



THE GREAT TRANSFORMATION

**The Political and
Economic Origins
of Our Time**

KARL POLANYI

Foreword by **Joseph E. Stiglitz**

With a New Introduction by **Fred Block**

"One of the most important and original works of this century."

—Robert Kuttner

*To my beloved wife
Ilona Duczynska
I dedicate this book
which owes all to her help and criticism*

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Evolution of the Market Pattern

The dominating part played by markets in capitalist economy together with the basic significance of the principle of barter or exchange in this economy calls for a careful inquiry into the nature and origin of markets, if the economic superstitions of the nineteenth century are to be discarded.*

Barter, truck, and exchange is a principle of economic behavior dependent for its effectiveness upon the market pattern. A market is a meeting place for the purpose of barter or buying and selling. Unless such a pattern is present, at least in patches, the propensity to barter will find but insufficient scope: it cannot produce prices.† For just as reciprocity is aided by a symmetrical pattern of organization, as redistribution is made easier by some measure of centralization, and householding must be based on autarchy, so also the principle of barter depends for its effectiveness on the market pattern. But in the same manner in which either reciprocity, redistribution, or householding may occur in a society without being prevalent in it, the principle of barter also may take a subordinate place in a society in which other principles are in the ascendant.

However, in some other respects the principle of barter is not on a strict parity with the three other principles. The market pattern, with which it is associated, is more specific than either symmetry, centrality, or autarchy—which, in contrast to the market pattern, are mere “traits,” and do not create institutions designed for one function only. Symmetry is no more than a sociological arrangement, which gives

* Cf. Notes on Sources, p. 280.

† Hawtrey, G. R., *The Economic Problem*, 1925, p. 13. “The practical application of the principle of individualism is entirely dependent on the practice of exchange.” Hawtrey, however, was mistaken in assuming that the existence of markets simply followed from the practice of exchange.

rise to no separate institutions, but merely patterns out existing ones (whether a tribe or a village is symmetrically patterned or not involves no distinctive institution). Centricity, though frequently creating distinctive institutions, implies no motive that would single out the resulting institution for a single specific function (the headman of a village or another central official might assume, for instance, a variety of political, military, religious, or economic functions, indiscriminately). Economic autarchy, finally, is only an accessory trait of an existing closed group.

The market pattern, on the other hand, being related to a peculiar motive of its own, the motive of truck or barter, is capable of creating a specific institution, namely, the market. Ultimately, that is why the control of the economic system by the market is of overwhelming consequence to the whole organization of society: it means no less than the running of society as an adjunct to the market. Instead of economy being embedded in social relations, social relations are embedded in the economic system. The vital importance of the economic factor to the existence of society precludes any other result. For once the economic system is organized in separate institutions, based on specific motives and conferring a special status, society must be shaped in such a manner as to allow that system to function according to its own laws. This is the meaning of the familiar assertion that a market economy can function only in a market society.

The step which makes isolated markets into a market economy, regulated markets into a self-regulating market, is indeed crucial. The nineteenth century—whether hailing the fact as the apex of civilization or deploring it as a cancerous growth—naïvely imagined that such a development was the natural outcome of the spreading of markets. It was not realized that the gearing of markets into a self-regulating system of tremendous power was not the result of any inherent tendency of markets toward excrescence, but rather the effect of highly artificial stimulants administered to the body social in order to meet a situation which was created by the no less artificial phenomenon of the machine. The limited and unexpanding nature of the market pattern, as such, was not recognized; and yet it is this fact which emerges with convincing clarity from modern research.

“Markets are not found everywhere; their absence, while indicating a certain isolation and a tendency to seclusion, is not associated

with any particular development any more than can be inferred from their presence." This colorless sentence from Thurnwald's *Economics in Primitive Communities* sums up the significant results of modern research on the subject. Another author repeats in respect to money what Thurnwald says of markets: "The mere fact, that a tribe used money differentiated it very little economically from other tribes on the same cultural level, who did not." We need hardly do more than point to some of the more startling implications of these statements.

The presence or absence of markets or money does not necessarily affect the economic system of a primitive society—this refutes the nineteenth-century myth that money was an invention the appearance of which inevitably transformed a society by creating markets, forcing the pace of the division of labor, and releasing man's natural propensity to barter, truck, and exchange. Orthodox economic history, in effect, was based on an immensely exaggerated view of the significance of markets as such. A "certain isolation," or, perhaps, a "tendency to seclusion" is the only economic trait that can be correctly inferred from their absence; in respect to the internal organization of an economy, their presence or absence need make no difference.

The reasons are simple. Markets are not institutions functioning mainly within an economy, but without. They are meeting place of long-distance trade. Local markets proper are of little consequence. Moreover, neither long-distance nor local markets are essentially competitive, and consequently there is, in either case, but little pressure to create territorial trade, a so-called internal or national market. Every one of these assertions strikes at some axiomatically held assumption of the classical economists, yet they follow closely from the facts as they appear in the light of modern research.

The logic of the case is, indeed, almost the opposite of that underlying the classical doctrine. The orthodox teaching started from the individual's propensity to barter; deduced from it the necessity of local markets, as well as of division of labor; and inferred, finally, the necessity of trade, eventually of foreign trade, including even long-distance trade. In the light of our present knowledge we should almost reverse the sequence of the argument: the true starting point is long-distance trade, a result of the geographical location of goods, and of the "division of labor" given by location. Long-distance trade often engenders markets, an institution which involves acts of barter, and, if

money is used, of buying and selling, thus, eventually, but by no means necessarily, offering to some individuals an occasion to indulge in their propensity for bargaining and haggling.

