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# Marx, Jevons, and Early Fabian Socialism

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The present essay deals with the economic conceptions of the early Fabian Socialists. As there have always been great differences in both theoretical and practical positions between different members of the Fabian Society, it is worth while to make it clear that the authors with whom this paper is basically concerned are Sidney and Beatrice Webb, and George Bernard Shaw – in particular Sidney Webb, who was undisputably the main thinker in the field of economics in the group.

It ought to be stressed that the discussion is limited to those aspects of the work of these authors which are of interest to the economist, and it covers fields such as, for instance, their conceptions on the organisation of a Socialist society, or their arguments for Socialism, only so far as they are related to some economic point. To so define the task of the present work has seemed warranted basically on two accounts. In the first place, the enormous output of these authors, and the very wide range of their interests, would have made it very difficult (if not impossible) to attempt a full-scale discussion of their thought within the space of a single paper. In the second place, and more importantly, the fact that most students of the Fabians are not economists, and therefore rarely enter into a serious analysis of the actual content of their economic ideas, has caused this aspect of Fabianism to be much neglected. Its discussion has accordingly appeared more promising than that of others, and it is this that is mainly new about the present paper. It is not claimed, of course, that this is the definitive study of the economic thinking of the early Fabian Socialists: it is rather an attempt to open up a field which appears more interesting than is generally assumed.

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1. One of the main episodes for which the Fabians are perhaps known to the economist, is the controversy over Marx's theory of value, which took place in the Socialist magazine *To-Day*,<sup>1</sup> starting in 1884. The principal contenders were P. H. Wicksteed, as a critic of Marx and supporter of Jevons's theory, and Bernard Shaw, as an alleged supporter of Marx. Minor characters included other Fabians like S. Olivier,<sup>2</sup> who championed Jevons, and Graham Wallas,<sup>3</sup> who took an intermediate position (significantly his paper was entitled "An economic eirenicon"). H. M. Hyndman, the head of the Social Democratic Federation, the main British Socialist group of the time, acted as the unreserved defender of Marx.<sup>4</sup>

To appreciate the importance of this controversy from a historical point of view, it is necessary to remember that the 1880s witnessed a great Socialist revival in Britain, after what Engels described as the "long slumber" of the working classes, that derived from "the failure of the Chartist

<sup>1</sup> The subtitle of which was *The Monthly Magazine of Scientific Socialism*. Its first editor had been E. Belfort Bax, an early reader of Marx's works (see Marx's letter to Sorge of 15 December 1881, in MARX-ENGELS, *Selected Correspondence*, edited by S. W. Ryazanskaya, Moscow, Progress Publishers, 1975, p. 326).

<sup>2</sup> SYDNEY OLIVIER (1859-1943), originally a follower of Comte, was (together with S. Webb) convinced by Shaw to join the Fabian Society in 1884. He contributed the paper on the moral basis of Socialism to the 1889 *Fabian Essays in Socialism*. He became Governor of Jamaica, where, according to his own reports to Shaw, he used rather authoritarian methods (see Shaw's reminiscences, in M. OLIVIER (ed), *Sydney Olivier: Letters and Selected Writings*, London, Allen & Unwin, 1948, p. 12). In 1905 he published a book on *White Capital and Coloured Labour*. He was made Lord Olivier and Secretary of State for India on the formation of the first Labour government ("When the labour Party reached the Treasury Bench under the banner of Socialism, ... its lack of representation in the House of Lords compelled it to hand out peerages to any presentable members", Shaw, in M. OLIVIER, *op. cit.*, p. 18). In this Government, Sidney Webb was President of the Board of Trade. It was however by the second Labour government (in which he was Colonial Secretary) that Webb was made Lord Passfield.

<sup>3</sup> GRAHAM WALLAS (1858-1932) is the well-known author of *Human Nature in Politics*, and the *Life of Francis Place*. He contributed the paper on "Property under Socialism" to the *Fabian Essays in Socialism*. He left the Fabian Society in 1904, disagreeing with the Society's position on the tariff question (expounded in G. B. SHAW, "Fabianism and the Fiscal Question", *Fabian Tract* N. 116, February 1904). He had however been in disagreement with the Webbs for at least a decade (on this, and his resignation, see P. CLARKE, *Liberals and Social Democrats*, Cambridge, CUP, 1978, p. 54ff.). According to Pease, however, he "remained a Fabian in all except name" (E. R. PEASE, *The History of the Fabian Society*, London, The Fabian Society and Allen & Unwin, 1925, p. 157).

<sup>4</sup> It is well known that Hyndman had been one of the first popularisers of Marx's ideas in Britain. The fact that he omitted to make explicit reference to Marx's works greatly annoyed Marx, and damaged his relations with him and Engels. The story is told by Marx in a letter to Sorge of 15 December 1881 (in MARX-ENGELS, *Selected Correspondence*, *op. cit.*, pp. 325-6). Hyndman was a skilful debater and journalist. The Social Democratic Federation in 1911 became the British Socialist Party. Hyndman was expelled in 1916 for his support of the war. (On Hyndman and the Social Democratic Federation, see E. J. HOBSBAWM, "Hyndman and the Social Democratic Federation", in *Labouring Men*, London, Weidenfeld and Nicolson, 1964. See also H. COLLINS, "The Marxism of the Social Democratic Federation", in A. BRIGGS and J. SAVILLE (eds), *Essays in Labour History*, London, Macmillan, 1971).

movement of 1836-50, and ... the colossal industrial upswing of 1848-80".<sup>5</sup> The decade saw the start of many Socialist groups (among which the Fabian Society itself, founded in 1883), and great social struggles, culminating in the successful London dock strike of 1889,<sup>6</sup> and the 1890 May Day celebration for a legalised eight-hour day.<sup>7</sup> Engels thus summarised the situation in 1890:

"The grandchildren of the old Chartists are stepping into the line of battle. For eight years already the wide masses have been stirring now here, now there. Socialist groups have emerged, but none has been able to outgrow the bounds of a sect; agitators and alleged party leaders ... have remained officers without soldiers. ... The powerful movement of the masses will put an end to all these sects and little groups by absorbing the men and showing the officers their proper places".<sup>8</sup>

The different "sects" had of course different ideological allegiances. The two most important streams of thought influencing the various groups were the one originating in Henry George's *Progress and Poverty* (first published in the USA in 1879; by 1882 it had sold about 100,000 copies in the United Kingdom)<sup>9</sup> and that originating in Marx's works (the first volume of *Capital*, the only one already published, started to become available in English in 1885,<sup>10</sup>). In this section, we are only concerned with Marx. Attention will be given to H. George in the next section.

2. Wicksteed's original article appeared in the October 1884 issue of *To-Day*, under the title "*Das Kapital: A Criticism*". This was the first eco-

<sup>5</sup> F. ENGELS, "May 4 in London" [1890], in K. MARX and F. ENGELS, *Articles on Britain*, Progress Publishers, Moscow 1971. By looking at the "Chronological table of the social movement", published as an appendix of W. SOMBART's *Socialism and the Social Movement* ([6th edition, 1908], London, J. M. Dent & Sons, 1909), the reader can get a striking view of the virtual absence of the working classes from the political stage in Britain in the 1850-1880 period.

<sup>6</sup> Engels wrote to *The Labour Elector*, the paper directed by H. H. Champion, which during the strike became the organ of the London Dockers; "I envy you your work in the Dock Strike. It is the movement of the greatest promise we have had for years, and I am proud and glad to have lived to see it. If Marx had lived to witness this!" ("On the London Dock Strike", in F. MARX and F. ENGELS, *Articles on Britain*, *op. cit.*, p. 394). Champion had been, until 1887, a member of the Social Democratic Federation. He had also published an article (entitled "Socialists of the Armchair") in the October 1886 issue of *To-Day*, replying to S. Olivier's attack on Marx. Also Champion, like Shaw, declared that he did not intend - and was not qualified - to defend Marx on a theoretical level.

<sup>7</sup> On the social struggles of this period, and the emergence of a "New Unionism", of socialist tendencies, towards the end of the 1880s, see S. & B. WEBB *The History of Trade Unionism, 1666-1920*, London, printed by the authors, 1920, ch. VII, H. PELLING, *The Origins of the Labour Party. 1880-1900*, Oxford, OUP, 1965, ch. V., and HOBBSBAWM, "The 'New Unionism' in perspective", in *Worlds of Labour*, London, Weidenfeld and Nicolson, 1984.

<sup>8</sup> F. ENGELS, "May 4 in London", *op. cit.*, p. 402.

<sup>9</sup> M. BEER, *A History of British Socialism* [2nd edition], London, G. Bell and Sons, 1929, vol. II, p. 243.

