also among the peasantry. Even that impenetrable mass called the «re-

siduum», composed of dockers, gasmen and bricklayers, organized into new unions, creating a different style of struggle to those in the factory. On the one side a revolutionary syndicalism emerges, seeing in workers' control a possible unique form of democracy, on the other side, trade unions, co-operatives and factory legislation operate inside a political framework that aims at the institutionalization of social change and marks the advent of a socialism that considers the institutional level to be an essential ground of struggle¹. This is also the instrument with which Potter will try to counter what she considers the fundamental defect of political economy, i.e. abstraction and ahistoricity. The first outcome of the crisis of laissez faire therefore brings about a socialism never seen before, characterized by the search for a new ethics for society in reaction to the violence of free trade and to the growing misery of East London, the symbolic place of industrial poverty.

This new socialism is also a reaction to the disappointment produced by the promise that progress would bring the growing and inexorable expansion of the welfare to all social classes. At the same time, this resurgence was influenced by the spread of religious doubt – brought about by the establishment of positivism and the scientific authority of biology – and of the undisputed prestige of natural science. Applying science to social life meant, in those uncertain days, that progress could be controlled and managed, allowing human beings to imagine and then concretely plan a new world.

For socialism, as for liberalism, the issue was to reconsider concrete goals and ideals starting from economic, political and social changes introduced by the definite advent of industry. Industry was indeed the new name of a future society yet to be understood and defined: it was the idea of a society that was unavoidably

¹ D. MARUCCO, *Fabianesimo, ghildismo, forme di democrazia industriale*, Milano, FrancoAngeli, 1986; P. BEIHLARZ, *Labour's Utopia. Bolshevism, Fabianism, Social Democracy*, London, Routledge, 1992; G. BERTA, *Il governo industriale: i Webb e il tradeunionismo*, Torino, Annali della fondazione Luigi Einaudi, vol. XVII, 1983. On the role of trade unions and collective bargaining, considered as the most enduring and influential aspect of their theory, see the debate in H.A. CLEGG – A. FLANDERS – A. FOX, *La contesa industriale. Contrattazione, conflitto e potere nella scuola di Oxford*, Roma, Ed. Lavoro, 1980. On this matter see also E. GRENDI, *L'avvento del laburismo. Il movimento operaio inglese dal 1880 al 1920*, Milano, Feltrinelli, 1964 and P. SWEEZY, *L'economia politica fabiana*, in P. SWEEZY, *Il presente come storia. Saggi sul capitalismo e il socialismo*, Torino, Einaudi, 1962.

“modern”². Victorian social science, combining new faith in natural science with attention to social transformations, emerges therefore, from the very beginning, with a double function, firstly, normative, and secondly, political: to react against the social destitution produced by industrial life and to give to the disordered working-class response an organizational form able to counterbalance the relation between factory and society³, or to turn the first one into a function of the second.

Social science did not however seem to succeed in its intention of recomposing and containing the social transformations underway. The economic crisis of 1873 called into question the placid certainty of those whom, only one year before, congratulated the English working class in the «Quarterly Review», because it did not know the disturbing “impetuosity” of the barricades and the charm of revolt⁴. A belief that seems, however, to be a mantra repeated in the hour before the storm to exorcise the disorders in the elegant Victorian Albion. These are years of unrest and revalua-

² Cf. P. ROSSI, *Positivismo e società industriale*, Torino, Loescher, 1975. For the influence exercised by August Comte see F. RESTAINO, *La fortuna di Comte in Gran Bretagna*, «Rivista critica di filosofia della storia», 23/1968, pp. 171-201 e pp. 391-409; 24/1969, pp. 148-178 and pp. 374-381.

³ The point was also to redefine the concept of evolution, to make it functional to the transformations underway. On this matter Benjamin Kidd observed: «we undoubtedly have in these centuries a period in the lifetime of the social organism when the welfare, not only of isolated individuals, but of all the individuals of a long series of generations, was sacrificed to the larger interests of generations at a later and more mature stage [...] Human reason alone can never, in the nature of things, provide any effective sanction to the individual for conduct which contributes to the furtherance of this process, for one of the essential features of the cosmic process is the sacrifice of the individual himself, not merely in the interest of his fellows around him, but in the interests of generations yet unborn». (B. KIDD, *Social Evolution*, New York-London, Macmillan and Co., 1894, p. 129 and pp. 190-1). Cf. also J.W. BURROW, *Evolution and society. A Study in Victorian Social Theory*, Cambridge, Cambridge University Press, 1970. On the origin and development of the social science in Great Britain see P. ABRAMS, *The Origins of British Sociology: 1834-1914*, Chicago, University of Chicago Press, 1968; R.A. KENT, *A History of British Empirical Sociology*, Aldershot, Gower, 1981; R. FLETCHER, *The Making of Sociology. A Study of Sociological Theory*, London, Nelson, 1972; R. FLETCHER (ed), *The Science of Society and the Unity of Mankind*, London, Heinemann Educational Books, 1974; R. ARON, *Main Currents in Sociological Thought*, 2 Vols., New Brunswick, Transaction Publishers, 2009. And more recent M. BEVIR, *The Making of British Socialism*, Princeton, Princeton University Press, 2011.

⁴ W.R. GREG, *The Proletariat on a False Scent*, «Quarterly Review», Jan. 1872, p. 133.

tion, of theoretical rearrangement and philanthropy, i.e. of a breathless attempt to contain the side effects of industrial progress. This unrest comes gradually out of the slums and of the industrial districts. In February 1886, a demonstration of the unemployed gives rise to one of the greatest riots Hyde Park has seen: the shops of the West End are plundered, the showcases and the windows of the Victorian gentlemen's clubs are destroyed. This scenario shows the contradictions of a society based on economic opulence but also on the classical Victorian values: virtue, manliness, understood as "self-mastery" and moderation, independence and personal morality⁵.

These values are strictly tied to the importance assigned to commerce in the progress – not only of an economic kind – of society: commerce is the Victorian politics *par excellence*, the source of its ethics. The ethics of commerce is an ethics of individual liberty, of possibility and enterprise. Nevertheless, what better characterizes this age is the instability that envelops trade and morality in the same measure. The Victorian age marks the "end of safe life"; its demeanour, its attachment to straight social habits, peerages and aristocratic rituals are just the symbol of an attempt to preserve the social balance. In the middle of a linear and magnificent vision of the progress a chink gently opens up, threatening the foundations of the Victorian order. «Queen Victoria was like a giant paperweight», wrote Herbert George Wells «that for half a century sat upon men's mind; when she was removed their ideas began to blow about all over the place haphazardly»⁶.

The partial losing of control and dominion over progress, the social insecurity produced by the connection between development and destitution and finally the disorder resulting from the disconnection of the institutions from the internal movement of social life created a climate burdened with uncertainty⁷. Uncertainty is

⁵ Cf. J.W. BURROW, *Whigs and Liberals. Continuity and Change in English Political Thought*, Oxford, Clarendon Press, 1988; S. COLLINI, *Public Moralists. Political Thought and Intellectual Life in Britain, 1850–1930*, Oxford, Clarendon Press, 1991.

⁶ N. – J. MACKENZIE (eds), *The Diary of Beatrice Webb – Volume II, 1892–1905: All the Good Things of Life*, London, Virago, 1982–5, p. 3.

⁷ Among the more incisive expressions of this period we find the well-known quotation from Dickens: «It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was

the challenge that all the *fin-de-siècle* categories have to face, what constrain them to reveal their «political evidence» and moreover a specific shape of the time, a form of expansion produced by the growing unpredictability of future developments⁸.

In this sense, the concept of evolution becomes a necessary device for thinking change in the order of things. Evolutionism is therefore a philosophy of transition, the last social utopia, simultaneously inspiring dystopic scenarios, because the evolution in the Spencerian theory does not leave out, if not at the end, regression and inhumanity⁹. In this rising socialism, we find therefore only the hiatus for improvement evoked by evolution. We are not speaking of what has been inappropriately called «social Darwinism»¹⁰, i.e. the vulgarization of Darwin's thought, or better of Spencer's¹¹ – irreducible however to a simple scientific defence of

the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us, we were all going direct to Heaven, we were all going direct the other way – in short, the period was so far like the present period, that some of its noisiest authorities insisted on its being received, for good or for evil, in the superlative degree of comparison only» (C. DICKENS, *A Tale of Two Cities* [1859], London, Longmans, 1910).

⁸ R. KOSELLECK, *Critica illuminista e crisi della società borghese*, Bologna, Il Mulino, 1976, p. 10.

⁹ «Startling as the truth seems, it is yet a truth to be recognized, that increase of humanity does not go on *pari passu* with civilization; but that, contrariwise, the earlier stages of civilization necessitate a relative inhumanity» (H. SPENCER, *Political Institutions, Principles of Sociology*, London, W&N, Vol. III, 1898, Part V, Vol. II, p. 238).

¹⁰ See: M. HAWKINS, *Social Darwinism in European and American Thought, 1860-1945: Nature as Model and Nature as Threat*, Cambridge, Cambridge University Press, 1997 and P. TORT (ed), *Dictionnaire du darwinisme et de l'évolution*, Paris, Puf, 1996.

¹¹ To Spencer evolution was a spontaneous becoming, a movement of improvement in the form of a «continuous moulding of human beings to the social state, and of the social state to the human beings as they become moulded: the two acting and reacting» (H. SPENCER, *The Filiation of Ideas*, in H. SPENCER, *Social Statics*, London, W&N, 1851; D. DUNCAN, *The Life and Letters of Herbert Spencer*, London, Methuen, 1908, p. 540). The philosophy of the *struggle for life* as a crucial incentive to evolution and progress had little to do with Darwin for at least two reasons: besides conceiving selection as random and accidental and therefore neutral, Darwin recognised a progressive reduction in the relevance of biological selection in the process of civilisation, thanks to the establishment of «social technologies of compensation» capable of artificially producing the social adjustment of the weakest individuals. To Darwin there was not continuity among nature and society because natural instincts became social and were counter-posed to biological instincts. The establishment of social instincts, as he states in *The Descent of Man*, implied the

laissez faire¹² – but of the relation between the evolution and the organization of society. This relationship is the search for and construction of a society able to respond to the social evils and to fulfil in the immediate future the social needs produced by the sudden and inescapable transformations of the time.

Potter's career as a social scientist is the result of this relation between evolution and uncertainty, because, although a product of Spencer's teaching, it actually arises in the midst of disorders and social problems, with the publication of *A Lady's View of the Unemployed* in 1886. Just two years before, Spencer published the most political work of his life, *The Man versus the State*, a fierce attack on the new social liberalism that was betraying the true liberal principles by becoming a new form of Toryism, i.e. allowing the intervention of a State that would permanently oppress the individual¹³. This conflict between pupil and mentor around the social role of State severely put their friendship to the test.

1886 is a critical year in the English history of the Long Depression, a year of an apparent truce, with the return both of a Liberal

progressive extension of the altruistic sentiment of *sympathy* and of the moral sentiments in general (C. DARWIN, *The Descent of Man, and Selection in Relation to Sex* [1871], Princeton, Princeton university press, 1991). There is not continuity, like in Spencer, because a reversal of natural selection occurs against its own destructive effects that distinguishes and defines civilisation in itself. This inversion produces a break which Darwin calls «reversing effect of evolution», that is to say that selection applies to its own law. Cf. P. TORT, *Effetto Darwin. Selezione naturale e nascita della civiltà*, Vicenza, Colla Editore, 2009, p. 69 ss., p. 84. See also P. TORT, *Spencer et l'évolutionnisme philosophique*, Paris, PUF, 1996.

¹² As noted by Parsons, *laissez faire* for Spencer responds to a natural necessity, not to an economic calculation (Cf. H. SPENCER, *The Study of Sociology*, introduction by Talcott Parsons, Ann Arbor, University of Michigan Press, 1961). It is not therefore a mere instrument of selection of the fittest, but an overall improvement of the individual in relation to the environment, of a creation of a spontaneous order – i.e. derived and modified by evolution – that goes beyond liberal individualism inasmuch as it does not place its *raison d'être* in the supremacy of the individual, but in the supremacy of the evolutionary order itself. The Spencerian conception takes a distance from the violence of free competition as an objective economic law; his *laissez faire* is a reading of human behaviour in a specific evolutionary stage, not a bare economic law to apply to the social order. On this topic see also C. LAVAL – P. DARDOT, *La nuova ragione del mondo*, Roma, DeriveApprodi, 2014, pp. 139-140. According to Andrews, Spencer introduced the concept of what is now called “structural functionalism”, as well as the introductory elements of the cybernetic analysis of social phenomena (S. ANDREWSKI, *Structure, Function and Evolution*, London, Thomas Nelson and Sons, 1971).

¹³ H. SPENCER, *The Man Versus the State* (1884), Harmondsworth, Penguin Books, 1969.

government and of peace in Ireland, the end of an unprecedented political crisis and the redefinition of the mid-Victorian politics of the 50s and 70s. However, there was already a new crisis looming on the horizon, marked by industrial unrest, unemployment – with the first riot of Trafalgar Square – and a growth in poverty that takes the metaphoric form of a contagious «pathology»¹⁴, against which it is impossible to defend not so much singular individuals, as society itself, its order and its values. On 13th November 1887, a demonstration of more than ten thousand people against unemployment and the Irish war was violently repressed by the British army and local police. Bloody Sunday marks the beginning of a twenty-year period that will force liberalism into a radical reappraisal of its principles. Science, bayonets and industrial machinery were simultaneously wielded for similar or radically different goals, but all were devoted towards finding a new social order. The socialist revival at the end of the century was the result of this confusion, and its aim was to solve the problems of social conflict rather than to organise and democratically recompose its interests. Although it was also antagonistically situated against the social privilege and profit-making at the heart of the *Tale of Two Cities*. This new kind of socialism abandoned the claims and legal forms of the 30s and 40s, emerging as an evolution from individualist theory, or as a scientific answer to the so-called social question. It was a reformist socialism that, despite Spencer, integrated and transformed reflections on social evolution. Evolutionism, indeed, combined social and biological science and neutralized revolutionary ideas, but the theory of evolution ended up suggesting the idea of a gradual change, that could be pursued concretely: reforms were the new paradigm to think progress and individual emancipation¹⁵. Of course this meant a free interpretation of Spencer: the

¹⁴ On the political concept of pathology and its different application in the period considered, see: M. DONZELLI – R. POZZI (eds), *Patologie della politica: crisi e critica della democrazia tra Otto e Novecento*, Roma, Donzelli, 2003.

¹⁵ As Toscano rightly states: «Reformism or moderate reformism that socialism seems to prefer has not to be underestimated, in this case: it is a sign of a practical effort in contrast with deterministic disinterest» (M.A. TOSCANO, *Malgrado la storia. Per una lettura critica di Herbert Spencer*, Milano, Feltrinelli, 1980, p. 143). To say that Spencer has consolidated socialism, despite its will, can only partially wonder and only not considering the eclecticism of his theory. His reflection on land ownership, from this point of view, is enough to temper the wondering: «For if one portion of the earth's surface may justly become the possession of an individual,

evolutionary thesis was by the time, as Potter reminded him just before his death, «an atmosphere» that was out of the control of its creator¹⁶.

George Lacy, a journalist follower of Spencer, and author of *Law and Liberty*, became socialist precisely through contesting the thesis of *The Man versus the State* and defined socialism as a doctrine showing that individual interests can be better pursued if submitted to community interests. The individual, surrounded by a network of social interdependences constituting and determining their freedom, can be promoted only by recognizing the centrality of society and its ends¹⁷.

The socialism of the 1880s was not therefore a mass movement with clear political goals, but reacted to a by then mass capitalism¹⁸. It thus offered a new social hypothesis whose primary goal was to transform sociology into socialism, or to present socialism as the highest form of sociology. For this reason many liberals interested in the «social question» could define themselves as socialists while they were in fact engaged in a battle against its policies. The equivalence between sociology and socialism was also the consequence of a long ideological and scientific transition¹⁹ in

and may be held by him for his sole use and benefit, as a thing to which he has an exclusive right, then other portions of the earth's surface may be so held; and eventually the whole of the earth's surface may be so held; and our planet may thus lapse altogether into private hands. Observe now the dilemma to which this leads. Supposing the entire habitable globe to be so enclosed, it follows that if the landowners have a valid right to its surface, all who are not landowners, have no right at all to its surface. Hence, such can exist on the earth by sufferance only. They are all trespassers. Save by the permission of the lords of the soil, they can have no room for the soles of their feet» (H. SPENCER, *Social Statics*, New York, Appleton and Co., 1883, p. 132).

¹⁶ «What you have thought and taught has become part of our mental atmosphere, Mr Spencer. And like the atmosphere we are not aware of it» (Beatrice Webb's Diaries, from now on *BWD*, July 3, 1903).

¹⁷ G. LACY, *Liberty and Law: An Attempt at the Refutation of the Individualism of Mr Herbert Spencer*, London, Sonnenschein, 1888.

¹⁸ Not only because of the size of industrial plants due to the development of productive technologies and the diffusion of the factory but also because of the establishment, from the 1870s on, of joint stock companies through which it was possible to control a large quantity of capital.

¹⁹ «Mill appears, sometimes, ambiguous for the syncretism that leads him to introduce in his thought not genuinely liberal elements: he is a thinker of transition» (N. MATTEUCCI, *Il liberalismo in un mondo in trasformazione*, Bologna, Il Mulino, 1998, p. 29). Becattini describes this very clearly: «The truth is that in Mill, as in a great crucible, co-exist in a magmatic state all the trends that will later characterize

the field of economic thought and dates back to John Stuart Mill, when he asserted in *Chapters on Socialism*: «politics are now scientifically studied from the point of view of the working classes», who claim «a place on the platform of political philosophy»²⁰. It was however also an adjustment in order to counteract the opposing climate characterizing the Marginal Revolution, which also implied, together with sociologism, a renewed anti-socialism – «where sociologism was often the renewed face of anti-socialism. [...] The emancipation from Ricardo, James Mill and J. S. Mill was, indeed, not only emancipation from a method of Political Economy by “aggregates”, but also emancipation from the labour theory of value and from a vision of class antagonism, fomenting, as it was said, socialism»²¹.

the diverse school of economic thought» (G. BECATTINI, Introduzione a J.S. Mill, *Principi di economia politica*, Torino, UTET, 1983, pp. 9-63, pp. 13-14, 39). Maria Luisa Pesante has highlighted the privileged connection of politics with the cultural sphere employed by Mill in his idealistic vision of progress (M.L. PESANTE, *Economia e politica*, Milano, Franco Angeli, 1986, p. 50).

²⁰ J.S. MILL, *Chapters on Socialism*, in J.S. MILL, *Essays on Economics and Society*, Part II, in *Collected Works of John Stuart Mill*, London, Routledge & Kegan Paul, 1967, p. 708. It is a discourse perfectly compatible with *On Liberty* where Mill faces the problem of the conciliation between order and freedom: «human nature is not a machine to be built after a model, and set to do exactly the work prescribed for it, but a tree, which requires to grow and develop itself on all sides, according to the tendency of the inward forces which make it a living thing» (J.S. Mill, *On Liberty*, in *CW*, Vol. XVIII, 1977, p. 263). This is seen in C. CRESSATI, *La libertà e le sue garanzie. Il pensiero politico di John Stuart Mill*, Bologna, il Mulino, 1988. According to Franco Restaino «it is ascertainable, at the base of the political and philosophical activities and elaborations of Mill, at least since the second half of 1836 [...] a precise political and ideological “strategy” directed to modernise deeply in a progressive sense British society and culture» (F. RESTAINO, *J. S. Mill e la cultura filosofica britannica*, Firenze, La Nuova Italia, 1968, p. xi). Cf. anche S. COLLINI – D. WINCH – J. BURROW, *The Tendencies of Things: John Stuart Mill and the Philosophic Method* in S. COLLINI – D. WINCH – J. BURROW (eds), *That Noble Science of Politics. A Study in Nineteenth Century Intellectual History*, Cambridge, Cambridge University Press, 1983, p. 129. See also M.T. PICCHETTO, *Verso un nuovo liberalismo. Le proposte politiche e sociali di John Stuart Mill*, Milano, FrancoAngeli, 1996. For a reflection on the term “collective” in Mill see L. COBBE, *Il carattere di un popolo. John Stuart Mill e le semantiche del collettivo*, in L. SCUCCIMARRA – G. RUOCCO (eds), *Il governo del popolo. Rappresentanza, partecipazione, esclusione alle origini della democrazia moderna*, Vol. II: *Dalla Restaurazione alla guerra franco-prussiana*, Roma, Viella pp. 101-129, p. 121.

²¹ A. MACCHIORO, *Studi di storia del pensiero economico e altri saggi*, Milano, Feltrinelli, 1970, p. 378.

Socialism, primarily of the Fabian type, had to turn this climate in favour of a more reformist socialism able to exorcise the unacceptable contradictions of capital which Marx had identified, focusing on the inadmissible social violence of laissez faire that was still, although in crisis, «the wholesome and true one. [...] the labourer need only ask of the statesman what Diogenes asked of Alexander, that he should stand out of his light»²². Laissez faire was thus considered - also by marginalists, i.e. by those working on a theoretical “revolution” in economic science at the end of the century - the ideal horizon, the natural logic of ethical life and ultimately the political criterion par excellence.

In these years socialist discourses acquired, nevertheless, international resonance and an unexpected influence also thanks to this international character, thus producing the conditions of the organised politics that would emerge ten years later. In the meantime the great factory became the space of a politicization that, also through trade unions, called into question the theoretical foundations of political economy as a separate science. Economy lost its independence, intertwining more and more with other fields engaged in the study of society.

Disorder, strikes, the mobilization of social classes till then at the margins of society, the mass protests of unskilled workers and women, and a working class divided by internal stratifications and immigration²³ set political and social paradigms in motion and forced a global reconsideration of the role of the economy.

Actually, already before the crisis, the economic doctrines of Adam Smith, David Ricardo, John Stuart Mill underwent a partial theoretical revision. Historical analyses invaded the limpid reasoning of economic calculation. Concepts such as labour theory of value, the free market, trade, perfect competition, wage fund theory, the financial questions behind industry – or the crucial role of fi-

²² S. JEVONS, *The Future of Political Economy*, «Fortnightly Review», XX/1876, pp. 617-631, p. 629.

²³ On British capitalism between XIX and XX centuries see: G. ARRIGHI, *Il lungo XX secolo*, Milano, Net, 2003; S. LASH – J. URRY, *The End of Organized Capitalism*, Cambridge, Polity, 1987; A. BOOTH, *Corporatism, Capitalism and Depression in Twentieth-Century Britain*, «The British Journal of Sociology», 33, 2/1982, pp. 200-223; E.J. HOBSBAWM, *The Age of Capital. 1848-1875*, London, Abacus, 1995; E.J. HOBSBAWM, *The Age of Empire: 1875-1914*, London-New York, Weidenfeld & Nicolson, 1987 and E.J. HOBSBAWM, *Worlds of Labour: Further Studies in the History of Labour*, London-New York, Weidenfeld & Nicolson, 1984.

nance in industrial development – were put to the test. *Laissez faire* did not find scientific defence in the context of the sudden interruptions of progress threatened by the crisis, spreading misery and the persistence, despite the phantom of free competition, of commercial monopolies.

Economic abstractions and faith in the self-regulation of the market collided not only with the historical but also with the sociological analysis of industrial society, following a reflection that J. S. Mill had already, although coyly, introduced. Politics emerged from this analysis as the breeding ground of economy, but it was society, and the configuration of a new lifestyle, that was the field of its development. In this period, all scientific disciplines were therefore crossed by the paradigm of social science. Economists such as Stanley Jevons and Alfred Marshall and historians of economy such as William Cunningham were creators of a scientific redefinition of economy as the social science par excellence. Society became, in this perspective, the political measure of economic processes.

The crisis of *laissez faire* was however a long and contradictory process, triggering intense debates from the 1870s onwards, showing its persistence as a philosophical ideal, even before being seen as a criterion of economic practice.

On November 1873 John Elliot Cairnes wrote that the disaffection with political economy was nothing more than aversion for that practical and not scientific principle with which it was by then identified. Consequently, economy had left only the glory of past services and achieved goals, seemingly unable to do anything useful in a condition where free enterprise and free contracts were showing their insufficiency in front of the constantly increasing industrial troubles. Many people, Cairnes asserted, started mistrusting *laissez faire* and therefore considered economy, its theoretical version, to be an obsolete, abstract and far from real exercise: «the maxim of *laissez-faire* [is] totally destitute of all scientific authority»²⁴. What Bastiat promised, i.e. the approximation of all classes to a level of always increasing wealth, does not seem to be realized just by “letting be” and this is in Cairnes’ opinion an excellent reason to doubt its scientific character. Nonetheless, it is

²⁴ J.E. CAIRNES, *Political Economy and Laissez-Faire*, now in *Essays in Political Economy*, London, Macmillan and co., 1873, p. 244.

one thing to admit that laissez-faire fails on a scientific basis and is thus technically insufficient, another to sustain the doctrine of «paternal government», replacing it with «the principle of State control». On the contrary, economy must again be the science that «stands apart from all particular systems, and is moreover absolutely neutral as between all»²⁵. The only way to save economy from the crisis of laissez-faire was therefore to strengthen its scientific framework in order to produce «a new exposition of the law of industrial remuneration – an exposition suited to a state of things in which the gains of producers, instead of taking the form of wages, profit and rent, are realized in a single composite sum»²⁶. The accurate scientific study of capital thus should not only bring back political economy to its real nature as theoretical science, but also contrast the ignorance that «brings forth socialism, and socialism breeds despotism»²⁷.

To recognise the crisis of laissez-faire therefore also meant a serious refusal of socialism that could take advantage of this scientific hole in economy. The paradigm of laissez-faire had to be changed thorough a meticulous scientific analysis of the laws of competition. If it was not perfect, its imperfection had to be examined and handled with politically neutral criteria, that could adjust the economic dynamic, keeping the ideal of perfect competition as the ultimate aim. In 1889 the Archdeacon Cunningham still described this change of paradigm in these terms: «It is, we believe, not as a remedy for the miseries of the poor, but as an alleviation of the cares of the rich that socialism is coming upon us»²⁸.

As John Maynard Keynes recognized more than forty years later, the chorus of laissez faire that for more than a century had been the dominion of philosophers – their only point of agreement - became discordant and shrill. Laissez faire, Keynes wrote, was like the Church of England and left behind the legacy of a complicated schism: it «had arrived to harmonise individualism and socialism, and to make at one Hume's egoism with the greatest good of the greatest number. The political philosopher could retire in favour of the business man – for the latter could attain the philosopher's

²⁵ *Ibidem*, p. 256.

²⁶ *Ibidem*, p. 260.

²⁷ *Ibidem*, p. 264.

²⁸ W. CUNNINGHAM, *Progress of Socialism*, «Contemporary Review», 1889.

summum bonum by just pursuing his own private profit»²⁹. However, its fortune originated more from philosophers than from economists and its final defeat did not come as soon as economists abandoned it. Cairnes was one of the first orthodox economists to launch an attack on *laissez faire*, even though forty years later Keynes had to renew the same attack and also with similar caution, specifying that: «These reflections have been directed towards possible improvements in the technique of modern capitalism by the agency of collective action». The real novelty lies precisely in this last lemma, the introduction of the collective dimension.

2. Collectivism vs. Marxism

The reference to collective action and to “collective” as a new social unity must be included in the history of the crisis of *laissez faire*, even more than socialism. While Potter refuses the labour theory of value in the essay she wrote on Marxian theory, she recognizes the necessity of a legislative and national regulation of power relationships: she denies the contradiction in order to establish the possibility of reform. This possibility of the recomposition and organization of social forces takes the name of collectivism in her mature works.

In these essays, however, collectivism was not yet the solution as it was starting to be for Fabians and in particular for her future husband Sidney Webb. She decided to analyse the problem by criticising the crux of Marxian theory, i.e. the theory of value. This is the premise of her future conception of collectivism.

The term ‘collectivism’ appears suddenly around 1880, defined by the *Saturday Review* as stating that «everything is to be done and managed by a society. Railways, mines, forests, and even the soil, are to be worked by associations»³⁰. The reference to society and simultaneously to associations is doubly interesting because it shows that, at least in principle, at issue is not a particular conception of «paternal government», but rather the new centrality of society that is opposed both to the State and to political and antago-

²⁹ J.M. KEYNES, *The End of Laissez-Faire*, London, Hogarth Press, 1926. The essay is based on the Sidney Ball Lecture given by Keynes at Oxford in November 1924.

³⁰ Oxford Dictionary and Encyclopedia Britannica.

nistic organization of interests³¹. At least in the beginning “collective” as a form of social life is related with a discovery of a new individuality³², the formation of an individual character functional to social welfare and partially noted already by Mill with his concept of «ethology»³³. Therefore the sharp contrast with individualism can be misleading, for we must consider that its crisis and critique arise precisely from the re-thinking of the individual in society.

Considering also the wealth of influences, doctrines and diverse trends which in this period enlivened European debate on social sciences, we must recognize that the term collectivism had little in common with Marx and Marxism, instead being the product of a longstanding development, the effect of a battle between different concepts and visions in the search for a new ethical synthesis for society, and for a concrete – administrative – solution to the problems opened up by the advent of industrial society.

The adjective or the substantive “collective” was used from the 1840s and when organicism became established, it was used to describe the relation of interdependence between different parts able to compose an organic unity. In these same years the biological origin of the term was supported by its medical use³⁴. The meaning

³¹ Strikes and workers associations are indeed counter-posed following a logic of the functional reorganization of interests: «Proud rival, in theory, of the classics (that had lived “in a paradise of fools”), Jevons in the political-economical practice used the equipment provided by Mac Culloch and Malthus: strikes must be deplored, the abolition of any rest of the legislation against association was deplorable, because one thing is that thousand man claim, each of them individually taken, a wage increase, another is that they make agreements to conquer it simultaneously. Factory legislation is on the other hand healthful and cooperation and profit share are advantageous and should be managed by worker's associations only, in place of the organization of direct form of struggle. Confusing, as it was typical of the anti-socialist polemic [...] the struggle against capitalism as historical category with the struggle against capital as productive instrument, Jevons exhorted workers not to fight against capital» (A. MACCHIORO, *Studi di storia del pensiero economico*, pp. 396-7).

³² See Footnote 27 for the quote by Guesde: «notre société collectiviste ou, comme dit Stuart Mill, *une organisation sociale qui concilie la plus grande liberté de l'individu avec une appropriation commune des matières premières fournies par le globe et une participation égale de tous dans les bénéfices du travail commun*» (Italics mine).

³³ J.S. MILL, *A System of Logic*, in, *Collected Works of John Stuart Mill*, ed. by J.M. Robson, Vol. II, London, Routledge & Kegan Paul, 1974.

³⁴ L'Oxford Dictionary quotes a definition of collectivism dating back to 1884, and referring to «all that is embodied in the phrase “collective investigation of disease”».

it acquired was not therefore in opposition to the centrality still given to the individual. Thomas Carlyle in *Past & Present* refers to «collective wisdom» needed to discuss the very existence of «collective»: «there is not, in the whole Nation, Wisdom enough, 'collect' it as we may, to make an adequate Collective! That too is a case which may befall: a ruined man staggers down to ruin because there was not wisdom enough in him; so, clearly also, may Twenty-seven Million collective men!»³⁵. Thus the term “collective”, as adjective and substantive, appears long before the 80s, in particular in works of French positivists such as Saint-Simon, Comte and Fourier, already becoming established in England during the 70s³⁶. Saint-Simon preferred to use the terms social teaching, social reform and social science rather than socialism and to contribute, together with Charles Fourier, to the spread of a semantics of the collective: *industrialisme*, *collectisme*, *collectivisme*³⁷.

In 1890 Paul Lafargue explained the equivalence between collectivism and communism as an accidental product of the vulgarization of Marx and Engels' theories, tracing the organicist, Christian and anarchist sources of collectivism:

«Le mot collectivisme employé par Collins dans un sens spécial, mis en circulation par De Paepe, par Schaeffle, le socialiste chrétien, et par l'anarchiste Bakounine, a été importé en France, sans qu'on se fût rendu compte de sa signification. Il a permis à nos adversaires d'accuser les socialistes français de vouloir faire régresser le mouvement au collectivisme du mir russe, une forme épuisée de la propriété. Mais, à partir de la deuxième Égalité (1880), la vulgarisation des théories de Marx et d'Engels ayant donné une signification communiste au mot collectivisme, on n'a pas cru utile de le supprimer»³⁸.

Lafargue dates the spreading of terms back to Cesar De Paepe, founder of the progressivist socialism that was becoming estab-

³⁵ T. CARLYLE, *Past & Present*, London, Chapman and Hall, 1843, Chap. V, p. 39.

³⁶ At least a decade earlier than reported by the Oxford Dictionary.

³⁷ Cf. Atti del XIV *Congresso Internazionale di Linguistica e Filologia Romanza*, Napoli, 15-20 Aprile 1974, a cura di A. Varvaro, p. 180.

³⁸ P. LAFARGUE, *La propriété. Origine et évolution*, Paris, Delagrave, 1895.; in particular: VII. *Le collectivisme capitaliste*.

lished in Switzerland and Italy at the end of the 1870s on an evolutionary and anti-revolutionary basis³⁹.

Elie Halévy explains the political course that the term takes, describing collectivism as the result of a battle started during the Basle Congress of the First International in 1869.

«Le conflit commença à Bâle en 1869. Bakounine réclamait [...] l'abolition complète de l'héritage. Les marxistes s'y opposaient; puisque selon eux, l'évolution économique tend spontanément et naturellement à supprimer la propriété, vouloir abolir d'avance l'héritage, c'est prendre la question à rebours; l'héritage renaîtra. [...] Par ailleurs, les divergences entre Marx et Bakounine portaient essentiellement sur trois points: 1. sur le but à viser; 2. sur les moyens à développer pour l'atteindre; 3. sur l'organisation de l'Internationale. 1. Le but. - Bakounine reproche aux marxistes leur autoritarisme. Il ne veut pas d'État et préconise un régime d'anarchie. Il reprend le *mot de collectivisme, qui s'opposera désormais au communisme de Marx. Les collectivistes, ce sont les partisans de Bakounine. Marx reprochait à Lassalle de trop tenir à l'autorité de l'État.* Bakounine retourne ce reproche contre Marx. Mais la question du but est purement idéologique. Ce n'est pas sur elle que portent les dissensions les plus vives»⁴⁰.

Halévy's reconstruction also makes clear the differences between collectivism and the temporary, strategic statism of Marx

³⁹ Élie Halévy writes: «Paepé réclamait l'intervention de l'État et la reprise par la collectivité publique des entreprises monopolisées, des mines et de la terre. Le socialisme belge est un socialisme mixte, à la fois mutualiste et marxiste, qu'on appelle collectivisme. *C'est une doctrine plus individualiste que le marxisme, mais moins individualiste que le mutualisme*» (É. HALEVY, *Histoire du socialisme européen* [1948], Paris, Gallimard, 1974, p. 206. Italic mine). About the Italian contest cf. R. BROGGINI, *Un gruppo internazionalista dissidente: la sezione del Ceresio*, in *Anarchismo e socialismo in Italia 1872-1892*. Atti del Convegno di studi «Marxisti e "riministi"», Rimini 19-21 ottobre 1972, a cura di L. Faenza, prefazione di E. Santarelli, Roma 1973, pp. 187-208; R. ZANGHERI, *Storia del socialismo italiano*, I, *Dalla rivoluzione francese a Andrea Costa*, Torino 1993; A. ROMANO, *Storia del movimento socialista in Italia*, II, *La crisi della Prima Internazionale (1871-1872)*, Roma, Fratelli Bocca, 1954.