The dominating feature of this doctrine is the origin of trade in an external sphere unrelated to the internal organization of economy: "The application of the principles observed in hunting to the obtaining of goods found *outside the limits of the district*, led to certain forms of exchange which appear to us later as trade."* In looking for the origins of trade, our starting point should be the obtaining of goods from a distance, as in a hunt. "The Central Australian Dieri every year, in July or August, make an expedition to the south to obtain the red ochre used by them for painting their bodies. . . . Their neighbours, the Yantruwunta, organize similar enterprises for fetching red ochre and sandstone slabs for crushing grass seed, from the Flinders Hills, 800 kilometres distant. In both cases it might be necessary to fight for the articles wanted, if the local people offer resistance to their removal." This kind of requisitioning or treasure-hunting is clearly as much akin to robbery and piracy as to what we are used to regard as trade; basically, it is a one-sided affair. It becomes two-sided, i.e., "a certain form of exchange" often only through blackmail practised by the powers on the site; or through reciprocity arrangements, as in the Kula ring, as with visiting parties of the Pengwe of West Africa, or with the Kpelle, where the chief monopolizes foreign trade by insisting on entertaining all the guests. True, such visits are not accidental, but—in our terms, not theirs—genuine trading journeys; the exchange of goods, however, is always conducted under the guise of reciprocal presents and usually by way of return visits.

We reach the conclusion that while human communities never seem to have forgone external trade entirely, such trade did not necessarily involve markets. External trade is, originally, more in the nature of adventure, exploration, hunting, piracy, and war than of barter. It may as little imply peace as two-sidedness, and even when it implies both it is usually organized on the principle of reciprocity, not that of barter.

The transition to peaceful barter can be traced in two directions, namely, in that of barter and in that of peace. A tribal expedition may have to comply, as indicated above, with the conditions set by the

* Thurnwald, R. C., *Economics in Primitive Communities*, 1932, p. 147.

powers on the spot, who may exact some kind of counterpart from the strangers; this type of relationship, though not entirely peaceful, may give rise to barter—one-sided carrying will be transformed into two-sided carrying. The other line of development is that of “silent trading” as in the African bush, where the risk of combat is avoided through an organized truce, and the element of peace, trust, and confidence is introduced into trade with due circumspection.

At a later stage, as we all know, markets become predominant in the organization of external trade. But from the economic point of view external markets are an entirely different matter from either local markets or internal markets. They differ not only in size; they are institutions of different function and origin. External trade is carrying; the point is the absence of some types of goods in the region; the exchange of English woollens against Portuguese wine was an instance. Local trade is limited to the goods of the region, which do *not* bear carrying because they are too heavy, bulky, or perishable. Thus both external trade and local trade are relative to geographical distance, the one being confined to the goods which cannot overcome it, the other to such only as can. Trade of this type is rightly described as complementary. Local exchange between town and countryside, foreign trade between different climatic zones are based on this principle. Such trade need not involve competition, and if competition would tend to disorganize trade, there is no contradiction in eliminating it. In contrast to both external and local trade, internal trade, on the other hand, is essentially competitive; apart from complementary exchanges it includes a very much larger number of exchanges in which similar goods from different sources are offered in competition with one another. Accordingly, only with the emergence of internal or national trade does competition tend to be accepted as a general principle of trading.

These three types of trade which differ sharply in their economic function are also distinct in their origin. We have dealt with the beginnings of external trade. Markets developed naturally out of it where the carriers had to halt as at fords, seaports, riverheads, or where the routes of two land expeditions met. “Ports” developed at the places of transshipment.* The short flowering of the famous fairs of Europe was another instance in which long-distance trade produced a definite type of market; England’s staples were another example. But while

* Pirenne, H., *Medieval Cities*, 1925, p. 148 (footnote 12).

fairs and staples disappeared again with an abruptness disconcerting to the dogmatic evolutionist, the *portus* was destined to play an enormous role in the settling of Western Europe with towns. Yet even where the towns were founded on the sites of external markets, the local markets often remained separate in respect not only to function but also to organization. Neither the port nor the fair nor the staple was the parent of internal or national markets. Where, then, should we seek for their origin?

It might seem natural to assume that, given individual acts of barter, these would in the course of time lead to the development of local markets, and that such markets, once in existence, would just as naturally lead to the establishment of internal or national markets. However, neither the one nor the other is the case. Individual acts of barter or exchange—this is the bare fact—do not, as a rule, lead to the establishment of markets in societies where other principles of economic behavior prevail. Such acts are common in almost all types of primitive society, but they are considered as incidental since they do not provide for the necessaries of life. In the vast ancient systems of redistribution, acts of barter as well as local markets were a usual, but no more than a subordinate trait. The same is true where reciprocity rules; acts of barter are here usually embedded in long-range relations implying trust and confidence, a situation which tends to obliterate the bilateral character of the transaction. The limiting factors arise from all points of the sociological compass: custom and law, religion and magic equally contribute to the result, which is to restrict acts of exchange in respect to persons and objects, time and occasion. As a rule, he who barterers merely enters into a ready-made type of transaction in which both the objects and their equivalent amounts are given. *Utu* in the language of the Tikopia* denotes such a traditional equivalent as part of reciprocal exchange. That which appeared as the essential feature of exchange to eighteenth-century thought, the voluntaristic element of bargain, and the higgling so expressive of the assumed motive of truck, finds but little scope in the actual transaction; insofar as this motive underlies the procedure, it is seldom allowed to rise to the surface.