<sup>10</sup> In the October 1885 issue of *To-Day* a translation by Hyndman (under the pseudonym of J. Broadhouse), started to be published in instalments, but it was never completed. Engels attacked Hyndman's translation. The Moore-Aveling translation of the first volume of *Capital* was published in 1887.

conomic article he published: his interest in economics had only recently been aroused by *Progress and Poverty*.<sup>11</sup>

Wicksteed does not really so much criticise the labour theory of value, but rather attempts independently to establish the validity of a theory of value based on marginal utility. He seems even to suggest<sup>12</sup> that there is no inconsistency between this theory and an exchange of commodities in proportion to labour embodied.<sup>13</sup> Only, he claims a greater generality for his own rule of value, because it could also account for the value of non-reproducible goods, to which of course the labour theory did not apply. He does not make any use of the "exceptions" to the labour theory of value which had haunted Ricardo to the end of his life, and of which the first volume of *Capital*, with its strict adherence to the exchange according to labour embodied, may have seemed oblivious.<sup>14</sup>

I think it can be said that Wicksteed's criticism is less thorough than that put forward the same year by Böhm-Bawerk in *Capital and Interest*.<sup>15</sup> If it was effective in practice, this was not so much because of its own force,<sup>16</sup> but rather, I should argue, because of the weakness (not to say the incompetence) of its opponents.<sup>17</sup>

<sup>11</sup> See C. H. HERFORD, *Philip Henry Wicksteed. His Life and Work*, London and Toronto, J. M. Dent & Sons, 1931, p. 197. Wicksteed wrote to George: "[Your book] has given me the light I vainly sought for myself ... [and] has made for me" "a new heaven & a new earth" (see J. DORFMAN, *The Economic Mind in American Civilization*, vol. 3, 1865-1918, New York, The Viking Press, 1949, p. 148). On Wicksteed and Socialism, see also L. ROBBINS' Introduction to P. H. WICKSTEED, *The Common Sense of Political Economy and Selected Papers and Reviews on Economic Theory*, London, G. Routledge & Sons, 1933, p. vi ff., and T. W. HUTCHISON, *A Review of Economic Doctrines: 1870-1929*, Oxford, Clarendon Press, 1953, pp. 95-8.

<sup>12</sup> P. H. WICKSTEED, "Das Kapital: A criticism", in *The Common Sense*, *op. cit.*, p. 715.

<sup>13</sup> Also in the *Alphabet*, Wicksteed does not deny that exchange-values are proportional to labour embodied, but only maintains that "one thing is not worth twice as much as another because it has twice as much 'labour' in it, but producers have been willing to put twice as much 'labour' into it because they know that when produced it will be worth twice as much, because it will be twice as 'useful' or twice as much desired" (P. H. WICKSTEED, *The Alphabet of Economic Science* [1888], Kelley & Millman, New York, 1955, p. 117).

<sup>14</sup> Indeed, in *Capital and Interest* Böhm-Bawerk accused Marx of having ignored the exceptions to the labour theory of value, discussed in Ricardo's first chapter. Böhm-Bawerk had overlooked the hints given by Marx in the first volume about the qualifications to the exchange according to labour, which he would have discussed in later volumes. We now know that Marx, far from ignoring this problem, had worked out his solution as early as the late 1850s.

<sup>15</sup> Böhm-Bawerk's point on the value of the oak tree which "possesses a higher value than corresponds to the half minute's labour required in planting the seed" of course had not been invented by him - nor had he claimed any priority for it (see e.g., E. VON BÖHM-BAWERK, *Capital and Interest* [1884], London, Macmillan, 1890, p. 375, p. 387). Also Loria ("Karl Marx", in *Marx e la sua dottrina*, Palermo, Sandron, 1902, pp. 47-8) had made the point that different organic compositions of capital imply different rates of profits, if commodities exchange in proportion to labour embodied.

<sup>16</sup> As even some Marxists seem to imply: e.g. SWEETZ, "Fabian political economy", in *Journal of Political Economy*, June 1949, p. 244 n., and HOBBSBAWM, "Doctor Marx and the Victorian critics", in *Labouring Men*, *op. cit.*, p. 247.

<sup>17</sup> I cannot agree with P. Sweetz, who has maintained that "Wicksteed's criticism, despite its brevity, is in many respects a better piece of work than the virtually simultaneous chapter on Marx in Böhm-Bawerk's *Capital and Interest*" (P. SWEETZ, Introduction to E. von Böhm-

3. There are only two direct criticisms that Wicksteed levels at Marx's arguments. One is a denial of Marx's thesis, that the only substance which is common to all commodities, and makes them commensurable, is "abstract human labour". This is indeed a weak point in Marx, and Wicksteed can easily argue that Marx himself had implicitly admitted that utility is a common characteristic of all commodities.

The other point is on the determination of the value of labour-force. He claims that there are two grounds on which Marx maintains that this is kept at the minimum (subsistence) level. One, the imbalance of forces between the capitalists and the workers. This is a point which was already in A. Smith, which Marx refines through the conception of the reserve army of the unemployed – i.e., the idea that by substituting machinery for labour, capitalists can swell the number of the unemployed, thereby increasing competition between the workers, and generating a downward pressure on wages. Wicksteed acknowledges that this argument is "worthy of the most earnest attention",<sup>18</sup> but claims that Marx's real argument on the determination of the value of labour-force is a crude cost of production theory, "essentially independent" of the point on the imbalance of forces between capitalists and workers. Wicksteed criticises this conception on the ground that a cost of production theory of the value of labour-force could only be valid in a slave labour economy, where labour-force could be regarded as a commodity produced under basically the same conditions as the other commodities. Wicksteed concludes that not only is Marx's theory of wages flawed, but that this is the case for his theory of surplus value as well:

"Marx has failed to indicate any immanent law of capitalistic production by which a man who purchase labour-force at its value will extract from its consumption a surplus value".<sup>19</sup>

4. Wicksteed's criticism was far from unanswerable. Not only had he seriously misrepresented Marx's theory of wages, but, what is perhaps more important, the theory of surplus value by no means required wages to be at the subsistence level.<sup>20</sup> However, Shaw did not really answer Wicksteed's criticism, and he himself declared his reply to be only "a counterblast to

Bawerk, *Karl Marx and the Close of His System*, and R. Hilferding, *Böhm-Bawerk's Criticism of Karl Marx*, New York, Kelley, 1949, p. XI).

<sup>18</sup> WICKSTEED, "Das Kapital: A criticism", *op. cit.*, p. 707.

<sup>19</sup> *ibid.*, p. 723. Marxism took its revenge, so to speak, on Wicksteed. In the late 1920s, his son Alexander went to live in the Soviet Union, and (to his father's obvious annoyance), became a great admirer of the Soviet experience, on which he wrote a book (A. WICKSTEED, *Life under the Soviets*, London, J. Lane The Bodley Head, 1928), which was published with a preface by Beatrice Webb.

<sup>20</sup> On this, see P. GAREGNANI, "Value and distribution in the Classical economists and Marx", *Oxford Economic Papers*, June 1984, pp. 292-96, and pp. 320-22.

Mr. Wicksteed rather than a thorough analysis and discussion of his interesting contribution".<sup>21</sup>

On the other hand, the (rather superficial) points Shaw made against marginal utility theory could easily be shown by Wicksteed in his rejoinder not to do any damage to it. As a matter of fact, when he entered the controversy with Wicksteed, Shaw already entertained some doubts as to the validity of Marx's theory, which he had formulated in a letter (over the pseudonym "G. B. S. Larking") to *Justice*, the organ of Hyndman's Social Democratic Federation. He wrote forty years later: "I regarded my letter merely as a joke, and fully expected that some more expert Socialist economist would refute me easily".<sup>22</sup> The refutation, however, did not come, and the dispute in *To-Day* decided his allegiance: "I put myself into Mr. Wicksteed's hands and became a convinced Jevonian" (p. 276). Shaw again criticised Marx's theory in August 1887 (reviewing the English translation of the first volume of *Capital*, for the *National Reformer*) and in his 1889 paper on the economic basis of Socialism, which he contributed to the extremely successful *Fabian Essays in Socialism*,<sup>23</sup> where the marginal utility theory of value is adopted, and no vestiges of Marx's labour theory are left.

5. The controversy in the pages of *To-Day* went on for some years. In April 1889, Hyndman was asked by the editor (then the Fabian H. Bland)<sup>24</sup> to enter the arena. He wrote a brief exposé of Marx's theory, but was not able to do anything against Jevons, other than pooh-poohing him for his ("absurdly silly") view that "the spots of the sun were the cause of industrial crises".<sup>25</sup> In his rather mechanistic conception of Marx's theory, he

<sup>21</sup> G. B. SHAW, "The Jevonian criticism of Marx" [1885], reprinted in P. H. WICKSTEED, *The Common Sense*, *op. cit.*, p. 730.

<sup>22</sup> SHAW, "On the history of Fabian economics", appendix I/A to E. R. PEASE, *op. cit.*, p. 275.

<sup>23</sup> Published just before Christmas 1889, by the end of 1891 the book had sold nearly 30,000 copies (see PEASE, *op. cit.*, p. 88). Shaw, who was the editor of the book, also contributed a paper on "The transition to Social Democracy", which he had given to the 1888 meeting of Economics Section of the British Association. Sidgwick, who was at this meeting, afterwards wrote that it was "a peroration rhetorically effective as well as daring. Altogether a noteworthy performance" (see J. M. KEYNES, "Alfred Marshall. 1842-1924" [1924], in *Essays in Biography*, London, Hart Davis, 1953, p. 202n.). Shaw's report, however, was different: "Sidgwick, a follower of Mill, rose indignantly ... and declared that I had advocated nationalisation of land; that nationalisation of land was a crime; and that he would not take part in a discussion of a criminal proposal. With that he left the platform" (G. B. SHAW, "On the history of Fabian economics", *op. cit.*, pp. 273-4).

<sup>24</sup> H. BLAND (1855-1914) was another of the Fabian essayists, with a paper on "The Outlook", in the section on "The transition to Social Democracy". Pease described him as "a sound Socialist, but otherwise a Tory ... a little difficult, and a little of an outsider" (E. R. PEASE, "Webb and the Fabian Society", in M. COLE (ed), *The Webbs and Their Work*, London, Muller, 1949, p. 19).