⁴⁰ É. HALEVY, *Histoire du socialisme européen*, pp. 210-1. «Aux Congrès de Bruxelles de 1868 et de Bâle de 1869, la lutte du mutualisme et du collectivisme se développa: ces deux Congrès furent marqués par *la victoire du collectivisme*. Le Congrès de Lausanne avait déjà déclaré que les efforts des nations devaient tendre à rendre l'État propriétaire des moyens de transport et de circulation, afin d'anéantir le puissant monopole des grandes compagnies, comme celles des chemins de fer en France, honnies des artisans proudhoniens parce qu'en soumettant la classe ouvrière à des tarifs arbitraires, elles attaquaient à la fois la dignité de l'homme et la liberté individuelle» (*Ivi*, p. 208. Italic mine).

(«l'étatisme provisoire»), i.e. among «petit groupe humain [que] se proclame indépendant [...] à la place de l'État, des fédérations de petites communes» and «la centralisation», the idea of political action passing through the (democratic) State as a necessary organizational step.

In 1928 Sidney Webb claims to be the first to have introduced, in 1878, a clear definition of socialism as a path with four stages: «Collective Regulation; Collective Ownership; Collective Provision; Collective Taxation»⁴¹. The political sense conferred to collectivism by him is not only the democratic State as organizational stage but as a definitive form of government of the collectivity and ordered federation of organized sections of the society managed by the coordinating action of the State.

Indeed, during the foundation of the London School of Economics he states – as again Halévy reminds us – that «le “droit administratif, c'est le collectivisme en germe”. [...] Ce socialisme des Webb fut une réaction contre le libéralisme du XIX^e siècle»⁴².

It is significant that the term, although attributed to him, is never used by Marx⁴³, and nor does it become the key word of Eu-

⁴¹ S. WEBB, *The Growth of Collectivism*, «Statist», 30 June 1928, pp. 25-28, Passfield Papers (from now on PP) VII/1/47 LSE.

⁴² É. HALEVY, *Histoire du socialisme européen*, pp. 255-6. This also explains the imperialism of the Fabians during the Boer war: «Ils furent impérialistes avec ostentation. L'indépendance des petites nations pouvait bien avoir du prix pour les tenants de l'individualisme libéral mais non pour eux, *précisément parce qu'ils étaient collectivistes*. On pouvait alors entendre Sidney Webb expliquer que l'avenir était aux grandes nations, administratives, gouvernées par des bureaux et où l'ordre serait maintenu par des gendarmes. Cependant les Webb, et l'école fabienne en général, étaient hostiles à tout parti politique. S'ils montrèrent comment le socialisme devait s'imposer progressivement du monde industriel à l'État, ils ne furent pour rien dans la naissance du nouveau *Labour Party*» (*Ivi*, p. 256. Italics mine).

⁴³ «Le collectivisme ne se distingue pas du communisme scientifique, tel qui est sorti de la critique maîtresse de Karl Marx» (J. GUESDE, *Le Collectivisme* [1894], Lille, Bibliothèque du Parti ouvrier français, 1900). Already in *Collectivisme et Revolution* del 1879: «Plus tard, sous le titre: le lendemain de la Révolution j'irai au-devant d'objections que vous ne pouvez manquer de vous poser — si ce n'est déjà fait — et j'étudierai avec vous comment pourrait fonctionner notre société collectiviste ou, comme dit Stuart Mill, une organisation sociale qui concilie la plus grande liberté de l'individu avec une appropriation commune des matières premières fournies par le globe et une participation égale de tous dans les bénéfices du travail commun» (Paris, 1879, p. 4). Moreover: «On trouve aussi sur les mêmes sujets dans Karl Marx qui est le principal théoricien du collectivisme des observations étonnamment subtiles et qui deviennent presque incompréhensibles» (P. LEROY-

ropean communism, although it will appear again, with the enthusiastic approval of the Webbs, in Soviet Russia. This approval was due to the English paternity they claimed for the term, half a century before. For Potter, Soviets represented what she always meant for collectivism: «institutions of welfare». Her first reflections already provided the conception of a welfare materially produced by its subjects, not as single individuals, but as constituencies of a social organism, or institutions on the move. The emphasis on this administrative dimension of social welfare explains Potter's subsequent interest in administration as a science of the material constitution⁴⁴.

Collectivism thus becomes a doctrine for social action that assumes the overcoming of the absolute logic of spontaneity embodied by evolution. Starting from the insufficiency of “evolutionary becoming” for the progress of society, it provides functional organization and thus transfers and assigns the power of evolution to social institutions and coordinated human actions. This power could be managed precisely because it was not natural anymore.

In *Growth of Industrialism* written in 1883, Webb states that «the progress of industrialism has bound every one of us into one great army of workers, in which each one [...] no longer fights for himself, but for the whole [...] marvellous system of unconscious industrial co-operation»⁴⁵. He traces the source of a new social bond in industry. In *The Economics of a Positivist Community* Webb still refers to a social reform of the capitalist: «I call myself a Socialist because I am desirous to remove from the capitalist the temptation to use his capital for his own exclusive ends. Still, the capitalist may do good by accumulation»⁴⁶. In this lesson given to the Fabian Society in 1886, he defines positivism as one of the

BEAULIEU, *Le collectivisme: examen critique du nouveau socialisme et l'évolution du socialisme depuis 1895*, 1903, Paris, Guillaumin, p. 19).

⁴⁴ I will return to this issue in the following pages. See P. SCHIERA, *Gemeineuropäische Geschichte und Struktur der Verwaltungsrechtswissenschaft*, in A. VON BOGDANDY – S. CASSESE – P.M. HUBER (eds), *Handbuch Ius Publicum Europaeum*, Vol. IV, *Verwaltungsrecht in Europa: Wissenschaft*, Heidelberg, C.F. Muller, 2011, pp. 399-424. On English constitution see M. PICCININI, *Corpo politico, opinione pubblica, società politica. Per una storia dell'idea inglese di costituzione*, Torino, Giappichelli, 2007.

⁴⁵ S. WEBB, *The Growth of Industrialism*, 1883, PP VI/11, LSE.

⁴⁶ Debate of the Fabian meeting the 14 January 1886 in «Practical Socialist», February 28, 1886; cf. also S. WEBB, *The Need of Capital*, 1886, PP VI/ 28.

form of socialism together with anarchism and collectivism, dealing with the issue of the alternative between public propriety and the moralization of capitalists. Webb denies however being a follower of August Comte, whose doctrine had the limit of being unable to provide any useful indications for the present, which therefore worsened the current state of inequality.

The moralization of the capitalist needed time and must therefore be preceded by socialist legislation, rents' taxation and the regulation of industry in the public interest. It is a first step towards Fabian collectivism, whose aim was not to abolish private property but to remove its motive. In these same years, Webb states: «Comtism is the metaphysical stage of Collectivism, and Collectivism is the positive stage of Comtism»⁴⁷. From this point of view if positivism is an introduction to the discourse on collectivism, the latter is also a breaking point, allowing the overcoming of the positivist religion. As Edward Pease, co-founder of the Fabian Society, recognised: «Positivism was then a growing creed, and it was the rise of English Socialism that put a sudden end to its expansion»⁴⁸.

In *A History of Socialism*, Thomas Kirkup finds that the theory of collectivism consists «in associated production with a collective capital with the view to an equitable distribution», a definition that recognizes the centrality of equality and redistribution rather than of the abolition of private property or the abolition of capital accumulation. Collective capital embodies in this context the Jevonian definition of capital as a productive instrument, rather than the Marxian one of it as a relationship of dominion. Kirkup also

⁴⁷ G.B. SHAW, *The Illusions of Socialism*, London, Shaw Society, 1956, p. 138. This is a paraphrasing of the famous statement by Comte: «On sentira que chaque prolétaire constitue, à beaucoup d'égards, un philosophe spontané, comme tout philosophe représente, sous diverse aspects, un prolétaire systématique» (A. COMTE, *Système de politique positive* (1851), Paris, Au Siècle de la société positiviste, 1929, vol. I, p. 130).

⁴⁸ E. PEASE, *Recent English Socialism*, in T. KIRKUP, *History of Socialism*, London, G. Black, 1913, p. 375 and E. PEASE, *History of the Fabian Society*, p. 14. Regarding the Fabian Society see also M. COLE, *The Story of Fabian Socialism*, London, Heinemann, 1961; A. FREMANTLE, *This Little Band of Prophets: The Story of the Gentle Fabians*, London, Allen&Unwin, 1960; A. MCBRIAR, *Fabian Socialism and English Politics, 1884-1918*, Cambridge, Cambridge University Press, 1962; H. PELLING, *Origins of the Labour Party 1880-1900*, Oxford, Oxford University Press, 1965; E.J. HOBSBAWM, *The Fabians Reconsidered*; P. BEILHARZ, *Labour's Utopia*, and W. WOLFE, *From Radicalism to Socialism*.

quotes the social philosopher and Austrian economist Albert Schäffle, whose works gained wide recognition, stating that «the Alpha and Omega of socialism is the transformation of private competing capitals into a united collective capital»⁴⁹. This conception of «united capital», also adopted by Cairnes to show the necessity of a new economic science where profit, wage and rent are added together as if a unified sum, is an attempt to apply organicism to a fragmented and disordered social reality.

Collectivism at last shows its distance from Marxism because it is based on a co-operative socialism that gives resonance, as emerges in Potter's first book, to the co-operative of consumption. It is again Halévy who underlines this characteristic sign of mid-Victorian socialism:

«Vers 1890 se produisit une évolution dans l'attitude des socialistes à l'égard de la coopération. Les socialistes abandonnèrent la coopérative de production au profit de la coopérative de consommation. Ce renversement peut s'expliquer dans une certaine mesure par la prétention du socialisme de démontrer qu'il est dans le sens de l'histoire, que le collectivisme est le résultat naturel de l'évolution sociale»⁵⁰.

Cooperation is the core question of collectivism and it is what characterizes it as a trend of administrative and political reform. Potter will think collectivism as the political function of the State, the administration of democracy. Let me quote Halévy again concerning this point:

«L'ensemble des citoyens, groupés en syndicats, constituait le pouvoir administratif de la cité collectiviste, chaque syndicat faisant entendre, par la voix de ses représentants, les revendications économiques et professionnelles de ses membres. L'ensemble des citoyens, groupés en une vaste coopérative de consommateurs, ou en une Fédération de coopératives, formait le pouvoir constitutif, l'élément proprement démocratique. Et ainsi se trouverait résolu tout le problème de la réforme sociale. Le socialisme coopératif apparaît à coup sûr très séduisant: il ne demande pas l'adhésion à une doctrine abstraite, il montre le développement effectif des coopératives et les avantages pratiques que celle-ci apportent. Il ne réclame pas l'intervention de l'État pour rétablir l'équilibre dans le monde économique; il montre le collectivisme sortant du régime capitaliste, par voie d'évolution spontanée. Il

⁴⁹ A. SCHÄFFLE, *The Quintessence of Socialism*, London, Sonnenschein & co, 1890, p. 20.

⁵⁰ É. HALÉVY, *Histoire du socialisme européen*, p. 305.

appelle cependant certaines réserves. Cette doctrine soulève d'abord des objections de principe, dont la plus importante, la plus grave, est que la coopération suppose l'existence du capitalisme et d'un régime de concurrence»⁵¹.

This is an objection Potter made even before taking part in the Fabian Society, forestalling and determining the future collectivism of the Webbs' partnership, and gradually taking the direction of an anti-capitalist non-Marxist theory.

Collectivism is therefore the most eminent product of the Victorian age. Although Spencer doesn't survive the death of Queen Victoria, the social state does, along with a discourse on the social life and a system of public services, arising from the spread of a new approach to needs and functions, for instance in the functionalist approach to *Public Law*⁵² and in the adjustment of the *rule of law*. It is a movement from administration as a secondary function of social organization and government to administrative law, raising this function to the level of the material constitution⁵³. From this point of view, the social science of the end of the century would be crucial for the history of the twentieth century. This transition was possible thanks to Benthamite utilitarianism⁵⁴, or to a new conception of human motives to act and organise, as well as thanks to the "Spencer effect", i.e. the influence on the socialism of the nineteenth century of a reflection on industrial society that had interdependence as its central character. This evolution constrains social science to reconsider the legal sphere and the law on the base of a critique of that formal morality, abstracted from material relations.

The collective ownership of the means of production, integrating conflicting interests and public access to social services, were the programmatic objectives of a collectivism aspiring to a new conception of the social bond: the «mutual obligation», as Potter

⁵¹ *Ibidem*, p. 309.

⁵² M. LOUGHLIN, *The Functionalist Style in Public Law*, «The University of Toronto Law Journal», 55, 3/2005, Special Issue: Administrative Law Today: Culture, Ideas, Institutions, Processes, Values, pp. 361-403; M. LOUGHLIN, *The Idea of Public Law*, Oxford-New York, Oxford University Press, 2003 e M. LOUGHLIN, *Public Law and Political Theory*, Oxford, Clarendon press, 1992.

⁵³ Cf. P. SCHIERA, *Gemeineuropäische Geschichte und Struktur der Verwaltungswissenschaft*.

⁵⁴ On this matter see P. RUDAN, *L'inventore della costituzione. Jeremy Bentham e il governo della società*, Bologna, Il Mulino, 2013.

will define it, or the introduction of a criterion of social responsibility in the sphere of citizenship and sovereignty. The point is not to abolish private property immediately, but to put it in a reformed and interdependent social context, subdued to social aims, granting to it an increasingly residual and functional space for the public good. For this reason, and despite clichés, it is precisely the distance between collectivism and Marxism which marks Potter's thought and Fabian socialism.

Thanks to the *new liberals*, mainly Thomas Hill Green, Leonard Hobhouse e John Hobson, collectivism finally became an opportunity to determine more specifically the socialism claimed by many to safeguard, in the final analysis, the liberal spirit of English politics. As the political program of socialism, it becomes the theoretical dividing line around which socialists place themselves in the first half of the twentieth century, a criterion of distinction both from liberalism and from Marxism⁵⁵. Reasoning around collectivism the Fabian Society begins to build its own political identity based on the centrality of economy and administration, with the aim of representing the alternative to the liberal creed, rather than to Marxism.

3. Between production and consumption: economy in Potter's days

Economic science at the end of the nineteenth century therefore represented the battlefield in which it was possible to face and reinvent the central political concepts of the twentieth century. The debate on economy, opened up by the crisis of *laissez faire*, allowed socialism to redefine itself and propose itself as a new social theory, aspiring not only to a new doctrine of government, but also to a different conception of citizenship. In England, the conceptualisation of consumption provided answers to the problem of over-

⁵⁵ British socialism finds fertile ground for a new theoretical development in this need for a science of society, which, starting from the concept of evolution, becomes the scientific – rather than political – discourse, which expands sociological reflection: «whether in its utilitarian or its romantic form, Socialism introduced its working class adherents to a century-long dialogue about the meaning of industrial society which transcended class limits» (S. PIERSON, *Marxism and the Origins of British Socialism: The Struggle for a New Consciousness*, NY, Ithaca, 1973, p. 276). Cf. anche G. CLAEYS – G.S. JONES, *The Cambridge History of Nineteenth-Century Political Thought*, Cambridge, Cambridge University Press, 2011, pp. 520-598.

production, but also allowed the rethinking of the legitimation of the individual in society and thus made it possible to define the 'collective' outside of the Malthusian dogma of the inevitability of poverty. The concept of the sovereignty of the consumer was a way of rethinking the sovereignty of the citizen in a changed society. Legitimizing consumption meant formalising a nexus between labour and citizenship and thus overturning the relationship between inequality and production, poverty and the wage⁵⁶. This nexus also represents the surpassing of the typically Victorian ethic of labour founded on sacrifice: it is recognised that sacrifice, to be productive, needs to have material support, because not only the morality of individuals but also that of society is at stake. Thus already during the first decades of the century, the distinction between productive and unproductive consumption⁵⁷ meant that consumption was understood not as simply the enjoyment of a rent position but implied instead a new social function of the wage. Wage fund theory – which held that having fixed the share of accumulated capital intended for wages (wage fund), the only way to increase employment was to reduce wages – was thus called into question.

If, through the average rate of profit, Thomas Robert Malthus could doom a great part of humanity to misery, by stating that poverty was a function of profit⁵⁸, with the theory of the marginal productivity of labour it became possible to establish a new balance between production and consumption, redefining the relation between wage and profit and poverty and society. This was the first attempt to demonstrate that destitution was not the normal condition of labour, but the side effect of an as yet incomplete progress,

⁵⁶ For a historical reconstruction of the concept of consumption in British XIX century socialism see N. THOMPSON, *Social Opulence and Private Restraint. The Consumer in British Socialist Thought Since 1800*, Oxford, Oxford University Press, 2015.

⁵⁷ Robert Owen already speaks of the «intrinsic worth» of goods that refers, not only to their social utility, but also to a natural desire of consumption not implying hard work for those producing them. R. OWEN, *An Explanation of the Cause of Distress Which Pervades the Civilized World*, London, 1823, p. 2. In the same direction H. M'CORMAC, *An Appeal on Behalf of the Poor*, Belfast, Stuart & Gregg, 1830.

⁵⁸ See T.R. MALTHUS, *Principles of Political Economy*, London, W. Pickering, 1836 e T.R. MALTHUS, *The Measure of Value*, London, Murray, 1823. Cf. L. COSTABILE, *Malthus. Sviluppo e ristagno della produzione capitalistica*, Torino, Einaudi, 1980. Cf. also A. MACCHIORO, *Studi di storia del pensiero economico*.

and that an improvement of the life conditions of the worker was perfectly compatible with the capitalist system⁵⁹.

The rejection of wage fund theory had precise consequences in terms of the understanding of capitalism and the critique of political economy, because it implied the refusal of inequality as a necessary condition of profit. Inequality became, indeed, with Marshall's words, «a serious flaw in our economic organization»⁶⁰. Legitimizing consumption meant producing an equity founded on the relation between labour productivity and wage, between working capacity and consumptive capacity. In short, higher wages made workers that were also consumers, which meant an enlargement of production to the benefit of society.

An extensive literature considers it misleading to define the superseding of a certain orthodoxy of the classical economy a «marginal revolution»⁶¹. It was not only that marginal utility theory spread quite slowly, but also that many of its prerequisites were derived from classical economy. Moreover its leading figures, coming from three different countries – Carl Menger, William Stanley Jevons e Léon Walras – were not recognised as a part of the same school till at least the end of the nineteenth century⁶².

While the first works of these authors date back to the 70s, it is harder to historically circumscribe the movement, which was not linear, from a classical conception of the economy to a marginal one. The first marginal work was *The Theory of Political Economy* by Jevons published in 1871, even though Philip Wicksteed, defin-

⁵⁹ F.W. TAUSSIG, *Principles of Economics* [1911], London, Macmillan, 1936, p. 223. Cf. also F.W. TAUSSIG, *Wages and Capital. An Examination of the Wages Fund Doctrine*, London-New York, Macmillan, 1896.

⁶⁰ A. MARSHALL, *Principles of Economics*, London, Macmillan, 1927, p. 714.

⁶¹ Cf. M. BLAUG, *Was there a Marginal Revolution?*, in «History of Political Economy», 4, 2/1972, pp. 269-280; A.W. COATS, *The Economic and Social Context of the Marginal Revolution of the 1870's*, in «History of Political Economy», 4, 2/1972, pp. 303-324; T.W. HUTCHINSON, *The "Marginal Revolution" and the Decline and Fall of the English Classical Political Economy*, in «History of Political Economy», 4, 2/1972, pp. 442-468.

⁶² M. BLAUG, *Storia e critica della teoria economica*, Torino, Boringhieri, 1970, pp. 383 and ss. I. STEEDMAN (ed), *Socialism and Marginalism in Economics: 1870-1930*, London, Routledge, 1995, pp. 1-6. See also N. THOMPSON, *Political Economy and the Labour Party. The Economics of Democratic Socialism, 1884-1995*, London, UCL Press, 1996.

ing decreasing satisfaction as a measurable quantity, contributed to the spread of the term «marginal»⁶³.

What was characteristic of this new conception of economy was precisely the particular attention reserved for demand, i.e. moving from focusing on labour to focusing on consumption, and from focusing on national wealth, which had been so dear to classical economy, to focusing on individual wealth. The protagonist was not the capitalist, but the consumer, what is important is not accumulation but the efficient allocation of resources, it was not labour force but the determination «[of] the mode of employing their labour which will maximise the utility of the produce»⁶⁴. For Jevons «pleasure and pain are undoubtedly the ultimate objects of the Calculus of Economics. To satisfy our wants to the utmost with the least effort – to procure the greatest amount of what is desirable at the expense of the least that is undesirable – in other words, to maximise pleasure, is the problem of Economics»⁶⁵.

To understand the impact of marginalism both from an historical and a scientific point of view it is important to distinguish two corresponding levels: the one showing the continuity between new theories and classical economy – and leading to “neoclassical economy” – and the other revealing the innovative character of marginalism, explaining the historical and political reason for its success in correspondence to economic crisis, the Great Depression and the increase in social conflicts and workers’ organizations.

The works of the three founding fathers of marginalism have in common a set of essential characteristics. First of all, they base the *raison d’être* of economy on a universal principle of validity that suggests the origin of economic science lies in scarcity and in human relations with it.

In second place, at the core of the problem of utility, marginalism posed, in its Benthamite version, the question of computability, or reducing economic discourse to a technical science directed at producing exact results and efficient parameters. To think be-

⁶³ P. WICKSTEED, *An Essay on the Co-ordination of the Laws of Distribution* (1894), London, LSE, 1932.

⁶⁴ W.S. JEVONS, *The Theory of Political Economy*, London, Macmillan and co., 1888, p. 265. On Jevons cf. M. SHABAS, *A World Runned by Numbers. William Stanley Jevons and the Rise of Mathematical Economics*, Princeton, Princeton University Press, 1990.

⁶⁵ *Ibidem*, p. 37.

haviour and human action as computable means to abstract individuals from social relations. This computability allows a perfect replaceability: consumer goods or productive factors are perfectly equivalent in utilitarian calculations; these calculations are thus qualitatively indifferent. Jevons is one of the first to choose the term “economics” in place of “political economy” in order to make more evident the relation with mathematics and, like Marshall, to move economic science towards a natural science forced not to refer anymore to political bodies inasmuch as they are an expression of just one part, and thus are involved in a social conflict from which economics should remain to a certain level independent⁶⁶.

Here we find another characteristic element of marginalism: the universality and ahistoricity of human actions, and thus of the motives and behaviours of economic agents, which therefore allows the production of absolute economic laws. Political economy becomes in this way an economic physics with its own mechanics, as shown from the analogy with the machine appearing in many marginal analyses.

Ahistoricity and computability mark the passage from a methodological individualism directed to the elimination of social aggregates organized into collective subjects, such as social class, the State or the nation, to an ontological individualism recognising economic subjects exclusively in individuals, thus completely withdrawing social relations as a variable and as an object of research. Individuality can be defined and measured according to the uniqueness of the motivation to act, or on the fact that the economic subject responds to a decision unit such as the family or the enterprise.

The most significant element to show the political impact of marginalism lies in the emphasis on subjective satisfaction, or the emergence of a subjectivist theory of value. To make free choice

⁶⁶ «The nation used to be called “the Body Politic”. So long as this phrase was in common use, men thought of the interests of the whole nation when they used the word “Political”; and then “Political Economy” served well enough as a name for the science. But now “political interests” generally mean the interests of only some part or parts of the nation; so that it seems best to drop the name “Political Economy”, and to speak simply of Economic Science, or more shortly, Economics» (A. – M. PALEY MARSHALL, *The Economics of Industry*, London, Macmillan and co., 1879, p. 151).

the criterion of value means to make desire its only measure⁶⁷. To think value on the basis of a subjective measure concretely implies that the distribution of income results in a determination of the prices of goods and productive factors, and has nothing to do with allocation among social classes. Distribution is a question of productive efficiency and therefore consumption and production are from this point of view inseparable. Relations of power are thus also involved in a mechanism revolving around the individual and their desire. In this way, the individual returns to the forefront of every political discourse and finds its legitimacy in its being a productive consumer, exerting through consumption its ability to guide production. The consumer dominates the market that in turn is determined by a system of equivalences, by an exchange conceived as a reciprocity of services. To the economist willing to dismiss the classics, the margin is moreover a way «to widen and justify a Labour survey and to *correct and integrate* Ricardo, to water down the meaning of Labour, to make it not physical but primarily psychological – to the extent of dissolving it as a support for value, a dissolution that will become final in 1870»⁶⁸.

The “anti-classical” element surviving in marginal theory showed that classical economy remained the theatre of political battle. In order to occupy the political space socialism was gaining and to undermine its scientific claims in a period of severe social conflicts, under the guidance of a Second International showing a strong political radicalization, marginal economists looked for new bases and new categories, replacing social classes with individuals, the labour force with consumers and the State with the family, thus returning, in some ways, to domestic economy. They also remained committed to the basic philosophy of classical economy,

⁶⁷ With Macchioro, the objections to the value theory of labour «move the centre of the investigation on the natural values from and *objective* to a *subjective* embodiment of the contents of value. That is, we do not discuss any more on a “quantity” of labour that can be objectivized in a commodity, and constituting its objective value, but we discuss of preferences-sacrifice and of satisfaction-dissatisfaction that can only artificially brought close to what the Classics meant for Travail (in terms of labour that can be embodied or in terms of labour that can be commanded)» (A. MACCHIORO, *Studi di storia del pensiero economico*, p. 380).

⁶⁸ «especially when with Walras and Pareto at the end of XIX century, the Marginalist discourse will be carried on by a descriptive and behavioural description of the market, where needs and satisfactions will not be anymore described but only presumed» (A. MACCHIORO, *Studi di storia del pensiero economico*, p. 380).

trying to save it in the age of the crisis of the market as a space of social mediation and justice. Marginal revolution was contained in the attempt to give back legitimacy to the market in the face of the crisis of *laissez faire*, redefining its space as an arena of ordered and rational choices made by economically responsible individuals and considering new collective economic forms – such as trade unions, leagues and co-operatives – as unable to correctly distribute resources because they were representative of class interests.

The most important point in this subjectivist interpretation was, from the first, the attempt to consider subjective desires beyond the social changes that produces them and thus beyond the transformations involving those same subjects. Understanding this relation between subject and social change implies thinking, as Marshall does, social mobility as a responsibility of the economy, and classes as moving positions determined by overall economic wealth. Nonetheless this recognition corresponds to a de-politicization and naturalization of the working class, social parts, i.e. to the transformation of economics into a science able to technically intervene to improve living standards.

The generation following Jevons and Walras was also the first to criticize the concept of perfect competition. The theory of marginal utility brought along the belief that only a distribution tending towards equality could maximise satisfaction. Economics at the end of the century was therefore also the mouthpiece of a critique of inequality of income considered as scientifically, rather than simply morally, essential. This is particularly present in Marshall's work. Marshall distances himself from other marginal economists of his time, by recognising the social conditions of subjective satisfaction. For him, the problem of economic stability was not exclusively mathematical, as it concerned the development of the highest human abilities in relation to the division of labour. In short, Marshall was not an "anti-classical" marginalist. Where Jevons saw the statics of economy and of the laws of stability, Marshall was interested in the dynamic side of the problem, the social forces causing its movement⁶⁹. It is not a coincidence, then, that he is the inventor of time in economy, i.e. of that long period where economic theory finds its realization. He is deeply persuaded by the necessity of a social philosophy applicable to human reality and its

⁶⁹ A. MARSHALL, *Principles of Economics*, p. 19.

evolution, therefore the development of economy constitutes an essential precondition of human emancipation. Marshall introduces a humanitarian trend in economic discourse that, beyond opposing Social Darwinism, is also an attempt to solve the social question in a theory of human needs and satisfaction. In this sense, although trying to circumscribe State intervention, Marshallian neoclassicism introduces mechanisms of correction of the markets – such as co-operation, workers' profit participation and arbitration as a neutral form of wage bargaining – leaving the way clear for the project of the social State. Through the theory of marginal utility, Marshall could politicize the partiality of the market: it was not a neutral ground, where rational decisions acted coherently for the best, but had to become the place of the homogenization of the classes, that is of a general improvement in standards of living.

Recognising the political constitution of the market and the necessity of social justice for regulating economics meant guaranteeing the survival of an economic order through a recomposition of social classes able to neutralize conflict, integrating and compensating the division that might inflame it. If society was the *raison d'être* of economy, economic science had to be able to deal with the variety and instability of individual desires while, at the same time, creating the basis of social welfare. Indeed, to Marshall, stability was «concerned throughout with the forces that cause movement: and its key-note is that of dynamics, rather than statics»⁷⁰. In this context the wage acquired an essential political meaning, in so far as by simply increasing wages it was possible to restore an economic stability not threatened by poverty and crisis.

At this point there was a reformulation of the Benthamite calculation: the concept of utility as conceived by Bentham⁷¹ was not any longer considered a suitable instrument for addressing the ever increasing problems of society. Utilitarianism was subject to a social twisting, inasmuch as the conditions of human welfare were entirely subordinated to the laws of social growth and stability. The doctrine of marginal utility met with a certain resistance in England, where the classical and neoclassical approach continued to coexist in Marshall's work as in the *Leading Principles of*

⁷⁰ *Ibidem*.

⁷¹ On Bentham see the important work of P. RUDAN, *L'inventore della costituzione. Jeremy Bentham e il governo della società*, Bologna, Il Mulino, 2013.

Cairnes and in the *Principles* of Henry Sidgwick, also thanks to the strong influence of the historic school dating back to Thomas Carlyle and Ruskin, constituting a reaction to abstract economic theory in general.

We thus have three types of utility: a subjective one, following a hedonic estimation, deriving from the pleasure gained by a certain good, by its intrinsic characteristics, showing therefore the social necessity of the differentiation of the market; a Marshallian utility which corresponded to the general utility of society; and finally a utility used, as Potter does, to measure the sociability of individual actions – their functional utility to society.

Behind the social twisting impressed on utility there is, at different levels, a problem of an institutional nature, the awareness, after the crisis of 1873, of the issue of economic cycles, and of the government of uncertainty, but above all the management of a social question that could not be left to a phantom progress that would come spontaneously. Whether it wanted to or not marginal theory was compelled to deal with actual problems such as policies on the prices of public utilities⁷², real wages and the possibility of consumption. Marginalism, therefore, did not arise as an answer to Marxism, rather as a reaction to a sort of welfarism finding legitimacy in the current social disorder.

Jevons writes his *Notice* five years before the release of *Capital* – which in turn would be translated into English only in 1887 – and Marshall's *Principles* were published only in 1890, although preceded by two works on industrial economy and foreign trade. Therefore, the theory of marginal utility started to be conceived as an alternative to Marxian theory only at a later time, precisely between 1880 and 1890, as a specific, political development of Marginalism, whose aim was not an apology for capitalism, but its reform.

These were years of intense debate in clubs and newspapers, with economists such as Wicksteed critiquing the theory of value and Marx's *Capital*⁷³, Francis A. Walker writing on the issue of wages⁷⁴, and Henry George, who with his *Progress and Poverty*⁷⁵

⁷² Cf. M. BLAUG, *Storia e critica della teoria economica*.

⁷³ P. WICKSTEED, *Das Capital. A Criticism*, «To-day», October, 1884, pp. 388-411.

⁷⁴ F.A. WALKER, *The Wages Question*, London, Macmillan, 1891; F.A. WALKER, *The Source of Business Profit*, «Quarterly Journal of Economics», 1/1887, pp. 265-88. S. JEVONS, *The State in Relation to Labour*, London, Macmillan, 1887.

officially opens the debate on the condition of the working classes⁷⁶ in an industrial society, where free competition had clearly betrayed its promise of harmonising public and private interests.

At this stage, the Fabians had not yet formulated what Cole called, underestimating the influence of the German philosopher, «their own socialistic version of the utilitarian economic doctrine derived from Jevons rather than from Marx»⁷⁷. In fact, the Fabians would be hardly able to formulate a socialist economic doctrine without having read Marx. The first Fabian Tracts are the product of heated discussions inside the Karl Marx Club where the future Fabian essayists met to analyse and comment on the first book of *Capital*. At the core of this research for a new economic doctrine for socialism there was however the thought of Marshall that became, especially for Potter, an instrument for challenging the economism of classical theory and simultaneously of positioning herself critically against Marxian theory.

4. Marshall after Marx

Marshall is a key figure in a theoretical shift transforming the economic debate into a questioning of liberal civilisation and an analysis of its inequality. For this reason, he becomes, against his will, the economist of the Fabians. In 1889, Webb writes to Potter: «I do feel a sort of reverence for Marshall as ‘our leader’ in Economics and I always uphold him as such»⁷⁸. It has been noticed, however, that, notwithstanding their use of marginalist terminology and their references to Jevons, Fabian economy includes very little of neoclassical theory and remains tied to Ricardo, which, through a twist of fate, was becoming the only way to be in some measure socialist⁷⁹.

⁷⁵ H. GEORGE, *Progress and Poverty. An Inquiry into the Cause of Industrial Depressions and of Increase of Want with Increase of Wealth: The Remedy*, Garden City, NY, Doubleday, Page & Co., 1879.

⁷⁶ For a general overview see G.S. JONES, *Languages of class. Studies in English Working-Class History, 1832-1982*, Cambridge, Cambridge University Press, 1983.

⁷⁷ G.D.H. COLE, *Beatrice Webb as an Economist*, in M. COLE, *The Webbs and Their Work*, London, Muller, 1949, pp. 269-270, p. 267.

⁷⁸ N. MACKENZIE (ed), *The Letters of Sidney and Beatrice Webb*, Vol. 1: *Apprentices, 1873-1892*, Cambridge, Cambridge University Press, 1978, pp. 124, p. 229.

⁷⁹ A. MACCHIORO, *Studi di storia del pensiero economico*, p. 390.

The American economists Henry George e Francis A. Walker, who were involved at the end of the 1870s in a heated debate on economic rent, land and wages, influenced Fabian reformism in a decisive manner⁸⁰. The growing power of monopolies and the anarchic nature of capitalist development were the Fabians' primary targets: the first produced the concentration of property and therefore inequality and poverty, and the second implied dissipation and inefficiency. Capitalism, therefore, was a system that weakened productive capacity⁸¹, inasmuch the capitalist was exclusively interested in the maximization of profit, not of production, i.e. of the goods offered. The consumer, together with the worker, was systematically exploited, inasmuch their savings could not be guaranteed by the market⁸². This unequal and inefficient distribution of resources and goods was recognized as the source of unemployment and, as highlighted by John A. Hobson, was also the source of economic pressure making imperial expansionism a necessity⁸³.