The customary way to behave is, rather, to give vent to the opposite motivation. The giver may simply drop the object on the ground and

* Firth, R., *Primitive Polynesian Economics*, 1939, p. 347.

the receiver will pretend to pick it up accidentally, or even leave it to one of his hangers-on to do so for him. Nothing could be more contrary to accepted behavior than to have a good look at the counterpart received. As we have every reason to believe that this sophisticated attitude is not the outcome of a genuine lack of interest in the material side of the transaction, we might describe the etiquette of barter as a counteracting development designed to limit the scope of the trait.

Indeed, on the evidence available it would be rash to assert that local markets ever developed from individual acts of barter. Obscure as the beginnings of local markets are, this much can be asserted: that from the start this institution was surrounded by a number of safeguards designed to protect the prevailing economic organization of society from interference on the part of market practices. The peace of the market was secured at the price of rituals and ceremonies which restricted its scope while ensuring its ability to function within the given narrow limits. The most significant result of markets—the birth of towns and urban civilization—was, in effect, the outcome of a paradoxical development. Towns, insofar as they sprang from markets, were not only the protectors of those markets, but also the means of preventing them from expanding into the countryside and thus encroaching on the prevailing economic organization of society. The two meanings of the word “contain” express perhaps best this double function of the towns, in respect to the markets which they both enveloped and prevented from developing.

If barter was surrounded by taboos devised to keep this type of human relationship from abusing the functions of the economic organization proper, the discipline of the market was even stricter. Here is an example from the Chaga country: “The market must be regularly visited on market days. If any occurrence should prevent the holding of the market on one or more days, business cannot be resumed until the market-place has been purified. . . . Every injury occurring on the market-place and involving the shedding of blood necessitated immediate expiation. From that moment no woman was allowed to leave the market-place and no goods might be touched; they had to be cleansed before they could be carried away and used for food. At the very least a goat had to be sacrificed at once. A more expensive and more serious expiation was necessary if a woman bore a child or had a miscarriage on the market-place. In that case a milch animal was necessary. In addition to this, the homestead of the chief had to be puri-

fied by means of sacrificial blood of a milch-cow. All the women in the country were thus sprinkled, district by district.”* Rules such as these would not make the spreading of markets easier.

The typical local market on which housewives depend for some of their needs, and growers of grain or vegetables as well as local craftsmen offer their wares for sale, shows as to its form indifference to time and place. Gatherings of this kind are not only fairly general in primitive societies, but remain almost unchanged right up to the middle of the eighteenth century in the most advanced countries of Western Europe. They are an adjunct of local existence and differ but little whether they form part of Central African tribal life, or a *cit * of Merovingian France, or a Scottish village of Adam Smith’s time. But what is true of the village is also true of the town. Local markets are, essentially, neighborhood markets, and, though important to the life of the community, they nowhere show any sign of reducing the prevailing economic system to their pattern. They are not starting points of internal or national trade.

Internal trade in Western Europe was actually created by the intervention of the state. Right up to the time of the Commercial Revolution what may appear to us as national trade was not national, but municipal. The Hanse were not German merchants; they were a corporation of trading oligarchs, hailing from a number of North Sea and Baltic towns. Far from “nationalizing” German economic life, the Hanse deliberately cut off the hinterland from trade. The trade of Antwerp or Hamburg, Venice or Lyons, was in no way Dutch or German, Italian or French. London was no exception: it was as little “English” as Luebeck was “German.” The trade map of Europe in this period should rightly show only towns, and leave blank the countryside—it might as well have not existed as far as organized trade was concerned. So-called nations were merely political units, and very loose ones at that, consisting economically of innumerable smaller and bigger self-sufficing households and insignificant local markets in the villages. Trade was limited to organized townships which carried it on either locally, as neighborhood trade, or as long-distance trade—the two were strictly separated, and neither was allowed to infiltrate into the countryside indiscriminately.

Such a permanent severance of local trade and long-distance trade

* Thurnwald, R. C., *op. cit.*, pp. 162–64.

within the organization of the town must come as another shock to the evolutionist, with whom things always seem so easily to grow into one another. And yet this peculiar fact forms the key to the social history of urban life in Western Europe. It strongly tends to support our assertion in respect to the origin of markets which we inferred from conditions in primitive economies. The sharp distinction drawn between local and long-distance trade might have seemed too rigid, especially as it led us to the somewhat surprising conclusion that neither long-distance trade nor local trade was the parent of the internal trade of modern times—thus apparently leaving no alternative but to turn for an explanation to the *deus ex machina* of state intervention. We will see presently that in this respect also recent investigations bear out our conclusions. But let us first give a bare outline of the history of urban civilization as it was shaped by the peculiar severance of local and long-distance trade within the confines of the medieval town.

This severance was, indeed, at the heart of the institution of medieval urban centres.* The town was an organization of the burgesses. They alone had right of citizenship and on the distinction between the burgher and the non-burgher the system rested. Neither the peasants of the countryside nor the merchants from other towns were, of course, burgesses. But while the military and political influence of the town made it possible to deal with the peasants of the surroundings, in respect to the foreign merchant such authority could not be exerted. Consequently, the burgesses found themselves in an entirely different position in respect to local trade and long-distance trade.