<sup>25</sup> H. M. HYNDMAN, "Marx's theory of value", *To-Day*, April 1889, p. 94. Several years later, Hyndman again attacked marginal utility theory, but to no greater effect (H. M. Hyndman, "The final futility of marginal utility", in *The Economics of Socialism* [4th edition], London, The Twentieth Century Press, 1909).

seemed to accept that the value of labour-force is determined by its cost of production, but wholly ignored Wicksteed's point against this conception. In the following issue of *To-Day*, Shaw again intervened, attacking Hyndman ("he does not, never did, and probably never will, understand either Marx's or Jevons's theory of value").<sup>26</sup> Engels, who lived in London and must have been well aware of the debate, kept aloof from it,<sup>27</sup> perhaps because of his disdainful attitude towards British Socialist "sects".<sup>28</sup> The result was that the Marxists appeared wholly incapable of defending themselves, and Jevons's theory carried the day.

6. The significance of all this ought not to be underestimated. It meant a serious blow to the claims of the Marxists to be the representatives of *scientific* Socialism, at a juncture important for the development of the Socialist movement. Indeed, the Fabians would generally proclaim themselves the keepers of "advanced economics",<sup>29</sup> and Shaw could provocatively put Marx among "the three great propagandist amateurs of political economy" – the other two being Ruskin and H. George.<sup>30</sup> E. R. Pease, the official historian of the Fabian Society, even boasted that one of the Society's main achievements was that of having broken "the spell of Marxism in England".<sup>31</sup> This is no doubt an exaggerated claim, but it is not as "extravagant" as one serious student of Fabianism deems it.<sup>32</sup> It is true that,

<sup>26</sup> G. B. SHAW, "Bluffing the value theory", *To-Day*, May 1889, p. 128. In this article, Shaw tells the story of the famous Hampstead Historic Club, where "F. Y. Edgeworth as a Jevonian, and Sidney Webb as a Stuart Millite, fought the Marxian value theory tooth and nail; while Belfort Bax and I, in a spirit of transcendent Marxism, held the fort recklessly, and laughed at Mill and Jevons" (*ibid.*, p. 129). Edgeworth was a friend of the Fabians, and often (favourably) reviewed works by the Webbs (*The History of Trade Unionism*, and *Industrial Democracy*) for the *Economic Journal*. He seems to have "halfheartedly" courted Beatrice Potter shortly before her engagement to Sidney Webb in 1889 (see N. & J. MACKENZIE, *The First Fabians*, London, Quartet Books, 1979, p. 134).

<sup>27</sup> He also chose not to reply to Böhm-Bawerk's critique of Marx. In the preface to volume 2 of *Capital*, which he published in 1885, Engels promised a solution to the "contradiction of the law of value", to be given in volume 3, which he then thought could be published in a few months (but it was only published in 1894). Engels must have had in mind Böhm-Bawerk's rather than Wicksteed's critique (which, unlike, Böhm-Bawerk's, did not point at any "contradiction" in Marx).

<sup>28</sup> Engels' attitude towards the Fabians was contradictory. He wrote that they were "a band of careerists", but also that "they have produced amid all sorts of rubbish some good propaganda writing as well, in fact the best the English have produced in this field" (Engels to Sorge, 18 January 1893, in MARX-ENGELS, *Selected Correspondence*, *op. cit.*, pp. 428-9).

<sup>29</sup> G. B. SHAW, "The Fabian Society: What It Has Done; & How It Has Done It", *Fabian Tract* N. 41, August 1892, p. 16. In this reconstruction of the history of the Society, Shaw claims: "By far our most important work at this period was our re-natal of that historic and economic equipment of Social-Democracy of which Lassalle boasted, and which had been getting rustier and more obsolete ever since his time and that of his contemporary Karl Marx" (p. 15).

<sup>30</sup> SHAW, "On the history of Fabian economics", *op. cit.*, p. 278.

<sup>31</sup> PEASE, *The History of the Fabian Society*, *op. cit.*, p. 236.

<sup>32</sup> A. M. MCBRIAR, *Fabian Socialism and English Politics, 1884-1918*, Cambridge, CUP, 1962, p. 347. Hobsbawm ("The Fabians reconsidered", in *Labouring Men*, *op. cit.*, p. 251) agrees with McBriar. P. Sweezy instead writes that "Wicksteed's review appeared at a time when Marxism



as McBriar writes, "Marxism had cast no spell over England", but certainly the repudiation of Marx's theory of value by the Fabians was of some consequence, given the influence that they undoubtedly had on the developments of Socialist thought, and not only in England. Suffice it here to recall that a criticism of Marx's theory of value was the starting point of the "Revisionism" of Bernstein<sup>33</sup> in the following decade, and that Bernstein (who settled in London in 1888) was strongly influenced by the Fabians – indeed, Pease regarded "Revisionism" as "a German version of the English school of Socialism, as expounded by the Fabian and I.L.P. thinkers and leaders".<sup>34</sup>

## II

1. Although they liked to present themselves as Jevonians, the Fabians did not really put the new theory of value to any use.<sup>35</sup> Bernard Shaw would often speak about it, the Webbs would mention it (less often), but the real consequence of their adoption of Jevons's theory was rather the negative one of relinquishing the labour theory, with what they regarded as its antiquated flavour, than any positive one. Jevons's theory of value was no more than the labour theory used by them as a basis for their Socialistic claims.<sup>36</sup>

The same is not true for the theory of distribution. On the contrary, they regarded the theory of distribution that they adopted as "the very corner-stone of collectivist economy".<sup>37</sup> The main influences on their con-

seemed to be making real headway in Britain" (Introduction to E. von Böhm-Bawerk etc., *op. cit.*, p. XIn.).

<sup>33</sup> The central chapter of Bernstein's book which was the fountain-head of Revisionism (*Evolutionary Socialism* [1899], London, I.L.P., 1909), started with a section on Marx's theory of value and surplus-value, which amounted to its virtual repudiation.

<sup>34</sup> *A History of Socialism* [5th edition], by T. KIRKUP, revised and largely rewritten by E. R. Pease, London, Black, 1913, pp. 314-5. See also PEASE, *The History of the Fabian Society*, *op. cit.*, p. 239.

<sup>35</sup> I cannot understand what E. Durbin means when she writes that "there were problems with this [neoclassical] approach ... [f]or it is impossible to measure rent", and that "the early Fabians were confused between the payments due to the factors of production and the income going to the families" (E. DURBIN, "Fabian Socialism and economic science", in B. PIMLOTT (ed), *Fabian Essays in Socialist Thought*, London, Heinemann, 1984, pp. 42-3).

<sup>36</sup> IN G. B. SHAW "Socialism for Millionaires", *Fabian Tract* N. 107, July 1901, p. 3) there are hints, however, of an equalitarian argument implied by decreasing marginal utility, which had been put forward by Wicksteed (*The Alphabet of Economic Science*, *op. cit.*, p. 86ff.; see also K. WICKSELL, *Lectures on Political Economy* [2nd edition, 1911], vol. 1, London, Routledge & Kegan Paul, 1951, p. 72ff.).

<sup>37</sup> S. & B. WEBB, *The History of Trade Unionism*, *op. cit.*, p. 162. S. Webb wrote: "It is especially the growing understanding of this Ricardian law of rent which has revolutionized London politics, and has caused the hostile indifference with which the artizan in other centres is coming to regard both the great political parties. The outcome of this new ferment is the formation of an incipient Collectivist body of opinion among the great bulk of the younger men, the rising London party, and the new-born Labor Movement" (S. WEBB, "Socialism: True and False", *Fabian Tract* N. 51, May 1894, p. 7).

ceptions were Henry George, and a now half-forgotten American, General F. A. Walker,<sup>38</sup> a leading U.S. economist in the 1880s, then President of the Massachusetts Institute of Technology.

2. We have already mentioned the great importance that H. George's *Progress and Poverty* had in the Socialist revival of the 1880s. He himself was far from being a Socialist (he was an admirer of H. Spencer), but his indictment of capitalist society nonetheless gave "the starting push" to the new movement.<sup>39</sup> Sidney Webb, Shaw and most of the English Socialist leaders of the time, "passed through the school of Henry George".<sup>40</sup> Indeed, George set a great number of people thinking about the economic constitution of capitalist society, and led them to criticise it radically.

Book III of *Progress and Poverty* is devoted to "The laws of distribution". George criticises the standard economic treatises, on the ground that in them the different laws regulating wages, interest,<sup>41</sup> and rent, are not "brought together", and therefore the reader cannot "take them in at a glance and recognize their relation to each other". He emphasises that "[t]he laws of the distribution of wealth ... must be so related to each other that any two being given the third may be inferred".<sup>42</sup>

George sees rent as determined by "Ricardo's law" – i.e., by the excess of the produce of each land over that of the least productive land in use, and on which no rent is paid (p. 118). Sticking to the link he had stressed between wages, interest, and rent, he maintains that the "law of rent" also determines the part of the produce which is left for wages plus interest. He remarks that this residue does not depend upon what labour and capital produce on the whole, but only "upon the produce which they could obtain ... from the poorest land in use" (p. 121).

Curiously enough, George does not follow up his attempted "coordination" of the "laws of distribution",<sup>43</sup> applying the same point of view to

<sup>38</sup> WALKER (1840-1897) had made a reputation for himself with his 1876 book on *The Wages Question*, where he had rejected the Wages-Fund doctrine. Sidgwick criticised the book, on the ground that it "leaves us with no theoretical determination whatever of the average proportions in which produce is divided between labour and capital", and that the problem of crucial importance was the determination (and possibly the justification) of the entrepreneurs' profit (H. SIDGWICK, "The Wages-Fund theory", *The Fortnightly Review*, September 1, 1879, pp. 410-2). This criticism may well have suggested the development of the theory of distribution that Walker undertakes in his subsequent book. On Walker, see Dorfman (*The Economic Mind etc.*, *op. cit.*, p. 101ff). See also B. NEWTON, *The Economics of Francis A. Walker. 1840-1897*, New York, Kelley, 1955.