⁸⁰ N. THOMPSON, *Political Economy and the Labour Party*, p. 17.

⁸¹ Following an opposite reasoning, and in contrast with Mill and McCulloch that attempted to demonstrate that labour was not the source of national wealth, Thomas Thomas Hodgskin stated that it was always labour, not capital, that was productive: «That the capitalist can control the existence and number of labourers, that the whole number of the population depends altogether on him, I will not deny. But put the capitalist, the oppressive middleman, who eats up the produce of labour and prevents the labourer from knowing on what natural laws his existence and happiness depend, out of view – put aside those social regulations by which they who produce all are allowed to own little or nothing – and it is plain that capital, or the power to employ labour, and co-existing labour are one; and that productive capital and skilled labour are also one; consequently capital and a labouring population are precisely synonymous. In the system of nature, mouths are united with hands and with intelligence; they and not capital are the agents of production; [...] Should it be said, then, as perhaps it may, that unless there be profit, and unless there be interest, there will be no motives for accumulation and improvement, I answer that this is a false view, and arises from attributing to capital and saving those effects which result from labour; and that the best means of securing the progressive improvement, both of individuals and of nations, is to do justice, and allow labour to possess and enjoy the whole of its produce» (*Labour Defended against the Claims of Capital. Or the Unproductiveness of Capital proved with reference to the present Combinations amongst Journeymen*. With an Introduction by G.D.H. Cole, London, The Labour Publishing Company Ltd., 1825, pp. 107-110).

⁸² G.B. SHAW, *The Common Sense of Municipal Trading* (1902), in G.B. SHAW (ed), *Essays in Fabian Socialism*, London, Constable, 1949, pp. 199-200.

⁸³ J.A. HOBSON, *The Problem of the Unemployed*, London, Methuen, 1896. Quoted in N. THOMPSON, *Political Economy and the Labour Party*, p. 16.

The crucial question of the age was essentially stated in the first *Fabian Tract*, entitled *Why Are the Many Poor?*, a plea to the middle rather than the working class, for the former were guilty of living in luxury and indifference, having abandoned their social “anti-aristocratic” function:

«Do economists, reformers and sociologists stand hopeless before this problem of Poverty? Must workers continue in their misery whilst doctrinaire economists and political parties split straws and wrangle over trifles? No! For the workers must and will shake off their blind faith in the Commercial God Competition, and realise the responsibility of their unused powers. [...] You who live dainty and pleasant lives, reflect that your ease and luxury are paid for by the misery and want of others! Your superfluities are the parents of their poverty. Surely all humanity is not burnt out of you by the gold your fathers left you! *Come out from your ease and superfluities and help us!*»⁸⁴.

It is a middle class of clerks and professionals⁸⁵, not notaries and doctors, but of brain-work based on specific abilities and expertise, although lacking social status and increasingly also economic resources. This new intermediate class led to a process of social reform as conceived by the Fabians and the young Sidney Webb. He focuses on the development of these new professions, salaried managers and skilled employees because he recognises in this new professional setting the possibility of reconstructing a system of work not exclusively based on economic motives. As he wrote in *Can the Middle Class Be Organized?*⁸⁶, this was «the large army of the “salariate”»⁸⁷ that when organized could challenge that «rapacious plutocracy» of the old class of businessman, that residual aristocracy that Potter charged with the egoism of having impoverished the nation for its own personal profit, only to think then that philanthropy and charity were enough to take care of society.

⁸⁴ FABIAN SOCIETY, *Why Are the Many Poor?*, Fabian Tract no. 1, London, 1884.

⁸⁵ For an analysis of the middle class as a political concept cf. M. BATTISTINI, *Middle Class, Classe Moyenne, Mittelstand: History and Social Sciences in the Atlantic World*, in: *Modern European-American Relations in the Transatlantic Space*, Torino, Otto, 2015, pp. 123 – 148.

⁸⁶ S. WEBB, *Can the Middle Class Be Organized?*, in «The New Commonwealth», January 9, 1920, LSE Archives.

⁸⁷ *Ibidem*, p. 13.

In these two essays, Potter as well – although, as pointed out above, she was not yet a socialist⁸⁸ – argued that the main problem was poverty, produced by an unequal system based on theoretical premises that were abstracted from reality, and were guilty of the degradation of the working capacity of individuals, or of the «level of subjective quality».

The problem was both productive efficiency and the production of citizenship. As already noted by Smith, Potter observed that classical economy, only interested in wealth, could not prevent the disintegration of society and thus the degradation of individuals. In contrast with the Fabians and Sidney Webb, Potter understood the critique of economy as the most essential stage of social critique. It did not concern only the organization of the middle class, but constrained economy to take a position on poverty and destitution. In the articles she wrote some years later on the sweating system, Potter recognized the central role of the working class in the democratization of society.

The importance Potter gives to critique finds only a partial answer in Marshall. He sees economy as the social science par excellence and so redefines its object beyond mere material wealth. Marshall blames economists not so much for neglecting statistics or ignoring history, but for considering «man as, so to speak, a constant quantity, and [giving] themselves little trouble to study his variations»⁸⁹. His *Principles of Economics* were the first treatise to make explicit use of the term “political economy”, in England as in the United States from 1890⁹⁰ on and, simultaneously, to sacrifice its adjective in order to transform it into «the most general of the social sciences», «the study of mankind in the ordi-

⁸⁸ Many years later she wrote that for her it was impossible at the beginning of the 1890s to define herself as socialist: «At this point I had better confess that in the propaganda of Fabian collectivism, 1892-1898, I was more an observer than a colleague. For it was with some misgivings that I joined the Fabian Society on my engagement to Sidney Webb. To discover the processes of social organisation, to observe and record the behaviour of man in society, had been my primary object in life» (B. WEBB, *Our Partnership*, [1948], Cambridge, Cambridge University Press, 1975, p. 108).

⁸⁹ A. MARSHALL, *The Present Position of Economics* (1885), in A. MARSHALL, *Memorials*, London, Macmillan, 1925, pp. 154-5.

⁹⁰ J.A. SCHUMPETER, *Storia dell'analisi economica*, Torino, Boringhieri, 1972, p. 26. For a detailed study see M. BLAUG, *Economic Theory in Retrospect*, Cambridge-New York, Cambridge University Press, 1962.

nary business of life»⁹¹. With this definition Marshall broke with the idea of the *economic man*, free from ethical influences and managed only by personal profit.

Marshall's relevance, however, went beyond a mere extension of economic discipline, lying rather in the philosophical reconsideration of the individual that emerges from his reflection. In *Ye Machine* (1868), his third philosophical essay⁹², he used the concept of the machine to discuss the development of the human mind, consciousness and moral character – not only from a theoretical point of view, but as the basis of an empirical model. The concept of *self-consciousness* was key to contesting the extreme empiricism and determinism typical of classical economy: *self-consciousness* represented a necessary condition of human experience. Marshall discovered Hegel's *Philosophy of History* in the 1870s, finding in it that conception of self-consciousness as the subject of historical development that allowed him to keep together economy and society, reaffirming the basic morality of the first. In the 'Preface' of the first edition of the *Principles of Economics* he underlines:

«The notion of continuity with regard to development is common to all modern schools of economic thought, whether the chief influences acting on them are those of biology, as represented by the writings of Herbert Spencer; or of history and philosophy, as represented by Hegel's *Philosophy of History*, and by more recent ethic-historical studies on the Continent and elsewhere. These two kinds of influences have affected, more than any other, the substance of the views expressed in the present book»⁹³.

As written above, continuity represents the canon of the Spencerian theory of evolution, summarized in the epigraph of the *Principles of Economics* with the maxim *Natura non facit saltum*. He applies biological analogies to his economic theory and the principle of continuity to the development of knowledge and of character, that was the social measure of individuality, a set of

⁹¹ A. MARSHALL, *Principles of Economics*, Preface, p. 1.

⁹² T. RAFFAELLI, *Alfred Marshall's Early Philosophical Writings*, «Research in the History of Economic Thought and Methodology», Archival Supplement 4, 1994, pp. 51-58 and T. RAFFAELLI, *The Analysis of the Human Mind in the Early Marshallian Manuscripts*, «Quaderni di storia dell'economia politica», 9, 2-3/1991.

⁹³ A. MARSHALL, *Principles of Economics*, London, Macmillan, 8th ed., 1920, p. 9 (preface to first edition).

egotistical and altruistic motivations. His optimistic vision of the future results from what he considers to be the evolution of the entire society – from the ethical, economic and social point of view – not from a blind trust in competition⁹⁴.

This evolution was conceived as a historical and philosophical process, due to Hegel's influence. The concept expressed in the maxim *The Many in the One, the One in the Many*, epigraph of *Industry and Trade*, represented the conciliation of the two sides of economy till then observed in a dichotomist way: the study of pure theory and the relevance of empirical analysis. The necessity of keeping these two elements together was a constant element of his reasoning. The analogy between human mind and society explains the emphasis on spontaneity, in the sense of «condition of individual freedom» as conceived by Spencer and Mill, together with the utilitarian and idealistic conviction of the necessity of organization as a moral form of social structure. His system of thought was not built on the Hegelian dialectic, but rather on the Spencerian evolutionist conception in which he integrates some elements of Hegel's philosophy in order to complete his historical and moral vision of progress⁹⁵.

Marshall's individuals are «organized as systems»⁹⁶ working on the basis of mental routines necessary to human actions, but they are always exposed to variation. Introducing variation, or social change, as a factor continuously affecting human consciousness, Marshall removed the premise of methodological individualism, as conceived by Carl Menger⁹⁷: the individual as autonomous unity,

⁹⁴ On this issue see J.D. CHASSE, *Marshall, the Human Agent and Economic Growth: Wants and Activities Revisited*, in *Alfred Marshall Critical Assessments*, Vol. VI, 1984, pp. 308-331.

⁹⁵ S. COLLINI, *Idealism and 'Cambridge Idealism'*, «The Historical Journal», 18/1975, pp 171-177.

⁹⁶ T. RAFFAELLI, *Marshall's Evolutionary Economics*, London, Routledge, 2003.

⁹⁷ «"Scire est per causas scire". Whoever wants to understand theoretically the phenomena of "national economy," those complicated human phenomena which we are accustomed to designate with this expression, must for this reason attempt to go back to their *true* elements, to the *singular economies in the nation*, and to investigate the laws by which the former are built up from the latter. But whoever takes the opposite road fails to recognize the nature of "national economy." He moves on the foundation of a fiction, but at the same time he fails to recognize the most important problem of the exact orientation of theoretical research, the problem of reducing complicated phenomena to their *elements*. One-sided *collectivism* in the consideration of the phenomena of economy is simply inadequate for the ex-

responsible for his actions and for all that happened in society. The radical reconsideration of the economic man implies a shift in attention towards human qualities in society, in his ordinary life, his activities, and the relation between individual and organization. *Activity*, an essential concept of Marshallian system, did not only concern work, but how the individual lived in the world and therefore the combination of routine, action and variation – that is the social and historical dimension producing both order and innovation.

Specialization, enabling innovation and progress inside industrial society, had a contradictory function for Marshall, inasmuch as it produced structural rigidity in the long run. Discussing the Taylorist system⁹⁸, although conscious of its advantages, he highlighted its potentially negative aspects, connected to the impossibility of developing, because of the monotonous, repetitive and mentally exhausting nature of the activity, the highest individual faculties: «The substitution of repetition work in massive standardized production [...] is not an advance, from the human point of view, over skilled handicraft: it increases man's power over matter; but it may diminish his power over himself»⁹⁹. For Marshall, economy, as a social science, had to concern itself with the social roles of individuals and with the needs of society. To industrial disorder, unemployment and poverty, he opposed the necessity of developing a new criterion of social production. Lying at the centre of his analysis was what the human does, their professional life, in the Weberian sense of vocation and conduct, and their function in society, thus he emphasised the social quality of individual desires. Profession, in this sense, was an integral part of social production: workers could not guarantee a high standard of production if a standard of life was not guaranteed to them that would allow them to stay in society, i.e. to consume. Marshall conceived social happi-

act orientation of theoretical research, and the charge of atomism in the above indicated sense of the word is thus a misunderstanding in respect to exact economics. The latter comes in for the charge of *atomism* along with all other exact sciences, and, indeed, as an *exact science*» (C. MENGER, *Untersuchungen über das Methode der socialwissenschaften und der politischen Ökonomie insbesondere*, tr. *Investigations into the Method of the Social Sciences with Special Reference to Economics* [1883], New York-London, New York University Press, 1985, pp. 93-4).

⁹⁸ *The Principles of Scientific Management* by Frederick W. Taylor is published for the first time in 1911.

⁹⁹ A. MARSHALL, *Industry and Trade*, London, MacMillan, 1919, p. 699.

ness as a function of income and defined consumption as «income of happiness», or as «a flow or stream of well-being as measured by the flow or stream of incoming wealth and the consequent power of using and consuming it»¹⁰⁰, referring to consumption, much like Smith, as an end or aim of production. «Income of happiness» was in this sense also an instrumental and managerial redefinition of labour, considering the ethical and social role of the individual as an integration between productive requirements and social needs.

Simultaneously, consumption was the ability to absorb «higher forms of enjoyment», relying in Marshall's vision on the wider sphere of «culture». This conception of consumption explains the fundamental role assigned to education: education and consumption represented the main ingredients of progress, conceived as the increase in population, wealth and social welfare. We could therefore define Marshall's an "industrial education" where consumption and production were organized and disciplined towards an «income of happiness». On the other hand, for Marshall the problem of inequality lies first of all in its effect on national income, the «standard of life» of the classes was important to social production: a more equal society and a better distribution of wealth depended on the extension of capital and of consumption goods. This did not open a reflection on the constitution of society: the economic nature of social relationships remained decisive and primary in the process of integration of the classes, between individual and social needs and production and consumption. To Potter's question – how we can keep together a society where industry is at the same time a source of interdependence and of division and conflict – Marshall could only give a technical answer, based on applying economic principles to social needs.

This is not to say that Marshall ignored the political dimension of social questions, rather to show how much he remained inside the borders of economic science, providing only solutions it could consider.

In *Industry and Trade* he clarifies his relation to socialism in terms of a double tension: «I developed a tendency to socialism [...] But the writings of socialists generally repelled me, almost as much as they attracted me; because they seemed far out of touch

¹⁰⁰ A. MARSHALL, *Principles of Economics*, p. 134.

with realities»¹⁰¹. Marshall's *standard of life*¹⁰² introduces a sort of index of human qualities directed towards making socially productive capital. This criterion is higher than the utilitarian one of material interest, and thus is more functional to social progress, «since material wealth exists for the sake of man»¹⁰³.

He replaced the Smithian concepts of *productive consumption* and the Malthusian *standard of comfort* with the standard of life, because he considered economic progress in terms of an efficient exchange in relation to the increase of consumption¹⁰⁴. He aimed at a theory of economic harmony – equilibrium – keeping together the highest individual faculties and the search for social welfare¹⁰⁵.

Concerning the possibility of the replacement of individualism with socialism, Marshall states that the prevalence of altruism depends exclusively on social evolution not external intervention, be it economic or institutional in nature. The existence of the working class is more of a cultural than an economic question. With this conception he can easily do away with the Marxian theory of exploitation in a footnote:

«As is well known, he suggests that the capitalist employer obtains a “Surplus Value”, consisting of all excess of production of 100 men working “cooperatively” with all the economy and efficiency of subtle organization, over a hundred of times the production of an isolated workman. He is not troubled by the fact that in some industries the “cooperative” efficiency of the hundred is more than twenty times their efficiency when working in isolation [...] so long as there is active competition among employers, each will be forced to pay as wages the equivalent of the net value that the hundred men, working cooperatively, add to the product net [...]. Thus the main benefits of the efficiency of “cooperative” production accrue to the consumers: that is, to the working classes, *in so far as the industry is occupied either directly or indirectly in producing commodities or services which are consumed by them*»¹⁰⁶.

¹⁰¹ A. MARSHALL, *Industry and Trade*, p. 7.

¹⁰² J. K. WHITAKER, *Some Neglected Aspects of Alfred Marshall's Economic*, in *Alfred Marshall Critical Assessments*, pp. 453-86.

¹⁰³ A. MARSHALL, *Principles of Economics*, vol. II, p. 707.

¹⁰⁴ J.D. CHASSE, *Marshall, the Human Agent and Economic Growth*.

¹⁰⁵ J.M. KEYNES, *Alfred Marshall. 1824-1924*, in *Memorials*, pp. 1-66, p. 9.

¹⁰⁶ A. MARSHALL, *Industry and Trade*, pp. 71-72n.

If the basis of his thought is the belief in the possibility of reconciling individualism and the promotion of the common good, it is on the other hand clear that this reconciliation can happen only through the development of the moral autonomy of individuals, thanks to which the motive power of competition will not be a threat to, but a guarantee of, subjective freedom. He identifies a spiritual content of labour, towards the refinement of the individual, that is the suppression of the working class as a condition that compels people to degradation. He therefore asks what distinguishes the worker from the gentleman: «Who are the working classes? [...] Is it not true that when we say a man belongs to the working classes we are thinking of the effect that his work produces on him rather than of the effect he produces on his work?»¹⁰⁷.

Whereas to Smith the driving force of moral progress is trade¹⁰⁸, to Marshall it is the progress of culture that produces a form of moral industry, implying a refinement in taste, new possibilities of consumption and an increase in productivity. The figure of the *gentleman* as the *captain of industry* coined by Carlyle¹⁰⁹, embodies this cultural ideal. The *captain of industry* plays the so-

¹⁰⁷ A. MARSHALL, *The Future of the Working Classes* (1873), in *Memorials*, pp. 101-118, p. 103.

¹⁰⁸ Although it is important to consider the ethical approach of Smith to the market. Cf. A. ZANINI, Introduzione a A. SMITH, *Teoria dei sentimenti morali*, pp. XIX-LXXXIX. See also the important and by now classic works J.G.A. POCKOCK, *Virtue, Commerce, and History: Essays on Political Thought and History, Chiefly in the Eighteenth Century*, Cambridge, Cambridge University Press, 1985; D. WINCH, *Adam Smith's politics. An Essay in Historiographic Revision*, Cambridge, Cambridge University Press, 1978; D. WINCH, *Wealth and Life: Essays on the Intellectual History of Political Economy in Britain, 1848-1914*, Cambridge, Cambridge University Press, 2009.

¹⁰⁹ «The Leaders of Industry, if Industry is ever to be led, are virtually the Captains of the World; if there be no nobleness in them, there will never be an Aristocracy more. But let the Captains of Industry consider: once again, are they born of other clay than the old Captains of Slaughter; doomed forever to be no Chivalry, but a mere gold-plated *Doggerly* – what the French well name *Canaille*, 'Doggerly' with more or less gold carrion at its disposal? Captains of Industry are the true Fighters, henceforth recognisable as the only true ones: Fighters against Chaos, Necessity and the Devils and Jotuns; and lead on Mankind in that great, and alone true, and universal warfare; the stars in their courses fighting for them, and all Heaven and all Earth saying audibly, Well-done! Let the Captains of Industry retire into their own hearts, and ask solemnly, If there is nothing but vulturous hunger, for fine wines, valet reputation and gilt carriages, discoverable there? Of hearts made by the Almighty God» (T. CARLYLE, *Past and Present*, London, Chapman and Hall, 1843, pp. 232-3).

cial function of money, the spiritual side of wealth, the necessity of organization and of leadership. His freedom of enterprise and personal wealth go hand in hand with the national interest. The captain of industry collects wealth and expands productivity, sets the industrial machine in motion on the basis of *economic chivalry*, organizing labour as a social enterprise for the progress of humanity. His ability is a collective patrimony. It is still the single individual that produces social emancipation.

The future of the working class is its abolition¹¹⁰, resulting from a gradual process of an increase in the cultural and material levels of the population, or of the progressive approximation of all the population to the gentleman «ideal type». Not only transforming the working class into the middle class, but extending gentility to the whole society indiscriminately as a social device for pacifying conflicts, to put into order interests. Economy therefore had as its ultimate target the discrediting of every argument supporting the natural and necessary existence of inferior ranks. In this process of conservation and innovation, Marshall broke the combination of evagelic and Malthusian principles of population that had represented the bastion of orthodox reaction to social reforms proposed by Nicolas de Condorcet and Thomas Paine¹¹¹. He also wanted to answer the problem of overproduction with a new social function for consumption.

This emphasis on the economic aspect of morality shows the influence exercised by Marshall and at the same time the eccentricity of Potter's reflection on economy. The Marshallian combination between evolutionism and idealism offered to Potter a historical-ideal element that she could not find in the social Spencerian theory and constituted, simultaneously, a partial way out of the Marxian historical problem. Indeed, whereas for Marx competition led to the explosion of the internal contradictions of capitalism, to Marshall it represented, when governed, its driving force, the true "locomotive of history". It was therefore possible to act inside the given system to reorganize it and in this condition of possibility,

¹¹⁰ A. MARSHALL, *The Future of the Working Classes*.

¹¹¹ S.J. COOK, *The Intellectual Foundations of Alfred Marshall's Economic Science. A Rounded Globe of Knowledge*, New York, Cambridge University Press, 2009, pp. 250 and ss. Regarding Paine see M. BATTISTINI, *Una Rivoluzione per lo Stato: Thomas Paine e la Rivoluzione americana nel mondo atlantico*, Soveria Mannelli, Rubbettino, 2012.

from the inside, Potter places her idea of social change and cooperation.

In the course of her reflection, this way out will however be revealed as insufficient: a society based on competition could not produce free public opinion, and it could exercise an influence on individuals only if society guaranteed its development. In contrast with Mill, Potter thought that opinion was the mirror of fractures and conflicts inside society. The exploitation of wage labour and poverty produced a «perverted» public opinion. Rather than focusing only on reformed public opinion, Potter considers it more important to change the material conditions of the working class, simultaneously struggling for socialist legislation, the co-operative movement, collective bargaining and administrative collectivism. It would only be as a result of this change that a quality of public opinion¹¹² could spring which would be really able to deploy democratic power. Just six years later, in her first book on cooperation, she writes:

«For under a democratic organisation of industry it will be recognised that the well-being of each individual will be indissolubly bound up in a high standard of capacity among the whole body of citizens. [...] For if the issues between the producer and consumer of commodities or services were uncomplicated by the unknown profits and losses of individual capitalists and brain-workers, public opinion would be a final and irresistible court of appeal»¹¹³.

The conception of industrial cooperation that expands to the whole of society, neutralizing the conflict that characterizes and threatens social order, would not have been possible for Potter if she had not read, criticized and then refused Marxian theory. It is around this question of the role of the capitalist that Marx comes on the scene.

5. Marx in London

Reading Marx in these first years of her intellectual formation plays an important part in the development of her future reflec-

¹¹² Concerning the issue of opinion see L. COBBE, *Il governo dell'opinione. Politica e costituzione in David Hume*, Macerata, EUM, 2014.

¹¹³ B. POTTER, *The Co-operative Movement in Great Britain* (1891), London, Allen & Unwin, 1920, pp. 217-219.

tions. It is the first chance for her to engage with a theory of exploitation discussing a radically capitalist system and it forces her to determine her conception of society and to define her hypothesis of reform. Her reading of Marx is at first influenced by her Spencerian formation, but also by her experience as social worker and social investigator in the London East End. The starting point is therefore a sociological analysis of the power relations inside industrial society and the formulation of a plan of intervention directed towards healing social evils and reforming a system unable to deal with the plurality of life forms produced by industry.

To better understand the originality of Potter's reading it is thus worthwhile tracing¹¹⁴ the borders of the relationship between Marx and a city that had never meaningfully naturalized him¹¹⁵. Notwithstanding the reluctant reception of his thought, the great Marxian themes, also thanks to the role he played for Chartism¹¹⁶, had a long term and relevant influence on the different socialist trends that arose in Great Britain. Marxian theory became a source from which to draw freely, in a discretionary and selective manner, a touchstone useful for marking a distance. It shapes British socialism, its character and its methods, giving strength to at least three different doctrines: British Marxism, Fabianism and so-called ethical socialism¹¹⁷.

¹¹⁴ Asa Briggs and John Callow have reconstructed a map of the presence of Marx in London. Cf. A. BRIGGS - J. CALLOW, *Marx in London. An Illustrated Guide*, London, Lawrence & Wishart, in association with the Marx Memorial Library Revised edition, 2008.

¹¹⁵ In 1874 his naturalization was denied, despite the fact that his daughter, Eleanor Marx, was born in Great Britain (A. BRIGGS - J. CALLOW, *Marx in London*, p. 11).

¹¹⁶ G. BERTA, *Marx, gli operai inglesi e i cartisti*, Milano, Feltrinelli, 1979.

¹¹⁷ «Marxist theory, in any strict sense of the term, disintegrated rapidly in the Britain of the eighties. But at the same time the major elements of this system of thought underwent new development. Through a complex process of mediation by British Socialist leaders, the rationalistic, the utopian, and what may be called the "realistic" strains in Marxism found new and distinctively British forms [...] Compared to its counterparts on the continent, the British movement was small. It never developed a genuine mass basis, and it failed, except insofar as it allied itself with non Socialists, to become a significant political force. But the British movement represents an illuminating variant within the broader world of European Socialism. It demonstrated, even before the movements in Germany, France, Italy, and Russia, the instability as well as some of the diverse possibilities of the Marxist synthesis of ideas» (S. PIERSON, *Marxism and the Origins of British Socialism. The Struggle for a New Consciousness*, NY, Ithaca, 1973, p. xi, xii).

In an edition of *The Plebs* of 1933 dedicated to the importance of Marxian work in socialist theory, Harold Laski states: «Marx was the outstanding sociologist of the nineteenth century [...] I regard Marxism, above everything as a method of enquiry, as one of the outstanding achievements of human intelligence. It marks an epoch in the history of human thought»¹¹⁸. While Cole affirms: «Marxism is the only possible basis for a common socialist philosophy [...]. To look around on the world of to-day with seeing eyes is to be a Marxist»¹¹⁹.

Although Laski and Cole were among the greatest experts of the Marxian works, it is not easy to understand why, paraphrasing Sombart, Great Britain did not have its own Marxism. The factors that in specific situations contributed to forming a political culture in some measure “immune” to the Marxian discourse are various but this “immunity” is not a complete impermeability. Tories and radicals read Marx and assimilated parts of his analysis in their own traditions. Ernest Belfort Bax combines Marxism and German Idealism with republican positivism; Henry Mayers Hyndman with a dogmatic and conservative radicalism; William Morris reads Marxism essentially as an ethical doctrine¹²⁰. In 1881, Bax writes an article that Marx himself considers the first text introducing his ideas in England¹²¹, which, together with an essay written by Hyndman¹²² in the same year, marks the formal birth of British socialism¹²³. Bax identifies social life with human consciousness and considers humanity as the highest expression and the only possible religion, a thought that will have a great influence on British ethical socialism. The first formal experiment with Marxism in England was the Social Democratic Federation founded by Hyndmann. Born out of a radical tradition, the SDF was the

¹¹⁸ H. LASKI, *Marx's Place in Socialist Theory*, in «The Plebs», 1933, Nuffield College, Cole Collection, GDHC A1/4/2/1, 2.

¹¹⁹ *Ibidem*.

¹²⁰ Cf. E.J. HOBBSAWM, *The History of Marxism: Marxism in Marx's day*, Vol. 1, Brighton, Harvester, 1982. See also A. MACCHIORO, *Studi di storia del pensiero economico*.

¹²¹ E. BAX, *Leaders of Modern Thought* – XXIII: Karl Marx, «Modern Thought», 3/1881, pp. 49-54.

¹²² H. HYNDMAN, *The Dawn of a Revolutionary Epoch*, «Nineteenth Century», 9/1881, pp. 1-18.

¹²³ M. BEVIR, *The Making of British Socialism*, Princeton, Princeton University Press, 2011.

main British representative of Marxism from the early 80s until 1920, when most of its members and former leaders joined the Communist Party. This version of Marxism reflects the ambiguity of the English reception of Marxian thought, earning the disapproval of Marx and Engels, who would actively contest it. William Morris, one of its more brilliant members and generally highly thought of English socialist cultural activist, abandons the federation a few years after its foundation. His words on *Capital* are particularly revealing of the English attitude to Marx's thought: «Whereas I thoroughly enjoyed the historical part of *Capital*, I suffered agonies of confusion of the brain over reading the pure economics»¹²⁴. The SDF survives till the first months of the Second World War, never elects an independent MP and also at the level of local councillors has less success than the Independent Labour Party, founded in 1893. Its greatest merit, despite the disputed sectarianism and, as Lenin would also say, its political expedience, is its having been a school of militant cadres of the working class: John Burns, Tom Mann, Will Thorne and George Lansbury.

The critique of Marx's work was not a priority of Victorian intellectual and political life. The first impact that Marx had was as a utopian theorist, from whom it was possible to take some political ideas, in an anti-liberalist vein. But this was done without including Marx's economic theory, in particular the theory of value with its revolutionary implications for the conception of profit. «Labour is the sole source of Value» is the key to all the critiques of *Capital* in this period. It is paradoxical that it was the British classical economists, from Ricardo onwards, who formulated it. Marxian analysis is identified with a German socialist tradition very distant from the radical and Chartist legacy of the British socialist tradition¹²⁵. Marx's work is recognised much more for its conceptions of history and progress – where Spencer's evolutionism plays, in a sense, a role in joining the two traditions – rather than for its critique of political economy.

Bernard Bosanquet affirmed at the beginning of the twenties that «the economic or materialist view of history [is] primarily

¹²⁴ W. MORRIS, *The Collected Works of William Morris*, Vol. 23: *Signs of Change: Lectures on Socialism*, London, Longmans, 1910-15, p. 278.

¹²⁵ Cf. G.S. JONES, *Languages of class*.

connected with the name of Marx»¹²⁶. Among the economists that had a large impact on the critique of *Capital* was Philip Wicksteed with *Das Capital. A Criticism* (1884). This text was responsible for disseminating among English socialists the belief in the irrelevance of the theory of value as a scientific basis for socialism.

His influence is all the more relevant because he took part in the Hampstead discussion group (or Hampstead Historical Society), together with Francis Y. Edgeworth, George Bernard Shaw, Sidney Webb, Graham Wallas and Sydney Olivier, who were all, except the first, the founding fathers of Fabian Socialism. The group wanted to carefully analyse *Capital*, and it was on the basis of these discussions that the *Fabian Essays* were created. In this sense Fabianism arose as an alternative to Marxism, not because it was necessary in practical political terms – Marxism did not have hegemony in England¹²⁷ – but as a theoretical battle directed towards the dissemination of socialism. Many Fabians initially seduced by Marx's theoretical power were also easily influenced by marginalists such as Wicksteed, because of the reformistic outcomes of his economic theory. Thus Marx's work acquires legitimacy and recognition for its high moral value, rather than for its critique of capitalism. Actually, it is precisely on the meaning of critique that, as it emerges from Potter's essay, the distance between England and Marx becomes most evident.

The Hampstead Historical Society, founded at first with the name of the Karl Marx Club, had a specific target: tackling the German philosopher in a search of an economic theory suitable for English socialism. As the problem was establishing the legitimacy of the right of the workers to revolution, or to the entire product of their labour, Marx was the natural starting point. The legacy of the Chartists and radical discourses that still weighed on English reformism was partially corrected by the Owenite conception of social oppression as a systemic and not merely moral issue: Robert Owen shifted the discourse from the individual to that *new vision of society*, establishing the moral of the community against the moral of the individual¹²⁸. The Hampstead Society discussed Ri-

¹²⁶ B. BOSANQUET, *The Philosophical Theory of the State*, London, Macmillan, 1923, p. 3.

¹²⁷ In this regard cf. A.M. MCBRIAR, *Fabian Socialism & English Politics*.

¹²⁸ R. OWEN, *A New View of Society* (1813), in R. OWEN, *A New View of Society and Report to the County of Lanark*, London, Pelican, 1970. See also P. RUDAN, *Orga-*

cardian economic theory in its Marxian and Millian version, producing a sort of mediation between the two that would become the basis of *Fabian Tract No. 2*: the concept of surplus value was understood as an excess that capitalists appropriated and not as the value extracted and extorted from living labour. It was identified with three different types of rent: lands, tools and brains: “If a man worked with the worst land, tools and brains, he might make no more than he consumed. Therefore, abstract labour does not create surplus value”¹²⁹. This conception of the production process ended up confining the inequality of exchange between capital and labour to the distinction between productive consumption and unproductive consumption, or distribution rather than production: rent would ensure the reproduction of inequality. This explains why the Fabians insisted on taxation and on the collectivization of the means of production, while rejecting labour conflict, political strikes and revolution due to its disruptive effects on society.

Emphasis on taxation was also connected to the influence exercised by Henry George’s *Progress and Poverty* (1879)¹³⁰ in which he defined *land value tax* as the only possible solution. It should not be a surprise therefore that after the debate with Wicksteed in *To-day*, Bernard Shaw, at first an enthusiastic disciple of Marx, takes part in the Royal Economic Society, ruled by Jevonian thought.

In 1887, when the first English translation of the *Capital* is published, Shaw started writing articles on Marx for the *National Reformer*. In the first one he criticized the Marxian theory of value from a classical point of view, in the others through Jevons: the assumption is that Marxists do not understand the political impact of rent. In the first book of *Capital*, Marx would consider labour without any reference to the variations of the abilities (skills) and of raw materials and without considering the difference between

nizzare l'utile. Arte della felicità e scienza sociale in Gran Bretagna (1776-1824), in «Filosofia Politica», 1/2013, pp. 41-58.

¹²⁹ W. IRVINE, *George Bernard Shaw and Karl Marx*, in *Karl Marx's Economics Critical Assessments*, in J.C. Wood (ed), *Karl Marx's Economics Critical Assessments*, London-New York, Routledge, 1987, Vol. IV, pp. 57-74.

¹³⁰ H. GEORGE, *Progress and Poverty. An Inquiry into the Cause of Industrial Depressions and of Increase of Want with Increase of Wealth: The Remedy* (1879), Garden City, NY, Doubleday, Page & Co., 1879.

the product of labour and the wages of the labour-force in its internal division into rent, interest and profit. Whilst refusing the Marxian critique of economy, Shaw considered Marxism to be a persuasive philosophy, since, when discovering the law of social development – where private property, like slavery and servitude, was just a single phase – Marx showed the temporary character of capitalism. Beyond any weak areas, Marxian ideas had the merit of being oriented towards a higher end.

In *Bluffing the Value Theory*, published in *To-day* of 1889, Shaw reported on the discussions of the Hampstead Society that clarified the role played by Marxian thought in the construction of the economic basis of Fabianism.

«Commodities of the same kind and value are products, not only of labour force, but of raw material which varies greatly in accessibility and adaptability, as every farmer and mine owner knows. Under Socialism we should obtain these for their average cost of production; but individualistic competition can never permanently reduce the prices of manufactured good below the cost of their production from the least accessible and most refractory raw materials in use: the resultant profit to the proprietors of the more favourable raw material being economic rent, the main source of “surplus value”. Without a thorough grip on this factory it is impossible to defend Socialism on economic grounds against rival systems»¹³¹.