As to food supplies, regulation involved the application of such methods as enforced publicity of transactions and exclusion of middlemen, in order to control trade and provide against high prices. But such regulation was effective only in respect to trade carried on between the town and its immediate surroundings. In respect to long-distance trade the position was entirely different. Spices, salted fish, or wine had to be transported from a long distance and were thus the domain of the foreign merchant and his capitalistic wholesale trade methods. This type of trade escaped local regulation and all that could be done was to exclude it as far as possible from the local market. The complete prohibition of retail sale by foreign merchants was designed to achieve this end. The more the volume of capitalistic wholesale

* Our presentation follows H. Pirenne's well-known works.

trade grew, the more strictly was its exclusion from the local markets enforced as far as imports were concerned.

In respect to industrial wares, the separation of local and long-distance trade cut even deeper, as in this case the whole organization of production for export was affected. The reason for this lay in the nature of the craft guilds, in which industrial production was organized. On the local market, production was regulated according to the needs of the producers, thus restricting production to a remunerative level. This principle would naturally not apply to exports, where the interests of the producers set no limits to production. Consequently, while local trade was strictly regulated, production for export was only formally controlled by corporations of crafts. The dominating export industry of the age, the cloth trade, was actually organized on the capitalistic basis of wage labor.

An increasingly strict separation of local trade from export trade was the reaction of urban life to the threat of mobile capital to disintegrate the institutions of the town. The typical medieval town did not try to avoid the danger by bridging the gap between the controllable local market and the vagaries of an uncontrollable long-distance trade, but, on the contrary, met the peril squarely by enforcing with the utmost rigor that policy of exclusion and protection which was the rationale of its existence.

In practice this meant that the towns raised every possible obstacle to the formation of that national or internal market for which the capitalist wholesaler was pressing. By maintaining the principle of a non-competitive local trade and an equally noncompetitive long-distance trade carried on from town to town, the burgesses hampered by all means at their disposal the inclusion of the countryside into the compass of trade and the opening up of indiscriminate trade between the towns of the country. It was this development which forced the territorial state to the fore as the instrument of the "nationalization" of the market and the creator of internal commerce.

Deliberate action of the state in the fifteenth and sixteenth centuries foisted the mercantile system on the fiercely protectionist towns and principalities. Mercantilism destroyed the outworn particularism of local and intermunicipal trading by breaking down the barriers separating these two types of noncompetitive commerce and thus clearing the way for a national market which increasingly ignored the

distinction between town and countryside as well as that between the various towns and provinces.

The mercantile system was, in effect, a response to many challenges. Politically, the centralized state was a new creation called forth by the Commercial Revolution which had shifted the center of gravity of the Western world from the Mediterranean to the Atlantic seaboard and thus compelled the backward peoples of larger agrarian countries to organize for commerce and trade. In external politics the setting up of sovereign power was the need of the day; accordingly, mercantilist statecraft involved the marshalling of the resources of the whole national territory to the purposes of power in foreign affairs. In internal politics, unification of the countries atomized by feudal and municipal particularism was the necessary by-product of such an endeavour. Economically, the instrument of unification was capital, i.e., private resources available in form of money hoards and thus peculiarly suitable for the development of commerce. Finally the administrative technique underlying the economic policy of the central government was supplied by the extension of the traditional municipal system to the larger territory of the state. In France, where the craft guilds tended to become state organs, the guild system was uniformly extended over the whole territory of the country; in England, where the decay of the walled towns had weakened that system fatally, the countryside was industrialized without the supervision of the guilds, while in both countries trade and commerce spread over the whole territory of the nation and became the dominating form of economic activity. This also accounts for the often puzzling domestic trade policy of mercantilism.

State intervention, which had freed trade from the confines of the privileged town, was now called to deal with two closely connected dangers which the town had successfully met, namely, monopoly and competition. That competition must ultimately lead to monopoly was a truth well understood at the time, while monopoly was feared even more than later as it often concerned the necessities of life and thus easily waxed into a peril to the community. All-round regulation of economic life, only this time on a national, no more on a merely municipal, scale was the given remedy. What to the modern mind may easily appear as a shortsighted exclusion of competition was in reality the means of safeguarding the functioning of markets under the given

conditions. For any temporary intrusion of buyers or sellers in the market must destroy the balance and disappoint regular buyers or sellers, with the result that the market will cease to function. The former purveyors will cease to offer their goods as they cannot be sure that their goods will fetch a price, and the market left without sufficient supply will become a prey to the monopolist. To a lesser degree, the same dangers were present on the demand side, where a rapid falling off might be followed by a monopoly of demand. With every step that the state took to rid the market of particularist restrictions, of tolls and prohibitions, it imperiled the organized system of production and distribution which was now threatened by unregulated competition and the intrusion of the interloper who "scooped" the market but offered no guarantee of permanency. Thus it came that although the new national markets were, inevitably, to some degree competitive, it was the traditional feature of regulation, not the new element of competition, which prevailed.* The self-sufficing household of the peasant laboring for his subsistence remained the broad basis of the economic system, which was being integrated into large national units through the formation of the internal market. This national market now took its place alongside, and partly overlapping, the local and foreign markets. Agriculture was now being supplemented by internal commerce—a system of relatively isolated markets, which was entirely compatible with the principle of householding still dominant in the countryside.

This concludes our synopsis of the history of the market up to the time of the Industrial Revolution. The next stage in mankind's history brought, as we know, an attempt to set up one big self-regulating market. There was nothing in mercantilism, this distinctive policy of the Western nation-state, to presage such a unique development. The "freeing" of trade performed by mercantilism merely liberated trade from particularism, but at the same time extended the scope of regulation. The economic system was submerged in general social relations; markets were merely an accessory feature of an institutional setting controlled and regulated more than ever by social authority.