<sup>39</sup> S. & B. WEBB, *The History of Trade Unionism*, *op. cit.*, p. 376.

<sup>40</sup> BEER, *op. cit.*, p. 245.

<sup>41</sup> George rejects the use of the term "profits", on the ground that "[t]he word profits, as commonly used, is almost synonymous with revenue" and that it "frequently includes receipts that are properly rent" and "nearly always includes receipts that are properly wages" (*Progress and Poverty* [1879], London, Kegan Paul, Trench, Trübner, & Co., 1906, p. 110).

<sup>42</sup> GEORGE, *op. cit.*, pp. 112-3.

<sup>43</sup> It seems clear that the title of Wicksteed's famous 1894 tract must have been inspired by George. I am indebted to A. Campus for this point.

the division between wages and interest, but instead maintains that a "relation of opposition" between wages and interest "is only apparent". He claims that "labour and capital are but different forms of the same thing – human exertion", and that their rewards will therefore tend to be equal, because otherwise "labour would not accept the use of capital, or capital would not be placed at the disposal of labour". On these rather confused grounds, he concludes that wages and interest "must rise and fall together, and that interest cannot be increased without increasing wages" (p. 114). The only opposition he saw was that between capital and labour on the one hand, and land on the other.

3. For George, all the evils derive from the private ownership of land. He maintains that rent not only would increase following an increase of population, but even that it would reap the benefits deriving from improvements in the methods of production: "where land is entirely appropriated, ... the ultimate effect of labour-saving machinery or improvements is to increase rent without increasing wages or interest".<sup>44</sup>

As is well known, George regarded nationalisation of land (without compensation) as "The remedy" – to be achieved in practice by replacing all existing taxation with a single tax, falling on rent. This was really a panacea: it would

"substitute equality for inequality, plenty for want, justice for injustice, social strength for social weakness, and will open the way to grander and nobler advances of civilization" (p. 234).

4. What was important in George's agitation was that its starting point was not some Utopian fantasy, but an analysis (by means of the tools of political economy) of the working of capitalism.<sup>45</sup> Even Marx, no admirer of George, thought that his book was significant as "a first though unsuccessful effort at emancipation from orthodox political economy".<sup>46</sup> This was not so much an emancipation from orthodox *analysis* (indeed, Marx wrote that from a theoretical point of view, George was "utterly backward"), but its novelty consisted in the radical conclusions drawn from this analy-

<sup>44</sup> GEORGE, *op. cit.*, p. 173.

<sup>45</sup> As J. A. Hobson noticed in an article written at H. George's death, "[t]he real importance of Henry George is derived from the fact that he was able to drive an abstract notion ... into the minds of a large number of "practical" men, and to generate therefrom a social movement" (J. A. HOBSON, "The influence of Henry George in England", *The Fortnightly Review*, December 1897, pp. 836-7).

<sup>46</sup> Marx to Sorge, 20 June 1881, in MARX-ENGELS, *Selected Correspondence*, *op. cit.*, p. 323. See also the comments that Marx wrote on the margin of his copy of George's 1881 book on *The Irish Land Question*, which are reprinted in B. KAISER (ed), *Ex libris – Karl Marx und Friedrich Engels – Schicksal und Verzeichnis einer Bibliothek*, Berlin, Dietz Verlag, 1967, p. 72. Engels seems to concede more to the Georgite movement (see his letter of 28 December 1886 to F. Kelley-Wischnewetzky, in MARX-ENGELS, *Selected Correspondence*, *op. cit.*, pp. 376-7).

sis. This must have been so worrying for the orthodox economist,<sup>47</sup> that no less distant a scholar than Alfred Marshall took the trouble, when George in 1884 made a successful lecturing tour of Britain,<sup>48</sup> of attending the conference George gave at Oxford, repeatedly rising to accuse him of utter incompetence and irresponsibility. (The "disorderly meeting", in no small measure thanks to Marshall's efforts, had to be suspended).<sup>49</sup>

5. The theory of distribution put forward by Walker in his *Political Economy* (first published in 1883) was to no little extent a reply to the theory of distribution contained in *Progress and Poverty*, which is discussed at length in Walker's book (its "practical proposals" however Walker's refuses to discuss: "I will not insult my readers by discussing a project so steeped in infamy").<sup>50</sup>

Walker considers that there are four parties to the distribution of wealth: landowners, capitalists, entrepreneurs, and labourers. Landowners receive a rent which is determined along the lines of Ricardo's theory. Capitalists receive an interest which is determined by "the demand for, and the supply of, loanable capital".<sup>51</sup> Entrepreneurs' profits are regarded by Walker as "partak[ing] largely of the nature of rent" (p. 236), because they are due to the superior ability<sup>52</sup> of the entrepreneur over the "no-profit" class of entrepreneurs ("men inadequately qualified", who would get "that minimum which, in economics, we can treat as *nil*": p. 239), just as rent is due to differences in fertility with respect to the no-rent land. The entrepreneur's profit, like rent (and unlike the capitalist's interest) does not enter the price of the product. It is

"drawn from a body of wealth which is created by the exceptional abilities ... of those employers who receive profits, measured from the level of those employers

<sup>47</sup> Indeed W. H. Mallock, then a well-known political writer and apologist of capitalism, wrote in 1883 that "the only dynamite that really threatens society, is the 'moral dynamite' of a new economic science" ("Socialism in England", *The Quarterly Review*, October 1883, p. 355).

<sup>48</sup> He had also toured Britain in 1882, and the Government had got him arrested when attempting to go to Ireland.

<sup>49</sup> Marshall, who was 42 in 1884, had the preceding year succeeded A. Toynbee at Oxford. In 1881, when still at Bristol, Marshall had also delivered three evening lectures on *Progress and Poverty*, harshly criticising it. He had stated that "[s]ome Socialistic writers have been men of great scientific capacity, who have understood the economic doctrines which they have attacked. Mr. George is not one of these" (in G. J. STIGLER, "Alfred Marshall's lectures on *Progress and Poverty*", *Journal of Law and Economics*, April 1969, p. 186). Marshall also said that "[h]e was not prepared to admit there was no just distribution of proceeds between capital and labour, because he did not know what that meant" (*ibid.*, p. 198). In the debate at Oxford, he stated that "[h]e had not gathered from any of Mr. George's speeches that he had the smallest notion of the responsibility that he undertook when he said much of the things that he did" (see the newspaper report of the meeting, reprinted, together with Marshall's lectures, by Stigler).

<sup>50</sup> F. A. WALKER, *Political Economy* [3rd edition], London, Macmillan, 1887, p. 419.

<sup>51</sup> *ibid.*, p. 220.

<sup>52</sup> Walker regards profits as also due to "exceptional opportunities", but sees this as a much less important element (p. 237). Cannan wrote that Walker's theory of profits was "one of the wildest creations of nineteenth-century economic thought" (*A Review of Economic Theory*, London, P. S. King and Son, 1929, p. 358).

who receive no profits, just as all rents are drawn from a body of wealth, which is created by the exceptional fertility ... of the rent-lands, measured from the level of the no-rent land" (p. 240).

The labourer is for Walker "the residual claimant to the product of industry". His portion of the product is simply determined by the difference between the product and the three shares going to landowners, capitalists, and entrepreneurs, each determined by its own law.

"In this view – he claims – the laboring class receive all they help to produce, subject to deduction on the three several accounts mentioned" (p. 248).

Moreover, in opposition to what George had maintained, Walker concludes that increases in the product will generally increase the labourers' share.<sup>53</sup>

6. The most ambitious exposition of the Fabians' theoretical views on distribution is that contained in the article that Sidney Webb published in the 1888 *Quarterly Journal of Economics*, on "The rate of interest and the laws of distribution".<sup>54</sup> Webb attempts here to develop Walker's theory further,

"carry[ing] on to interest that powerful economic analysis which he [Walker] has already applied with so much success to rent, profits, and wages".<sup>55</sup>

Webb starts by noting that Walker's conceptions were open to H. George's criticism about the lack of co-ordination of the laws of distribution as commonly explained,<sup>56</sup> because Walker had maintained that interest is determined by a principle (supply and demand) totally unconnected with those regulating the shares of the other "claimants".<sup>57</sup>

Webb defines "economic interest" as

"The amount of the annual produce after deduction of economic rent of land, rent of ability, and normal wages".

In "Rent of ability" he appears to include also the wages earned by labourers who use more than "the minimum of skill and capital, engaged in wealth

<sup>53</sup> "It is demonstrable that the product of industry may be increased without enhancing the share of all or of any of the other parties to distribution; and, even when the other shares are enhanced, it is possible and even probable that, on the assumption of perfect competition, the increase of product ... will be greater than the sum of the increments by which rent, interest, and profits shall have been enhanced" (p. 253).

<sup>54</sup> Also important, of course, is Shaw's essay on the economic basis of socialism, in the *Fabian Essays*, published the following year.

<sup>55</sup> S. WEBB, "The rate of interest and the laws of distribution", *Quarterly Journal of Economics*, January 1888, p. 191.

<sup>56</sup> *ibid.*, p. 43. For George's criticism, see above, pp. 45-6.

<sup>57</sup> Webb also puts forward the wrong criticism that in Walker "[i]t is by no means clear that [interest] exactly completes the annual sum of produce to be divided" (p. 190). Wages being determined by Walker as the residue after paying the other three shares, they must by definition exhaust the product.

production under the most unfavourable circumstances" (p. 197), but he appears to regard it as coincident with Walker's "entrepreneurs' profits" (see p. 20).