In place of founding on the theory of value the claim of a single class to the whole industrial product, Shaw proposes the collective ownership of economic rent, which means the right not only to the social product but also to social consumption, i.e. to a better lifestyle. The conflict between Fabianism and Marxism arises in Shaw’s reflection in the form of the old Chartist idea of an order corrupted by power, lacking social harmony, honour and efficiency and thus needing to be reformed. From the economic point of view, the distance from Marxism rests in the adoption of the marginal or neoclassical theory of Marshall, but from a political point of view the distance is in the importance given to consumption as a mechanism of repayment of the internal asymmetry of production: value is transposed from production to the market.

¹³¹ G.B. SHAW, *G. Bernard Shaw and Karl Marx: A Symposium, 1884-1889*, New York, Random House, 1930, pp. 195-6. Cf. also T.A. KNOWLTON, *The Economic Theory of George Bernard Shaw*, Orono, Maine University Press, 1936.

While the Marxian theory of value is a critique *sans phrase* of society, Fabian theory is a theory of society based on a critique of the actual one. The attempt of the Fabian leaders in the long run is to go beyond political economy in its classical form, and thus, from their point of view, also beyond Marx. They look for a new basis for justifying socialism as a concrete form of organization of society, rather than as a critique. However, they never arrive at a shared economic theory and Webb himself, whose conception of rent ensures the gradualism and State socialism of his theory, takes more distance from neoclassical theory the more he approaches a positivist sociology and, as a result, collectivism¹³².

While the future Fabian leaders were meeting in the Hampstead Historical Society, Potter wrote her first essay on political economy and Marxian economic theory, in order to reason around the economic basis needed to change society and to transform economy into the practical science of sociology: her critical analysis of Marxian theory is different from the Fabian one since it includes and in some measure agrees with a Marxian description of power relations. Rejecting revolution, she refuses to start her new idea of society from a theory of exploitation. Putting consumption at the forefront means counter-balancing the political asymmetry between employers and workers and thus demonstrating the possibility of reforming industrial life. Her entrance into «the weird Marxian world»¹³³ is thus an autonomous reflection on Marx that anticipates the subsequent considerations of the Fabians and simultaneously goes beyond them, since it does not focus only on the theory of rent and redistribution but aims at rebuilding the social bond supporting and feeding cooperation.

Years later, recalling the discourse on economic desire present in these essays, Potter defines her doctrine of value as «a correspondence or union between economic faculty and economic desire»¹³⁴, in which «desire» is given by the possibility of consumption that would guarantee a more equal distribution of the social product but is also its social utility. The aim is not only to bargain

¹³² On this subject see M. BEVIR, *The Making of British Socialism* and A.M. MCBRIAR, *Fabian Socialism & English Politics, 1884-1918*, Cambridge, Cambridge University Press, 1962.

¹³³ B. WEBB, *My Apprenticeship*, [1926], Harmondsworth, Penguin Books, 1971, p. 152.

¹³⁴ B. POTTER, *The Co-operative Movement*, p. 49.

among interests, but to rebuild the new social constitution, establishing a form of organization, an internal and superior level of individual and social life that she calls, referring to William Cobbett «the spirit of association – the one living force of all social organizations»¹³⁵.

In 1892, the same year as her marriage to Webb, Potter writes that the aim of sociology is precisely the realization of this union between economic faculties and desires. This unity is not given, and its convenience does not imply a simple recomposition or combination but, on the contrary, as in the relationship between men and women in a marriage, reveals its conflictual nature:

«It is, so to speak, the marriage settlement of economic life, and like many other matrimonial arrangements it is not always to the advantage of both parties. And moreover, in this vale of tears many faculties and many desires so, as a matter of fact, remain unmarried; and thus fail to generate exchange value. Indeed, it should be one of the main objects of applied sociology to bring about the largest measure of unbroken continuity and mutual satisfaction in an ever-increasing stream of marriages between the economic faculties and economic desires of the human races»¹³⁶.

Potter's sociology of value – the intersection between desire and faculty – is functional to her conception of the integration of society. The emphasis on economic desire and thus on the “social singularity” of the individual, and at the same time on the conflictual nature of the union, make her reflections receptive to Marxian thought, inasmuch as she is able to see, beyond the moral autonomy of the individual, their position inside society.

6. The sociology of economy in Potter's time

To Potter, rethinking political economy means showing its sociological basis and thus inverting its internal order of priority. The aim is to transform political economy into sociology. Despite Mill and Spencer, it would still take twenty years for sociology to be recognized as a discipline and for the founding of the first School of Sociology, later incorporated into the London School of

¹³⁵ *Ibidem*, p. 34.

¹³⁶ B. WEBB, *The Relationship Between Co-operation and Trade Unionism*: Paper read at a conference of trade union officials and co-operators at Tynemouth, Aug. 15, Co-operative Union, Manchester, 1892.

Economics in 1903. It is thus very significant that the school establishing sociology in Great Britain, founded by Potter and Webb in 1895, took the name of “London School of Economics”, referring to economics as «a science of human action»¹³⁷. To describe the political project of the school and therefore justify the importance given to economic science, Potter wrote: «we want to organize the unthinking persons into socialist societies, or to make the thinking persons socialist? We believe in the latter policy»¹³⁸.

Observing the disorder of the East End, the social dangerousness of the poor and the political independence of the casual worker, Potter was triggered into rethinking the economic premises of social order. The point was not, as it was for liberalism, putting the individual at the centre, but to make society the centre of the individual, of their interests and passions, i.e. to reinvent a community – a collective and dynamic dimension of society that was a common responsibility – which was adequate to the complexity and interdependence of industry.

The reserve army of the poor shows in a dramatic way the chain of exploitation of wage earners, the reproduction of their poverty and the guarantee of their condition of misery. The independence of the worker, of a stratified and internally divided working class, was both a factor demonstrating the potential democratization of society and the measure of the social vacuum produced by industry. Liberalism had placed the individual at the centre of social existence. As Locke wrote, «every Man has a Property in his own Person. [...] The Labour of his Body, and the Work of his Hands, we may say, are properly his»¹³⁹.

Industrial society permanently diminished this guarantee of ownership over one’s own person. Once the limits of society had changed, that «partage of things, in an inequality of private possessions» was not possible anymore without the risk that, wrote Potter, selling their time and receiving payment for their service,

¹³⁷ «In the absence of a complete Sociology we are therefore thrown back on Political Economy, incomplete though it may be as a science of human action» (S. WEBB, *On Economic Method*, 1884-5, PP VI/25, LSE, ff. 5-7).

¹³⁸ *BWD*, April 1894.

¹³⁹ J. LOCKE, *Two Treatises of Government*, Edited by Peter Laslett, New York, Mentor Books, New American Library, 1965, §§ 25-51, pp. 123-26. On this matter cf. C.B. MACPHERSON, *The Political Theory of Possessive Individualism. Hobbes to Locke*, Oxford, Oxford University Press, 1962.

the individual would lose their ownership over themselves to the great mechanized factory or the unhealthy sweat shop, which meant also losing their own productive capacity. The paradox of industrial progress is thus that, from the point of view of the worker, the only property that has a social importance is poverty, which is the way into the workhouse. On the other hand, also the employer had lost complete control over their wealth, since it depended more and more upon industrial dynamics which were not purely economic but also social and political.

Therefore the problem was not to put that conflict which marked and qualified power relations in society at the forefront of any conception of social reform, as this conflict was seen as the evil to be healed, and not the contradiction that allowed the recognition of the working class as a political subject. It is important to note that Potter did not see simply two subjects struggling against each other, but noticed a multiplying of working and social positions. To her the most important point was thus to intervene in the internal structure of society, solving, as she would more clearly state later, the political problem of class division.

Potter grasped historical elements of the trends in the capitalism of her time that are significant both for understanding her social analysis and for reconstructing her political reflection. On the one hand, the fragmentation and disintegration produced by poverty and the exploitation on which capitalist accumulation was founded and, on the other, the emergence of the social question of consumption, the complementary function of the wage, the increase in working subjects and professions and the role of recombination played by trade unions and associations. Her critique of the Marxian conception of abstract labour can be explained by her urgency to analyse industry from a sociological point of view in order to identify not only the political aspects of conflict between classes but also the pathologic factor threatening the constitution of society from inside industry. To qualify workers as producers and consumers meant rebuilding the nexus between the individual and society. Hers is first of all a problem of the sociology of classes, not of political and historical subject, since her final purpose is to save industrial progress from its own contradictions.

While for Marx industrial labour was constantly threatened by poverty, for Potter, on the contrary, it was characterized precisely by its potential to reduce poverty. Industry had produced an esca-

lation of destitution but it constituted also the only way to stop it. In this sense, it had to be organized on a superior sociological level: industry had to be made to work in the function of society. This was for Potter a political battle over the meaning and potential of industrial progress. She wanted to verify scientifically the possibility of a progress not based on the profit of the few. Sociology for her had to provide the instruments to disentangle social progress from the poverty to which it seemed to be condemned. Industrial progress had to be thought as a product of organized human action, rather than as the result of a confrontation between opposing forces, whether seen as the survival of the fittest, or as class struggle.

The «outcast London»¹⁴⁰ becomes for her a place from which to study the causes and consequences of destitution, to investigate the “work of poverty” and to analyse the relation between trade unions and the factory and public assistance and the workhouse, as relations between dynamic social institutions, where at stake was not only a criterion of production or cooperation, but also a specific form of social constitution, producing disorder and suffering. The target of her social inquiry was the research of a mediation that was falling into crisis and had to be rethought scientifically.

At the roots of her sociology of economy there is thus a reflection on the end of the individual: the individual is no more the foundation of political power, the unity with which to measure order, but its limit, since industrial society produces a plurality of different individual positions.¹⁴¹ Potter faces a process of differentiation and specialization that takes the form of a new professional stratification of «white collars», self-employed, technicians and clerks, civil servants, shop assistants, small retailers, managers, but

¹⁴⁰ Rev. Andrew Mearns wrote *The Bitter Cry of Outcast London: An Inquiry into the Condition of the Abject Poor* in 1883 opening a vast and long-lasting debate around the social danger of destitution. Mearns' inquiry was also one of the first investigation into the poverty of the marginalised districts of East London.

¹⁴¹ A perspective that recalls in many aspects J.S. Mill. In her diary, on 20 December 1886, Potter also cites Comte among the necessary readings and adds that the position of J. S. Mill as an economist in the essay must be defined, as Mary Booth had noted. In fact it is significant that even though she knew Mill's works very good, she ignored him as economist. On Mill's legacy on Potter's thought see R. FERRARI, *Beatrice Potter e il capitalismo senza civiltà. Una donna tra scienza, politica e amministrazione*, forthcoming from Viella, Roma. On J.S. Mill cf. L. COBBE, *Il carattere di un popolo. John Stuart Mill e le semantiche del collettivo*.

also a stratification of «blue collars», skilled workers, foremen, artisans, unskilled workers and apprentices. These different working positions were a completely new phenomenon in Great Britain, and Potter was one of the first social scientists to recognize them. This fact however does not lead her back to a renewed individualism based on social heterogeneity but, on the contrary, allows her to imagine a new community to be built. The working class in this discourse was not a political subject able to overthrow the existing state of things, but an evolutionary one, able to reform industrial society, imposing a collective dynamic on social life. The working class was the only force able to react to the decay produced by capitalism, because it was the element of democratization forcing society into a new process of integration.

In 1890, a few years after writing her essay on Marx, Potter defined socialism as the true realization of individualism, referring thus to the fulfilment of the individual as a social being.¹⁴² If industrial society led to the gradual fading of the individual space of action, social organization had to reoccupy this space to give back to individuals the possibility of a full «personal» development. Potter's goal was a social reorganization that had «to distinguish between and characterise the different classes of labour» since «happily democracy has a taste for facts»¹⁴³. At the microscopic level there was thus a stratified, diversified working class, whose unity, both social and political, was not given by immediate material conditions, but had to be organized, because it required the change of the social constitution itself. This was the starting point of her conception of administration, not only as a relief for disorder or as a device for the recomposition of social complexity, but as an organization of the movements of society¹⁴⁴. From a specific conception of social evils produced by industry, Potter aimed at reforming what she considered to be the capitalist decay of society.

¹⁴² *BWD*, February 1890.

¹⁴³ B. POTTER, *The Dock Life of East London*, «Nineteenth Century», Oct. 1887, p. 483.

¹⁴⁴ Cf. P. SCHIERA, *Monarchia costituzionale o costituzionalismo monarchico. L'Europa pre-1848* in G. GUAZZALOCA (ed), *Sovrani a metà. Monarchia e legittimazione in Europa tra Otto e Novecento*, Soveria Mannelli, Rubbettino, 2009, pp. 41-55. Transposing Schiera's discourse on monarchy, it is possible to say that the administration is to Potter the way to modernize and concretize representative democracy.

The discussion of Marx's thought lies at the foundations of her conception of collectivism, meaning direct intervention not to overthrow, but to save, society. «The fact of modern industry»¹⁴⁵, as she defined it in 1897 in *Industrial Democracy*, had produced a political reaction against the individualism of the Manchester School. Only by questioning the theoretical foundations of classical economics was it possible to establish a new connection between individual and society. The study of economics was therefore for her an opportunity for redefining the social dimension of the individual; it was a question of demonstrating the scientific legitimacy of a project of reform of society (and of capitalism), starting from a review of the social and moral function of consumption and implying a reorganization of production. As is clear from her comparison with Marshall, the point was not, however, to provide a technical answer to capitalist disorder. Her socialism aspired to a re-foundation of the ethics of society that economy alone could not guarantee. If the attempt to redefine a new relationship between the society and the market was one of the central elements of Marshall's influence on her thought, it was only in the clash with Marxian theory that Potter formulates her theory of value as a correspondence between economic power and desire, and therefore aims at instituting a new formula of integration of society that results in the intensification of social cooperation and not its break up.

7. «The passion for work», or the wage of happiness

The History of English Economics briefly reconstructs the thought of the greatest classical English economists and analyses some of their main questions in order to discuss their definition of economy. From this reflection emerges a significant division of the history of economy into a before and after of industrial society: industry rewrites economic history because it redefines the terms of the relationship between individual and society, and thus between worker and consumer. Potter opposes to the «passion for wealth»

¹⁴⁵ On industrial development in Great Britain see also R. LLOYD-JONES – J. M. LEWIS, *British Industrial Capitalism since the Industrial Revolution*, London, UCL Press, 1998; C. MOOERS, *The Making of Bourgeois Europe: Absolutism, Revolution, and the Rise of Capitalism in England, France and Germany*, London, Verso, 1991; L.T.C ROLT, *Victorian Engineering*, London, Pelican, 1974.

of classical economy the concept of «passion for work». Despite the Marshallian terminology, her discourse is different from the vision of the Cambridge economist on at least two points. Firstly, she radically rethinks the political meaning of utility, starting from the consideration that individuals are something more than their calculability, and that utilitarian calculation, moreover, is not a mere numerical, but also a qualitative, question. Secondly, Potter identifies an ineradicable conflict between wealth conceived as profit and wealth conceived as collective welfare. Her reflection, differently from Marshall's, does not stop at the sphere of social production, but trespasses onto the wider sphere of social constitution, questioning in this way the government of industrial society beyond the issue of good management, which for Marshall remains central, as his emphasis on the figure of the captain of industry shows.

Retracing English economic history, Potter described Adam Smith as a great reformer and asked how an «impassioned crusade» against tyranny and oppression could have become the “Employer’s Gospel” of the XIX century¹⁴⁶. Smith’s work was directed towards discovering the laws ruling production and increasing the wealth of the nation, but also towards investigating the economic nature of man, the «economic faculty» as dependent from «economic desire», in the complex labyrinth of exchange. For Potter, among the Smithian discoveries the one which got least attention would be the most relevant for explaining the conditions of the English metropolis: «wherever capital predominates industry prevails, wherever revenue? Idleness». The emphasis was primarily on the relationship between capital and labour, more as a symbiosis than as an antithesis. Industriousness was in this sense the social glue, a decisive factor in the interdependence necessary to progress¹⁴⁷. Rent, on the contrary, was instead inaction, immobility and thus the absence of a social connection: the antithesis was

¹⁴⁶ Emma Rothschild uses Potter’s manuscript to discuss the reception and the influence of Smith, in E. ROTHSCHILD, *Sentimenti economici. Adam Smith, Condorcet e l’Illuminismo*, Bologna, Il Mulino, 2003, p. 164.

¹⁴⁷ For Smith «*propriety*, which the passions show in relation to their object or cause, is in reality a “social cipher”. The average level of virtue is a social cipher» (A. ZANINI, Introduzione, A. SMITH, *Teoria dei sentimenti morali*, Roma, Istituto della Enciclopedia Italiana, 1991, p. XLIX). On Smith see also K. HAAKONSSON, *The Science of a Legislator: The Natural Jurisprudence of David Hume and Adam Smith*, Cambridge, Cambridge University Press, 1981.

therefore between productive and unproductive capital. Although recognising the asymmetry of social relationships, Smith's mistake would be defining labour solely as an effort directed towards obtaining desirable ends and thus considering economic science as the study of the laws of production, which reduced human activity to manual labour.

Against an economic tradition that considered the manual worker as a «trained gorilla», passing through Calvinist economists, the low-wage theory and what Smith called, in *The Wealth of Nations*, the problem of power, Potter wanted to legitimize the worker as a figure of order and not, as in Marx, as a moment of disorder. The aim was not just to rehabilitate manual labour, but to expand the concept of productive labour i.e. labour as productive of society and not just of profit. While Smith recognized labour as fatigue, «toil and trouble», Potter, putting productive, manual and industrial labour together on a theoretical level, aimed instead at transforming labour into a privileged channel of human emancipation.

Manual work was however a hard dilemma to solve. On the one hand, it was a tool for integrating individual and society, on the other, in its industrial form, it produced individuals without value. As she wrote, «this East End life, with its dirty, drunkenness and immorality, absence of cooperation or common interests, saddens me and weighs down my spirit. I could not live down here; I should lose heart and become worthless as a worker»¹⁴⁸. Manual work, as Smith and Marshall recognized, produced social alienation, depriving the individual not only of the ownership of himself, but also of his place inside society:

«In spite of the numberless out of work it is difficult to find really good workmen; for they become quickly demoralized and lose their workfulness. This again is depressing, for how can one help these people if they are not worthy of life from an economic point of view?»¹⁴⁹.

The efficiency of the «economic faculty» assigned a social value to labour¹⁵⁰. For this reason manual work could not be understood

¹⁴⁸ *BWD*, November 8, 1886.

¹⁴⁹ *Ibidem*.

¹⁵⁰ For Potter, if labour is productive inasmuch as it produces utility, the labour of the worker is worth as much the work of the employer and of the trader. Utility is measured at the level of the whole society, which is therefore the subject to whom

on a theoretical and political level if it was not considered together with «brain power» or «learned profession». These factors, which Smith considered unproductive¹⁵¹, for Potter had «a definite place in the hierarchy of Economic Faculties – and [were] variously manifested in the *organisers of industry*, in the originators of commercial enterprise, and in the money-making instinct of the wholesale and retail traders». To recognise the brain work of employers meant a vision of labour that was functional to the social order. It was an attempt to recompose ideally what industrial reality had divided because of its inefficient distribution of resources and abilities that opposed the “industry organizer” to the manual worker.

The advent of the machine and the steam engine produced not only a technical and technological change but also a subjective and political transformation, establishing a new system and replacing the master craftsman with the big capitalist commanding the mass of individuals at work like a machine, expecting from their cooperation the same regularity and efficiency. The worker became a support for this machine.

The establishment of the credit system made the worker more and more dependent on the capitalist. A new «civilization», based on competition and the complete subordination of the worker, was thus imposed. The working class was replaced by the «labouring poor» – many of whom were women – who depended on a Poor Law that degraded them, ensuring the reproduction of their poverty and maintaining them on the edge of misery. Commercial supremacy became the source of English wealth and the «passion for wealth» its leading force: «The English became "a nation of shopkeepers" but shop-keeping was a means to an end – the conscious aim was personal power and national supremacy – the unlooked for result of all this tumultuous struggling and suffering was an immortality in her children, the creation of A Greater Britain». In-

each responds and within which each play their own part. In *The Co-operative Movement in Great Britain* (1891), Potter calls «social value» this correspondence between faculty and economic desire from which exchange value would be derived. This becomes “social” when it is collectively produced by different groups of united workers.

¹⁵¹ A. SMITH, *The Wealth of Nations* (1776), London, Dent, 1910.

dustry had produced a new aristocracy¹⁵², a renewed and wider class egoism.

Ricardo had highlighted this brutal and classist aspect of industrial progress more than others, describing the individual as a «gold-seeking animal», restrained only by the law of population and the hypothesis of marginal diminishing returns formulated by Malthus. The first critique Potter directs at Ricardo concerns his deductive method which pays little attention to empirical verification, producing abstract principles independent of social reality. For this reason, and «owing to his Semitic origin», he would not be able to conceive any alternative to private property, while socialism as a program of reform was born precisely from denying the absolute necessity of private possession. The same anti-Semitic prejudice, common in the Victorian society of her days and betraying the influence of eugenics, reappeared in subsequent articles in which the young Potter stated that the inclination of the «Jewish race» for profit was one of the causes of the increase in the class of small owners, through which the sweating system, and the exploitation of workers outside the factories, was reproduced¹⁵³. The critique of the Ricardian concept of value concerns therefore its independence from moral characters: whilst he recognizes that the «natural» price of labour is determined by people's customs and traditions, Ricardo would not identify the moral nature of social rules.

Potter reasons around two main Ricardian assumptions: the commercial omniscience assuming the equal distribution of economic faculties among individuals and the existence of pure competition that had no real validation and ignored the «class spirit» at the basis of the antagonism between the capitalist and the common good. Ricardo would then be stuck with a conception of profit as inversely proportional to the wage, since it was based on a «mechanic» vision of labour that confused costs and wages. To Potter, the wage was different, it was not the labour cost, but the political equivalent of its «social» dimension, and thus could not be

¹⁵² A warning we also find in Alexis De Tocqueville in *Democracy in America*.

¹⁵³ B. POTTER, *The Jewish Community*, in C. BOOTH, *Life and Labour of the People in London*, Vol. 1: *East London*, London, Williams and Norgate, 1889, pp. 564-590; B. POTTER, *How Best to Do Away with The Sweating System*: Paper Read at the Twenty-Fourth Annual Congress of Co-Operative Societies, Rochdale, Co-operative Union, Manchester, June 1892.

treated as a variable among others. The wage, not profit, was the guarantee of social progress.

Ricardo was therefore the father of economy intended as the science of business, because in his theory of human nature, the centre of scientific research as conceived by Smith disappeared and was replaced by finance, raising the economic principle of *laissez faire* to a legislative and moral principle.

Laissez faire was however, paradoxically, also the ground of the development of a new conception of labour: «by a strange irony or fate it lent its dying influence towards the legalization of Trades Unions». Its crisis gradually transformed the social question into a problem concerning the whole of society, and not a single specific condition. The Report of the Poor Law Commissions of 1834, «the leading treatise on Economic Pathology», had an unprecedented intellectual and moral reaction in England. The free market, on the stage of *laissez faire*, performed the tragic role and its opposite principle, state intervention, was at centre stage.

At the beginning of the century, the curtains open on the factory, with its internal regime of exploitation exploding outside its walls as a «social disease» infecting the industrial cities in the North and pouring into the metropolis. Industrial home-based work, carried out by young women in cramped and dangerous places, was the shocking face of this economic development without rules, a progress produced by systems which remained grounded in the feudal past. Factory legislation represented not only a necessary protection, but was the formal proof of the collapse of *laissez faire*, evidence that pure competition was a system which devoured itself, leading to the deterioration of the manual economic faculty on which it depended for its reproduction.

The first way out of the cage of economic dogmatism was therefore concrete and moral – an order had to be established in the chaos – and not by chance Potter again identifies Carlyle as the spokesman for a new vision of society built on the passion for work, rather than for money. The term “moral” acquires here an immediate political meaning, since it refers not to the goodness of individuals, but to their absolute egoism that makes the idea of a free contract impossible and unrealistic «where is Free Contract in a Country in which Civil Justice is the exclusive prerogative of the rich?». Free contract was therefore a pretence and could exist only if there were justice, which reality did not provide.

To show the subjective character of economics and at the same time its collective significance as a science of human action, Potter divided economic facts into three different groups: the psychical phenomena, the physical phenomena and the phenomena containing both physical and psychical elements. The first refers to those laws determining the economic nature of the human being: economic faculties evaluated in the relation between exchange value and economic desire. It is a measurement that cannot correspond to effective distribution, because the economic relation is always immersed in social conditions acting as a «disturbing cause»—from national habits to monopolies – which can define the prices of every economic faculty, but cannot estimate its real value in relation to economic desire. Speaking of the «amateur faculty», Potter describes the social nature of labour as an action that cannot be measured in exclusively monetary terms, but on the contrary as a question untrammelled by mere economic value and relative to the future of society and civilisation, thus «undertaken for love of the pursuit». On the other hand there are measurable qualities, or economic faculties, without a proper exchange value that extort «remuneration» from society: all sort of gambling and pure speculation are economic faculties whose exchange value is deceptive, temporary and individual, not functional in any way to society and its future.

Potter thus classifies economic desire on the basis of criteria of social efficiency as «efficient», «inefficient», «artificially efficient» – in order to provide a general diagnosis of the pathological state affecting the economic faculty of individuals and consequently their national character. Potter criticizes the great economists of the sixteenth century because they conceived of economy as a self-sufficient science, establishing an autonomous code of social functioning, with no attention paid to the real movements of society. The goal of economic science should rather be to intervene against the intermittent state and economic inefficiency, inside the social dynamic that produces a regime of the wage, knowing that «Love of gain, pursuit of power, are meaningless to those who are careless, because hopeless, of personal happiness. They know no rest and grasp desperately at the oblivion of work».

The wage is not only the fair price for sacrifice, but the value establishing a different relationship between wealth and collective welfare. It is not an individual relation between labour and profit,

but is the monetary form of a relation that has the power to redefine society, inasmuch as it produces materially that «collective» character that in Potter's terminology is called «society» or «community» – the first referring to a material dimension and the second to a spiritual one, an internal and higher level of social life. It is therefore significant that in this essay the term «communities» is replaced, in a revision of the draft she made in a second moment, by the term «societies».

Overturing the Marshallian model, a “wage of happiness” would be in Potter's analysis the condition that makes it possible for the working class to take care of society *tout court*, and not only of their own subsistence, which would be chained to the evolutionary law of the «survival of the fittest». A wage of happiness would be the measure of social cooperation and the condition of that «passion for work» necessary to reform industrial society, since it would allow freedom from exploitation and increase the productivity of the working class. This passion for work meant also a passion for labour that could not be pursued through misery, but had to be pursued through a scientific rethinking of society, considering the individual as the author, in different forms, of the collective fate.

8. The second manuscript on the Marxian theory of value

Potter completed her essay on the economic theory of Marx in the Spring of 1887 and sent it for the critical remarks of Spencer and other intellectuals and social scientists, such as her cousin Mary Macauley, nephew of Thomas Babington Macaulay, and her husband Charles Booth, with whom Potter would work on pioneering research into poverty in the East End of London between 1886 and 1903. *Life and Labour of the People in London*, seven volumes on the life and work of the London working classes, provided the opportunity for Potter to establish herself as an independent authority on social questions. Unlike most of the researchers of the time, Booth included, she claimed to be a sociologist¹⁵⁴. Potter's contribution resulted in three different articles, products of three ethnographic inquiries concerning, respectively, the Jewish community, the textile trade and the dockers.

¹⁵⁴ Cf. R.A. KENT, *A History of British Empirical Sociology* and R. ARON, *Main Currents in Sociological Thought*.

Impressed by her essay on Marx, the Booths sent it to the founder of the «Fortnightly Review», positivist historian and friend of Marx and Engels, Edward Spencer Beesly. In Potter's opinion, Beesly had overlooked «the whole point of the article, which is to distinguish between the labour that is useful and the labour that is useless. That distinction rests on the presence of another element – desire»¹⁵⁵. This note on the necessity of determining and quantifying labour was the main point of *The Economic Theory of Karl Marx*¹⁵⁶, and the core of her critique of the Marxian theory of value. She saw society as the only necessary criterion of value: labour was useful only when it was functional on the social level, i.e. when contributing to an increasing integration of the interests and desires of the individuals in a society.

Beesly's remarks¹⁵⁷, although not negative, convinced her to suspend publication. Cripps' remarks then gave definitive proof that the essay needed to be clarified and deepened: «Well, Beatrice, I have never read a stiffer article; I am not sure I understand it»¹⁵⁸. Cripps thought that it confused what Marx actually wrote and the conclusions she intended to draw from her own critique, or the overall thesis she tried to prove.

The same year in which she completed this essay, she also clearly questioned her adherence to the Spencerian school and her faith in evolutionary individualism, increasingly becoming engaged with the reality of labour. Crossing the docks and the streets of the East End, Potter gradually approached socialism, and identified it as an economic and social theory necessary for rethinking industrial life and putting an end to its evils. Her experience as a social worker, moreover, had an influence on the tone and content of these essays.

Having been in contact with the *Social Democratic Federation* for some years, in the Spring of 1883, just a few months after the death of Karl Marx, Potter interviewed his youngest daughter on the nature and goal of the socialist program, but also on the importance of the Christian religion¹⁵⁹. Potter recorded in her diary

¹⁵⁵ *BWD*, 12 February 1887.

¹⁵⁶ B. POTTER, *The History of English Economics*. Beatrice Webb resumes the central thesis of this essay in the appendix of the second volume of *My Apprenticeship*.

¹⁵⁷ The letter is published here.

¹⁵⁸ *BWD*, 20 March 1887.

¹⁵⁹ *BWD*, May 1883.

the answer of Eleanor Marx: the «socialist programme was a deduction from social science, which was the most complicated of all sciences»¹⁶⁰. Religion would be useless in a condition where freedom of thought, since then a privilege of the well-off classes, became instead the privilege of the working classes: «we want to make them disregard the mythical next world and live for this world, and insist on having what will make it pleasant to them». This was an interesting discourse for Potter, who, nevertheless, continued to believe in the social function of religion, as necessary for widening scientific horizons and fostering the ideal human emancipation that science alone could not realise.

Her critique of the Marxian theory of value was also a formulation of a conception of labour and industrial society that had an immediate practical meaning for Potter, which was to define and determine the conditions of existence of the individual in society. Her conception of social cooperation and exchange value as an outcome of the correspondence between faculty and economic desire, and an emphasis on the connection between production and consumption were attempts to recompose the fracture crossing industrial society, not to deepen its contradictions. At the basis of her critique of Marx was industry as a paradigm of modern industry, whose capitalist system of production was just a dysfunctional form of its organization. To observe production from the side of consumption did not mean making the consumer into an absolute sovereign, but measuring exploitation starting from a criterion of social efficiency and distributive justice, in the face of the complex disorder of an industrial society characterised by plurality and an increase in the “forms of life”. A society that was lacking in forms of mediation adequate to its complexity and that could in some way allow its functional organization and integration. This also meant thinking the working class as a problem, whereby the emancipation of the worker depended on the emancipation *from* their class, and not *of* their class: if the worker was simultaneously producer and consumer, they were not a proletarian but a citizen. To be emancipated from the class implied the recognition of a specific social function and the redefinition of one’s own political identity.

¹⁶⁰ Also in B. WEBB, *My Apprenticeship*, p. 305, nota 15.

From the beginning, Potter made clear that the English tradition was unable to reason about an abstract concept of labour because it considered fair distribution as an estimation of the needs of the workers, not of the general value of their services: «no common measure exists between the labour of the docker, the spinner, the clerk, and the inventor»¹⁶¹. Indeed, the working class existed only negatively, i.e., not on the basis of common interest, but on the basis of common exploitation created by an inefficient system built on egoistic and individualistic principles. What the Marxian theory of value would ignore were «the manifold wants, the changing desires, and shifting fancies of the whole body of consumers»¹⁶², that plural society existing behind every single worker. The conception «of the democratic government of industry as a joint affair of consumers and producers»¹⁶³, the core of the well-known industrial democracy later formulated by the Webbs, was therefore the root of the conflict between Potter's social theory and Marxian political thought, between Marx's "destructive" critique and Potter's reformist one.

To Marx the value of a commodity represented abstract human labour, the simple expenditure of labour force in general, simple average labour that could change from one society to another, but was given in a given society. Every kind of labour could be reduced to more or less simple average labour – that is not the wage but the value of the commodity, i.e. the objectification of the working day – and this was not a process of abstraction from the reality of labour, but a description of the reality of abstract labour. Abstract, for Marx, meant free from specific qualities, reduced to an essence. This reduction was not a philosophical operation, but ordinarily happened, every time labour was given a value: simple average labour was the unit with which different forms of labour could be measured. The criterion of reduction or, as Marx writes, «the different proportions of this reduction», were established by a social proof that was alien to the producers. The values of commodities were condensed or «crystalized» into labour, just like the different labours contained in these values were the essence of human la-

¹⁶¹ B. POTTER, *The Co-operative Movement*, p. 48. Da questo punto di vista l'opera di T. HODGSKIN fa sicuramente eccezione: cf. *Labour Defended against the Claims of Capital*.

¹⁶² *Ibidem*, p. 49.

¹⁶³ Appendix D, *My Apprenticeship* (1926).

bour, of the expenditure of labour-power. Abstract labour was the reduction to a sole quality constituting the substance of value: the quality of being human labour. The magnitude of value was therefore the *how much?* of labour, whereas «value in use» was the *how* and *what*. The twofold nature of labour implied that «the same labour, exercised during *equal periods of time*, always yields *equal amounts of value*. But it will yield, *during equal periods of time, different quantities of values in use*»¹⁶⁴. Or:

«On the one hand all labour is, speaking physiologically, an expenditure of human labour-power, and in its character of identical abstract human labour, it creates and forms the value of commodities. On the other hand, all labour is the expenditure of human labour-power in a special form and with a definite aim, and in this, its character of concrete useful labour, it produces use values»¹⁶⁵.

With abstract labour Marx was not referring to the working process, common to all labour forms, but wanted to highlight the specific process of valorisation of the capitalist mode of production. The point for him was therefore a concrete, clearly defined abstraction¹⁶⁶.

Potter recognizes in Marx's analysis the spirit of modern socialism, a scientific socialism based on exact laws and on the knowledge of human experience as a condition for action:

«“The Bible of the continental working classes” is inspired by the moving force of modern socialism, with a consciousness of suffering and with helpfulness of purpose. The (great) German Economist observes the physical, intellectual, and moral degradation originating in enforced idleness, and in unmerited destitution. He watches the rapid deterioration of the “out o’ work” and of the over-strained worker. And

¹⁶⁴ K. MARX, *Capital. A Critique of Political Economy*. Volume I, Book One: *The Process of Production of Capital*, p. 33.

<https://www.marxists.org/archive/marx/works/download/pdf/Capital-Volume-I.pdf>

¹⁶⁵ *Ivi*.