* Montesquieu, *L'Esprit des lois*, 1748. "The English constrain the merchant, but it is in favour of commerce."

The Self-Regulating Market and the Fictitious Commodities: Labor, Land, and Money

This cursory outline of the economic system and markets, taken separately, shows that never before our own time were markets more than accessories of economic life. As a rule, the economic system was absorbed in the social system, and whatever principle of behavior predominated in the economy, the presence of the market pattern was found to be compatible with it. The principle of barter or exchange, which underlies this pattern, revealed no tendency to expand at the expense of the rest. Where markets were most highly developed, as under the mercantile system, they thrived under the control of a centralized administration which fostered autarchy both in the household of the peasantry and in respect to national life. Regulation and markets, in effect, grew up together. The self-regulating market was unknown; indeed the emergence of the idea of self-regulation was a complete reversal of the trend of development. It is in the light of these facts that the extraordinary assumptions underlying a market economy can alone be fully comprehended.

A market economy is an economic system controlled, regulated, and directed by market prices; order in the production and distribution of goods is entrusted to this self-regulating mechanism. An economy of this kind derives from the expectation that human beings behave in such a way as to achieve maximum money gains. It assumes markets in which the supply of goods (including services) available at a definite price will equal the demand at that price. It assumes the presence of money, which functions as purchasing power in the hands of its owners. Production will then be controlled by prices, for the profits of those who direct production will depend upon them; the distribution of the goods also will depend upon prices, for prices form incomes, and it is with the help of these incomes that the goods produced are distributed amongst the members of society. Under these

assumptions order in the production and distribution of goods is ensured by prices alone.

Self-regulation implies that all production is for sale on the market and that all incomes derive from such sales. Accordingly, there are markets for all elements of industry, not only for goods (always including services) but also for labor, land, and money, their prices being called respectively commodity prices, wages, rent, and interest. The very terms indicate that prices form incomes: interest is the price for the use of money and forms the income of those who are in the position to provide it; rent is the price for the use of land and forms the income of those who supply it; wages are the price for the use of labor power and form the income of those who sell it; commodity prices, finally, contribute to the incomes of those who sell their entrepreneurial services, the income called profit being actually the difference between two sets of prices, the price of the goods produced and their cost, i.e., the price of the goods necessary to produce them. If these conditions are fulfilled, all incomes derive from sales on the market, and incomes will be just sufficient to buy all the goods produced.

A further group of assumptions follows in respect to the state and its policy. Nothing must be allowed to inhibit the formation of markets, nor must incomes be permitted to be formed otherwise than through sales. Neither must there be any interference with the adjustment of prices to changed market conditions—whether the prices are those of goods, labor, land, or money. Hence there must not only be markets for all elements of industry, but no measure or policy must be countenanced that would influence the action of these markets. Neither price, nor supply, nor demand must be fixed or regulated; only such policies and measures are in order which help to ensure the self-regulation of the market by creating conditions which make the market the only organizing power in the economic sphere.*

To realize fully what this means, let us return for a moment to the mercantile system and the national markets which it did so much to develop. Under feudalism and the guild system land and labor formed part of the social organization itself (money had yet hardly developed into a major element of industry). Land, the pivotal element in the feudal order, was the basis of the military, judicial, administrative, and

* Henderson, H. D., *Supply and Demand*, 1922. The function of the market is two-fold: the apportionment of factors between different uses and the organizing of the forces influencing aggregate supplies of factors.

political system; its status and function were determined by legal and customary rules. Whether its possession was transferable or not, and if so, to whom and under what restrictions; what the rights of property entailed; to what uses some types of land might be put—all these questions were removed from the organization of buying and selling, and subjected to an entirely different set of institutional regulations.

The same was true of the organization of labor. Under the guild system, as under every other economic system in previous history, the motives and circumstances of productive activities were embedded in the general organization of society. The relations of master, journeyman, and apprentice; the terms of the craft; the number of apprentices; the wages of the workers were all regulated by the custom and rule of the guild and the town. What the mercantile system did was merely to unify these conditions either through statute as in England, or through the “nationalization” of the guilds as in France. As to land, its feudal status was abolished only insofar as it was linked with provincial privileges; for the rest, land remained *extra commercium*, in England as in France. Up to the time of the Great Revolution of 1789, landed estate remained the source of social privilege in France, and even after that time in England Common Law on land was essentially medieval. Mercantilism, with all its tendency toward commercialization, never attacked the safeguards which protected these two basic elements of production—labor and land—from becoming the objects of commerce. In England the “nationalization” of labor legislation through the Statute of Artificers (1563) and the Poor Law (1601) removed labor from the danger zone, and the anti-enclosure policy of the Tudors and early Stuarts was one consistent protest against the principle of the gainful use of landed property.

That mercantilism, however emphatically it insisted on commercialization as a national policy, thought of markets in a way exactly contrary to market economy, is best shown by its vast extension of state intervention in industry. On this point there was no difference between mercantilists and feudalists, between crowned planners and vested interests, between centralizing bureaucrats and conservative particularists. They disagreed only on the methods of regulation: guilds, towns, and provinces appealed to the force of custom and tradition, while the new state authority favored statute and ordinance. But they were all equally averse to the idea of commercializing labor and land—the precondition of market economy. Craft guilds and feu-

dal privileges were abolished in France only in 1790; in England the Statute of Artificers was repealed only in 1813–14, the Elizabethan Poor Law in 1834. Not before the last decade of the eighteenth century was, in either country, the establishment of a free labor market even discussed; and the idea of the self-regulation of economic life was utterly beyond the horizon of the age. The mercantilist was concerned with the development of the resources of the country, including full employment, through trade and commerce; the traditional organization of land and labor he took for granted. He was in this respect as far removed from modern concepts as he was in the realm of politics, where his belief in the absolute powers of an enlightened despot was tempered by no intimations of democracy. And just as the transition to a democratic system and representative politics involved a complete reversal of the trend of the age, the change from regulated to self-regulating markets at the end of the eighteenth century represented a complete transformation in the structure of society.