Webb's conception is that there are diminishing returns not only to land, but also to capital,<sup>58</sup> and to labour.

"It is this inequality of return which is the cause alike of rent, interest, and rent of ability" (p. 193).

The level of wages is given by

"the minimum produce upon which the average unskilled labourer will maintain himself". "[F]rom this economic datum-line the extra produce known variously as rent, interest, wages of superintendence, or generally as profits or surplus value, must be computed" (p. 198).

These sorts of earnings "in no way tend to equality either of rate or of amount" (p. 205). They are basically in the nature of monopoly gains.

7. According to Webb, in his conception "interest [is] the residuary element instead of wages".<sup>59</sup> It is "the real keystone of the arch", which ensures that distribution to the various factors "exhausts the whole product" (p. 202). We may notice however that the principle on which Webb determines interest (the decreasing yields of different capitals) is by no means different from that on which he determines rent of land and "rent of ability", and interest cannot therefore be seen as the residuary share any more than the other two.<sup>60</sup>

8. From this analysis of distribution, Webb does not draw *explicit* conclusions regarding the existing social order. Only, at the very close of the article, he suggests:

"If this theory be correct, ... [t]hose economists who are land nationalizers may find themselves drawn closer to their socialist colleagues" (p. 208).

<sup>58</sup> "Capital has its 'law of diminishing return', as much as land" (p. 204).

<sup>59</sup> *ibid.*, p. 193.

<sup>60</sup> A great part of the *Quarterly Journal* article was reprinted (with modifications) in *Problems of Modern Industry*. Here economic interest is stated to also include 'windfalls', which are classified as 'rent of opportunity' (S. & B. WEBB, *Problems of Modern Industry* [new edition], London, Longmans, Green, & Co., 1902, pp. 218-9). These windfalls could perhaps be seen as a residuary element. In his discussion on "The nature of Fabian rent theory", McBriar suggests that Webb may be seen as the author who completed the extension of rent theory (MCBRIAR, *op. cit.*, p. 40). This suggestion cannot be accepted. The extension of rent theory to all factors of production certainly cannot be considered completed before Wicksteed's 1894 *Essay on the Co-ordination of the Laws of Distribution* (or even his 1913 Presidential Address to Section F of the British Association). Moreover, there was no little confusion in Webb's article, and it was decidedly inferior to the articles by J. B. CLARK ("Distribution as determined by a law of rent") and J. A. HOBSON ("The law of the three rents") published in the April 1891 issue of the *Quarterly Journal of Economics*, which were important steps towards the "generalisation" of land rent theory into the marginalist theory of distribution. On the history of the exhaustion problem, see G. J. STIGLER, *Production and Distribution Theories*, New York, Macmillan, 1941, ch. XII.

In an age of widespread hostility to land rent, even among orthodox economists,<sup>61</sup> to have shown a similarity in the nature of profits and land rent must have seemed eloquent enough. As a matter of fact, the Webbs and Shaw always stood for

“the emancipation of land and industrial capital from individual and class ownership, and the vesting of them in the community for the general benefit”

– as the “Basis of the Fabian Society” recited.<sup>62</sup>

It is worth noting that not only Webb, but also Shaw,<sup>63</sup> never derived their socialistic claims too explicitly or clearly from an application of the law of rent to capital. This may be due to two causes. In the first place, they may have been aware of the apologetic interpretation to which their own conceptions were open.<sup>64</sup> Walker for instance, in the very article which Webb had criticised, had argued that

“the surplus which is left in the hands of the higher grades of employers, after the payment of wages, the purchase of materials [etc.] ... is [their] own creation produced wholly by ... business ability”.<sup>65</sup>

Webb had extended to capital the analysis which Walker had extended in its turn from land rent to business ability. (As reported above, Webb regarded capital as subject to decreasing returns as much as land and “ability”). The same apology which Walker had put forward for “rent of ability” could therefore be made for the share appropriated by capital. Awareness of this possibility could at least partially explain why Webb refrains from using the theory of rent to support his position in favour of national-

<sup>61</sup> It is well known that the doctrine of the “unearned increment” of land had been worked out in J. S. MILL’s *Principles*. Mill himself in 1870 had founded the Land Tenure Reform Association, of which such prominent economists as Fawcett and Cairnes became members, alongside many members of the First International (see M. BEER, *op. cit.*, p. 240).

<sup>62</sup> See S. OLIVER, “Capital and Land”, *Fabian Tract* N. 7, March 1908. The transfer of capital and land to the community had to be done “without compensation (though not without such relief to expropriated individuals as may seem fit the community)”. This “Basis”, which was adopted in 1887, remained in force until 1919.

<sup>63</sup> See for instance G. B. SHAW, “The economic basis of Socialism”, in *Fabian Essays in Socialism*, London and Felling on Tyne, The Walter Scott Publishing Co., 1889, p. 18ff.

<sup>64</sup> It is beyond the scope of the present paper to discuss the evolution of the theory of the differential rent of land into the marginalist theory of distribution. The crucial passage appears to have been that from what Wicksteed called the “descriptive curves” of Ricardo’s extensive rent theory, to the “functional curves” of marginalist theory (P. H. WICKSTEED, “The scope and method of political economy in the light of the ‘marginal’ theory of value and distribution” [1914], in *The Common Sense*, *op. cit.*, p. 79off). But see also P. SRAFFA, “Sulle relazioni tra costo e quantità prodotta” [1925], reprinted in *La Rivista Trimestrale*, marzo 1964, p. 188ff.

<sup>65</sup> F. A. WALKER, “The source of business profits”, *Quarterly Journal of Economics*, April 1887, pp. 274-5. This article by Walker elicited a comment from A. Marshall, who declared himself “very nearly in agreement with General Walker’s Theory of Profits”. He however pointed out that “whatever be a man’s occupation, that part of his earnings which he owes to his education may be regarded as a kind of *profit* on the capital invested in it; that part which he owes to exceptional natural qualities may be regarded as a kind of *rent*” (A. MARSHALL, “The theory of business profits”, *Quarterly Journal of Economics*, July 1887, p. 477).

lisation of capital. (As a matter of fact, Webb does not spend a word to criticise Walker's apologetic conception, and at some point he even seems to accept it).

In the second place, to stress that the justness of nationalisation of capital derived from the analysis of the laws of rent, might have suggested an application of the same point also to "rent of ability", which the Fabians were not prepared to assimilate to the other two kinds of rent, as far as confiscation is concerned.<sup>66</sup>

### III

1. The foregoing discussion might at first sight appear to confirm the opinion of those authors who see the Fabians as whole-hearted supporters of the new marginalist theory. Yet this conclusion would be overhasty. The main point is that of course the period of the Webbs' and Shaw's economic training was the one during which, in Jevons's words, "the state of the science" was "almost chaotic".<sup>67</sup> Indeed, the distribution side of the new theory had not been fully worked out by Jevons, and we know that Sidney Webb was not well acquainted with Walras's work.<sup>68</sup>

The "chaotic state" of economics is fully reflected in the works of the Fabians. Indeed, they showed extreme eclecticism. In their conceptions they retained elements from the classical tradition, as for instance the notion that wages tend towards the level of the worker's subsistence.

I think one might agree with Stigler, that "the Fabian theoreticians ... were not good economists",<sup>69</sup> if one understands this in the sense that they did not keep pace with the developments of marginalist theory, and never went beyond the conceptions they had learned in the "chaotic" 1870s and 1880s. The fact that (contrary to what they claimed<sup>70</sup>) they were not good *theoretical* economists had however its advantages, because it enabled them to make points which marginalist theory would have not allowed them to make. An important example of this is their position on the pro-

<sup>66</sup> See e.g. G. B. SHAW, "Socialism and superior brains. A reply to Mr. Mallock, *Fabian Tract* N. 146, November 1909, in particular p. 3 and p. 11.

<sup>67</sup> W. S. JEVONS, "The future of political economy", in *The Principles of Economics*, London, Macmillan, 1905, p. 16.

<sup>68</sup> See Webb's letter to Walras of 29 February 1888, in W. JAFFÉ (ed), *Correspondence of Léon Walras and Related Papers*, vol. II, Amsterdam, North Holland, 1965, p. 242.

<sup>69</sup> STIGLER, "Bernard Shaw, Sidney Webb, and the theory of Fabian socialism" [1959], reprinted in *Essays in the History of Economics*, Chicago and London, University of Chicago Press, 1965, p. 286.

<sup>70</sup> Webb would write in 1920, referring to Shaw's economic paper in the *Fabian Essays*, that "[t]ested by a whole generation of further experience and criticism, I conclude that, in 1889, we knew our Political Economy, and that our Political Economy was sound" (S. WEBB, Introduction to the 1920 edition, reprinted in the Jubilee edition of *Fabian Essays in Socialism*, London, Allen & Unwin, 1948, p. xxi).



blem of unemployment, to which is devoted one of the major works of the Webbs, the famous *Minority Report* of the Poor Law Commission of 1905-9<sup>71-72</sup>.

2. In the *Report*, there is no deep theoretical analysis of unemployment, but the conclusion is reached that

“distress from want of employment, though periodically aggravated by depression of trade, is a constant feature of industry and commerce as at present administered”,

and that the number of the permanently unemployed was by no means negligible.<sup>73</sup> Accordingly, they put forward an elaborate set of proposals for the absorption of this labour surplus, including that of a substantial reduction in the hours of labour, and, notably, a programme of Government expenditure on works of general utility.