¹⁶⁶ When Marx refers to abstract labour in *Capital* he speaks of an objective characteristic of the form taken by human labour in capitalist production, where «the reduction of different kinds of labour to uniform simple labour devoid of any distinctions ‘is an abstraction which is made every day in the social process of production’. It is ‘no less real (an abstraction) than the resolution of all organic bodies into air» (E. IL'ENKOV, *Dialectics of the Abstract & the Concrete in Marx's Capital*, Delhi, Aakar Books, 2008, p. 97). Cf. K. MARX, *A Contribution to the Critique of Political Economy*, Marxists.org, 1993).

he advances his theory of Value, not as a mere speculation, but as an ample justification for social revolution and as a solid foundation for social reconstruction».

This ambition for revolution and social reconstruction represented for Potter the high ethical value of Marx's work. His ability to go beyond the mere examination of facts, the classification of the laws governing phenomena, was found in his search for an evolutionism able to dominate evolution.

«He rightly/reasonably assumes that if we discover the Laws of Value, if we learn the exact nature of the process by which human exertion satisfies human need, we shall use this knowledge to lessen the mental and physical suffering of unemployed faculties on the one hand and of unsatisfied desires on the other. In short, that a knowledge of the laws of Industrial health will teach us to prevent or to mitigate Industrial disease»¹⁶⁷.

However, it was precisely where Marx's critique went beyond the mitigation of industrial disease, taking on a wider political scope, that Potter contested it, providing instead an economic analysis directed towards the reform of industrial society: «Disagreeing with Karl Marx's theory of Value, I shall offer an "alternative plan"»¹⁶⁸.

This plan, as she would recognize a few years later, was still deeply influenced by the Spencerian conception of individual freedom. Though initially retaining the nationalization of land as a legitimate solution to the problem of property in the works following *Social Statics*, Spencer argued that it was not possible to repair an original injustice without producing further injustice.¹⁶⁹ The only possibility was therefore to *administer* justice in the present. Starting from this point, Potter discusses the Marxian concept of private property:

«directly you deny the incontrovertible necessity for private property and attempt to re-adjust the possession of the good things of this world according to the economic worth-fullness of the individual, any oversight of the comparative effectiveness of special forms of activity becomes a gross injustice. Karl Marx however, introduces this injustice

¹⁶⁷ B. POTTER, *The Economic Theory of Karl Marx* (unpublished), 1886, PP 7/1/3 (draft D), ff. 57 e 58.

¹⁶⁸ *Ibidem*.

¹⁶⁹ H. SPENCER, *Social Statics*.

and has provided for it by a marvel of logical mechanism. For if we allow the reality of his analysis of Value he has gained the central position of socialism, viz the economic equality of all kinds of labour»¹⁷⁰.

The economic sociology of Potter, like the concept of evolution for Spencer, aimed therefore at a perfect correspondence between individual behaviour and social interest, but unlike him she wanted to determine this condition through social action. Accusing Marx of ascending «from this lower world of concrete facts to the sublimer atmosphere of metaphysical abstractions», Potter followed the Marshallian theory of wants and activities, criticising an abstract concept of value and labour that would obfuscate real forms of desire and activity. These forms motivated the behaviour of different working actors and were crucial, since they gave shape to the social constitution.

Whereas Marx's interest was the human character of labour, Potter's was the human character of value: «Human desire seeking satisfaction is an universal and absolute condition to the existence of Value in use»¹⁷¹. So while to Marx value was the social measure of exploitation, to Potter it was the measure of sociability.

Potter considers the Marxian analysis of the nature of the commodity to be unrealistic because it gives a separate and independent existence to exchange value and to use value: «In the world of fact so soon as Value in Use is subtracted, value in Exchange is destroyed» and so

«if an object has ceased to correspond to a human desire it dies as a commodity. We may have Use Value without Exchange Value (e.g. the man producing his own subsistence) as we may have individual without a community; but we cannot have Exchange Value without Value in Use, anymore than we can have a community without an individual»¹⁷².

The “social value” of a commodity was its utility, i.e. its correspondence to human desires, not of a «greatest number» deserving happiness, but of individuals and of the wider community. At the basis of her critique was not the Benthamite conception of utility, but rather the Marshallian one – «in recognised “utility”, or specific demand [...] *lay the dominating and delimiting factor of ex-*

¹⁷⁰ B. POTTER, *The Economic Theory of Karl Marx*, (draft D), f. 79.

¹⁷¹ B. POTTER, *The History of English Economics*, f. 67.

¹⁷² *Ivi*, ff. 78-9.

change value»¹⁷³. The value of labour depended on its social utility that in turn had to be scientifically established as a function of the common good: the working process, the expertise and the abilities of the worker were essential factors in the valorisation of labour.

If to Potter, as to Marshall, utility could be measured on the level of overall society in which everyone played their part, and therefore society was the subject, to Marx it was just the premise around which the different parts arranged themselves: an individual considered useful to society could always produce, at the same time, the disutility of someone else, or worst its own one. Utility was to Marx an equivalent rather than a substance or a quality.

In her analysis of the value of the commodity Potter recognized the fundamental premise of the whole Marxian economic doctrine. In the first draft of her essay, Potter noted the importance for English economists like J. S. Mill, Jevons and De Quincey, of a theory of value as *the* theory of political economy: «In truth a theory of Value stands to Economic Science in a precisely similar relationship that a theory of Organic life stands to Biology»¹⁷⁴. The theory of value was an antidote to fatalism, unscientific by definition, or to the evolutionism that refused action and was used to restate the scientific legitimacy of *laissez faire*:

«For we discover the forces of nature, not to submit blindly to their action, that we are obliged to do while we are still ignorant, but to use and control them, to isolate and combine them, according to our needs. Viewed in this light a true theory of Value ceases to be a question of mere academic interest and becomes the groundwork of Economic Reform».

Potter thus recognizes the centrality of a theory of value, but her aim is to formulate a new one, able to contest the political economy of *laissez-faire*, reasserting the crucial importance of the connection between social value and labour.

Her consciousness of the importance of a theory of value showed a careful analysis of the first book of *Capital*, that was at odds with the common trend of isolating the theory of value from the overall framework of Marx's work, in order to make it irrelevant or reduce it to a theory of exploitation. As Webb wrote to Bernstein in 1895: «You are charitable enough to think that I err

¹⁷³ B. POTTER, *My Apprenticeship*, p. 383.

¹⁷⁴ B. POTTER, *The Economic Theory of Karl Marx*, f. 54.

[on the labour theory of value] only through Ignorance – alas, it is more than that. Incredible as it may seem I have long since read the books suggested, and yet stick to my opinion»¹⁷⁵. This could be said of Potter as well since she recognized the significance of Marx's work for European socialism and proceeded with a brief report of the first book, reasoning in particular on the definition of the commodity and revealing thus an understanding of the Marxian text which was far from superficial.

The report proceeded in the following way. The commodity has a double nature: first of all it is an object endowed with utility, or «value in use», i.e. satisfying specific human desires, directly, as a means of livelihood, or indirectly, as a means of production. The value in use comes from the material quality of the object and represents the quantitative nature of the commodity. Each commodity distinguishes itself from the others on the base of its particular utility to specific human desires, but an object cannot be defined as a commodity only because it has utility; for example, air and water are not commodities except in rare circumstances. What transforms a useful object into a commodity is therefore its exchange value, which Marx defines as the value or magnitude of value of a commodity. Equivalence is possible only between two commodities with different use values, and in turn this is possible only if the commodities are commensurable in terms of the same unit. It is not, however, the quality of the commodities or their utility that measures their value; the only characteristic common to all the commodities is that they are all equally produced by human labour. The unit of measurement is thus the labour-power expended in their production and this means that labour-power is the only source of value. So the material qualities making a commodity more or less useful are excluded from the calculation of their exchange value that instead is based on an equal quantity of a similar unit. As labour-power is the unit of measurement of exchange value, it necessarily has to be abstract labour and not labour in any concrete form. Proceeding by this logic, what we have subtracted from the product, we must necessarily also subtract from the factors of production. Therefore, all the qualitative distinctions must be subtracted from labour-power, the unit of measurement of exchange value, to obtain abstract labour measured by

¹⁷⁵ N. MACKENZIE (ed), *The Letters of Sidney and Beatrice Webb*, Vol. II, pp. 74-5.

duration in time. It was precisely this operation of abstraction that Potter thought was problematic, because it prevented specifications that were essential to her reflections on labour, since they defined a precise type of society and social cooperation.

«This conclusion taken alone is simply the Ricardian doctrine that the Exchangeable Value of a commodity originates in the labour-power expended in producing it. It is a well-worn proposition, and in spite of the harmless intentions of its original authors forms the half-way house to modern socialism. This paradoxical result is due to the ambiguous use of the term labour».

Although «labour-power is the origin of Value» was the proposition at the basis of modern socialism, Potter argued that the discourse it produced had a paradoxical form.

Potter summarized the Marxian conception of labour in three central assumptions: labour is the sole source of labour; labour is a uniform force that can be measured by its duration in time; and, finally, all labour has equal value. «It follows that the length of time employed by average labour-power in the production of an article is the criterion of its Value. He arrives at this conclusion not by a direct observation of the Value-producing process, but by an abstruse analysis of the nature of a commodity»¹⁷⁶. Marx described exchange value as independent from use value and it is this distinction between exchange value and the utility of a commodity that was «the master-stroke of his argument, the key-note of his theory and the premise to both his conclusions»¹⁷⁷. He recognized the “natural/material” qualities and the physical proprieties through which an object satisfied human desires, but he did not distinguish them or assign to them any particular utility. They were nothing more than the product of labour.

Potter has two critiques of the Marxian analysis of value: the absence of brain-work in his definition of labour, including the activity of the employer and of the trader; and the absence of the central function of the consumer for production. Here an important aspect of her critique of the theory of the commodity emerged, which was the absolute meaning given to intellectual work both in sociological terms (professional and managerial classes) and in theoretical terms, calling into question both classical

¹⁷⁶ *Ibidem*, f. 59.

¹⁷⁷ *Ibidem*.

economic and Marxian theory, and turning the discourse in the direction of her economic sociology: «For economics in the widest sense are rapidly becoming the technical side of the politician's work»¹⁷⁸. Economy was also in this way the discipline managing the conflict, social technology and administration of social parts: «inventive genius and administrative capacity» were elements of value that could not be reduce to labour conceived as «manual work». Potter did not consider, and she could not¹⁷⁹, that the separation between manual and intellectual work was for Marx at the base of capital as a social relationship.

The importance given to the quality of labour and to the overcoming of the clear division between manual and intellectual work, i.e. the emancipation from wage labour, derived also from the recognition of the necessary function of the management of the labour-force – the Marshallian captain of industry – as a crucial link in the production process. There was therefore understood to be a difference between the employer and the trader or capitalist, a difference that appeared more sociological than historic:

«They regarded the employer and the trader solely as capitalists. They ignored these forms of economic activity manifested, on the one hand in the organization and control of manual labour and machinery, and on the other hand in the requisite knowledge of the wants of the community through which a market is found for the goods produced»¹⁸⁰.

The control of the labour-force was thus an open problem for socialism in the new industrial society: it was a question that in the following years would lead to a heated debate between the Fabians and the Guild Socialists, strong supporters of workers' control. The power of the machine marked, on the other hand, the introduction of an organizational principle, which was technological, presumed to be neutral and impersonal and which determined a new form of industrial command.

This topic was largely treated by Marx in the first book of *Capital* in terms of an absorption of human material into the objective organism of the mechanical device and of an increase in «human material that forms the principal object of capital's exploiting power, at the same time raises the degree of

¹⁷⁸ *BWD*, Sept. 15, 1891.

¹⁷⁹ Of course because *German Ideology* has not yet been published.

¹⁸⁰ B. POTTER, *The Economic Theory of Karl Marx*, f. 78.

exploitation»¹⁸¹. This intensification and expansion happened both thanks to the appropriation of an additional labour-force (through the employment of all the members of the family including women and children), and due to the extension of the working day beyond «every moral and natural restriction»¹⁸². The machine was the «industrial *perpetuum mobile*, that would go on producing forever», because «the capabilities of the tool are emancipated from the restraints that are inseparable from human labour-power»¹⁸³.

On this point, Potter would say, during her journey to the United States a few years later, that the machine absorbs the human being and submits them to its pace.

«The great engines, cranes and furnaces were struggling and panting, seemingly without the aid of man. It was only now and again that one espied a man enclosed in a little cabin, swinging midway between the ground and the rafts of the shed, and working some kind of electrical machine whereby millions of horse power was set in motion and directed. Or here and there one noticed a sullen looking figure watching through blue spectacles the heated metal of the converters»¹⁸⁴.

Extending to the capitalist class the evaluation of the effects of mechanization, she observes how the machine not only redefines human labour, but also modifies the value of time:

«If perfectly constructed telephones, skilled stenographers, express elevators, electric signals of all description, could by themselves get through business, the transactions of one American city would exceed those of the world. [...] Each individual business man becomes the slave of all the stray impulses and sudden improvisations of all other business men»¹⁸⁵.

While recognizing the power of the machine also means admitting that labour is not free, that the commodity is produced

¹⁸¹ K. MARX, *Capital*, Volume I, Book One, Section 3: *The Proximate Effects of Machinery on the Workman*, Ch. XV, p. 272.

¹⁸² *Ibidem*, p. 278.

¹⁸³ *Ibidem*, p. 284.

¹⁸⁴ D.A. SHANNON (ed), *Beatrice Webb's American Diary. 1898*, Madison, The University of Wisconsin Press, 1963, p. 91. Cf. R. FERRARI, *Roundtrip to Anglo-Saxon Democracy: Beatrice Potter Webb's Appraisal of Industry and Society*, in V. BAVARO – G. FUSCO – S. FUSCO – D. IZZO (eds), *Harbors, Flows, and Migrations. The USA in/and the World*, Cambridge Scholars Press, 2017.

¹⁸⁵ D.A. SHANNON (ed), *Beatrice Webb's American Diary*, p. 145.

through coercion and that command also obeys this technological logic, on the other hand the reference to the knowledge «of the wants of the community» restores desires once again to the heart of the process, as a condition of the existence of the market, thus inverting the logic of exploitation: not one class exploiting the other, but society exploited for profit and to the detriment of the whole community. The antagonism thus lies between the profit-making motive and society.

Knowledge of the desires of the community assigns value to the commodities produced since desires are conceived as a natural extension of the individual, the free expression of individual life, not mediated by social power, if not later through education. To the political conception of the “master”, Potter opposed a sociological conception of the employer and an anthropological description of the gentleman. The same process of production is conceived not in its objective and historical form, but on the basis of the subjective actions and desires of the actors implied in it, i.e. as a process of development of the individual inside society.

For Potter, capitalist society was just one of the possible forms of industrial society, not the only one. The influence of Spencer, who was still alive at the time, allowed her to observe social change as a change in organization that, in the long run, transformed the nature of society. Capitalist society could therefore evolve into a social collectivist form, through transformations and reorganizations enforced by human beings – communities, institutions and individuals. It was the community that changed the nature of society, or rather, change was the outcome of a process of integration among individuals’ social functions produced by the gradual improvement of organization. For Potter, as for Spencer, institutions were both natural and social: they produced and were produced by society. But unlike Spencer, Potter thought they had a real power of transformation in the present. Institutions were therefore an expression of a social power able to respond to capitalist power.

In this sense the correspondence between a «specific form of human activity» and a «special form of human requirement» implies a rethinking of individuality starting from the social element that characterizes it, the determination of the social function produced by labour, or the «human activity» as *Beruf*. In contrast with the abstract idea of labour, Potter aimed at reconnecting labour, as pure human effort, with profession, conceived in a We-

berian way as vocation. Her emphasis on the professional aspect, that is on the social character of human activity, explains her emphasis on the determination of labour as a means to establish a functional connection between individual and society, but it also explains the reference, in the manuscript on classical economy, to «passion» intended as a specific *Sachlichkeit*: labour is and has to be at the service of a cause, a collective purpose, that makes the worker not an executor but a replaceable and undifferentiated operator, responsible, however, for a specific social function. Herein lies the difference with Weber's position: in Potter's discourse there is not an objectification or a rationalization of profession. It is relevant as the expression of a passion able to maintain the connection between individual and society.

The destruction of the link between commitment, activity and purpose imposed by capitalist industry implies a corruption of the sense of responsibility: this is what Potter meant by the degradation of the worker's character when she described the sweating system in her early investigative reports. This decay was moral in the sense that it implied the deterioration of the social function, which became therefore essential for the definition of industrial individuality.

For Potter, labour constituted an essential element of value only in so far as it put into play specific faculties and abilities that were necessary to the satisfaction of desires and consequently to society. The link joining abilities, desires and society was the wage, which, making exchange possible and concrete, was also the means of mediation among conflicting desires. Exchange value was determined by the existence of different abilities responding to a mutual need among two or more individuals. Each ability responded to an existing desire that was «rendered efficient either by the presence of living faculty, or by the possession of stored faculty in the form of commodities or money. Hence the correspondence between the faculties of society and their desires constitutes industrial health, and absence of this correspondence is the first symptom of Industrial [disease]»¹⁸⁶. The wage assumes this relevant political value because it is the variable that not only allows this mediation, but also determines the social function of labour: it is the

¹⁸⁶ *Ibidem*, f. 73.

condition of existence of a plurality without conflict, i.e. of a plural unity.

In this way Potter seemed to dislocate on the theoretical level the antagonistic relation between capital and labour, because if the «qualified» truth of the Marxian premise, that labour was the essential condition of value, was that a commodity to be such has to be «appropriated or produced» this meant that property and production were both ascribable to consumption and labour. On the other hand, exchange value presumed that faculty and desire were divided, that they did not co-exist in the same individual and therefore made possible a relation of utility based on an existing asymmetry. The difference between use value and exchange value corresponded to that «between individual existence and social life».

In this sense, consumption had to be understood as a space that society occupied inside the factory, arising from the conception of desire as the universal and absolute condition of value. The more desire became social, the more it would be possible to measure value on the base of its social utility.

Exchange value was consequently the collective dimension of this desire, its completely social form: the consumer did not exist in the absolute, as master of the entire mechanism, sovereign of the relation between capital and labour. They were rather the condition of existence of that relation: the satisfaction or the tyranny of the consumer was also the measure of the asymmetry and the internal conflict of production, the position of the producer.

«To omit desire from the conditions upon which value depends is the other face of the attempt to isolate the Value of a commodity from its utility. But the limited proposition that labour is an essential condition to Value is true in a qualified sense. For in order that an object may be valuable it is needful that human faculty should be exerted. This is simply saying that if an object is to satisfy a human desire it must be appropriated or produced»¹⁸⁷.

Potter refused to understand production as a mechanism in which the commodity was the repository of value and not instead the purpose, the function for which it existed, its concrete utility, its particular correspondence to desires and needs. Exchange value could not exist in abstraction from the utility of the commodity,

¹⁸⁷ B. POTTER, *The Economic Theory of Karl Marx*, ff. 67-8.

separating it from its use value: this is exactly what Marx defined as *contradictio in adjecto*, i.e. the idea of value as immanent in the commodity.

Whilst rejecting «the mystery of commodity», Potter perfectly captured the heart of the matter posed by Marx: he affirmed that the form of value arises from the nature of the value of the commodity and not vice versa, i.e. value originating from the expression of exchange value. Mercantilists and modern economists emphasized the quantitative aspect of the expression of value, obtaining nothing more than the «the daily list of prices current»¹⁸⁸. Conversely, Potter thought a relationship between objects could not exist (the hypothesis was «grotesque»), because commodities could not transform those objectivized social characters into the «natural social proprieties of those things». It was the individual, in this case the consumer, that had power over the value of the commodity and such value was relative since it depended on individual characters, subjective desires and on their continuous modification through time and inside society: from the point of view of its social function, i.e. consumption, the commodity contained a quantity of satisfaction and produced what Marshall called an «income of happiness». The same was true of labour: from the point of view of its social function, i.e. production (but also, as already said, profession), it contained abilities and qualities that had to receive from society what I called a “wage of happiness” in order to be employed. The wage would be, in this sense, not a function of capitalist command and compensation for subordination to it, but the expression of the relation between labour and consumption as a form integrating the different parts of the society. It was the political cipher of an integral citizenship or the political dimension of a social theory of value.

The crucial issue was therefore the nature of the social relationship: to Potter it was produced by the interdependence among individual desires that industry increased and determined. For Marx, however, the social relationship was the relation of bourgeois society¹⁸⁹. Thus the true abstraction from real relations lay precisely in

¹⁸⁸ K. MARX, *Capital*, p. 41.

¹⁸⁹ M. MERLO, *Il significato politico della critica dell'economia politica*, in G. DUSO (ed), *Il potere. Per la storia della filosofia politica moderna*, Roma, Carocci, 1999, pp. 372-385. See also M. TRONTI, *Operai e capitale*, Roma, DeriveApprodi, 2006; R. ROSDOLSKY, *The Making of Marx's Capital*, London, Pluto Press, 1977.

Potter's discourse on value, since, as noted above, it dislocated on a theoretical level the antagonism between capital and labour, providing an indefinite, although qualified, definition of labour.

Confronting social labour in its Marxian conception as abstract labour with the social value Potter assigned to exchange value, the meaning of "social" appears to be overturned. For Potter it was the correspondence of a human, useful, concrete faculty, we could say use value, with a human desire, that made exchange possible.

To be "social", to make "society", value in use and exchange value had to correspond, to be each other's cause. The double nature of the commodity was to her just a rhetorical artifice to explain a relation that was first natural, then historic. Its historic form was acquired: exploitation was thus released from the relationship that produced it; it was an epiphenomenon of the relation between capital and labour. The social function of the working class did not therefore originate from labour, but from the social and political conditions in which it was constrained, from its position in the hierarchy of industrial society. In a historical moment that saw the middle class betraying its vocation and becoming the spokespeople of the new aristocracy, the working class was the democratization factor without which it was impossible to rethink the social relationship.

The wit that Potter uses to close her essay on Marx shows how her refusal of commodity fetishism did not correspond to an incapacity to understand the Marxian concept of labour, but it referred to a conception of the state of health of industrial progress: capitalism was, from the first, the degenerated form of a social and advanced technological development, not its necessary historical outcome. To adhere to the Marxian theory would have meant to radically call into question this conception of society and consequently the possibility of dealing with its social evils – poverty, exploitation and the mental deterioration of individuals at work in the industrial system of life – and healing them, i.e. the possibility of producing an emancipated society from the existing one.

If (abstract) labour were the source of all value, different labours would no longer have any value: individuals would be nothing more than an indistinct mass or would be differentiated only by the different relations of domination discriminating and exploiting them. Therefore no social integration would be possible, if not by means of a violent class struggle. If the factory correspond-

ed to the Marxian description, if the commodity gained the upper hand over the human being, if labour was just disciplining the individual in the interests of profit, then it would become asocial. Potter's aim was, rather, to "save" society. Faced with the contradiction embodied in the factory, Potter developed a conception of social production that went beyond Marshall's reflection. It was socialist inasmuch as it claimed to intervene in the constitution of society, neutralizing simultaneously both subordination to an unjust order and insubordination lacking order, through the organization of power relations.

The importance of these essays, and in particular of the one regarding Marxian analysis, lies precisely in this attempt to rethink an order that had lost its integrative capability. It is in this sense that they represent the initial abandonment of Spencer, tracing, even before she formally became a socialist, the guidelines of what would become her socialism, anticipating the crucial questions of the political debates at the end of the 1890s.

Already in 1891, in a discussion on Owen as «the father of English Socialism», Potter emphasised that «a community would necessitate the development of an administrative system, of the nature of which even Owen himself had formed no conception and which could only originate in a pure and enlightened democracy»¹⁹⁰. In her first book, in continuity with these manuscripts, Potter already formulated her conception of social democracy as a «State in the State» and took her distance from the marginalists inasmuch as she recognised that the «democracy of consumers», in the form of the associations of consumers, could be a fitting alternative to private enterprise only when accompanied by a «democracy of producers [...] by hand and by brain, that is, by Trade Unions and professional societies»¹⁹¹. In contrast with Marx, but also with Ricardo, Potter saw the combining of these democracies, i.e. the neutralization of the antagonism between capital and labour, as essential to obtaining a democratic mode of production, that is, an «industrial democracy».

It was however only later that, formulating a principle of administrative order in the society, Potter recognised the necessity of the abolition of capitalist civilisation. The secret laboratory of pro-

¹⁹⁰ B. POTTER, *The Co-operative Movement*, p. 29.

¹⁹¹ B. WEBB, *My Apprenticeship*, p. 152.

duction, on whose doors the warning was written «no admittance except on business», was reformed in a democratic laboratory that was not only a government of the factory based on cooperation instead of profit, but which aspired to a modern form of democracy, i.e. envisaging a new relation between society, production and State and ultimately implying the overcoming of wage labour and of the social asymmetry that it brought with it. Her refusal of the Marxian theory of value was then the embryo of a reflection, the attempt to redefine labour as the ground upon which a society could be constructed that was functional to the collective good.

In a society in which the ethical content of labour, «the passion for work», labour as social vocation, «aspiring to operate something legitimately recognised inside the system of human ends»¹⁹², was replaced by work as simply a sale of labour-power for personal gain, labour was stolen from society and completely separated from «the concept of duty»¹⁹³. The paradox that Potter saw in the industrial society of her time was that the individual who worked for themselves – as a wage earner exploited for their own subsistence or as a capitalist for their own profit – did not work for society¹⁹⁴. Reading Marx, Potter recognised the risk that labour could become a *Menschenmaschine* from which the human being could not be saved, since he is the main part of its mechanism. Faced with this scenario, the only way out was to preserve that *Menschentum* – that remaining humanity that was essential for human emancipation – through the functional organization of society, that she would define as collectivism. Between Potter and Marx there was therefore not only Marshall, but also the overcoming of a technical criterion of management of social production and the search for a political criterion of integration that went beyond the aims of the Cambridge economist.

Vis-a-vis the political dimension of industrial conflict, which directly addressed the problem of the government of society, socialism could not only be a movement of the re-positioning of social parts or of a reorganization of interests, but had to have the

¹⁹² G. SCHMÖLLER, *Über einige Grundfragen des Rechts und der Volkswirtschaft*, Jena, Mauke, 1875, p. 33; cf. M. RICCIARDI, *La società come ordine. Storia e teoria politica dei concetti sociali*, Macerata, EUM, 2010.

¹⁹³ M. WEBER, *Dalla terra alla fabbrica, Scritti sui lavoratori agricoli e Stato nazionale (1892-1897)*, Roma-Bari, Laterza, 2005, p. 68.

¹⁹⁴ M. RICCIARDI, *La società come ordine*, p. 143.

possibility of disciplining subjective desires towards the collective good. And it had to do this through labour because it was there that the quality of social life was determined and that the political terms founding society were put into play: equality and justice. Exploitation had to be abolished because it transformed labour into a battlefield of society against itself; democracy had to be administered by expert leaders, professional leaders, capable of being guardians, rather than masters, of the community. Paraphrasing and overturning Marx, the point for Potter was *to transform labour into social capital*, i.e. into the social and institutional basis of democracy.

At the eve of the 1930s, while preparing to study the Soviet system, Potter recognised:

«Where we went hopelessly wrong was in ignoring Karl Marx's forecast of the eventual breakdown of the capitalist system as the one and only way of maximising the wealth of the nations. Karl Marx foresaw that the exploitation of land and labour by the private owners of the means of production, distribution and exchange would lead inevitably and universally to a corruption and perversion of the economic system»¹⁹⁵.

She would never share the economic theory of Marx and, nonetheless, faced with the First World War, the economic crisis of the twenties and the failure of the Fabian politics of permeation, she called into question the possibility of reforming the capitalist system without its complete abolition. This abolition however could not be obtained with a revolutionary gesture, but only by usurping the capitalists' despotic power through the administration of democracy. The contradiction between the economic power of the few and the political power of the many produced exploitation, conflict and unemployment, that is, social emptiness and disorder:

«Finally the rule of the capitalist and the landlord has proved to be hopelessly inconsistent with political democracy. There can be no permanence of social peace in a situation in which we abandon production to a tiny proportion of the population, who own the means of production [...] This hopeless contradiction between *economic power of the few and the political power of the many* is shown in the most

¹⁹⁵ B. WEBB, *Our Partnership*, p. 488. Italics mine.

vivid form in the problem of the treatment of the involuntarily unemployed»¹⁹⁶.

Recognizing labour as the political place of social transformation Potter would be forced to admit the decay of capitalist civilisation, which «began to decay before it reached maturity». She continued: «history will regard capitalism, not as an epoch but as an episode, and in the main a tragic episode, or Dark Age, between two epochs»¹⁹⁷. Starting from this point, Potter made a step forward political economy and Marshall's economics, to deal with that political dimension of social relations that «the technical part of economy» could not solve. The administered democracy, the civilisation without capitalism, Potter theorized in the last part of her career was an alternative to capitalism, not the mere extension of rights and benefits, but an attempt to act continuously on the material constitution of society¹⁹⁸ by means of a science of social cooperation that kept together the search for a new ethics with administration as a space of power and collective participation.

¹⁹⁶ *Ibidem*.

¹⁹⁷ B. AND S. WEBB, *The Decay of Capitalist Civilisation*, London, Allen and Unwin, 1923, p. 2.

¹⁹⁸ «the ideal of the Socialist Commonwealth will be the progressive assimilation of the “nation of the poor” with the “nation of the rich”, the abolition of all class-distinction based on a pecuniary means, and even the obliteration of any fundamental cleavage between the brain-working professions and the manual working crafts» (B. and S. WEBB, *A Constitution for the Socialist Commonwealth*, London, Longmans, 1920, p. 292).

Note on the texts

The original manuscripts of the two essays here published for the first time are held in the Library of the London School of Economics and Political Science. The first essay, *The History of English Economics*, is part of the Passfield Paper (box 7/1/3) as well as the second one, *The Economic Theory of Karl Marx*, (box 7/1/5, foils 1 and 3-23 [draft C, D]).

The first essay is dated 1885. In 2012 Kimitoshi Satoh (Liberal Arts Social Sciences, Nagaoka National College of Technology) published *The Significance and Transcription of a Manuscript of Beatrice Potter: "The History of English Economics"* with a partial transcription of the text. This text is the product of a period that Potter dedicated entirely to the study of political economy. In the entries of the diaries published hereinafter Potter expresses the difficulties and progress she faces exploring the subject and discussing with several people, as we recounted in the introduction. Therefore, in this first text there are also visible changes to her approach, as it emerges, for example, in the substitution of the term «communities» with that of «societies», whose meanings we also explained before. In this essay the name Pitt refers obviously to William Pitt, PM from 1783 to 1801 and from 1804 to 1806.

The second essay is dated 1887 and has been stored in different versions. We publish here two drafts: the first ends at page 126 while the second one, reworked in a few paragraphs, has also a proper conclusion. We remind the reader that the English translation of Marx's *Capital* dates back to 1886. The letter of 9 March 1887 written by Edward Spencer Beesly, positivist historian and Marx and Engels' friend, can also be found in Passfield Papers (box 2/1/2/8).

The other writings we publish hereinafter are not strictly related to economic subjects, but their relevance lies in the connection they show between Potter's understanding of economy as a crucial question of her time and her deep belief of the necessity to go beyond it in order to redefine both labour and society. Among these writings we included some entries of her diaries, dating back to the end of the XIX century, as well as two texts, the Appendix to *My Apprenticeship* and *What I Believe*, written between the 1920s and 1930s: the first was published in 1926 and the second one was published on «The Nation» on 3 June 1931 and later in Albert Einstein and others, *Living philosophies*, 1937. These two texts show the enduring commitment to the creation of a science of society and to the elaboration of theories able to transform society and individuals.

The entries of Potter's diaries, written from 1869 to 1942, relates mainly to the period in which the two unpublished essays on economy are written. The widest abridgment of her diaries is N. – J. MacKenzie (eds), *The Diary of Beatrice Webb*, London, Virago, 1982-5, following the first edition by Margaret Cole. D.A. Shannon has published the *Beatrice Webb's American Diary* (1898), Madison, WI, University of Wisconsin Press, 1963. Manuscript and typescript diaries (57 manuscript notebooks and 2 typescript copies) are accessible here:

<http://digital.library.lse.ac.uk/collections/webb>.

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Unpublished Writings of Beatrice Potter

The History of English Economics (1885)

Political economy originated in the minds of traders and financiers. It was an attempt to solve the practical problem, how to increase the riches of the nation and for this it was necessary to form some conception of the origins and nature of wealth.

The first theory of Wealth arises from an exclusive attention to the most superficial fact of Industrial life – the adoption by all civilized nations of the Precious Metals as the medium of Exchange. For the popular notion that «Wealth is money» was merely the expression of a universal and persistent mental association, between a wish for the necessaries and luxuries of life and the possession of money, whereby these might be obtained. Thus, in those early days, the financial policy of the State was directed to promote the Importation, and to check the Exportation of the Precious Metals. But with the development of commerce, the mercantile classes perceived that even the facts of Exchange were not simple as they seemed to be. The prohibition of the Exportation of Gold pressed heavily on the East India Merchants; and the facts of the new trade disclosed the real nature of Gold and Silver as commodities, apart from, their conventional nature, as instruments of Exchange. Through the influence of the first Indian Company, the laws forbidding the Exportation of bullions were repealed in 1663 by the English House of Commons.

The theory that money constituted Wealth was still dominant, but the action and re-action of trade were realised, and theorist and legislators allowed that the Precious Metals might be directly exported, in order that money might be indirectly imported.

An elaborate commercial policy called "The Mercantile System" was introduced. The aim of this policy was to secure through trade restrictions and bounties, the Excess of the value of Exports over that of Import. This Excess would, it was thought, cause of the indirect importation of money and lead therefore to the accumulation of Wealth.

It would be a mistake however to think that historically considered, any theory of national wealth was the earliest or most important factor in deciding the commercial policy of the country. Close corporations of tradesman, manufacturers, and traders had, during the Middle Ages, dictated their terms to Princes and Minis-

ters in need of money, and had imposed the "Manufacturing System" on the trade of the country. Those who were supposed to understand trade, i.e., individuals and [communities] societies engaged in it were listened to, as the best authorities on commercial matters.

The interest of the existing Producer leading directly to bounties and monopolies, to taxes on foreign manufacturers, and to the restrictions and arbitrary settlement of labour, was held to be synonymous with the National interest. Thus the "Manufacturing" and the "Mercantile" systems, blended naturally together.

A plausible theory of national advantage was a convenient cloak to private interest, against the inroads of new and conflicting enterprise.

From time to time, shrewd merchants and far-seeing financiers pointed out the fallacy underlying the hypothesis, that the laws of Production were favourably influenced by manipulating exchange. The French Physiocrats broke through the crust of Exchange, and discovered one of the ultimate sources of wealth the «Produce of Land». They installed «Matter» as the fetish of Production, and advocated the useful principle of free trade; but as the «Agricultural system» had little influence on English Public Opinion beyond stimulating inquiry, it is unnecessary to consider its theories.