A self-regulating market demands nothing less than the institutional separation of society into an economic and a political sphere. Such a dichotomy is, in effect, merely the restatement, from the point of view of society as a whole, of the existence of a self-regulating market. It might be argued that the separateness of the two spheres obtains in every type of society at all times. Such an inference, however, would be based on a fallacy. True, no society can exist without a system of some kind which ensures order in the production and distribution of goods. But that does not imply the existence of separate economic institutions; normally, the economic order is merely a function of the social order. Neither under tribal nor under feudal nor under mercantile conditions was there, as we saw, a separate economic system in society. Nineteenth-century society, in which economic activity was isolated and imputed to a distinctive economic motive, was a singular departure.

Such an institutional pattern could not have functioned unless society was somehow subordinated to its requirements. A market economy can exist only in a market society. We reached this conclusion on general grounds in our analysis of the market pattern. We can now specify the reasons for this assertion. A market economy must comprise all elements of industry, including labor, land, and money. (In a market economy money also is an essential element of industrial life and its inclusion in the market mechanism has, as we will see, far-

reaching institutional consequences.) But labor and land are no other than the human beings themselves of which every society consists and the natural surroundings in which it exists. To include them in the market mechanism means to subordinate the substance of society itself to the laws of the market.

We are now in the position to develop in a more concrete form the institutional nature of a market economy, and the perils to society which it involves. We will, first, describe the methods by which the market mechanism is enabled to control and direct the actual elements of industrial life; secondly, we will try to gauge the nature of the effects of such a mechanism on the society which is subjected to its action.

It is with the help of the commodity concept that the mechanism of the market is geared to the various elements of industrial life. Commodities are here empirically defined as objects produced for sale on the market; markets, again, are empirically defined as actual contacts between buyers and sellers. Accordingly, every element of industry is regarded as having been produced for sale, as then and then only will it be subject to the supply-and-demand mechanism interacting with price. In practice this means that there must be markets for every element of industry; that in these markets each of these elements is organized into a supply and a demand group; and that each element has a price which interacts with demand and supply. These markets—and they are numberless—are interconnected and form One Big Market.*

The crucial point is this: labor, land, and money are essential elements of industry; they also must be organized in markets; in fact, these markets form an absolutely vital part of the economic system. But labor, land, and money are obviously *not* commodities; the postulate that anything that is bought and sold must have been produced for sale is emphatically untrue in regard to them. In other words, according to the empirical definition of a commodity they are not commodities. Labor is only another name for a human activity which goes with life itself, which in its turn is not produced for sale but for entirely different reasons, nor can that activity be detached from the rest of life, be stored or mobilized; land is only another name for nature, which is not produced by man; actual money, finally, is merely a token of purchasing power which, as a rule, is not produced at all, but comes into

* Hawtrey, G. R., *op. cit.* Its function is seen by Hawtrey in making "the relative market values of all commodities mutually consistent."

being through the mechanism of banking or state finance. None of them is produced for sale. The commodity description of labor, land, and money is entirely fictitious.

Nevertheless, it is with the help of this fiction that the actual markets for labor, land, and money are organized*; these are being actually bought and sold on the market; their demand and supply are real magnitudes; and any measures or policies that would inhibit the formation of such markets would *ipso facto* endanger the self-regulation of the system. The commodity fiction, therefore, supplies a vital organizing principle in regard to the whole of society affecting almost all its institutions in the most varied way, namely, the principle according to which no arrangement or behavior should be allowed to exist that might prevent the actual functioning of the market mechanism on the lines of the commodity fiction.

Now, in regard to labor, land, and money such a postulate cannot be upheld. To allow the market mechanism to be sole director of the fate of human beings and their natural environment indeed, even of the amount and use of purchasing power, would result in the demolition of society. For the alleged commodity "labor power" cannot be shoved about, used indiscriminately, or even left unused, without affecting also the human individual who happens to be the bearer of this peculiar commodity. In disposing of a man's labor power the system would, incidentally, dispose of the physical, psychological, and moral entity "man" attached to that tag. Robbed of the protective covering of cultural institutions, human beings would perish from the effects of social exposure; they would die as the victims of acute social dislocation through vice, perversion, crime, and starvation. Nature would be reduced to its elements, neighborhoods and landscapes defiled, rivers polluted, military safety jeopardized, the power to produce food and raw materials destroyed. Finally, the market administration of purchasing power would periodically liquidate business enterprise, for shortages and surfeits of money would prove as disastrous to business as floods and droughts in primitive society. Undoubtedly, labor, land, and money markets *are* essential to a market economy. But no society could stand the effects of such a system of crude fictions even for the shortest stretch of time unless its human

* Marx's assertion of the fetish character of the value of commodities refers to the exchange value of genuine commodities and has nothing in common with the fictitious commodities mentioned in the text.

and natural substance as well as its business organization was protected against the ravages of this satanic mill.