Public expenditure ought

“to be undertaken, out of loan, on a ten years’ programme, at unequal annual rates, to the extent even of ten or fifteen millions in a single year”<sup>74</sup>

(the annual expenditure on works and services by National and Local Authorities was then about 150 millions). The additional public expenditure was to be started when the level of the unemployment index (as then calculated) rose above 4%. The various Government departments would have a

“Ten years’ programme of capital outlay; the Admiralty would put in hand a special battleship, and augment its stock of guns and projectiles; the War Office would give orders for some of the additional barracks that are always being needed ... the Office of Works would get on more quickly with its perpetual task of erecting new post offices and other Government buildings, and of renewing the worn-out furniture; the Post Office would proceed at three or four times its accustomed rate with the extension of the telegraph and telephone to every village in the kingdom; even the Stationery Office would get on two or three times as fast as usual with the printing of the volumes of the Historical Manuscript Commission, and the publication of the national archives”.<sup>75</sup>

<sup>71</sup> According to S. Webb (*ibid.*, p. xxi) at the time of the *Fabian Essays* they had not given much attention to the remedy for unemployment, because they thought that “recurrent periods of widespread unemployment could not in practice be prevented under any system short of a completely organised Collectivism”.

<sup>72</sup> Only Beatrice had been a member of the Commission. Of course, the Report was signed by her and other members (the Fabian George Lansbury, the Rev. Russell Wakefield, and F. Chandler), but it was all in the handwriting of Sidney. This proved important, because Webb could claim that he was the owner of the copyright, when the Treasury attempted to stop the Webbs from printing a cheap edition of the Report (on this extraordinary episode, see PEASE, *The History of the Fabian Society*, *op. cit.*, pp. 214-5).

<sup>73</sup> S. & B. WEBB (eds), *The Public Organisation of the Labour Market: Being Part Two of the Minority Report of the Poor Law Commission*, London, Longmans, Green, & Co., 1909, p. 241.

<sup>74</sup> *ibid.*, p. 282.

<sup>75</sup> *ibid.*

Still more money could be poured into building new schools, colleges, and universities.<sup>76</sup>

3. Not being forced by strict theoretical bounds to explain unemployment away, the Webbs could take it much more seriously than could the contemporary leading lights of economic theory. One needs only compare their proposals with those which had been formulated by Alfred Marshall at the Industrial Remuneration Conference,<sup>77</sup> just at the time of his appointment to the Cambridge chair. To combat "discontinuity of employment",<sup>78</sup> Marshall had asked for abolition of fashion ("Everyone who changes the material of her<sup>79</sup> dress simply at the bid of fashion ... probably adds to the wreck of human lives that is caused by hungry pining for work").<sup>80</sup> His other proposals were a wider diffusion of the knowledge of "economic science",<sup>81</sup> a reduction of the secrecy of traders, an increase of penalties for bankrupt businessmen, the introduction of a "Tabular Standard of Value"<sup>82</sup> (for "steadyding the money market directly and industry indirectly"), and of course a reduction of "the power of combinations of employers or of employed" ("a point that has been attracting increasing attention during the whole of this generation").<sup>83</sup>

4. Nor could one have had much more help from the book on *Unemployment* which Marshall's successor in the Cambridge chair published a few years after the *Minority Report*. In it he critically (but not unsympathetically) reviewed the positions of the report. Pigou's point of departure was the denial of the very problem he would have had to tackle:

"If, for all grades of workpeople, the average wage-rates over fairly long periods ... were determined by the free play of competitive forces, ... [a]part from fluctuations there could not exist any unemployment whatever".<sup>84</sup>

<sup>76</sup> These proposals owed much to Bowley, who had worked with the Webbs on these matters, and had deposed in front of the Commission. The *Minority Report* often quotes the evidence given by him ("our most distinguished statistician").

<sup>77</sup> The conference (for details on which see PEASE, *The History of the Fabian Society*, *op. cit.*, pp. 44-6) was also attended by a delegation of the Fabian Society, including Shaw.

<sup>78</sup> Although the term "unemployment" apparently started to be commonly used only several years later, the term chosen by Marshall seems to imply a reductionist attitude towards the problem.

<sup>79</sup> The fact that Marshall started by mentioning a cause of which he himself acknowledged the not great importance, but which he could blame upon women may have reflected his strong anti-feminist bias (on this, see R. McWILLIAMS-TULLBERG, *Women at Cambridge*, London, Gollancz, 1975, in particular pp. 88-9; 106-7; 124-5; 236).

<sup>80</sup> A. MARSHALL, "How far do remediable causes influence prejudicially (a) the continuity of employment, (b) the rate of wages", in *Industrial Remuneration Conference - The Report of the Proceedings and Papers*, London, Cassell & Company, 1885, p. 176.

<sup>81</sup> *ibid.*, p. 177.

<sup>82</sup> This paper is mainly remembered for the fact that in it the proposal for a tabular standard of value was first put forward by Marshall (see KEYNES, "Alfred Marshall etc.", *op. cit.*, pp. 32-3).

<sup>83</sup> MARSHALL, "How far etc.", *op. cit.*, p. 179.

<sup>84</sup> A. C. PIGOU, *Unemployment*, London, Williams and Norgate, 1913, pp. 51-2.

As far as remedies for fluctuations were concerned, he maintained that

“the State is unable, by action of the kind contemplated [by direct action or indirectly through fiscal devices], to increase the demand for labour on the whole on the average of good and bad times together ... [a] consideration [which] ... is fatal to all schemes designed to diminish unemployment by the devotion of a fixed annual sum to the conduct of new industries, such as planting forests or building military roads”.<sup>85</sup>

He only conceded that the State could

“increase the demand for labour in bad times at the cost of diminishing it to a more or less corresponding extent in good times”.<sup>86</sup>

Pigou blamed unemployment upon the level of wages, which could be kept too high by the excessive strength of trade unions (p. 53), by frictions which “maintain the wage-rates of inferior workmen somewhat nearer to those of good workmen than their comparative efficiency warrants” (pp. 60-1), or by the idea, enforced by custom or law, that the level of income which allows “a decent subsistence” is higher than “the level at which ... all the men or women ... are able to obtain employment” (p. 64).

The minority of the Poor Law Commission had instead emphatically repudiated “the suggestion which has been quite seriously made to us, that *Unemployment might be prevented if only the workers would accept lower wages!*”.<sup>87</sup> And the Webbs in *Industrial Democracy* had made a long peroration against low wages, which they saw only as a means for survival of “parasitic trades”.<sup>88</sup> Far from seeing unemployment as deriving from frictions which did not allow competition to bring wages down to their “equilibrium” (full employment) level, they regarded it as a necessary feature of a competitive system, which could only be countered by “The Public Organisation of the Labour Market”.<sup>89</sup>

<sup>85</sup> *ibid.*, p. 172.

<sup>86</sup> *ibid.*. On Pigou's positions at this time, see Hutchinson, *op. cit.*, p. 416ff.

<sup>87</sup> S. & B. WEBB, *The Public Organisation of the Labour Market etc.*, *op. cit.*, p. 208.

<sup>88</sup> S. & B. WEBB, *Industrial Democracy* [1897], printed by the authors, London 1913, p. 749ff. The Webbs in 1903 had put forward the proposal of a national minimum standard of living to be guaranteed and enforced by the State. On the Fabians' position on trade unions, we may here record that, as S. Webb wrote in 1920, at the time of the *Fabian Essays* they “attached quite insufficient importance to Trade Unionism, which the book never mentions as a political force, or as constituting any essential part of the social structure” (S. WEBB, Introduction etc., *op. cit.*, p. XIX). The work of Beatrice Potter on the Co-operative movement seems to have been important in changing the Fabians' attitude towards trade unionism (see McBriar, *op. cit.*, pp. 53-4).

<sup>89</sup> This was the title under which the Webbs published part II of the *Minority Report*. (A Fabian Society reprint of the same was issued with the title “The Remedy for Unemployment”). We may note here the substantial difference between the position of the Webbs on unemployment, and that put forward in the same year by Beveridge, in his famous book on *Unemployment*. Beveridge saw “the economic causes of unemployment” in “specific imperfections of adjustment” between the supply and demand of labour (W. H. BEVERIDGE, *Unemployment. A Problem of Industry*, London, Longmans, Green, and Co., 1909, p. 12), and regarded unemployment as

5. With this, we come to what is the most important point of difference between the Fabians and the orthodox economists: the attitude towards competition.

However large may be the number of instances in which economists allow that there is a theoretical case for interferences with "the free play of competitive forces", they would always regard them as "exceptions". Jevons wrote:

"in general, we uphold *the rule of laissez faire*, and yet in large classes of cases invoke the interference of local or central authorities".<sup>90</sup>

The "large classes of cases", we may add, in general were not all that large. Thus Jevons would for instance proceed (in this book, devoted to *The State in Relation to Labour*) to maintain that "there is no ground whatever for legal limitation of adult male labour in the present day",<sup>91</sup> that "[t]he economics of the labour question ... resolves itself into a complex case of the laws of supply and demand" (pp. 94-5), and to pronounce himself against infringements of "freedom of contract".<sup>92</sup> (As the working of supply and demand requires no tinkering with competition, the usual conclusions are also reached about the baneful effects of trade unions, strikes,<sup>93</sup> and so on).