In 1776, the year of the publication of Adam Smith's *Wealth of Nations*, though the "Mercantile" and "Manufacturing" Systems were discredited in the minds of the more philosophical of the trading class, these systems controlled popular opinion and decided the commercial and financial policy of the country. The material interest of the great mass of consumers, the industrial instinct of young enterprise, and the workers, needed expression.

All alike found their expression in the independent inquiry of the great Economist of the 18th century into the actual sources of National Wealth.

The great work of Adam Smith had therefore a twofold character. He aimed at the discovery of the laws regulating Production, with the practical purpose of increasing the total wealth of the nation; and with this object constantly in view, he investigated industrial life and traced to its human source the industrial product Wealth.

As a reformer of social abuses, he pleaded the material interests of the great mass of his countrymen; he pressed on Public Opinion

the ever extending and ever varying needs of the growing body of consumers – he advocated freedom of action for the would-be inventor, producer and worker, and he denounced sternly the weightily and shackling of the great majority in the race of life, through the state protection of individuals and small [communities] societies.

This double nature gave to his work richness of thought and feeling; it endowed it with humanity, made it live and germinate in the hearts, as well as in the intellects, of fellow-countrymen.

On the other hand, it resulted in an absence of logical sequence, in an indefiniteness of purpose leading to serious misunderstanding among his followers. They confused the result of his investigations, which belong to all time, with the doctrines of his reformation, which applied only to the social conditions in which he lived.

Professor Marshall has thus described Adam Smith's achievement as a scientific Investigator: «His chief work was to indicate the manner in which value measures human motive. Possibly the full drift of what he was doing was not perceived by many of his followers, who approached Economics from the point of view of business rather than philosophy. But for all that the best economic work which come after the *Wealth of Nations* is distinguished from that which went before, by a clearer insight into the balancing and weighing by means of money, of the desire for the possession of a thing on the one hand, and on the other, of all the various efforts and self-denial which directly and indirectly contribute towards making it».

Adam Smith, then, in following wealth to one of its sources «Labour», discovered the economic nature of man, and described it. We mean by the «Economic nature that portion of human Faculty and Desire which has an Exchange value»; or to use Professor Marshall's formula, «which can be weighed and balanced by means of money». He divided the economic nature of man into Economic Faculty and Economic Desire; or as he would have expressed it into the power of Production and into the capacity for Consumption. In his world-famed essay on the "Division of Labour" he traces the historical growth of Economic Faculty, and discovers in the self-interested desire to «barter one commodity for another» the original source of its progressive development.

He perfects the theory of «functional adaptation», as it is shown in human life and forestalls the biological statement of it. He states the empirical law as it is developed in history and manifested in contemporary life. He relates it clothed in fact.

He then proceeds to analyse these facts and verifies the universal nature of this law by a deduction from an ultimate law of human life.

Adam Smith was no pedant in the use of method; he used the historical, Inductive and Deductive methods, as they respectively suited the nature of his subject-matter; his special distinction lay in his constant effort to give to each its appropriate verification. The chapter entitled *That the division of labour be limited to the extent of the market* deals more especially with Economic desire.

He demonstrates that the development of Economic Faculty is dependent on the growth, both in strength and variety of form of Economic Desire.

He follows the action and re-action of Faculty and Desire, through the intricate labyrinth of Exchange with its attendant circumstance the conventional use of the precious metals. Later on, he describes the origin and use of money; the appropriation of land by individuals and the accumulation of capital. He distinguishes between Productive and Unproductive Labour; or as we should proper to express it, between Fertile and Sterile (Economic) Faculty; and he notices an empirical law which we think has hardly received sufficient attention – for it partially describes though it does not explain a phenomenon of our larger towns, namely «Wherever capital predominates industry prevails, wherever revenue idleness».

Further he defines the limits of Economic Science, for he notices the inequalities produced in the measurement of Economic Faculty by the presence of the other qualities of human nature. We may think his enumeration of the «Five principle circumstances which make up for a small pecuniary gain in some employments and counterbalances a great one in others» insufficient and inadequate, he overlooks the great pleasure derived from the free exercise of the higher intellectual and aesthetic faculties raising these faculties out of the category of the Economic in as much as the owner exercise them without regard to their Exchange value, and in so far they may not correspond to an Economic Desire in the Public Mind; may be independent of it for their development, and

through its indifference, may have no measurable Economic result. Nevertheless his definition of these circumstances was a distinct recognition of the limit of his subject matter, a recognition deplorably absent in the more vulgar minded of his followers.

But, in one respect, his analysis of the Economic Faculty, was lamentably deficient. We refer to the ambiguous use of the term «Labour». He nowhere defines this word.

McCulloch as editor of the *Wealth of Nations*, writes «It seems however that generally speaking he supposed it to mean the exertion made by human nature to bring about some desirable result».

McCulloch himself however objects to this definition as too restricted and would include the action of machinery and animals, «because so far as the doctrines of Political Economy are concerned they are in all respects the same».

This is no doubt true, if we limit Economic Science to the discovery and the description of the "Laws of Production". And if Adam Smith had confined himself to this aim, a purpose to which he brought the enthusiasm of the scientific student, and the fervour of the philanthropist, the wide use of (the term) Labour would have been correct.

(But) possibly he wished to complete his picture of industrialism; for he traces Wealth though with evident indifference, as it was distributed by the conventions and the necessities of his time along the class channels of social life.

Labour, the sole human source of Production, comprehending the grand total of human effort, is suddenly reduced in its signification, to its most restricted sense, namely manual labour.

To explain the inequalities of distribution, Adam Smith laconically relates the rise of Private Property and the accumulation of Capital.

«The original state of things in which the labourer enjoyed the whole produce of his labour could not last beyond the first introduction of the appropriation of Land and the accumulation of Stock. It was at an end therefore long before the most considerable improvements were made in the production power of Labour, and it would be to no purpose to trace further what might have been its effect upon the recompense or wage of Labour». This reference to necessity has a strange sound to the modern ear, delicately attuned to the "natural right" of the manual class of producers!

His indifference however manifested here, as in his whole treatment of the "Labour question" was but one of the bad result of his double character as social reformer and scientific investigator; for his social sympathies, roused by the artificial restrictions of his own time, were enlisted in the service of the consumer and the would-be producer, he was in fact their special pleader. And in his day, the bad effect of this intellectual fallacy was inappreciable for the strife between the different classes of producers had not as yet arisen. Nevertheless it is this small grain of falsehood developed by the ignorance of his immediate followers, pruned and trimmed by the cutting logic of Ricardo's mind, transplanted by the German critics of Political Economy that now overshadows us in the mightily tree of so called scientific socialism. For if Manual Labour be the early form of Economic Faculty, if capital be only «the result of parsimony», then after deducting current interest on capital, and after allowing for risk and clerk's wages of superintendence, the net produce has been earned by the labourer.

These two assumptions are however false. Capital does not originate entirely, or even principally, in the act of saving, which is simply superior self-restraint in the gratification of the Economic Desire, or possibly the absence of this Desire. It originates in the presence of a specific form of brain power, which whether we give it a high or low value, has a definite place in the hierarchy of Economic Faculties – and is variously manifested in the organisers of industry in the originators of commercial enterprise, and in the money-making instinct of the wholesale and retail traders. It is strange that Adam Smith should have completely overlooked these special forms of Labour, for he mentions in treating of Production not only the Inventor but also the relations to production of the learned Professions.

Before we leave the greatest and most original work in Economic Science, we would point out what we conceive to be a misapprehension in the minds of his followers, and of his German critics, as to his supposed doctrines of free contract and non-interference. They have mistaken the qualified precepts of the social reformer, for the abstract theories of a scientific investigator. They have forgotten that Adam Smith lived in an age of class oppression and that the *Wealth of Nations* is a history book of social abuses.

We can hardly realize the social effect of the laws of Settlement, of the prohibition in the emigration of the artisan, of the cruel penalties attached to illegal occupations, of the endless vexation and loss resulting from the regulation, and restriction, of internal and foreign trade. And yet, in so simple instance did he enunciate a general principle of "Laissez faire" or advocate an unlimited freedom of contract. Undoubtedly he had the faith of an energetic and upright nature in the worth of individual effort. He was a man inspired by deep religious feeling and he saw in the vice of self-interested class regulation the great antagonist to the natural law of Divine Government.

But he approved of State compulsory education; he advocated state military training of the whole population; he suggested as an encouragement to science the State examination of those engaged in the liberal professions; and finally, he declared when the state interfered between employer and workman in the workman's interest, the interference was always «just and equitable».

We may dream that state action is always good. We may swear it is always bad. We may believe that a deeper research and more extended reasoning warrants us in describing the exact nature of its limits – enables us to say «Here and no further».

Adam Smith however was wholly innocent of these abstract ideas. He had only one general principle regarding state action – If interest A be virtually the State and if interest A be antagonistic to interest B, then any state regulation of the joint affairs of A and B will be disadvantageous to interest B.

A modest proposition! A proposition none of us will controvert until the coming of the Millennium of Ethical evolution when the attribute Sentiment will be the dominant force of social life.

What then were the changes in events and ideas that transformed this crusade of the 18th century against the oppression of the Many by the Few, into the "Employers Gospel" of the 19th century; and substituted, under the shelter of a common name, a set of abstract principles for the conduct of financial business, for the scientific observation of one aspect of human life, the Economic nature of man?

If we wish to gain an insight into this question we must study the leading features of the era of Industrial Revolution (eloquently described by Arnold Toynbee) that intervened between the publication of Adam Smith's *Wealth of Nations* (1776) and the publica-

tion in 1817 of the next great work on Economic Science Ricardo's *Principles of Political Economy*.

During these years, the great mechanical inventions of the 18th century were realized. They gave birth to a new people, a people rapidly increasing in numbers, and changing in character, as invention after invention, opened out fresh possibilities of acquiring wealth. Steam and machinery instituted a new system of Industrial life. The unit of production ceased to be the master workman owning his stock, half agriculturist, half manufacturer, employing the labour of his family and of a strictly limited number of apprentices and selling his goods in a provincial market; it became the big capitalist producing for a distant market, dealing out raw material to a collection of individuals, each of whom had its work appointed with the same regularity and definiteness as was manifested in the movements of machinery superintended.

These were the days when capitalists believed that men were created to supplement the still existing imperfections of machinery and indulged in dreams of a wheel of perpetual motion, which would dispense with all necessity for wage-labour.

The decennial increase of the population which is calculated to have been 3 per cent during the first fifty years of the 18th century rose progressively to 18 per cent in the decade of 1811 to 1821.

Old class sank, new class rose. The small agriculturist, and the half agriculturist, disappeared before the rapid enclosure of common lands, the concentration of small into large farms, the accumulation of land in the hands of rich men for social and political purposes. The heaping up of population in large towns necessitated a new middle class – the wholesale and retail trader, the incarnation of the money-making instinct apart from the faculty of production; the embodiment of the maxim to «buy in the cheapest and sell in the dearest market».

The face of the country was rapidly intersected with improved highways, canals, iron and wooden rail roads and barring the use of steam for locomotive purposes the means of communication were perfected.

The credit system with its huge possibilities for good and for evil was elaborated.

Before the middle of 18th century only twelve "Banking Shops" existed exclusive of the Bank of England and this bank issued no notes under £10.

Payments were made in cash. But in 1797 country Banks had already multiplied to the number of 280. The suspension of cash payments by the Bank of England in this year under the stress of war expenses, and the substitution for the space of twenty years, of a paper, for a metallic currency, finally uprooted the theory that «Wealth is Money». «Wealth is Credit» became the practical maxim of the trading world and with credit they rushed into new inventions, built towns, explored the commercial possibilities of the earth and created whole nations of producers and consumers. Classes were more and more sharply divided – the manual worker became dependent on the capitalist, the agricultural labourer on the landowner.

All restrictions unfavourable to the capitalist producer were swept away. The consumer was still uncared for; and though the joint operation of the corn laws and of the war the price of wheat rose in 1800 and 1801 to 127 and 128 a quarter. The darkest shadows of competitive civilization were dashed into English life.

Periods of overproduction and stagnation followed years of brisk trade and large profits. Starvation prices of the necessaries of life reduced numbers of men and women to a desperate condition. The horizon of the wage-earner was blurred and indistinct; his financial future depended on condition of which he had no knowledge, and over which he had no control. In good times the "labouring poor" multiplied recklessly. Tory socialism, representing the uneasy conscience of the enriched landowner, employer and farmer, held out a degrading poor law as relief.

The poor rate jumped from 3.7 per head in 1760 to 13.3 in 1818.

The great war accentuated all these tendencies. Pitt understood that England's mission was commercial supremacy. He needed for his war policy, a great national acquisition of Wealth, and for his standing armies, an indefinite increase of the population. He favoured the commercial classes, and laid open before them, political power and social prestige. The passion for wealth seized the English people both as individuals and as a nation.

The English became «a nation of shop-keepers» but shop-keeping was a means to an end – the conscious aim was personal power and national supremacy – the unlocked for result of all this tumultuous struggling and suffering was an immortality in her children, the creation of A Greater Britain.

Malthus published his essay on population in various editions throughout these years.

It is not properly speaking a treatise on Economic Science. It deals, from a sociological point of view, with that part of nature man's nature which is most in conflict with the free development of the economic nature of the individual. Mr Herbert Spencer in his *Biology* has traced the Desire for Reproduction through the various orders of animal life, and demonstrated that it varies inversely with the evolution of nervous organization. Malthus tried to prove by the historical method that the lower orders of man will increase at a geometrical ratio and that the «positive checks of war», famine and premature death are the only checks which operate in regulating the relation of certain classes of the population to the amount of food furnished them by the circulating capital actually devoted to the payment of wages. The theory of a wage-fund, which briefly stated is the limitation through Economic necessities, of this to a fixed amount, is not necessarily connected with Malthus's law, though it is popularly associated with it.

Malthus also originated an Economic hypothesis regarding agriculture namely the Diminishing returns from the cultivation of Land.

The foregoing is a brief summary of the industrial and intellectual condition, in the presence of which Ricardo developed his abstract principles of Economic Life. He was in no way a scientific investigator. He adopted Adam Smith's discovery of the Economic nature of man and by the light of the events of his own time, he gave to that part of man's nature a purely ideal form. The great mental characteristic of his age was the Passion for Wealth and the keen competition in the acquisition of Wealth, which this introduced.

Ricardo regarded this characteristic as an absolute and universal tendency of man's nature, extending with an ever increasing intensity throughout all time and excluding in all industrial operations the pressure of any other faculties.

Society was to him a collection of gold-seeking animals, each individual of which was endowed with a commercial omnipresence omniscience, and all of whom were too intent on the acquisition of wealth to allow of combination among them for common objects.

He accepted Malthus' «Law of Population» as the only limit and qualification of the money-making instinct and he adopted

Malthus' minor hypothesis of Diminishing Returns. From a combination of these assumptions he deduced the doctrines which were the distinguishing features of his work; namely, the actual existence of pure competition and the consequent possibility of free contract between all individuals and all classes. He introduced into the treatment of Economic subject the exclusive use of the Deduction Method, and in nearly all instances, he discarded verification.

We may prove these assertions by a brief examination of the leading theory of his work – the theory by which he accounts for the distribution of the produce of land and labour into three forms of remuneration, namely Rent, Wages, Profits; belonging respectively to the three wealth gaining classes of a community, Landlords, Labourers, Capitalists. It is superfluous to point out that throughout his argument he assumes the necessary existence of Private Propriety in all things and to any extent.

Indeed he seems (perhaps owing to his Semitic origin) naively unconscious of the possibilities of any deviation from this convention; of any change in the present (or passing) conception of Property Law. Deny the necessity for private ownership in all or in any kind of property add full realization of the misery endured under our social system and Ricardo's teaching, or rather selected parts of his teaching, became the natural bases for various schemes of socialistic reform, and furnish a foundation to the elaborated socialism of Karl Marx, as well as a starting point to Henry George's rhetorically expressed panacea of land naturalization.

According to Ricardo, Rent is that part of the produce of Land which remains after allowing current return on the capital employed and after subtracting the Wages of Labour, including within this term the farmer's wage of superintendence.

He assumes: (1) Pure Competition, meaning in this case, the existence in all men to an equal extent of an enlightened commercial self-interest absolutely controlling action; (2) A practical limitation of the amount of land yielding produce; (3) Diminishing returns from Agriculture; (4) Private ownership of land.

If we grant these assumptions we may deduce Ricardo's theory of Rent, stated thus by Professor Fawcett «the rent of any particular land may be estimated as the difference between the amount it produces and the amount raised from the worst land in cultivation».

Wages as the remuneration of Labour.

Labour is synonymous with toil and trouble and allowing for the degree of skill, capacity and length of training required in different occupations is incapable of variation in quality and is uninfluenced by the presence of moral characteristics.

He assumes: (1) The universal and eternal nature of Malthus Law of Population; (2) Pure competition involving here on the one hand the denial of the efficacy of combination among labourers to restrict the supply of Labour, and on the other hand, the assertion of the possibility of free contract between the employer and the isolated workman. Accepting his definition of labour and agreeing to his two assumptions we have his theory of wages; that wages in the long run adjust themselves to the natural price of labour, or as he expresses it «that price which is necessary to enable the labourers one with another to subsist and perpetuate their race».

It would however be unfair not to notice a qualification which appears in his discussion on wages, though omitted in his theory, and which is practically a limitation of the Malthusian doctrine, namely, that the natural price of labour eventually depends on the habits and customs of the people, i.e. on the development in them of tastes for the comforts and luxuries of life, or in other words on the presence of the higher forms of Economic Desire, checking the Desire for Reproduction. But this qualification does not appear as a factor determining his conclusion.

Profits are the net return on capital after replacing the circulating capital destroyed, and after allowing for the decreasing value of the fixed capital. He assumes (1) the existence in all men of commercial omniscience and the equal distribution among them by Economic faculty. (2) Pure competition, in this case implying the non-existence of the specific power of capital, shown in the familiar phenomenon of the destruction of small concerns by large concerns through an unprofitable underselling; and ignoring the presence of class spirit which leads to agreement between capitalists antagonistic to the Public Interest, and to unopposed trades-unionism in these professions which depend on the presence of brain-power; and lastly, omitting from consideration the compulsory powers and trade monopolies conferred on the ground of public convenience upon certain commercial undertakings such as Railway Companies etc.

If we grant these assumption, and also accept his theories of Rent and Wages, we deduce his theory of Profits «that they depend in all countries and at all times in the quantity of labour requisite to provide the necessaries for labourers on that land, or with that capital which yields no rent», or to state it more simply, Profits vary inversely with the wages of labour (owing to his purely mechanical view of labour he confused the wages with the cost of labour, a mistake quickly rectified by his followers).

Profits therefore will in the long run fall to that level of remuneration below which it will not be worth a man's while to save.

Combining these three theories of Rent, Wages, Profit, we deduce his formula of industrial progress.

Rents will rise not only in money value but in true value, absorbing an ever increasing proportion of the produce of land and labour.

Wages will rise in money value but will remain stationery at the level of bare subsistence as measured in the necessaries of life. Profits will fall to that point below which they cease to be an efficient inducement to save.

We are not concerned here to prove the truth or untruth of any of these assumptions; we would only point out that deny any one of them, that part of the theoretic superstructure, to which it forms the foundation, falls to the ground. His theories of the Value and of the influence of the «Extention of Trade» on the wealth of a nation, though they contain many of these assumptions rest more especially on the characteristic proposition, that, given a certain number of individuals Economic Faculty and Economic Desire are fixed both in quality and quantity.

The scientific observation which distinguished the work of Adam Smith was therefore useless to Ricardian Economics. Political Economy ceased to be the Science of the Economic nature of man and became as Bagehot defines it, the «Science of Business». For Ricardo developed Economics as far as they deal with the material factors involved in the Production, Distribution, and Exchange of Wealth; and curiously enough it is in this, the financial part of his work that we find him using the Historical Method to verify his «a priori» Deductions. He describes lucidly the distinction between Circulating and fixed Capital, calculates the relative amount of return necessary to support each, and in his Delicate analysis of their varying degrees of durability lays the foundation to Professor Jev-

ons' Mathematical theory of Capital. He formulates these sound precepts of Finance to his advocacy of which we owe the final Repeal of the "Bank Restriction Act" in 1819; and the consequent resumption within a few years of cash payments by the Bank of England. And though owing to his peculiar system the theoretic part of Political Economy become crystallized and – in so far as his followers accepted his assumptions without verification – incapable of growth, the practical branch was still animated by the spirit of social reform. The Economic principle of Laissez faire which we must distinguish both in origin and function from the sociological deduction of non-state interference was the embodiment in precept of the two cardinal doctrines of Ricardo's work the Actual Existence of Pure Competition and the Possibility of Free Contract.

As a legislative principle, quickly elevated into a moral axiom, it powerfully stimulated the middle and working class agitation against the Corn Laws culminating in their Repeal in 1846. It succeeded in removing, one by one, all the restrictions imposed on the extension of Trade for the benefit of a limited number of Producers to the detriment of a great mass of Consumers.

It inspired the repeal in 1824 of the laws against the combination of workmen for trade purposes, and by a strange irony or fate it lent its dying influence towards the legalization of Trades Unions, though it is the success of these societies that has most contributed to discredit the doctrines of Pure Competition and the Contract in the Public Mind. But the noblest monument of the legislative effect of Political Economy during this period was the reform of the Poor Law in 1834 and 1836. The Report of the Poor Law Commissions in 1834 is a masterpiece of Economic Science a direct emanation from the spirit of Adam Smith, not an application of the principles of David Ricardo.

If we may so express it, it is the leading treatise on Economic Pathology, dealing with the deterioration of Economic Faculty and Economic Desire, and graphically describing a state of Economic Desire in which Faculty was rapidly dying and Desire was reduced to that lowest form of life which is least antagonistic to the licentious action of the Desire for Reproduction.

Possibly it was this great achievement joined with the immense success of Free Trade as an experimental proof of the current doctrines of Laissez faire that induced the self-complacent dogmatism

that overcome the minds of the Political Economist of the first half of this century.

A re-action however, practical, moral and intellectual, was gradually gaining ground.

The contrary principle of the State protection of the masses against the selfish action of individuals and small societies – had been silently at work from the beginning of the century.

An alarming outbreak of a specific disease in Manchester and other north country towns, originating in the unhealthy conditions of factory life had led to first Factory Legislation in 1802. The successive legislation throughout the first half of the century protecting the manual form of Economic Faculty from the deteriorating effects of premature use, overwork, unsanitary conditions was sufficiently justified by results to encourage the philanthropic politician in state interference.

The changes in Public Opinion and the gradual loosening of dogmatic principle is well expressed by the famous Lord Shaftesbury (then Lord Ashley) in his speech introducing the "Common Lodging House Bill" into the House of Common in 1851: «Twenty years ago it would have been necessary to state many principles and urge many arguments, now I believe it is only necessary to state an evil and indicate a remedy». And it is needless to insist on the truism that the demand for state interference has become in recent and present days an over-powering force in English Political life.

The moral reaction against Benthamism and Political Economy was inaugurated by the great moralist of this century. Thomas Carlyle in 1844 vehemently denounced «the gospel of free trade, competition, and Devil take the hindmost» and ridiculed the theory of society represented by the idea of «cash payment as the one nexus of man to man». «True government and guidance not no government and laissez-faire» is the keynote to *Past and Present*. Labour which had signified to the Economist toilsome exertion never undertaken except for material reward meant to Carlyle's idealistic mind «God-like labour truest emblem there is of God the world worker».

He foresaw that the time was rapidly approaching when the "Passion for wealth" would give way in many minds to the "Passion for Work".

And in the hearts of the people the Economic principle of Laissez-faire having ended its active life had become an «altogether detestable thing».

The two theories of the Actual existence of Pure Competition and the Possibility of Free Contract, may be pretty subjects for amiable discussion among the well to do, but to the poor and to those who live with the poor they are cruel, mocking lies.

Setting on one side the complications inherited from past restrictions and the manifold complexity of our industrial growth, where is Free Contract in a Country in which Civil Justice is the exclusive prerogative of the rich?

Who but the fool believes that claims will be allowed that cannot be enforced! Masses of our countrymen are practically outlawed by their poverty and ignorance in all questions concerning property and the fulfilment of contract.

Our Factory Legislation, Employers Liability Acts, Adulteration Acts, Sanitary regulations, Compulsory Registration of Friendly Societies, Merchants Shipping Bills, Charity commissions, Societies for the prevention of the enclosure of commons, etc, etc are so many attempts to mitigate this one great injustice.

And it is significant that the greatest thinker of modern times in his attempt to work out through a sociological deduction a complete theory of the Functions of Government has made "Free Justice" an indispensable part of a system founded on the principle of non state interference.

It is therefore not surprising that the Economic precept of Laissez Faire and with it – through a misapprehension in the public mind – the whole teaching of Political Economy should have sunk in popular estimation to the moral impotence of an "Employer's Gospel".

But Public Opinion has done and is doing the Economist a great injustice.

They have long ago deserted the lifeless body of Ricardian Economics. Indeed it seems doubtful whether there has been any Economist of importance who has looked upon Ricardo's abstract man, as more than a lay-figure whereon to hang those of the Ricardian assumptions which were especially sympathetic to his individual mind. Leaving on one side the long line of thinkers of Economic Subjects, from Malthus to Cliffe Leslie and Arnold Toynbee, who have objected to the exclusive use of the Deductive

method without the verification of the premises and conclusions by inductive reasoning, or historical investigation; we find even in the straight line of the orthodox a serious divergence growing every day more marked. One by one Ricardo's assumptions have been restricted in their bearing, modified in their nature or altogether rejected and in the present day as Professor Sidgwick has recently told us, the orthodox Political Economy is in the queer position of being refuted by the best accredited teachers of the Science.

As for that «altogether detestable thing» that monstrous twin of the actual existence of Pure Competition and the Possibility of Free Contract, it received its quietus in the world of Economic thought when two unexceptional Economist Professor Fawcett and Mr. Leonard Courtney voted for Mr. Gladstone's Irish Land Act of 1881.

Where then shall we find the salvation of the orthodox? We think Professor Marshall (Professor Fawcett's successor in the chair of Political Economy at Cambridge) in his admirable pamphlet on *The Present Aspect of Economics* has defined the true nature of Economic science. In this essay he tells us that the Science of Economics is not a «body of concrete truths» but an «organon of research» dealing with that part of human nature which is therefore measurable in terms of money.

We venture to develop this idea.

We conceive that the Economic phenomena of social life should be classified under three headings:

I The psychical phenomena of Economics.

II The physical phenomena.

III The phenomena containing both physical and psychical elements.

I The first section will therefore consist of the laws determining the Economic nature of man.

We define the Economic nature to be these faculties and desires that can be «weighed and balanced by means of money». Thus Economic faculty will be measured according to its Exchange value to Economic Desire. This measurement however, will not necessarily correspond to the remuneration it actually receives – for the social conditions surrounding it may prevent the full realization of its reward.

National and local customs, trade restrictions, monopolies, (whether legislative or the result of the mass-power of capital) the

non-fulfilment of contract, the various forms of confiscation, are so many «disturbing causes» which operate on the price of any given Economic faculty but not on its real value to Economic Desire.

To take a simple instance the work of an English author in America has an Exchange value representing the state of Economic desire for such a literary or scientific production in that country; but owing to the absence of international copyright the faculty of the English author receives no remuneration beyond that granted to him by the courtesy of the American publisher, or falling to him through the exigencies of competition in the American publishing trade. The function of Science in this branch of Economics is to discover through delicate analysis of existing conditions, combined with deductive reasoning from ideal conditions, the actual difference between the remuneration received and the Exchange value of any given Economic faculty, and if there be a difference to describe the nature of the «disturbing causes».

Again we have Economic Faculty which refuses to accept its Exchange value; this from lack of a better word we shall term amateur, using the word in its original signification i.e., «work undertaken from love of the pursuit» and not with its acquired connotations of unthorough. It is asserted that this form of faculty has definite characteristics beyond those belonging to the special occupations in which it is engaged. Specific peculiarities are also attributed to state-paid faculty, i.e. officialism; it is the function of Economic science to discover and define these characteristics, and if possible to explain their universal presence under like conditions by deducing them from psychological laws. We must also include under Economic faculty these money-making qualities which extort remuneration from society without possessing Exchange value to Economic Desire, such as all kinds of gambling and pure speculation.

These however we shall distinguish as spurious Economic faculties; the evil outcome of our elaborated credit system. The individuals who subsist by the exercise of these faculties are rightly regarded as the most mischievous of our social parasites. For they are not only worthless particles, economically considered, but they are akin in the vicious nature of their activity to the physiological parasite in which it is said cancerous growth originates, for like it, they deteriorate the living substance surrounding them.

We shall classify Economic desire into efficient, inefficient and artificially efficient.

We define efficient desire as that which exists in the individual or in the race with the necessary quantity and quality of Economic faculty, whereby the means of gratification can be obtained.

We define inefficient desire as that which exist without the means or the power of obtaining the means of gratification. Lastly we define artificially efficient desire as that existing in an individual or a class which possesses, through gift, inheritance or theft, the means of gratifications without exercising or having or having exercised any form of Economic Faculty whereby the community is compensated for their consumption. Thus, these two latter classes, are economically considered parasitic. But we would remind the reader of the existence and extensive use of amateur faculty; we would also earnestly insist on the presence in human nature of faculties of the noblest order which are not and may never become Economic and which seem to require for their development a certain freedom from Economic effort. And further we would notice that it is alike the aim and the safeguard of civilization to stimulate through full and immediate gratification, these higher forms of Economic desire which must directly check the improvident gratification of the Desire for Reproduction, and which depend for their development on the presence in the community of faculties which therefore cannot have been in the first instance Economic but which became so with the growth of the corresponding desire.

It will be obvious from the foregoing, that the action and re-action of faculty and desire in all their manifestations, in birth, growth, disease, and death, will be manifold and of infinite complexity.

Any disturbance through the action of other forces (whether natural or artificial) of the correspondence between the two, will produce the suffering, sometimes the exquisite agony, endured by human nature when the faculties are unused and the desires unsatisfied. Generally speaking, therefore, this section of Economic science will deal with the origin, development, decay, and death of Economic Faculty and Economic desire, both in the individual and in the race; with the action and re-action of the one upon the other whether manual, mental, amateur, state-paid, and spurious faculty or of efficient, inefficient, and artificially efficient desire.

And further, it will classify both faculty and desire not only objectively, i.e. according to their Exchange value one to the other, but also subjectively, i.e. according to the degree of nervous organization upon the presence of which in the individual, the development of any specific kind of faculty or desire depends.

And we believe that eventually the objective and subjective classifications will be found to correspond.

II The physical section of Economic Science will deal with laws regulating the available supply of natural substances used directly or indirectly in the production of Wealth; and will include the relation to Economic Science of all the phenomena dealt with by the Physical sciences. Thus, the hypothesis of the Diminishing returns from the "Extractive" industries will be discussed in this section as well as the properties of the natural forces employed in the productive industries and in trade communications.

III The third section of Economics will deal with those problems in which the psychical and physical phenomena of the preceding sections are combined.

In these sections therefore, we shall have all questions relating to the Exchange value of commodities including the delicate questions of currency.

Professor Fawcett in his *Manual of Political Economy* defines value as consisting of two elements: namely the Use which the individual may have for an article, and the Difficulty he may have in obtaining it, and he symbolizes these two elements by the letters U. and D.

Now it is evident that according to our organon, the "U" element will be the result of the state of Economic Desire in the individual, in the community, and in the world at large. But the D. element of the Exchange value of any given article is the joint effect of the laws determining the presence of the necessary quantity and quality of Economic Faculty in the community, and of the laws governing the available supply of natural substances.

The proportional influence of the psychical and physical phenomena in the D. element of Exchange value will vary enormously in different commodities. Thus in manufactured articles (still more in works of art) the psychical, and in raw produce, the physical element predominates.

The explanation and illustration however of this section of Economics would require an elaboration of detail which could

hardly be compressed into a single essay; neither have we the requisite practical knowledge of commercial and financial matters to undertake it.

We have ventured to give this slight and wholly inadequate, sketch of what we conceive to be the biological and positive theory of Economic Science, as distinguished from the mechanical and metaphysical method of Economics, not only because we think it has superior practical utility. The assumptions upon which the various shades of Ricardian Economics are based are at the best, only the laws of ideally perfect health and full development.

We confess we cannot see even the scientific value of theories which having as their subject matter one aspect of human nature, and therefore the most highly evolved of organic substances, treat the phenomena of origin development, decay and death as «disturbing causes». We think in using the analogy of the mechanical sciences as a basis of reasoning the Economist have been guilty of what Auguste Comte defines as materialism – applying the laws and methods of a lower to the subject matter of a higher science.

And from a practical point of view, in face of the social questions immediately before us, any theory of Economic Science which ignores pathology is useless. For of the two problems – on the right solution of which possibly our continued existence as a great nation depends – one is partially (some would say principally) and the other entirely, a question of Economic disease.

Our statesmen are every day more clearly recognizing the presence of inefficient Economic Desire as one of the factors of Irish political discontent. We are told that in America every Irishman is moved by efficient desire and quickly develops Economic faculty. If this be true, it is for the Economist to discover through the most delicate analysis and comparison of Irish and American Economic conditions the cause of this difference. Unfortunately, the Economists of the older school have contented themselves with the easier task of lecturing politicians on the worn out text of *laissez-faire*. They forget they are scientific men and will imagine themselves to be the schoolmasters of the universe.

And in dealing with that greater problem which contains within itself a no inconsiderable fraction of the Irish question namely – the accumulation of demoralized labour in our big towns and notably in our metropolis, the mechanical doctrines of the elder Economists are waste words. The principle that «labour goes

where it is best paid» one of the many deductions...from the metaphysical theory of the "Actual existence of Pure Competition" is here glaringly falsified by events.

Labour in this case goes where it is worst paid and remains there. Taking this class as a whole, we observe that Economic faculty is intermittent, i.e., that the individuals who compose this class are mentally, or physically, unfit for persistent work. The attraction of the big towns is obvious – the distributive trades and industries of construction offer more odd jobs and short jobs than the productive industries and the conditions of metropolitan life (taken as an extreme instance) give more excuse for idleness and yield greater amusement for leisure hours; attractions however which are not peculiar to the Est-End of London.

And we doubt whether these who rightly belong either by birth or temperament to this class suffer much discontent with their condition.

For this Economic desire besides being inefficient has sunk to the lowest level of subjective quality. In spite of physical misery, they prefer leisure life in the midst of the strange excitement of a big town to a working life with comparative comfort in monotonous conditions. They enjoy to its full a social intercourse unshackled by moral conventions and unrestrained by the Public Opinion of a small community – and unlike the social life of the analogous class in "good society" inspired by a most genuine spirit of warm-hearted generosity. They are attractive people with all the charms of a leisurely and cosmopolitan view of life, free from intellectual and moral prejudices, and as different from the true working-class as are the individuals who compose the leisure classes of "London Society" from the professional class in London and from the higher middle class of our provincial towns.

But they are essentially parasitic, and like other parasitic growths, they tend to reduce the substance they feed on to their own condition. For they are practically supported by working people; and among them, and above them, and everywhere in contact with them, are the large, and we fear increasing class of the "Un-employed".