The extreme artificiality of market economy is rooted in the fact that the process of production itself is here organized in the form of buying and selling. No other way of organizing production for the market is possible in a commercial society.* During the late Middle Ages industrial production for export was organized by wealthy burghesses, and carried on under their direct supervision in the home town. Later, in the mercantile society, production was organized by merchants and was not restricted any more to the towns; this was the age of "putting out" when domestic industry was provided with raw materials by the merchant capitalist, who controlled the process of production as a purely commercial enterprise. It was then that industrial production was definitely and on a large scale put under the organizing leadership of the merchant. He knew the market, the volume as well as the quality of the demand; and he could vouch also for the supplies which, incidentally, consisted merely of wool, woad, and, sometimes, the looms or the knitting frames used by the cottage industry. If supplies failed it was the cottager who was worst hit, for his employment was gone for the time; but no expensive plant was involved and the merchant incurred no serious risk in shouldering the responsibility for production. For centuries this system grew in power and scope until in a country like England the wool industry, the national staple, covered large sectors of the country where production was organized by the clothier. He who bought and sold, incidentally, provided for production—no separate motive was required. The creation of goods involved neither the reciprocating attitudes of mutual aid; nor the concern of the householder for those whose needs are left to his care; nor the craftsman's pride in the exercise of his trade; nor the satisfaction of public praise—nothing but the plain motive of gain so familiar to the man whose profession is buying and selling. Up to the end of the eighteenth century, industrial production in Western Europe was a mere accessory to commerce.

As long as the machine was an inexpensive and unspecific tool there was no change in this position. The mere fact that the cottager could produce larger amounts than before within the same time might induce him to use machines to increase earnings, but this fact

* Cunningham, W., "Economic Change," in *Cambridge Modern History*, Vol. I.

in itself did not necessarily affect the organization of production. Whether the cheap machinery was owned by the worker or by the merchant made some difference in the social position of the parties and almost certainly made a difference in the earnings of the worker, who was better off as long as he owned his tools; but it did not force the merchant to become an industrial capitalist, or to restrict himself to lending his money to such persons as were. The vent of goods rarely gave out; the greater difficulty continued to be on the side of supply of raw materials, which was sometimes unavoidably interrupted. But, even in such cases, the loss to the merchant who owned the machines was not substantial. It was not the coming of the machine as such but the invention of elaborate and therefore specific machinery and plant which completely changed the relationship of the merchant to production. Although the new productive organization was introduced by the merchant—a fact which determined the whole course of the transformation—the use of elaborate machinery and plant involved the development of the factory system and therewith a decisive shift in the relative importance of commerce and industry in favor of the latter. Industrial production ceased to be an accessory of commerce organized by the merchant as a buying and selling proposition; it now involved long-term investment with corresponding risks. Unless the continuance of production was reasonably assured, such a risk was not bearable.

But the more complicated industrial production became, the more numerous were the elements of industry the supply of which had to be safeguarded. Three of these, of course, were of outstanding importance: labor, land, and money. In a commercial society their supply could be organized in one way only: by being made available for purchase. Hence, they would have to be organized for sale on the market—in other words, as commodities. The extension of the market mechanism to the elements of industry—labor, land, and money—was the inevitable consequence of the introduction of the factory system in a commercial society. The elements of industry had to be on sale.

This was synonymous with the demand for a market system. We know that profits are ensured under such a system only if self-regulation is safeguarded through interdependent competitive markets. As the development of the factory system had been organized as

part of a process of buying and selling, therefore labor, land, and money had to be transformed into commodities in order to keep production going. They could, of course, not be really transformed into commodities, as actually they were not produced for sale on the market. But the fiction of their being so produced became the organizing principle of society. Of the three, one stands out: labor is the technical term used for human beings, insofar as they are not employers but employed; it follows that henceforth the organization of labor would change concurrently with the organization of the market system. But as the organization of labor is only another word for the forms of life of the common people, this means that the development of the market system would be accompanied by a change in the organization of society itself. All along the line, human society had become an accessory of the economic system.

We recall our parallel between the ravages of the enclosures in English history and the social catastrophe which followed the Industrial Revolution. Improvements, we said, are, as a rule, bought at the price of social dislocation. If the rate of dislocation is too great, the community must succumb in the process. The Tudors and early Stuarts saved England from the fate of Spain by regulating the course of change so that it became bearable and its effects could be canalized into less destructive avenues. But nothing saved the common people of England from the impact of the Industrial Revolution. A blind faith in spontaneous progress had taken hold of people's minds, and with the fanaticism of sectarians the most enlightened pressed forward for boundless and unregulated change in society. The effects on the lives of the people were awful beyond description. Indeed, human society would have been annihilated but for protective counter-moves which blunted the action of this self-destructive mechanism.

Social history in the nineteenth century was thus the result of a double movement: the extension of the market organization in respect to genuine commodities was accompanied by its restriction in respect to fictitious ones. While on the one hand markets spread all over the face of the globe and the amount of goods involved grew to unbelievable dimensions, on the other hand a network of measures and policies was integrated into powerful institutions designed to check the action of the market relative to labor, land, and money. While the organization of world commodity markets, world capital markets, and

world currency markets under the aegis of the gold standard gave an unparalleled momentum to the mechanism of markets, a deep-seated movement sprang into being to resist the pernicious effects of a market-controlled economy. Society protected itself against the perils inherent in a self-regulating market system—this was the one comprehensive feature in the history of the age.

Speenhamland, 1795

Eighteenth-century society unconsciously resisted any attempt at being made into a mere appendage of the market. No market economy was conceivable that did not include a market for labor; but to establish such a market, especially in England's rural civilization, implied no less than the wholesale destruction of the traditional fabric of society. During the most active period of the Industrial Revolution, from 1795 to 1834, the creating of a labor market in England was prevented through the Speenhamland Law.