6. The Fabians – especially Sidney Webb – regarded competition as an unmixed evil.<sup>94</sup> It would necessarily bring about a great inequality of incomes, which would deny any efficiency whatsoever to the results obtained by allowing "the unfettered freedom of individuals" to work out an "equilibrium". Webb regarded as simply absurd the fact that the decision of

"[w]hether London shall be provided with an Italian Opera, or with two Italian Operas, whilst a million of its citizens are without the means of bare subsistence, is now determined, not with any reference to the genuine social needs of the capital of the world, ... but by the chance vagaries of a few hundred wealthy families, tempered by Argentina and Influenza".<sup>95</sup>

"in some degree inevitable" (p. 220). Correspondingly, the main remedies advocated by Beveridge were "Organised Fluidity of Labour", and "some form of insurance against unemployment" (p. 223).

<sup>90</sup> W. S. JEVONS, *The State in Relation to Labour* [3rd edition], London, Macmillan, 1864, p. vii; emphasis added.

<sup>91</sup> *ibid.*, p. 68.

<sup>92</sup> Jevons writes that "every contributor" to production (among which he includes the capitalist and the landowner as well as the workman) "enters voluntarily into the hotch-potch, and he cannot demand more than what was agreed upon when he entered the partnership" (p. 95).

<sup>93</sup> "The only true system of striking is for every man to strike individually when he has undoubted opportunity of bettering his position" (p. 122).

<sup>94</sup> Although S. Webb is generally regarded as a "Stuart Millite", we may notice that Mill's attitude towards competition was the opposite of Webb's: see e.g. *Principles of Political Economy*, Toronto University Press, 1968, pp. 794-5; and also his posthumous "Chapters on Socialism" [1879], in G. L. WILLIAMS, (ed), *John Stuart Mill on Politics and Society*, Glasgow, Fontana-Collins, 1976, p. 343.

<sup>95</sup> S. WEBB, "The difficulties of individualism", *Economic Journal*, June 1891, pp. 370-1.

Therefore he conceived that

“the production and distribution of wealth, like any other public function, needs to be organized and controlled for the benefit of the whole community ... the best government is accordingly that which can safely and successfully administer most” (*ibid.*, p. 364).

And in Webb's contribution to the *Fabian Essays*, competitive capitalism is dubbed “The Period of Anarchy” – an anarchy however which was being gradually superseded by a new age, where

“Man is seen to assume more and more, not only the mastery of ‘things’, but also a conscious control over social destiny itself”.<sup>96</sup>

It is therefore no surprise that the Webbs should have grown more and more interested in the new order emerging from the Russian revolution. This led them in very old age to undertake another of their massive studies,<sup>97</sup> in order to understand “the truth about Soviet Russia”.

What the Webbs saw as “the most significant socially of all the trends in Soviet Communism”, was of course

“the deliberate planning of all the nation's production, distribution and exchange, not for swelling the profit of the few but for increasing the consumption of the whole community”.<sup>98</sup>

And for them the most appealing of the promises of the “New Civilisation”<sup>99</sup> was that of abolishing mass unemployment. Far from being the fruit of senile infatuation, or of simply occasional disgust at the failure of the second Labour Government,<sup>100</sup> their admiration for the Soviet Union of the first Five Year Plan was wholly consistent with the ideas they had been putting forward for decades.<sup>101</sup>

<sup>96</sup> S. WEBB, “The Historic Basis of Socialism, in *Fabian Essays in Socialism*, *op. cit.*, p. 58.

<sup>97</sup> They spent the period from May to August 1932 in the Soviet Union. Sidney went there again in 1934. Their book on *Soviet Communism* was first published in 1935.

<sup>98</sup> S. & B. WEBB, *Soviet Communism: A New Civilisation* [3rd edition], London, Longmans, Green, and Co., 1944, p. 495.

<sup>99</sup> As is well known, the title of the first edition of the Webbs' book on Communism put a question mark on whether communism was a *A New Civilisation*, or not. They dropped this question mark in the second edition, much to the discomfiture of their friends (see e.g. W. H. BEVERIDGE, *Power and Influence*, London, Hodder and Stoughton, 1953, pp. 238-9). The book itself does not appear to have received much of the serious consideration it deserves. Keynes recommended it in the following terms: “It is an enthralling work, because it contains a mass of extraordinarily important and interesting information” (“On reading books” [1936], in D. MOGGRIDGE (ed), *The Collected Writings of John Maynard Keynes*, vol. XXVIII, *Social, Political and Literary Writings*, London, Macmillan, 1982, p. 334). Keynes (of course no friend of Communism) was clearly intrigued by the Webbs' description of the Soviet experience. Also Pigou wrote a sympathetic review article in the *Economic Journal* of March 1936.

<sup>100</sup> This failure however had no doubt a strong impact on the Webbs and Shaw. It induced Beatrice Webb, in 1932, to publicly reject the arch-Webbian doctrine of the “inevitability of gradualness”.

<sup>101</sup> This is rightly remarked by G. D. H. COLE (“The Webbs: Prophets of the new order”, in *Person & Periods*, London, Macmillan, 1938, p. 327). We may add that the Webbs were far

7. If the Webbs (much as K. Marx) conceived Socialism as the abolition of private ownership of the means of production (so the "Basis of the Fabian Society" stipulated), the main effect of this would have been for them the supersession of "internecine competition".<sup>102</sup> (Accordingly, they regarded even the introduction of the Post Office or of municipal gasworks as "an unconscious adoption of the principle of Socialism").<sup>103</sup>

The Webbs appropriately claimed that their conception of Socialism directly derived from Robert Owen, who among Socialists is perhaps the fiercest enemy of competition. This however gives the lie to their attempt to present themselves as part of mainstream "economic science": no political economist, from Adam Smith down to Jevons, would have agreed with their views of the working of a competitive system (and indeed, of all Socialists, Owen was perhaps the most vilified by political economists). Perhaps the only "respectable" economist who to some limited extent could subscribe to their idea of the necessity of man's "conscious control" over his "social destiny", was J. M. Keynes, whose views against *Laissez-Faire* and in favour of a "deliberate control" over the economic system<sup>104</sup> drew S. Webb's praise.<sup>105</sup>

8. That the Webbs were in fact free from their professed theoretical allegiance to marginalist theory can also explain why their social studies show a distinct influence of that vision of the historical process, and of the capitalist system, which is generally associated with the name of Karl Marx.

from acritical towards the Soviet experience, and their book did not fail to discuss what they saw as negative aspects of the "New Civilisation".

<sup>102</sup> Webb went even so far as regarding competition as inconsistent with "democratic self-government" ("The difficulties of individualism", *op. cit.*, p. 372ff.)

<sup>103</sup> See e.g. S. WEBB, "Socialism: True and False", *op. cit.*, p. 6. As A. Gray notices, when Lenin in *State and Revolution* writes of the necessity "to organise the whole national economy on the lines of the postal system", "one almost catches ... what seems like a whiff of the detestable Fabianism" (*The Socialist Tradition*, London, Longmans, Green, and Co., 1964, p. 472). Lenin however (much as Engels) did not "detest" the Webbs without contradictions. In *What Is to Be Done* for instance he had judged their works as "soundly scientific (and 'soundly' opportunist)". Some of these works he had even translated into Russian.

<sup>104</sup> J. M. KEYNES, *The End of Laissez-Faire*, London, The Hogarth Press, 1926.

<sup>105</sup> S. WEBB, "The end of laissez faire", *Economic Journal*, September 1926. Keynes also shared with the Webbs a not acritical attitude towards free trade, which is not common among economists. It goes without saying however that Keynes did not go the whole way with the Webbs towards acceptance of planning. A study of the influence that the Webbs had on Keynes is beyond the scope of the present work. Keynes, as is well known, at some point seems to have said that "it's all in the *Minority Report*" (see W. A. ROBSON, Introduction to the reprint of S. & B. WEBB, *English Poor Law History*, Pt. 1, *The Old Poor Law*, London, Cass, 1963, p. xii). We may notice however, that Hobsbawm's remark, that the Webbs were foreign and hostile to the line of thought to which Keynes belonged ("The Fabians reconsidered", *op. cit.*, p. 254) is wholly unwarranted. We may also add that it is unfortunate that the editors of Keynes's *Collected Writings* have chosen to publish virtually nothing of the documents which would be relevant to a study of the relations between Keynes and the Webbs.

In the first place, they apparently accept that the economic factor is the key to the explanation of historical development. Webb wrote:

"[The] struggle to secure the surplus or "economic rent" is the key to the confused history of European progress, and an underlying, unconscious motive of all revolutions. The student of history finds that the great world moves, like the poet's snake, on its belly".<sup>106</sup>

They also share with Marx the notion that capitalism is only a phase of the historical development of society, and by no means a "natural" state of things. (This of course is something obvious for a Socialist, yet it is not so for the economist – not even at times the Socialist economist).<sup>107</sup> There is a very clear echo of Marx in the words with which the Webbs open their book on *The Decay of Capitalist Civilisation*:

"It is one of the illusions of each generation that the social institutions in which it lives are, in some peculiar sense, 'natural', unchangeable and permanent. ... This book shows how ... our present capitalist civilisation, as mortal as its predecessors, is dissolving before our eyes, not only in that 'septic dissolution' ... brought upon us by war, and curable by genuine peace, but in that slower changing of the epochs which war may hasten, but which neither we nor anything else can hinder. The question, then, is not whether our present civilisation will be transformed, but how it will be transformed".<sup>108</sup>

They acknowledge that capitalism, in the century from 1750 to 1850, had

"produced ... a surprising advance in material civilisation for greatly increased populations" (p. 3),

<sup>106</sup> S. WEBB, "English progress towards Social Democracy", *Fabian Tract* N. 15, December 1890, p. 5.