Un-used Economic faculty rapidly deteriorates into the intermittent state – and efficient Economic desire, if satisfied artificially, quickly becomes inefficient.

Lord Meyor's funds, lavish out-door relief, in fact wholesale charity administered without the sternest application of the labour test to the able-bodied, or given within the vicious circle of the poor quarter of a big town are Economic poisons – which unhappily for the victims of this thoughtless cruelty, do not result in immediate death, but in long and terrible suffering to themselves and others. It is therefore clearly the function of the Economist to diagnose this specific disease of intermittent faculty, and inefficient desire; and if possible trace it to one or other or to many of our social conditions – for there are many among us, who think the evil is every day increasing, and threatens to deteriorate large sections of our working-class.

This means national decay. Surely in this investigation of paramount importance there is work for many life – times!

But perhaps fortunately for the national well-fare, these depressing Economic facts are not the only signs of the time.

In those strata of society most keenly sensitive to intellectual and moral influences the "Passion for Wealth" has given way to the "Passion for Work".

Loss of religious faith has taken all charm from the lives of thousands of men and women.

Love of gain, pursuit of power, are meaningless to those who care less, because hopeless, of personal happiness. They know no rest and grasp desperately at the oblivion of work. And possibly even in our faithlessness, future generations will see the working of a Higher Power.

For the times are dark before us; and in our struggle with deepening misery and growing discontent, we shall need the courage, and persistency, the fearless, truthfulness, and absolute self-devotion – the union of all those somewhat sombre virtues – which are implied in the "Passion for Work" and which originate in the consciousness of suffering in ourselves and others, that underlies it.

The Economic Theory of Karl Marx (1887)

The Socialist have made themselves known to the English Public of late years. They have paraded our streets, caused a few windows to be broken, amused our middle-class with huge gatherings of spectators round bits of black and red linen; and lastly they have taken to church going to the dismay of meek-minded curates and well-dressed congregations.

But hitherto they have not added much to the intellectual riches of our country. The columns of «Justice» and the pages of «Progress» are not remarkable for intellectual subtlety or for literary flavour. We have had assertion without argument, and a strong feeling with vague ideas. At least, after an interval of [/.]

Karl Marx's eloquent indictment of Employers and Capitalists drawn from extracts of English Blue-books. The scientific basis, which I propose to examine is laid down in a theory of value, from which the remaining Economic [~~Doctrines~~] are deduced.

In giving a theory of Value as the starting point of Economic Science, Karl Marx agrees with our English thinkers. John Stuart Mill declares that every speculation respecting the economic interest of an industrial society, implies some theory of Value; and he adds: «The smallest error on that subject infects with corresponding error all our other conclusions, and anything vague or misty in our conception of it creates confusion and uncertainty in everything else».

With De Quincey and Stanley Jevons a theory of Value is tantamount to a theory of Political Economy. Thinkers on economic subjects differ widely in their theories of Value and in the methods by which they arrive at these theories. But no Economist denies that his science has as immediate subject matter, the conditions under which Value arises, is maintained or ceases to exist – the process by which objects or services possessing Value are produced, exchanged and consumed.

In truth a theory of Value stands to Economic Science in a precisely similar relationship that a theory of Organic life stands to Biology.

We cannot define the nature of Value per se any more than we can define the nature of Life. But as the biologist may describe the conditions necessary to organic Life, the general character of the

successive changes through which all organism is born, develops, decays, and dies – so likewise the Economist may formulate the conditions under which Value exists, the process by which it is created, maintained, increased, diminished, or destroyed. And in both instances the summing up the necessities conditions, the formula of the successive changes constitute the only possible definitions of the terms Life and Value respectively.

Karl Marx however aims at something more practical than a scientific definition of the term Value.

«The Bible of the continental working classes» is inspired by the moving force of modern socialism, with a consciousness of suffering and with helpfulness of purpose. The (great) German Economist observes the physical, intellectual, and moral degradation originating in enforced idleness, and in unmerited destitution.

He watches the rapid deterioration of the "out o' work" and of the over-strained worker.

And he advances his theory of Value, not as a mere speculation, but as an ample justification for social revolution and as a solid foundation for social reconstruction. He [rightly] reasonably assumes that if we discover the Laws of Value, if we learn the exact nature of the process by which human exertion satisfies human need, we shall use this knowledge to lessen the mental and physical suffering of unemployed faculties on the one hand and of unsatisfied desires on the other. In short that a knowledge of the laws of Industrial health will teach us to prevent or to mitigate Industrial disease.

For on the other hand Popular Opinion credits orthodox Political Economy with cynical indifference and with unscientific fatalism.

A man suffering from acute toothache will listen impatiently to the learned dentist who assures him that decay arises from undue pressure between the teeth caused by the gradual contraction of the human jaw, and that this contraction is an inevitable tendency of civilized life. He will justly exclaim: True man, but the laws of social evolution placed you here to counteract this tendency, either by ridding me of unnecessary teeth or by removing the decay now it has set in. For we discover the forces of nature, not to submit blindly to their action, that we are obliged to do while we are still ignorant, but to use and control them, to isolate and combine them, according to our needs. Viewed in this light a true theory of

Value ceases to be a question of mere academic interest and becomes the groundwork of Economic Reform.

I shall not therefore consider that I am presuming on the patience of the reader in asking him to follow me closely in a brief account of Karl Marx's inquiry into the laws regulating the existence and extent of Value. If his method of reasoning seems to us tediously unreal, his conclusions are sufficiently startling and are moreover accepted by masses of mankind.

And I shall obey the latest canon of criticism whereby we may not destroy unless we are prepared to construct. Disagreeing with Karl Marx's theory of Value, I shall offer an "alternative plan".

The propositions that Karl Marx seeks to establish and upon which he roots his theory of Value are these: I. That labour is the sole source of Value. II That this labour is a uniform force and can only be measured by its duration in time; in other words, that all labour has equal Value. [Labour can be ...as a uniform force measurable in term of duration as having equal Value*]. It follows that the length of time employed by average labour-power in the production of an article is the criterion of its Value.

He arrives at these conclusions not by a direct observation of the Value-producing process, but by an abstruse analysis of the nature of a commodity.

By means of this analysis he describes Exchange Value as something perfectly distinct and «totally independent» of Value in Use. This separation of the Exchangeable Value of a commodity from its Utility is the master-stroke of his argument, the key-note of his theory and the premise to both his conclusions.

For he admits that Value arises from the natural material qualities and physical properties through which an object satisfies a human desire; and moreover that these qualities are the result of labour possessing definite characteristics, a q linen is the results of the work of the weaver, a coat of the work of a tailor, meat of the work of the butcher and of the agriculturist. It is evident then that this kind of Value originates in the correspondence of a specific form of human activity, with a special form of human requirement and cannot exist apart from this correspondence. The work of a tailor is useless to the individual or the community desiring meat; the work of the agriculturist is without value to the society importing the raw material of food and needing only that it should be prepared and distributed. The unskilled exertion of the Dock la-

bourer discharging a ship is worse than useless if employed in the skilled trade of stevedoring or ship-leading; the mechanical brain work of the clerk is valueless in a Californian ranch, or a gold digger's settlement. Therefore the labour that produces the Use Value of a commodity cannot be measured by its duration in time, or even by the strength and dexterity of the exertion, (for in some instances the work of women and children is preferred to that of adult men) but only by the degree in which it meets the demands of the market for a special form of human activity. It is clear that Use-Value is useless to Karl Marx's argument, for as he expresses it «there is nothing mysterious in it, it is a trivial thing and easily understood».

But as Karl Marx observes; all useful objects are not commodities. Air and water possess utility and are not except in rare instances commodities. In order to become a commodity an object must be exchangeable with other objects. How it is in an analysis of Exchange Value that Karl Marx discovers constructs the ladder whereby he ascends from this lower world of concrete facts to the sublimer atmosphere of metaphysical abstractions. The subtle and ingenious train of reasoning whereby he eliminates from the formation of Exchange Value the conditions needful to the existence of Value in Use runs as follows: Exchange Value is the characteristic through which a definite quantity of no commodity will exchange with a definite quantity of another commodity; e. g. 2 lbs of meat will exchange with 1 yard of linen. Thus two commodities differing entirely in their Value in Use are reduced to an equation; viz: 2 lbs meat = 1 yard of linen. But there can be no equality without commensurability: magnitudes of different things can be compared quantitatively only when these magnitudes are expressed in terms of the same unit.

Hence we must expel all qualitative difference distinguishing the two commodities if they are to become equal quantities of similar units. Where then shall we discover this unit through the presence of which two commodities, say meat and linen, may be reduced to an equation? Not in the physical properties of meat and linen which are in no ways similar. Neither in the human requirements that they respectively satisfy, which differ both in nature and in origin. We are reduced therefore to the only other characteristic common to all commodities (to meat as well as to linen)

viz: the fact that they are all produced by human labour. Thus, the unit of measurement through the presence of which commodities are capable of equalization is the labour-power expended in the production of them: Labour is the sole source of Exchange Value, or as Karl Marx prefers to define it, of Value.

The second preposition namely that «all labour has equal Value» lies enveloped in the foregoing analysis. For the reader will have perceived that the material qualities which make up the utility of a commodity have been eliminated from its exchangeable Value. And according to the laws of analysis, if we wish to keep the identity of the whole, that which we subtract from the product must also be subtracted from the factors producing it. It follows that we must eliminate all qualitative distinction from the labour-power constituting Exchange Value, and consequently we have, instead of the work of the weaver, the tailor and the butcher, abstract labour measured by its duration in time, and finding its standard of measurement in weeks, days, and hours. In Karl Marx's words «The general value-form is the reduction of all kinds of actual labour to their common character of being human labour generally, of being the expenditure of human energy». Thus Commodities cease to be the objects possessing definite utility and become «the material receptacles of human labour», «congelations of undifferentiated vital energy». Surely we may say of the character of Karl Marx's reasoning what he himself says of the nature of a commodity; «that we do not know where to have it» though we will not add «that not an atom of matter enters into its composition».

I will not weary the reader in pointing out the flows in Karl Marx's chain of reasoning.

There are many who accept his conclusions, without agreeing with, or caring to understand, the method by which he arrives at these conclusions.

I will only remark in passing that his analysis of the nature of a commodity is illegitimate unreal. He isolates Exchange Value from Value in Use, endows it with independent existence; he says: «Exchange Value is something totally independent of Use Value ...if we subtract Use Value there remains Exchange Value». This is untrue. In the world of fact so soon as Value in Use is subtracted, value in Exchange is destroyed. It matters little, whether the subtraction occurs through a change in the physical properties of the

commodity, as in damaged or in stale goods; or whether it happens through an alteration in the desires of the community – by a revolution of taste or a change of fashion. If an object has ceased to correspond to a human desire it dies as a commodity. We may have Use Value without Exchange Value (e. q. the man producing his own subsistence) as we may have individual without a community; but we cannot have Exchange Value without Value in Use, anymore than can have a community without an individual.

There is however a fundamental untruth underlying his whole analysis and embodied in one of his conclusions, namely that «labour is the sole source of Value». For I have already shown that no object or service possesses Value unless it corresponds to a human requirement. The pearl is no more valuable than a stone if no one fancies it. If society were tomorrow to turn vegetarian, meat would be mere animal matter. Human desire seeking satisfaction is a universal and absolute condition to the existence of Value. In Use Value the desire may be present in only one individual; in Exchange Value it must be present in two or more individuals. To omit desire from the conditions upon which value depends is the other face of the attempt to isolate the Value of a commodity from its utility. But the limited proposition that labour is an essential condition to Value is true in a qualified sense. For in order that an object may be valuable it is needful that human faculty should be exerted. This is simply saying that if an object is to satisfy a human desire it must be appropriated or produced. Air is useless to the man who has lost from stoppage or inflammation the physical faculty of respiration. In Use Value the faculty may co-exist with the desire in an individual as in the man breathing air or producing his own subsistence; in Exchange Value the faculty and desire must exist in separate individuals otherwise the motive for the act of Exchange is lacking. Hence air, water, land, gain Exchange Value when social and physical condition render them sufficiently scarce to allow of some men monopolizing them to the exclusion of others who need them. It is evident however that the term faculty here includes all the mental and bodily powers of man and ranges in its signification from the purely physical faculties and the faculty of personal appropriation (common to animals as well as to men) to the highest manifestations of inventive genius and administrative capacity. The word labour, which denotes manual faculty, is gro-

tesquely inadequate if stretched to cover this second universal and absolute condition to the existence of Value.

If a have succeeded in correctly generalizing the conditions essential to the existence of Value, I am able to define the value-producing process. It is the correspondence of a specific kind of human activity with a special form of human requirement. It is of no consequences whether this correspondence be a direct relationship, as in services given and taken, such as the work statesmen, administrators, lawyers, medical men, domestic servants, scavengers etc.; or whether it needs for its fulfilment the intermediate agency of matter, in objects, discovered or produced, such as precious stones, land, water in times of drought, manufactured goods, works of art, the luxuries of the season or the latest novelty of fashion. In all these diversified instances the process by which the value is created and maintained is identical. And further, I have advanced a clear and settled distinction between value, the conditions necessary to Use Value and Exchange Value respectively. This distinction is in fact the fundamental difference between individual existence and social life. A useful object may be produced and consumed by an individual man: a woman may sew in order to make her own clothes.

These are types of Use Value.

But in Exchange Value the correspondence between the given faculty and the given desire must take place between two or more individuals and moreover must necessarily be a double correspondence. To prove this new point, we need only examine a case simple barter. A. possesses the faculty of producing corn; B. possesses the faculty for manufacturing cloth. But A. desires cloth and B. desires corn. The mutual satisfaction ensuing from act of Exchange originates in a double correspondence: A's faculty crosses over to meet B's faculty, and B's faculty crosses over to meet A's desire. And if we take a society in which the economic conditions do not allow of this double correspondence no exchange can be affected and no wealth produced or consumed. For in times of trade depression and over-production men may be dying from want, whilst warehouses stand in their midst stocked to overflowing with the raw material of fowl and with manufactured good. And yet if the trades cannot use the only form of faculty that the men possess, the men will continue to starve and the merchants run on to ruin.

From whence it is obvious that in defining Exchange value as the correspondence of a given faculty with a given desire, we imply that the correspondence is twofold, and that the given faculty is accompanied by a desire and that the given desire is rendered efficient either by the presence of living faculty, or by the possession of stored faculty in the form of commodities or money. Hence the correspondence between the faculties of society and their desires constitutes Individual industrial health, and absence of this correspondence is the first symptom of Industrial [unfinished].

Draft (D)

The Socialist have been "an evidence" among us these latter days.

They have paraded our streets, caused a few windows to be broken, amused our middle-class with huge gatherings of spectators round bits of black and red linen; and lastly they have taken to church going to the dismay of meek-minded curates and well-dressed congregations. But hitherto they have not added much to the intellectual riches of our country.

The columns of «Justice» and the pages of «Progress» are not remarkable for intellectual subtlety or for literary flavour. We have had assertion without argument, and a strong feeling with vague ideas. At least, after an interval of many years the English Public are introduced to the standard work of Socialist literature in the translation of Karl Marx's *Capital a critical analysis of capitalist production* published the beginning of this year. We are told that in this work we shall not only find the «Bible of the continental working classes» but also the scientific basis of socialism. Surely with these passports it behoves us to welcome the distinguished stranger and to try humbly to understand him.

But it would not be within the scope of a single article to deal both with the «Bible» and «the scientific basis». The Bible I presume from analogy, is a record of events not distinguished for historical accuracy but revealing clearly the spirit of its author.

Such is found in Karl Marx's eloquent historical indictment of Employers and Capitalists founded on English Blue-books. The scientific basis, which I propose to examine is laid down in a theory of Value, and its corollary a theory of the formation of Capital.

Karl Marx open his investigations by a definition of Wealth (in the present capitalist state of society) as «an immense accumulation of commodities». The analysis of the Value of a commodity is the foundation of his Economic doctrine.

According to the German economist a commodity has a twofold nature.

In the first instance it is an object possessing Utility it satisfies some human desire either directly as a means of subsistence or indirectly as a means of production.

This Utility or Value in Use arises from the material qualities of the object, and may be defined as the quantitative nature of the commodity. Each commodity is differentiated from all other com-

modities by its specific utility corresponding to a special human desire. But an object is not a commodity simply because it satisfies some requirement or possesses utility. Air and water possess utility and are not, except in rare instances, commodities.

A useful object in order that it may become a commodity must be exchangeable with other objects. The second nature then of commodity is its Exchange Value or as Karl Marx prefers to define it, its Value. Through the possession of this characteristic a definite quantity of one commodity will exchange for a definite quantity of another commodity, e. g. 2 lbs of meat will exchange for 1 yard of linen.

We have therefore two commodities differing entirely in their Value in Use reduced to an equation: viz 2 lbs meat = 1 yard linen. But there can be no equality without commensurability, magnitudes of different things can be compared quantitatively, only when these magnitudes are expressed in the terms of the same unit.

Where shall we discover this unit of measurement through the presence of which two commodities say meat and linen may be reduced to an equation? Not in the physical properties of meat and linen which are in no ways similar. Neither in the human requirements which they respectively satisfy, which differ both in nature and in origin. We are reduced therefore to the only other characteristic common to all commodities (to meat as well as to linen) viz the fact that they are all produced by human labour. Thus the unit of measurement through the presence of which commodities are capable of equalization is the labour- power expended in the production of them.

«Labour-power is the origin of Value». This conclusion taken alone is simply the Ricardian doctrine that the Exchangeable Value of a commodity originates in the labour-power expended in producing it. It is a well-worn proposition, and in spite of the harmless intentions of its original authors forms the half-way house to modern socialism. This paradoxical result is due to the ambiguous use of the term labour.

For Ricardo and his followers used the term labour as denoting manual work, and totally ignored as an element in the value of a commodity the brain-work expended by the employer and the industrial organism. They regarded the employer and the trader solely as capitalists. They ignored these forms of economic activity

manifested, on the one hand in the organization and control of manual labour and machinery, and on the other hand in the requisite knowledge of the wants of the community through which a market is found for the goods produced.

The practical and logical consequences of this fallacy were not perceived in an age when private property, in all things and to any extent was regarded as a Divinely appointed right. But directly you deny the incontrovertible necessity for private property and attempt to re-adjust the possession of the good things of this world according to the economic worth-fulness of the individual, any oversight of the comparative effectiveness of special forms of activity becomes a gross injustice. Karl Marx however, introduces this injustice and has provided for it by a marvel of logical mechanism. For if we allow the reality of his analysis of Value he has gained the central position of socialism, viz the economic equality of all kinds of labour.

If the reader has followed the foregoing resume of this analysis, he will have perceived that the material qualities through the possession of which a commodity is useful have been eliminated from the formation of Exchange Value. Exchange Value according to our author rests on the firm basis of equal quantities of similar units.

It is in no way influenced by the various physical properties through which commodities satisfy various human desire. It deals with quantities and ignores qualities. As Barbon says «one sort of wares is as good as another, provided only it be present in sufficient quantity».

Now if we allow that the unit of measurement in Exchange Value be labour-power it is evident that this labour-power must be abstract labour and not labour in any concrete form.

For use-value is the result of concrete labour: e. g. linen is the work of a weaver, a coat the work of a tailor, meat the work of the agriculturist and the butcher. All commodities owe their special utility to the specific kind of work required in their production. But as we have already seen, the various material qualities which form use-value have been eliminated from the formation of Exchange Value; and according to the laws of analysis if we wish to keep the identity of the whole, that which we subtract from the product must also be subtract from the factors producing it.

It follows that we must eliminate all qualitative distinction from the labour-power constituting Exchange Value and consequently we have instead of the work of the weaver, the tailor and the butcher, abstract labour measured by its duration in time, and finding its standard of measurement in weeks, days, and hours. In Karl Marx's words: «The general value-form is the of all kinds of actual labour to their common character of being human labour generally, of being the expenditure of human power». Thus abstract labour measured by its duration in time is the origin of Value. Karl Marx however suddenly wakes up the thoughts of the unsophisticated reader. «Some people might think that if the value of a commodity is determined by the quantity of labour spent on it, the more idle or unskilful the labourer, the more valuable would be his commodity because more time would be required in its production». Oh! Unspiritual minded reader! Have we not withdrawn all material qualities from the product and all human characteristics from the producer! and are not idleness and stupidity qualities – human characteristics?

How then shall we convince you that we have left the world of realities and have risen to the sublimer atmosphere of metaphysical entities, that we are not dealing with human faculties and desires in their various degrees of intensity and in their different variety of form but with homogeneous human labour «Congelations of undifferentiated expenditure of vital energy».

But alas! For the popular influence of this new translation of the «Bible of the Continental working classes» English minds remain grossly obdurate. I fancy there is even a smile in English faces when they are told that a commodity «not only stands with its feet on the ground but in relation to all other commodities it stands on its head and evolves out of its wooden brain grotesque ideas far more wonderful than table-turning ever was». And in the chapters on Exchange and the Circulation of commodities we seem to have suddenly dropped from the heights of metaphysical entities to those lower regions of fetish matter which Evolutionists have taught us to ascribe to past ages of mental development. Admirers of Victor Hugo will remember the extraordinary scene in which a cannon loose rolls in a ship's deck in a hugely human manner. I think that even this description hardly equals in encompass the idea of a commodity as a born leveller, a cynic always ready to exchange not only soul but body, with any and every other

commodity be the same more repulsive than Marytornes herself!
Perhaps however this is German wit and not German Metaphysics.

It serves nevertheless as a painted signboard pointing the way
towards the goal of the critic. End

Other Writings of Beatrice Potter

Entries from the type scripted diaries

Potter gathers Eleanor Marx

May 24 1883

(Early morning) After good mornings work at “articulations” went in afternoon to B.M. [British Museum] and met Miss Marx in refreshment room. Daughter of Karl Marx, socialist writer and refugee. Gains her livelihood by teaching “literature” etc, and corresponding for socialist newspapers, now editing “Progress” in the enforced absence of Mr. Foote. Very wrath about imprisonment of latter. “I couldn’t see much joke in those particular extracts but there was nothing wrong in them. Ridicule is quite a legitimate weapon. It is the weapon Voltaire used and did more good with it than any amount of serious argument. We think the Christian religion an immoral illusion and we wish to use any argument to persuade the people we have to deal with, with much greater force than any amount of serious logical argument. The striking difference of this century and the last is, that free-thought was the privilege of the upper classes then and it is becoming the privilege of the working classes now. We want to make them disregard the mythical next world and live for this world and insist on having what will make it pleasant to them”.

It was useless to agree with her – she refused to recognise the beauty of the Christian Religion. She read the Gospels as the gospel of damnation. Thought that Christ, if he had existed, was a weak headed individual with a good deal of sweetness of character but quite lacking in heroism. “Did he not in the last moment pray that the cup might pass from him?” When I asked her what the socialist progress program was she very sensibly remarked that I might as well ask her to give me in a short formula the whole theory of mechanics. Socialist progress program was a deduction from socialist science which was the most complicated of all sciences.

I replied that from the very little I know about political economy (the only social science we English understood) the social philosophers seemed to limit themselves to describing forces, they were more or less necessities. She did not contradict this. I do not know whether it is true or not??? In person she is comely, dressed

in a slovenly picturesque way with curly black hair flying about in all directions. Fine eyes full of life and sympathy, otherwise ugly features and expression and complexion showing the signs of an unhealthy excited life kept up with stimulants and tempered by narcotics.

Lives alone, is much connected with Bradlaugh set, evidently peculiar views on love etc, and I should think has somewhat “natural” relations with men! Should fear the chances were against her remaining long within the pale of “respectable society”. Asked me to come and see her. Exactly the life and character I should like to study. Unfortunately one cannot mix with human beings without becoming more or less connected with them. If one takes one must also give and a permanent relationship gradually rises up.

February 1885

[...] Half the misery (the misery of those classes who are not depressed in body and mind by the struggle for bare subsistence) comes from our rebellion against this “inherited fate” our ceaseless longing for advantages which do not belong to those qualities we have – want of gratitude for those arising from qualities we do possess. In one word graspingness – which because it grasps after spiritual and not material blessings is sometimes dignified in our minds by the name of righteous self-discontent – moral effort. But true persistent effort is only consistent with peace of mind – resignation – otherwise the pain of mortification interrupts and disturbs the effort – destroys the straightness of the aim. Renunciation, that is a great fact we all – individual and classes, have to learn – in trying to avoid it we bring misery to ourselves and others.

That false metaphysical idea of rights, as some unalterable result, determined in quantity and quality, due to all men alike, is working its wicked way in our political life. The Right of a man, that is to say the natural right of a man, apart from what other men contract to give him as their fellow, is surely only the sum of external forces which re-act on the internal force – to put it pedantically – though possibly the socialist would distinguish between inherited conditions, and inherited qualities. He would say we try to level the condition we do not attempt to touch the result of the qualities.

But this distinction of inherited conditions and inherited qualities seems to me the distinction between the practical and the impractical socialist. Those social reformers who try to equalise the former may err in their method, but the aim has surely nothing contradictory to natural law. If it could be attained, this equalisation of conditions – it would further the selection of the fittest: how far it is in the power of the state to do it, is another question. But to equalise the result which is yielded to the presence of absence of qualities in the individual, is impracticable and would be terribly injurious to the happiness of the race if it were to be accomplished. This seems to me to be the difference between the English socialism and the continental communism. I know little about history – but I suppose the state has until the last fifty years accentuated the advantages of the fortunate – and that all the machinery of society – industrial, religious, educational, and social, has been built on the basis of privilege? I suppose there is still higher class legislation or the effects of it unrepealed and unremedied? Now the power lies in the hands of the poorer classes, we shall watch their attempts to remedy the effects of past injustice and whether in their attempt they commit injustice of another sort.

6 October 1885

[...] I should like also to have mastered the general outline of the reasoning of the scientific socialist. But I will keep my own mind from general theories about Society – Great experiments are being made – it is sufficient for the unphilosophical mind to watch carefully the result – and retail it. For the unravelling of these facts, for the due isolation of cause and effect is needed more knowledge of antecedent facts. Perhaps also an appreciation of these general theories to be used as hypotheses, full of suggestiveness in their application to fact but in handling them you are playing with edged tools, unless you are certain of the strength of your own hand. [...]

A general knowledge of English History with a due proportion of “setting” from contemporary history: a special knowledge of the state of the working man in the different periods of our history – of the laws regulating commerce and industry – the growth of industrial organisation and its rival labour-organisation, the influence of Religion in determining political and social action – the rise and

fall of religious sects with the secular activities belonging to them – the difference of Race in the working-class communities – the growth of towns – and the different occupation necessitated by this, and then the re-action of this occupation on the minds and bodies of the people – the formation and dissolution of classes with their peculiar habits of body and mind [...].

1st February 1886

The object of this book will be to express my learning of English History with a view to the study of the present state of English society.

I shall try and divide in my own mind the study of subject into these branches with a view to gaining a more complete knowledge of each.

1. History of civil organisation – for purposes of legislation, justice and general policy.

2. History of religious organisation, its union or divergence from the civil.

3. History of morals: relation to punishment of crime, moral ideal – and the religious or secular influence on them.

4. History of commerce and industry: [] of the nature into different occupations (bread winning) and in later importance in number and wealth pending power of same.

5. Voluntary organisation, whether industrial or religious. The growth of towns, etc.

6. Manner and custom of the people.

27 March 1886

I think in these 5 weeks I have gained a general knowledge of Anglo-Saxon and Anglo-Norman times. I have mastered tho' not digested the details of the local government of the Anglo-saxons, of the centralised administration of the Normans...

July 1886 – notes to *Wealth of Nations* di Smith

I see I must break up my would-be article into two – one dealing with “the basis of our Social Action”. That will enable me to deal more comprehensively with the theories that seek to govern “Public Opinion”. I find already that on order to be understood I must give Political Economy a much more careful study and accurate representation [...] Adam Smith seems to have been superior

to his followers in that in dealing with the origin of economic facts he used the historical method. The generalisations upon which he based his reasoning were wider and were drawn more from direct observation of one type of man, the city man, only. Ricardo tried to [] Political Economy into abstract science. He took as the ultimate elements with which it has to deal, labour, law, capital – he accepted as axioms of human nature certain generalised facts of one aspect of human nature, the Economic aspect and he tacitly asserted that no other side of it existed.

The economic organism of research is one method of discovering the laws of combination using the human units composing society – It starts from certain indisputable facts of human nature – desire for material things and faculties for obtaining them. The grand mistake of the economist of the Ricardian school was that they asserted that these desires and these faculties were present not only in all men but also to the same extent. It is also the grand mistake of the so called scientific socialism of Karl Marx and his followers.

Both the Faculty and Desire are present in infinite variety of type? and desire and complicated by other desires to an unparalleled extent. But the usefulness of this special organism of research into social laws is that the results can be numerically stated because the [] and material form and are capable of being transformed into the terms of money and of time. Hence, supposing we have a society in which the men are mainly moved by the economic motives, absolutely guided by them in dealing with material things – then this organism will supply us with a more or less complete picture of their actions and reactions. But supposing we have a society in which the economic motive is slightly present; say to take an extreme case the [] of Egypt or the Buddhist nation of [] Thibet the economic organism will be absolutely [] – Among these people dominated by the passion of religion or of superstition, the desire for material things is almost wholly absent and their lives are one long self []

They either do not possess the faculty (or repress it under the influence of passion) of gaining material things and as they have not the desire.

Now Faculty and Desire are not always equally present in men. This is one of the great cleavage lines of social philosophy. Among those who would reward men according to an absolute judgment

of their merits are divided into two sections and base their reward respectively [on] desire, or needs, or on faculty or power of labour. We cannot state the desire or the faculty numerically, and I think this is one of the fallacies that the extreme school of mathematical economists and socialists has made – and can only state the result of one man's faculties or the amount that another man is willing to pay in order to gratify his desires. But suppose there are desires present except the economic one or other faculties present except the economic. The question for the [___] economist is: how will the economic nature act and react, what are the laws which govern the production, distribution and exchange of wealth which is the result of faculty and the food [___] in nature. How will economic faculty influence the acts of economic desire, how does economic desire influence the acts of economic faculty. We find P. E. who turn their attention to consumption, we find others who study production and distribution. It is the business of the Economist to analyse the nature of the economic faculty measured in material results, to determine by careful observation what are actually the results of different manifestations of the faculty – the relative positions awarded by society to brain-work, and manual labour, to unravel the economic faculty from other faculties which [___]

The foregoing is a sketch of my idea of present Economists. The following is an historical sketch.

1. Mercantile system corresponded? to deduction from generalization of the more superficial facts of exchange – regarding these as the causes instead of as the results of the true Economic facts. Hence they attempt to influence the causes by the effects and the actual result of this somewhat preposterous method Adam Smith describes with admirable accuracy. 2nd state: originating in the French physiocrats, traced wealth to its sources – and certainly to a primeval one – for it was simply to the great fact that this earth exists and sustains life. Adam Smith first elaborated an analysis of the true Economic facts, and broke them up into the various faculties for gaining wealth, and the various desires for acquiring it. He traced the development of these faculties in the desire of labour, and he described the action and reaction [of] economic faculty and economic desire. Malthus was the first to suggest the sociological meaning of the desire for reproduction and that in the mass of men it exceeded all other desires except the desire for the barest subsistence. Therefore that the lowest form of faculty i.e. manual

labour would be present to that extent in society as would be given the means of subsistence.

[...] I have finished J. S. Mill's Logic: have mastered Fawcett's P. E., have the method and the aims and the assumption of A. Smith, Ricardo, Jevons, Marshall – have looked through Laveleye's Primitive Property and Rae's Contemporary Socialism. Further knowledge has increased the haziness which has been creeping over this rough form of my Essay. I shall read Cairnes – Bagehot.

8th August

I have finished the first part of my essay of "Progress of English Economics" and now I intend to rest on my oars. The first part deals with the origin of the science and its expression in Adam Smith in his twofold nature of scientific investigation and social reformer. The second part will open with the question: How was the [] this impassioned crusade of the 18th century against class tyranny and oppression by the few, transformed into a science representing the Employers' Gospel of the 19th century, or put more clearly: the Political Economy of Adam Smith was the scientific expression of the impassioned crusade of the 18th century against class tyranny and the oppression of the Many by the Few. By what silent revolution of events, by what unselfconscious transformation of thought did it change itself into the "Employers' Gospel" of the 19th century. In this section I shall treat Meade, Mill – and lastly Jevons. Universal abstract, concrete abstract, concrete mathematical – Jevons connecting the old Political Economy of specific doctrines with the new Science of Economics as an organism of research. In the last part I shall revert to Marshall and develop his idea of Economics as an organism of research into social facts and I shall illustrate the usefulness by reference to practical facts.

5th September

Just to put the last touch to my part of the essay on the Progress of Economics. This will practically be the statement of the "Economic Organism of Research". I do not think I shall find much to help me in the Economist, but I must open by a statement that the Economists have not accepted the Ricardian Economy.

14th September

Finished my essay on “the Rise and growth of English Economics” [...] I can’t help my ideas taking a positive form. Probably if the article is published I shall have to meet a great deal of criticism for it is audacious attack on the mechanical method of Economics. [...]

The winter is to be devoted to German Socialism: Karl Marx and [___] and then for English History but this time with a definite intention of writing a History of Industrialism or something of the sort.

[...] I’m not sure that the question of wages would not be the best test question for my theory.

8 November 1886

There are times when one loses all faith in *laissez-faire* – would suppress this poison at all hazards, before it eats the life of the nation.

10 December 1886

Ten days’ hard work at Karl Marx ending in a cold in bed. Finished the first volume, that one translated into French.

20 December 1886

I want to sketch out my article, before I finish the reading for it. It is open with a demonstration that the proper subject matter for Economic science is human nature. Social science being the science of “men in combination”, Economics must be one section of this science, dealing with some special combining force. Then a sketch of the physical forces which influence men and societies of men, and of the psychical forces generated in social life – faculties and desires. I must show how social science includes all human faculties and desires, and how the various sections of it deal with special faculties and desires: the history of religion with religious faculty and desire, the history of art with artistic faculty and desire, and Economics with those faculties and desires that have an Exchange value.

Then I must turn to the Economists and show how they have defined the subject matter of their science to be wealth and I must show the absurdity of that, using physiology as an analogy. I must trace the historical origin of this in the mercantile theory – with

the burst of true light in A. Smith – the crystallisation of falsehood in Ricardo and the development of that strange being the man of the orthodox Economists. The abstract man and his eventual fate in Karl Marx; his rehabilitation by the modern Economists.

Turning back to my own theory I must prove its practical usefulness; state Economic problems in its terms and define the meaning of them. Show the importance of careful observation of Economic disease. Use the 1834 Blue Book to illustrate this and all the Factory legislation. State problem of Laisser-faire and of state help. Try my hand at the enigma of this production on the one hand and starvation on the other and for this is needed a careful study of Depression of Trade Blue Book.

January 1887

Comment to *Bonheur des Dames* by Zola: «Work of true genius. The first novelist I have read who has made a “social diagnosis”, as distinguished from the development of character, his aim».

25 February 1887

Three weeks absorbed in my review of K. Marx; which I have now early ended. It is [] my own idea; but whether it is written in a form that will be accepted and “take” I do not know.

12 March 1887

The booths were delighted with my article. Charlie enthusiastic. They sent it to Professor Beesley [Beesly]. Here is his answer. He overlooks the whole point of the article, which is to distinguish between the labour that is useful and the labour that is useless; and that the distinction rests on the presence of another element in desire. However, if my ideas is true it is unlikely that it will be accepted all at once; especially by men who are pledged by past utterances to contrary opinions. But his criticism shows that I have not made my point clear and his practical suggestions as to writing and [] page are useful.

Evidently he does [not] think much of the article, or rather he evidently does not like it.

9 March 1887

Dear Mr. Booth,

I have read Miss Potter paper with much interest. I think one of the Monthlies would very likely take it.

I do not think it can be disputed that Exchange-value is the result of Labour, provided a sufficiently wide meaning are given to that word. But it does not follow that all Labour gives exchange value, the Socialists of the street treat manual labour as the only labour.

But Miss Potter does not quote any passage from Marx to that effect and I do not think she could find any such, though no doubt he seems to take little or no account of any other kind of labour.

What he [Marx] think of the labour of management appears from p. 82 of the French Edition (159 of the German). I have not past the English.

Miss Potter writing is often very difficult to read. It might be better to have it copied before sending it to an editor.

Sincerely yours,

E. S. Beesly

20 March 1887

Alfred Cripps has read my article. When I came to hear his opinion, he greeted [me] "Well, Beatrice, I have never read a stiffer article; I am not sure I understand it." We sat down to it and read it over word by word. It was not clear to him that the opening pages referred to K. Marx's theory and not mine! And overlooking this, he did not think I had given a consistent version of K. M. analysis. It would be better if I made the subtraction of [] from Ex. V. clearer.

By omitting the "two-fold nature of labour" I had not connected the resumé of the theory with the statement: I had not made it clear that the labour which constituted the unit of measurement was abstract labour.

I see now that this statement must be rewritten in a more concise and perfect form; and that it must be clear all through that it is K. Marx's theory and not mine.

The second important objection in page (9) he could not see that an object which is a commodity corresponds to a "social desire" and not and individual desire

(10) The theory that human activity is a necessary condition in value, enlarged and referred to Biological law. Also Value and Exchange should be separately treated.

12. "What ought to be". This assumption of perfection underlies K. M. fallacy and that of the P. E. economist. This should be enlarged upon and made the central feature of the whole article.

14. "Specifically in Capitalist production." Title of book showing that K. Marx claims to describe that which exists.

16. Objects strongly to my definition of the nature of Value. I should only define the conditions of Value.

Objects to the word Union.

Would like "Price" enlarged, in reference to the facts of everyday life.

General criticism. That a new idea needs more perfect and graphic working out, before it is acceptable to minds not already prepared for it. That the practical usefulness of the idea must be demonstrated, if it is to be acceptable to the general public.

His criticism shows me the reason of Professor Beesley's [Beesly] complete misunderstanding of the paper - it shows me too, how much hard work there lay before me, before I could write with sufficient lucidity to present original ideas to the general public. [...]

Another long talk with Alfred over my article. He maintained the position that Desire was only a condition to value; and that in order to test the extent of Value, it was necessary to consider the quantity and quality of the faculty adopted. But before this test can be applied, the existence of a corresponding Desire must be assumed. This assumption begs the whole question of industrial development.

The convention cleared up my ideas. I had recognised the justice of Karl Marx's argument that if we are to reduce to an equation the value of two objects, say meat and liners, we must compare them and [___] of the same unit. But I had been unable to reconcile this truth with my idea and observation now led me to the empirical law that Faculty must correspond to Desire before it possesses Value.

I told him my method of enquiry which seemed to him sound. I tried to explain to him my theory of Economic Science, but I did not succeed in making him see that the only true definition of Economic Science could be of those faculties and Desires which have exchange Value.

My Apprenticeship (1926) – Appendix D

On the Nature of Economic Science

The following notes on the Nature of Economic Science and on the Theory of Value at once summarise and extend the arguments which I imperfectly expressed in the essays referred to at p. 292.

(1) My Objections to a Self-contained, Separate, Abstract Political Economy

I see few advantages, and many disadvantages, in collecting together all the activities concerned with the production and consumption of wealth, in all the various stages of social evolution, and in all the different varieties of social organisation by which this function is performed; and in making this object or purpose the subject of a self-contained science styled Political Economy, apart from the study of human behaviour in society— that is to say, of social institutions, or Sociology. The implied claim of the orthodox or Ricardian economics to constitute such a science of wealth production in general has already been assailed by a competent authority. «The science of Political Economy», sums up that lucid and ingenious thinker, Walter Bagehot, «may be defined as the science of business, such as business is in large 'productive and trading communities. It is an analysis of that world so familiar to many Englishmen – the 'great commerce' by which England has become rich. It assumes the principal facts which make that commerce possible, and as is the way of an abstract science it isolates and simplifies them; it detaches them from the confusion with which they are mixed in fact» [*Economic Studies*, by Walter Bagehot, 1888, p. 5]. Bagehot had in mind what economic students are apt to forget, namely, that “big business” of the nineteenth-century type, which Ricardo was considering, is not the only form of wealth production; and is, in fact, in marked contrast with other forms, such as chattel slavery, tribal ownership, peasant agriculture, the manorial system, independent handicrafts, domestic manufactures, and what not. Even to-day there are in the world other social institutions, besides profit-making capitalist business, which produce no small amount of “wealth” even in the narrowest sense of the term. For instance, there are, in the twentieth century, state forests and mines, banks and post offices, steamship lines

and railways; and municipal departments of gas and electricity, tramways and docks, dwelling houses and restaurants. I need not again describe the Consumers' Co-operative Movement, with its multifarious industrial enterprises carried on without the incentive of profit-making. Thus, the Ricardian economics – if Bagehot's justification of its validity has any authority – has no right to the position of the science of wealth production. Political Economy, as professed and taught, deals with only one of many social institutions engaged in or concerned with wealth production; and it is misleading to ignore those other social institutions by which wealth has been, and is now being produced among hundreds of millions of people unacquainted with the “big business” or profit-making capitalism, for which Ricardo sought to formulate the “laws” that his successors have been, during the past century, so diligently refining and elaborating. Why not drop, once and for all, the whole notion of a science of Political Economy? The term itself is a foolish one, which confuses the political with the industrial organisation of the community. Even when the modern term Economics is substituted, the “science” inherits a misleading delimitation of content and a faulty method of reasoning. What needs to be studied are social institutions themselves, as they actually exist or have existed, whatever may be the motive attributed to the men and women concerned; and whatever may be the assumed object or purpose with which these institutions are established or maintained. The organisation of “big business”, or profit-making capitalism, is, at the present time, one of the most important of social institutions; and it deserves a whole study to itself, which may or may not yet warrant the name of a science, but for which an appropriate description should be found. This study of profit-making capitalism or modern business organisation would take its place alongside the separate studies of other social institutions, such as the family; consumers' co-operation; the vocational organisations of the various kinds of producers; local government; the state (or political organisation); international relations; the intellectual, aesthetic and religious interests of man, and possibly a host of other departments of what can only be regarded (and may one day be unified) as Sociology. And this change of the definition or sphere of what is now termed Economics or Political Economy – which Hearn, it may be remembered, wished to call Plutology – would today be as much to the advantage of profit-making capitalism as it

would be to the advancement of truth. It would almost necessarily involve the abandonment of the abstract, or purely deductive method, without the possibility of precise verification of its inferences, which Ricardo's authority imposed on successive generations of British economists. Now, one of the many mischievous results of the abstract and deductive method has been the underlying assumption, used as a premise for its deductive reasoning, that pecuniary self-interest is, in fact, the basis of modern business enterprise, all else being ignored as merely "friction". Thus it is assumed that all the activities of profit-makers are inspired solely and exclusively by pecuniary self-interest. This is, to my thinking, to do them injustice. Public spirit and personal vanity, delight in technical efficiency and desire for power, political and social ambition, the spirit of adventure and scientific curiosity, not to mention parental love and pride of family, and even racial prestige, all contribute to the make-up of the dominant personalities of the business world. Whether competitive profit-making or capitalism promotes greed and oppression, and depresses public spirit – like the analogous accusations that state employment favours slackness and lessens initiative, and that vocational organisation furthers exclusiveness and stale technique – are all alike questions to be investigated. «By their fruits ye shall know them» – I would add, more especially by the spiritual fruits, i.e. by the characteristic state of mind which any particular institution brings about in the individual, and in the community, the character which it produces, as manifested in the conduct of individuals and organisations. I believe that we have here a most fruitful field for enquiry. We might discover that each type of organisation (or absence of organisation), each social institution, has its own peculiar "social diseases", which will lead to senility or death unless arrested – arrested, possibly, by the presence or the development of another and complementary social institution.

Assuming that we give up the conception of a separate abstract science of Political Economy or Economics, the adjective "economic" might then be reserved to define the relations between men arising out of their means of livelihood or subsistence; or, to put it in another way, which can be weighed and measured in terms of money – whatever may be the social institution in which these relations occur; exactly as we use the terms racial, political, legal, sporting or sexual, to describe the types of relationships having

other objects or ends. Thus we should have the economics of art, or of sport, or of marriage, or of medicine, as the case might be, just as we have the legal aspects of business enterprise, of the family or of municipal government.

A necessary implication of this new classification would be that what would have to be investigated, described and analysed are the social institutions themselves, as they exist or have existed, not any assumed “laws”, unchanging and ubiquitous, comparable with the law of gravity, any failure of correspondence with the facts being dismissed as friction. A second corollary is that these social institutions, like other organic structure, have to be studied, not in any assumed perfection of development, but in all the changing phases of growing social tissue, from embryo to corpse, in health and perversion, in short, as the birth, growth, disease and death of actual social relationships. And their diseases may even be the most interesting part of the study!

Let us explore some of the advantages to be gained by this new departure. For instance, confronted with the accumulation of demoralised labour in our big towns, and notably at the dock gates, the mechanistic doctrines of the orthodox economists are waste words. The so-called “economic law” “that labour goes where it is best paid”, one of the many deductions from the metaphysical theory that all men follow their pecuniary self-interest, is here glaringly falsified by events. Labour in this case goes where it is worst paid, and remains there. Can we discover the sequence which leads to this state of affairs? Taking the class of casual labourers as a whole, we observe that their economic faculty is intermittent, and that the majority of these individuals have always been, or have become, mentally or physically unfit for persistent work. We can even watch the process by which a countryman habituated to steady and continuous work at regular wages becomes, under given conditions, the under-employed, and eventually the unemployable worker. The attractions of the big towns are obvious. The distributive trades, and the industries of construction, offer more odd jobs and more short jobs than the manufacturing or mining industries; the metropolitan life yields greater amusement for leisure hours than the life of the countryside or manufacturing town. The existence of this particular leisure class may be summed up in the seemingly paradoxical statement: the difficulty of living by regular work and the ease of living without it! And I doubt whether those

who, either by birth or temperament, belong to, or through circumstances have drifted into, this class of casual labourers suffer much discontent with their condition. For their economic desire, besides being inefficient, has sunk to the lowest level of subjective quality. In spite of physical misery, they prefer a leisurely life, in the midst of the debased excitements of a big town, to a working life with comparative comfort under monotonous conditions. They enjoy to the full a social intercourse unshackled by moral conventions and unrestrained by the public opinion of a small community— but (unlike the social life of the analogous class in “good society”) inspired by a most genuine spirit of warm-hearted generosity. They are an attractive people, with all the charms of a leisurely and cosmopolitan view of life, free from intellectual and moral prejudices, and as different from the true working class as are the individuals who compose the leisure classes of “London Society” from the professional classes in London and from the higher middle class of our provincial towns. But they are essentially parasitic, and like other parasitic growths, they tend to reduce the substance they feed on to their own condition¹.

To sum up: Unused economic faculty rapidly deteriorates into the intermittent state – and efficient economic desire, if satisfied without the obligation to produce, quickly becomes parasitic – a conclusion which I had failed to reach from the abstract economics of Ricardo and Marshall.

My subsequent enquiry into the low wages, long and irregular hours and insanitary conditions of the slop-clothing trade of East

¹ A more detailed description of the behaviour of the lowest class of casual labourers is given in my subsequent article on *The Docks*. «These men hang about for the 4 odd hour work or one day in the seven. They live on stimulants and tobacco, varied with bread and tea and salt fish. Their passion is gambling. Sections of them are hereditary casuals; a larger portion drift from other trades. They have a constitutional hatred to regularity and forethought, and a need for paltry excitement. They are late risers, sharp-witted talkers, and, above all, they have that agreeable tolerance for their own and each other's vices which seems characteristic of a purely leisure class, whether it lies at the top or the bottom of society. But if we compare them with their brothers and sisters in the London Club and West-end drawing room we must admit that in one respect they are strikingly superior. The stem reality of ever-pressing starvation draws all together. Communism is a necessity of their life: they share all with one another, and as a class they are quixotically generous. It is this virtue and the courage with which they face privation that lend a charm to life among them» (Charles Booth's *Life and Labour of the People*, Final Edition (1902), Poverty Series, vol. 4, chapter on The Docks, by Beatrice Potter, pp. 31-2).

London (published in 1888) revealed an analogous correspondence between a low type of economic faculty on the one hand, and, on the other, poverty-stricken economic desire; resulting in the production and use of the “balloon coat” and “soaped-up trousers”, commodities as hideous in appearance as they were wasteful in wear.

As the extreme contrast to this specially ignominious correlation of low faculty and low desire, with its ugly offspring of slop-clothing, let us look back on the mediaeval cathedral, the outcome of a combination of the faculties of the anonymous God-intoxicated designer, leading his groups of craftsmen, individually enthusiastic in the execution of their manual arts, with the effective desire for a House of God on the part of successive pious founders and the undoubting community, which was then the congregation of the faithful. As a contemporary, and a more complicated, contrast with the sweater’s workshop we may visualise the scientifically efficient factory of the American business combine, organised by experts paid princely salaries, affording regular employment at good wages, relatively short hours of work, hygienic conditions and “welfare” institutions for a mass of carefully graded employees – accompanied, it is true, by hierarchical discipline and arbitrary promotion and dismissal, the monotony of endless repetition work in extreme subdivision of labour – producing in enormous quantities standardised commodities of respectable quality and undeniable utility, whether “packet foods”, gramophones, motor-cars or munitions of war, all accurately designed to satisfy, in the main, merely the animal instincts of self-preservation, the desire for common pleasures, and the greed for power.

The keenness with which I was following up this conception of economics as the study of the economic behaviour of particular individuals and classes led me to discover one notable exception to the rule, under the conditions of labour at the East End of London, of progressive deterioration of the wage-earners, alike in their production and their consumption of commodities. In the chapters on the East End Tailoring Trade and on the Jewish Community, contributed to Charles Booth’s first volume (published in 1889), I thus describe the exceptional characteristics of the immigrant Jew.

«In the East End tailoring trade the characteristic love of profit in the Jewish race has a twofold tendency: to raise the workers as

individuals, and to depress the industry through which they rise. Contractors and workers alike ascend in the social scale; taken as a whole they shift upwards, leaving to the new-comer from foreign lands the worst paid work, the most dilapidated workshop, and the dirtiest lodgings»².

«As an industrial competitor [I write in my subsequent chapter on the Jewish Community in the same volume] the Polish Jew is fettered by no definite standard of life; it rises and falls with his opportunities; he is not depressed by penury, and he is not demoralised by gain. As a citizen of our many-sided metropolis he is unmoved by those gusts of passion which lead to drunkenness and crime; whilst, on the other hand, he pursues the main purposes of personal existence, undistracted by the humours, illusions, and aspirations arising from the unsatisfied emotions of our more complicated and less disciplined natures. Is it surprising, therefore, that in this nineteenth century, with its ideal of physical health, intellectual acquisition, and material prosperity, the chosen people, with three thousand years of training, should in some instances realise the promise made by Moses to their forefathers: ‘Thou shalt drive out nations mightier than thyself, and thou shalt take their land as an inheritance?’»³.

² See Charles Booth’s *Life and Labour of the People*, Final Edition (1902), Poverty Series, vol. 4, chapter iii, on The Tailoring Trade, by Beatrice Potter, p. 61.

³ Charles Booth’s Final Edition (1902), Poverty Series, vol. 3, chapter on *The Jewish Community East London*, by Beatrice Potter, reprinted in *Problems of Modern Industry*, by S. and B. Webb (1898), pp. 43-4. The train of thought arising from this conception of economics as to the study of different types of economic behaviour finds expression in a note to *Industrial Democracy* (1897), by S. and B. Webb, pp. 697-8: «We are unable here to do more than refer to the existence of these popular ideas as to the standard of life. How they originate— why, for instance, the English workman should always have insisted on eating costly and unnutritious wheaten bread, or why some classes or races display so much more stubbornness of standard than others, would be a fruitful subject for economic inquiry. We suggest, as a hypothetical classification by way of starting point, that the races and classes of wage-earners seem to divide themselves into three groups. There are those who, like the Anglo-Saxon skilled artisan, will not work below a customary minimum standard of life, but who have no maximum; that is to say, they will be stimulated to intenser effort and new wants by every increase of income. There are races who, like the African negro, have no assignable minimum, but a very low maximum; they will work, that is, for indefinitely low wages, but cannot be induced to work at all once their primitive wants are satisfied. Finally, there is the Jew, who, as we think, is unique in possessing neither a maximum nor a minimum; he will accept the lowest terms rather than remain out of employment; as he rises in the world new wants stimulate him to increased intensity of effort, and no amount of income causes him to

A Theory of Value

My brooding over the Theory of Value led me to the conception that value arises in the satisfaction of a desire by the exercise of a faculty. In “value in use”, this union of exercise and satisfaction may take place in one individual, as in the man eating the food which he has produced; in “exchange-value” the union necessarily involves a relation between two or more individuals.

Price is simply the expression in terms of money of the equation at which a given faculty and a given desire, under given conditions, consent to unite and generate exchange value: it is, so to speak, the marriage settlement of economic life, and like many other matrimonial arrangements it is not always to the advantage of both parties. And moreover, in this vale of tears many faculties and many desires do, as a matter of fact, remain unmarried; and thus fail to generate exchange value. Indeed, it should be one of the main objects of applied sociology to bring about the largest measure of unbroken continuity and mutual satisfaction in an ever-increasing stream of marriages between the economic faculties and economic desires of the human race.

Now Karl Marx and his disciples, following Thompson, Hodgskin and Ricardo, refused to recognise that it took the two to create the third. According to his theory of value, economic faculty, or, as he preferred to call it, “labour”, is the sole origin of value; he assumed that economic desire is, like the ether, always present; and can therefore be neglected as a joint parent of value⁴. Consequently, he overlooked all the processes by which the correspondence or union of a particular faculty with a particular desire is actually attained. To read Marx, one would think that it was only necessary to make a yard of cloth in order to create exchange value equal to the cost of production, together with a handsome surplus! In the

slacken his indefatigable activity. To this remarkable elasticity in the standard of life is, we suggest, to be attributed both the wealth and the poverty of the Jews—the striking fact that their wage-earning class is permanently the poorest in all Europe, whilst individual Jews are the wealthiest men of their respective countries».

⁴ Commodities, therefore, in which equal quantities of labour are embodied, or which can be produced in the same time, have the same value. The value of one commodity is to the value of any other, as the labour-time necessary for the production of the one is to that necessary for the production of the other. «As values, all commodities are only definite masses of congealed labour-time...» (*Capital*, by Karl Marx; translation edited by Friedrich Engels, 1887, vol. I, p. 6).

weird Marxian world, whilst men are automata, commodities have souls; money is incarnated life, and capital has a life-process of its own! This idea of an “automaton owner”, thus making profit without even being conscious of the existence of any desire to be satisfied, is, to anyone who has lived within financial or industrial undertakings, in its glaring discrepancy with facts, nothing less than grotesque.

With regard to the Co-operative Movement, it was my conception that exchange value resulted from the correspondence or union of economic faculty with economic desire that gave me the clue to what was then a new idea, and what proved to be a true idea now universally accepted, namely, that the British Co-operative Movement owed its success to the fact that it was, in essence, an organisation of consumers, controlling the production and distribution of commodities in the interests of the consumers; and not, as had hitherto been asserted, not only by the idealists of the movement, but also by the Political Economists, an organisation of the producers, for the purpose of owning the instruments of production, and controlling their own employment. Further, it seemed to me that this organisation of consumers did not, of itself, supply a healthy organisation of industrial activities. To save it from internal disorder and degeneration, there needed to be some participation in control by the representatives of the various classes of producers: that, in fact, the manual workers’ Trade Unions, together with the brain-workers’ professional organisations, were a necessary complement to the Consumers’ Cooperative Movement, as they are also to the Political State and its derivative – municipal government.

Was it fantastic to suggest that this idea of the democratic government of industry as a joint affair of consumers and producers, had some affinity with the idea of exchange value being the result of a correspondence or union between economic faculty and economic desire? «The proper relationship of Trade Unionism and co-operation [so I tell a conference of Trade Union officials and co-operators in 1892] is that of an ideal marriage, in which each partner respects the individuality and assists the work of the other, whilst both cordially join forces to secure their common end— the Co-operative State».

What I Believe (1929)

Out of the social environment and mental climate in which I was born and bred, there seemed to arise two outstanding questions, questions perpetually recurring in my own consciousness from girlhood to old age:

Can there be a science of social organization, in the sense in which we have a science of mechanics or a science of chemistry, enabling us to forecast what will happen, and perhaps to alter the event by taking appropriate action or persuading others to take it? Secondly, assuming that there can be, or will be, such a science of society, is man's capacity for scientific discovery the only faculty required for the reorganization of society according to an ideal? Or do we need religion as well as science, emotional faith as well as intellectual curiosity? In the following pages will be found my tentative answer to these two questions – that is, my philosophy of work or life.

The first of these questions, can there be an applied science of society? Led me early in life to choose a particular vocation – the study of social institutions by the methods of personal observation, actual participation in the organization concerned, the taking of evidence, statistical inquiry, and the examination of historical records. My reaction from this long-continued practice of the art of the social

investigator has been an ever-deepening conviction of the supreme value in all social activity of the scientific method.

Let me give one or two examples of an applied science of society taken from the public administration of Great Britain during the past hundred years. In the early part of the nineteenth century the business of government, whether national or local government, was honeycombed with favoritism, corruption, and barefaced speculation. This wholesale dishonesty on the part of representatives and officials has been largely swept away by the adoption of a social invention of definitely scientific character, namely, the audit—a device which is scarcely a century old. The systematic checking of the cash transactions of all public officials by a special class of independent experts has been found to have an amazing influence not only upon their accuracy but also upon their honesty. Thus, the world can, by taking thought, so far predict and alter the future as

positively to grow the habit of honesty on a large scale. Another instance is the discovery, during the past three-quarters of a century, of better methods of selecting persons for responsible or specialized work. During the eighteenth century, alike in central and in local government, nearly all positions of trust and authority were jobbed; that is to say, they were given by those in authority to their own relatives, political supporters, or social hangers-on, however incapable or badly conducted these persons might be. To-day this jobbery has been very nearly eliminated in the British civil service by two or three simple devices. One of these devices, applicable to nearly all first appointments of young persons, is selection by competitive examination, through a non-political board, wholly unconnected with the public authorities which are engaging new employees. Another expedient, more suited to persons of mature age where specific attainments are indispensable, is the device of a prescribed qualification – a qualification tested by the appropriate professional organization – again an organization wholly unconnected with the public authorities concerned. This we have for our official doctors and nurses, civil engineers, accountants, and architects.

Let me give one more instance of the advantage of the scientific study of facts in the way that I have described. A hundred years ago the accepted way of dealing with extreme poverty – what was called destitution – was poor-law relief. This relief took one of two forms – maintenance in the general mixed workhouse or a niggardly dole of unconditional outdoor relief. A century of experience has discredited both.

As a result of long-continued observation and experiment by all sorts of persons, officials and philanthropists, recorded in innumerable bluebooks and scientific treatises, there has been gradually created a whole series of new social institutions vitally affecting human behaviour – a veritable framework of prevention. Instead of threatening the sick person with the workhouse if he applied for relief, the public health authority has come more and more to seek him out, in order to cure him and to prevent any spread of disease. The local education authority now welcomes every child to school, insists that the parents send the child to school reasonably clean, even feeds the child if it is found to require it, and prosecutes the parents who are guilty of wilful neglect. The infant-welfare center endeavors to look after every birth, instructs the mother how to

rear the baby, and offers periodically to examine and weigh the growing infant, so that the mother may know how it is progressing. This may seem a small matter. But the statistician proves to us that during the past thirty years, since these things have been done, only half as many babies die as in the previous generation. What is even more striking is the vast alteration for the better that has been effected by these preventive services in the behavior of the parents and the children in the way of healthy living, in cleanliness, and even in manners.

There are some of us who believe that it will yet be found practicable, through observation and experiment, to invent an analogous framework of prevention applicable to that terrible disease of modern industry, mass unemployment.

Have I succeeded by these few illustrations in making the reader realize why I believe that we have already a science of society – a young and very incomplete science, but one that is steadily growing and that is capable of indefinite extension? But it is a science with limitations. Unlike iron and stone and machinery, human beings and social institutions are always changing. They even alter while you are studying them. This is a difficulty which the science of society shares with the science of biology or with that of medicine. But the changes in social institutions are sometimes so catastrophic and far reaching as completely to baffle our generalizations and nullify our predictions. No student of social facts, however competent, could have forecast the Russian Revolution or the nature of the Soviet Government. No one could have foreseen the sudden development of the Fascist state in Italy. No one could have predicted the rapid rise to prosperity and power of the Czecho-Slovakian republic, the very name of which we can barely pronounce and the exact position of which is unknown to most of us. Here and there, from time to time, there emerges from the mass a man or a group of men whose uncommon qualities are exceptionally influential with the particular race of human beings with whom they come in contact. It may be a captivating personality, it may be religious exaltation, it may be superlative efficiency in the organization of war or in the administration of the state.

William James called such great men "ferments," influences which change the course of life of a whole nation. We may recognize such a ferment in the great leader of the Czecho-Slovakian race, Masaryk. Sometimes these potent individuals appear more

like volcanic eruptions – as with Lenin in Russia and Mussolini in Italy and Gandhi in India. These are as unpredictable by science as an earthquake. But woe betide the great man, be he prophet or warrior or statesman, who forgets not only that the common man exists, but also that it is with the common man that he has to deal. If a Lenin, a Mussolini, or a Gandhi wants to reduce the infant death-rate or to adopt summer time, to create a universal system of public education or to build up a stable democratic state out of millions of men of different races and antagonistic creeds, in Russia, Italy, or India, he must, for all his volcanic power, learn from the knowledge of past and present social institutions the particular devices by which one or other of these things can be created. Before he died Lenin had to admit that in ignoring one common characteristic of the tens of millions of the Russian peasant-cultivators – the desire to better his own circumstances – he had made a big mistake. He had, indeed, to reverse his policy of complete communism, and to permit, at least temporarily, a measure of individual accumulation and private trade. Mussolini may yet find that in suppressing all independence of speech and freedom of the press he has alienated an indispensable factor in a stable and progressive state.

To sum up: The generalization and predictions of the science of society relate to that strange abstraction, the average human being. Here we recognize what might be termed the mystical element in the work of the statistician. What he tells us is the truth, even truth of a high order. But he does not deal with our individual peculiarities. He predicts what will be found true of what is common to all the individuals who make up the group or race of men with which he is dealing. The uncommon, the exceptional, the peculiar characteristics of the individual man, and the manner of his influence, are at present and possibly always will be outside the scope of a science of society.

I pass to the second question which has continuously confronted me in my passage through life. Is man's capacity for scientific discovery the only faculty required for the reorganization of society according to an ideal? Or do we need religion as well as science, emotional faith as well as intellectual curiosity?

Very early in my career as a social investigator I realized that science deals only with the processes of life; it has little to say of the purpose of life. We can learn through science how best to kill a

man or slaughter a multitude of men; we can discover how to cure a human being of specific diseases and thus raise indefinitely the standard of health. But no amount of personal observation or statistical inquiry will tell us whether we ought to kill or to cure. Our behavior, as parent or child, as colleague or rival, as employer or employed, as private citizen or public official, is largely dictated to us by law or public opinion. But whenever we settle it for ourselves, it seems to depend on intuition or impulse, on likes or dislikes, or to put it in another way, on our emotional outlook on life. Historically, codes of conduct, scales of value, patterns of behaviour - to use the term of my friend, Graham Wallas - are intimately related to contemporary conceptions of man's relation to the universe, whether these notions are woven into magic rites, wrought into religious creeds, or expressed in systems of philosophy incapable of objective verification. My own experience is that in the nobler type of men these guides to conduct appear to rise out of emotive thought, connecting the purpose of individual man with the purpose of the universe, the visible with the invisible world. «Man lives in two worlds», Professor Haldane tells us in his brilliant exposition of *What I Believe*, «the visible world which changes with time, and an invisible world whose constituents do not change». «I have not very much use for people who are not in touch with the invisible world», he adds somewhat scornfully. The trouble is that when we ask to be put in touch with this invisible world we are given, by this eminent scientist, not the bread of spiritual guidance but the hard stone of pure intellect and a short measure of that!

«Among the components of the invisible world are the realities corresponding to mathematical statements like $16+9=25$ ». This, literally, is all that he vouchsafes us! Memory recalls my friend Bertrand Russell arguing that the arithmetical proposition that two and two makes four cannot be proved by pure logic, and is merely an empirical truth derived from experience, thus belonging to the visible and not to the invisible world. However that may be, to an undeveloped mind like mine Professor Haldane's exposition of the invisible world is meaningless. It arouses no response either from my intellect or from my emotions.

But why should we expect to describe the invisible world? All we can do is to explain our own state of mind, so that we may enter into communion with those of like temperament, and thus en-

courage and strengthen each other in our common pilgrimage through life. For my own part, I believe that the mind of man, as distinguished from the appetites and instincts which he shares with other animals, is divided into two parts – the intellectual and the emotional, each having its own methods and sanctions. What is called the scientific method is the highest expression of the intellect; by observation, verification, and reasoning, we can discover how things happen and predict how they will happen under like circumstances, and, in many instances, by applying this knowledge, we can alter this happening in the direction we desire.

The highest expression of the emotional side of human nature is the attainment of the beautiful and the good; the one represented by art in all its manifestations, the other by varieties of religious experience, leading to what is felt to be the right conduct of life. I have not the artistic temperament and I know not in what state of consciousness this may be embodied; what may be its discipline and its sanctions. But like the majority of the human race I have an incipient religious temperament – a yearning for the mental security of a spiritual home. «Religion», we are told by Professor Whitehead (*Science and the Modern World*, p. 238), «is the vision of something which stands beyond, behind, and within, the passing flux of immediate things; something which is real, and yet waiting to be realized; something which is a remote possibility, and yet the greatest of present facts; something that gives meaning to all that passes, and yet eludes apprehension; something whose possession is the final good, and yet is beyond all reach; something which is the ultimate ideal, and the hopeless quest».

This vision of something which is real and yet waiting to be realized is associated in my experience with an intuitive use of prayer. A secularist friend once cross-examined me as to what exactly I meant by prayer; he challenged me to define the process of prayer; to describe its happening. I answered I would gladly do so if I could find the words. The trouble is, as Tagore observes about poetry, that words have meanings, or, as I prefer to say, predominantly intellectual meanings; and in prayer it is emotion, not reason, that seeks an outlet. It is by prayer, by communion with an all-pervading spiritual force, that the soul of man discovers the purpose or goal of human endeavor. That is why down all the ages of human development prayer has been intimately associated, whether as cause or effect, with the nobler and more enduring

forms of architecture and music; associated, too, with poetry and painting, with the awe-inspiring aspects of nature, with the great emotional mysteries of maternity, mating, and death.

To Professor Haldane my longer string of words may seem as meaningless as his curt arithmetical formula does to me. Perhaps we can find common ground in *The Will to Believe*, eloquently expounded by William James, or in The Philosophy of "As If," logically developed by Vaihinger. So far as I understand the conclusion of these eminent metaphysicians – a conclusion which I understand is also held by Einstein – it can be summed up in the proposition that wherever no hypothesis can be scientifically proved or disproved, and yet some hypothesis must be accepted as a starting-point for thought or as a basis for conduct, the individual is justified in selecting the hypothesis which yields the richest results in the discovery of truth or in the leading of a good life. Such a justifiable hypothesis seems to me the faith I hold: that man is related to the universe by an emotional as well as by a rational tie, that there is a spirit of love at work in the universe, and that the emotion of prayer or aspiration reveals to man the ends he should pursue if he desires to harmonize his own purpose with that of the universe; exactly as the working of his intellect discovers the means by which these ends may be best achieved. «Did I ever tell you», writes one of the greatest of British scientific thinkers, Francis Galton, «that I have always made it a habit to pray before writing anything for publication, that there may be no self-seeking in it, and perfect candor, together with respect for the feelings of others» (*Life of Francis Galton*, by Karl Pearson, III A, 272).

But I realize that in the world of to-day science is in the ascendant, while the religious impulse is in eclipse.

This decay of religious faith is, I think, a reaction from what is false within the current religious creeds.

Throughout the ages, prophets and priests, saints and Sadducees, have dictated to the faithful mythical accounts of how things happen, how they have happened, and how they will happen--whether concerning the beginnings of life on this earth, or the course of the stars, or the diagnosis and cure of disease, or the better organization of society. This unwarranted intrusion of religion into the realm of science, this illegitimate attempt to supersede reason by emotion in respect to the processes of nature has always

led and will always lead, at best, to failure to attain the desired ends, at worst, to superstitious practices and degrading magic.

Few believers in the scientific method accept as evidence of fact the Biblical narrative of the creation of the world in six days or that of the miracles of the Immaculate Conception and the resurrection from the dead of the physical body of Jesus of Nazareth. I am aware that these "dogmas" are deemed by some practicing Christians to be not statements of fact at all, but merely symbols of some invisible truth – appeals to the emotion and not to the intellect. This gloss on the creed of Christendom seems to me lacking in candor.

Thus, like many of my contemporaries, I am a religious outcast; I cannot enjoy, without sacrificing intellectual integrity, the immeasurable benefit of spiritual comradeship, the inner peace arising out of traditional forms of worship, the inspiration of noble motive – all of which I recognize as embodied in the discipline of the great religions of the world, such as Christianity and Buddhism. And while I rejoice in the advance of science, I deplore the desuetude of regular religious services with their encouragement of worship and prayer for the good reason that personal experience and the study of history convince me that this absence of the religious habit leads to an ugly chaos in private and public morals and to a subtle lowering of the sense of beauty – witness the idol of the subhuman, the prevalence of crude animalism, in much of the music, art, and literature of the twentieth century.

But to my mind there is one hopeful portent. Men of science endowed with the religious temperament are today reinterpreting the mystical meaning of the universe; and it is they who may bring about a new synthesis between our discovery of the true and our self-dedication to the beautiful and the good.

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