<sup>107</sup> The Webbs of course accepted the notion of the historical relativity of economic laws, and in this they obviously agree with the historical school (but it is worth noting that acceptance of this point went well beyond the boundaries of that school). About the Webbs' relations with the historical school, we may recall that in his *History of Economic Analysis* (London, Allen & Unwin, 1954), Schumpeter claims that S. Webb was an "antitheorist", holding "methodological views akin to those of the German historical school" (pp. 824 and 832). He gives no evidence for this, apart from his recollections of one lecture by Webb he had attended at the beginning of the century. ALSO HOBBSAWM ("The Fabians reconsidered", *op. cit.*, p. 262) attributes to the Webbs an extreme historicist position on method, without giving any evidence. We may instead recall that S. Webb, in a letter to Walras of 1888, declared that, "en matière de pure théorie", he was with Ricardo (W. JAFFÉ (ed), *The Correspondence of Léon Walras [etc.]*, *op. cit.*, vol. 2, p. 242). This, as Jaffé notices (*ibid.*), gives the lie to Schumpeter's – and, we may add, Hobsbawm's – claim that on method Webb sided with the historical school – in fact, Ricardo was regarded by the historical school as "one of the most unhistorical of writers" (J. K. INGRAM, *A History of Political Economy* [1888], Edinburgh, Adam and Charles Black, 1893, p. 124). I don't think one can take seriously – as McBriar (*op. cit.*, p. 51ff.) does – the few pages against Ricardo and "abstract political economy" that Beatrice had written (largely paraphrasing Bagehot) before her association with Sidney, when she had only devoted very little time to economics, and which she in fact only published forty years later, as a document on her "apprenticeship" (B. WEBB, *My Apprenticeship* [1926], London, Longmans, Green and Co., 1950, p. 373ff).

<sup>108</sup> S. & B. WEBB, *The Decay of Capitalist Civilisation*, London, The Fabian Society and Allen & Unwin, 1923, p. 1.

yet their judgement on it is very harsh:

"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" (p. 4).

The recent experience of the First World War may of course have been partly responsible for this bitter tone, but it must be remembered that S. Webb had written of capitalism as "The Period of Anarchy" more than thirty years before. And, what is perhaps even more important, war itself was seen by the Webbs as mainly caused by "the struggle for pecuniary profit among rival groups of capitalist entrepreneurs" (p. 147). The book's last chapter is entitled: "The Capitalist System as a Cause of War".

The Webbs' "indictment of the capitalist system of industry, and the society based upon it", relied on four main points:

"History proves that ... whenever and wherever the greater part of the population are divorced from the ownership of the instruments of production, ... the bulk of the people live in penury, and large numbers of them are perpetually threatened by starvation. In the second place, this penury and its accompanying insecurity are rendered more hideous and humiliating by the relative comfort and luxury of the proprietary class ... The worst circumstance of capitalism is, however, ... the glaring inequality in personal freedom between the propertyless man and the member of the class that 'lives by owning'. ... Fourthly, the socialist believes that the very basis of the capitalist system is scientifically unsound, as a means of organising the production and distribution of commodities and services, and fundamentally inconsistent with the spiritual advancement of the race" (p. 6).

The last point is the one on which the Webbs in fact insist most. Upon the argument that

"the capitalist system ... has eventually been found to fail even in maximising the production of commodities and services"

they base their claim that capitalism is

"inimical to national morality and international peace; in fact, to civilisation itself" (*ibid.*).

9. These views about the capitalist system are paralleled by the idea that any "scientific" analysis of capitalism could only serve the cause of Socialism. Indeed, in his "Report on Fabian Policy", Shaw explicitly mentions the fact that an important element of the Society's endeavours to "rouse social compunction" was that of

"making the public conscious of the evil condition of society under the present system ... by the collection and publication of authentic and impartial statistical tracts, compiled, not from the works of Socialists, but from official sources".<sup>109</sup>

<sup>109</sup> G. B. SHAW, "Report on Fabian policy", *Fabian Tract* N. 70, July 1896, p. 7. WEBB's *Fabian Tract* "Facts for Socialists from the political economists and statisticians" was perhaps



In this, the Fabians explicitly claimed a relationship with Marx:

"The first volume of Karl Marx's 'Das Kapital', which contains an immense mass of carefully verified facts concerning modern capitalistic civilization, and practically nothing about Socialism, is probably the most successful propagandist work ever published. The Fabian Society ... endeavours to continue the work of Marx in this direction".<sup>110</sup>

And we may here recall that Webb founded the London School of Economics thanks to a bequest that a Mr H. Hutchinson (a member of the Fabian Society) made to him and the Society, on condition that they apply the money "to the propaganda and other purposes of the ... Society and its Socialism". Webb claimed that this allowed the money to be spent on an institution which would be devoted to "impartial" economic inquiry, because a scientific study of economic conditions could only make the case for Socialism stronger.<sup>111</sup> This was not simply an *escamotage* to use the funds for what he wanted to do, but must have reflected a deep conviction.

#### IV

1. The conclusion of this examination of the economic thinking of the early Fabians is that the significance of their links with the then rising marginalist school of thought can easily be exaggerated – and has actually been exaggerated by most students of Fabianism.<sup>112</sup> It is true, of course, that as far as theory is concerned, they declared themselves against Marx, and in favour of Jevons's theory.<sup>113</sup> But theory was the less relevant part of their economic thought. It has here been argued that their understanding of marginalism was far from profound, and never complete. The Fabi-

the most successful example of Fabian activities in this direction. It must have been to "Facts for Socialists" that Engels was referring, when he praised the propaganda work of the Fabians (see above, fn. 28).

<sup>110</sup> SHAW, "Report on Fabian policy", *op. cit.*, p. 7. Lafargue reports that Marx maintained that the study of political economy would bring any person "unblinded by class prejudices" to socialistic conclusions (P. LAFARGUE, "Personal Recollections of Karl Marx", in D. RYZANOFF (ed), *Karl Marx, Man, Thinker, Revolutionist. A Symposium*, Martin Lawrence, 1927, p. 180).

<sup>111</sup> See J. BEVERIDGE, *An Epic of Clare Market*, London, G. Bell & Sons, 1960, p. 25. In his exposition of the history of the London School of Economics, Hayek does not mention the "Socialist" clause attached to Hutchinson's bequest, and only speaks of "difficulties concerning the will" (F. A. VON HAYEK, "The London School of Economics, 1895-1945", *Economica*, February 1946, p. 4), to refer to the opposition by other Fabians (including Shaw) to putting the money into the foundation of an "impartial" institution.

<sup>112</sup> The reason for this is perhaps that, as already mentioned, most students of the Fabians are not economists, and therefore, rarely entering into a detailed discussion of the actual content of their economic theory, they are generally content with what the Fabians themselves asserted, on their theoretical allegiance. The main economist student of the Fabians (Stigler), on the other hand, simply dismisses them as bad economists.

<sup>113</sup> In a well known passage of his preface to Volume three of *Capital*, Engels wrote that Jevons's and Menger's theory was "the rock" upon which "the Fabian church" was built (F. Engels, Preface to vol. 3 of K. MARX, *Capital* [1867], London, Lawrence & Wishart, 1977, p. 10).

ans' own assertions on their strict relationship with the new theory, were not so much due to the significance of this link, but were rather the fruit of their desire to show themselves as being abreast with the latest developments of science, and Socialism as being "Equipped with All the Culture of the Age".<sup>114</sup>

Of course it is not claimed here that the Fabians were Marxists. Not only did they reject Marx's theory on such important points as the theory of value, but also a strong positivist influence is clear in them (particularly in S. Webb). This caused them to see historical development as following a smooth path towards progress, and, parallel to this, the development of "economic science" as simply a march towards truth. One needs only remember the Marx of the afterword to the second edition of *Capital*, with his denial of the possibility of a scientific political economy after the class struggle reaches a certain level, to realise how different his conceptions were. (The Webbs must have realised at their own expense the *naïveté* of their ideas on economic science and scientists: they witnessed the growth of their "impartial" institution into a stronghold of economic conservatism, and lived to see its leading economist writing of them as intellectual forebears of Nazism).<sup>115</sup>

All this notwithstanding, I think it can be affirmed that the non theoretical part of the Webbs' social thought – which was also its most significant part – is much nearer Marx's conceptions than is commonly acknowledged.<sup>116</sup> The Webbs' views on unemployment, and, more generally, their views on the working of competitive capitalism, are happily oblivious of Jevons and the marginalists' harmony. Also their Socialist positions, it may be added, are in fact grounded much more on their conception of the (mal)functioning of competitive capitalism, than on the theory of rent.

As the main Marxist student of Fabianism has written, "[f]ew serious writers about society have had their thought more consistently neglected", and the real content of their thought left so little known, as the Webbs.<sup>117</sup> He has accordingly concluded that a revision of the history of Fabianism is called for. The present study is offered as an attempt to contribute to this reconstruction, so far as the more strictly economic part of their work is concerned.

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<sup>114</sup> This is the expression actually used by Shaw ("The Fabian Society etc.", *op. cit.*, p. 15).

<sup>115</sup> F. A. VON HAYEK, *The Road to Serfdom*, London, G. Routledge & Sons, 1944, p. 107.

<sup>116</sup> A comment much in this direction, concerning B. Shaw, is made by Dobb: "It is a curious feature of Mr. Shaw's writings on economic questions that, while his ideas are inspired by Henry George and Jevons as regards their form, in their forthright denunciation of capitalist property and of income from that property they continue to bear strong traces of the inspiration of Marx" ("Bernard Shaw and Economics", in S. WINSTEN (ed), *G. B. S. 90. Aspects of Bernard Shaw's Life and Work*, London, Hutchinson, 1946, p. 131).

<sup>117</sup> HOBBSBAWM, "The Fabians reconsidered", *op. cit.*, p. 255.