The market for labor was, in effect, the last of the markets to be organized under the new industrial system, and this final step was taken only when market economy was set to start, and when the absence of a market for labor was proving a greater evil even to the common people themselves than the calamities that were to accompany its introduction. In the end the free labor market, in spite of the inhuman methods employed in creating it, proved financially beneficial to all concerned.

Yet it was only now that the crucial problem appeared. The economic advantages of a free labor market could not make up for the social destruction wrought by it. Regulation of a new type had to be introduced under which labor was again protected, only this time from the working of the market mechanism itself. Though the new protective institutions, such as trade unions and factory laws, were adapted, as far as possible, to the requirements of the economic mechanism, they nevertheless interfered with its self-regulation and, ultimately, destroyed the system.

In the broad logic of this development the Speenhamland Law occupied a strategic position.

In England both land and money were mobilized before labor was. The latter was prevented from forming a national market by strict le-

gal restrictions on its physical mobility, since the laborer was practically bound to his parish. The Act of Settlement of 1662, which laid down the rules of so-called parish serfdom, was loosened only in 1795. This step would have made possible the setting up of a national labor market had not in the very same year the Speenhamland Law or "allowance system" been introduced. The tendency of this law was to the opposite; namely, toward a powerful reinforcement of the paternalistic system of labor organization as inherited from the Tudors and Stuarts. The justices of Berkshire, meeting at the Pelican Inn, in Speenhamland, near Newbury, on May 6, 1795, in a time of great distress, decided that subsidies in aid of wages should be granted in accordance with a scale dependent upon the price of bread, so that a minimum income should be assured to the poor *irrespective of their earnings*. The magistrates' famous recommendation ran: When the gallon loaf of bread of a definite quality "shall cost 1 shilling, then every poor and industrious person shall have for his support 3 shillings weekly, either procured by his own or his family's labour, *or an allowance from the poor rates*, and for the support of his wife and every other of his family, 1 shilling 6 pence; when the gallon loaf shall cost 1/6, then 4 shillings weekly, plus 1/10; on every pence which the bread price raises above 1 shilling he shall have 3 pence for himself and 1 pence for the others." The figures varied somewhat in various counties, but in most cases the Speenhamland scale was adopted. This was meant as an emergency measure and was informally introduced. Although commonly called a law, *the scale itself was never enacted*. Yet it became the law of the land over most of the countryside, and even, in a much diluted form, in a number of factory towns; actually it introduced no less a social and economic innovation than the "right to live," and until abolished in 1834, it effectively prevented the establishment of a competitive labor market. Two years earlier, in 1832, the middle class had forced its way to power, partly in order to remove this obstacle to the new capitalistic economy. Indeed, nothing could be more obvious than that the wage system imperatively demanded the withdrawal of the "right to live" as proclaimed in Speenhamland—under the new regime of the economic man, nobody would work for a wage if he could make a living by doing nothing (or not much more than nothing).

Another feature of the reversal of the Speenhamland method was less obvious to most nineteenth-century writers, namely, that the wage system had to be made universal in the interest also of the wage-

earners themselves, even though this meant depriving them of their legal claim to subsistence. The "right to live" had proved a death trap to them.

The paradox was merely apparent. Allegedly, Speenhamland meant that the Poor Law was to be administered liberally—actually, it was turned into the opposite of its original intent. Under Elizabethan Law the poor were forced to work at whatever wages they could get and only those who could obtain no work were entitled to relief; relief in *aid of wages* was neither intended nor given. Under the Speenhamland Law a man was relieved even if he was in employment, as long as his wages amounted to less than the family income granted to him by the scale. Hence, no laborer had any financial interest in satisfying his employer, his income being the same whatever wages he earned; this was different only in case standard wages, i.e., the wages actually paid, exceeded the scale, an occurrence which was not the rule in the countryside since the employer could obtain labor at almost any wages; however little he paid, the subsidy from the rates brought the workers' income up to scale. Within a few years the productivity of labor began to sink to that of pauper labor, thus providing an added reason for employers not to raise wages above the scale. For once the intensity of labor, the care and efficiency with which it was performed, dropped below a definite level, it became indistinguishable from "boondoggling" or the semblance of work maintained for the sake of appearances. Though in principle work was still enforced, in practice outdoor relief became general and even when relief was administered in the poorhouse, the enforced occupation of the inmates now hardly deserved the name of work. This amounted to the abandonment of Tudor legislation not for the sake of less but of more paternalism. The extension of outdoor relief, the introduction of aid-in-wages supplemented by separate allowances for wife and children, each item rising and falling with the bread price, meant a dramatic reentry in regard to labor of that same regulative principle that was being rapidly eliminated in regard to industrial life as a whole.

No measure was ever more universally popular.* Parents were free of the care of their children, and children were no more dependent upon parents; employers could reduce wages at will and laborers were safe from hunger whether they were busy or slack; humanitarians ap-

* Meredith, H. O., *Outlines of the Economic History of England*, 1908.

plauded the measure as an act of mercy even though not of justice, and the selfish gladly consoled themselves with the thought that though it was merciful at least it was not liberal; and even ratepayers were slow to realize what would happen to the rates under a system which proclaimed the "right to live" whether a man earned a living wage or not.

In the long run the result was ghastly. Although it took some time till the self-respect of the common man sank to the low point where he preferred poor relief to wages, his wages which were subsidized from public funds were bound eventually to be bottomless, and to force him upon the rates. Little by little the people of the countryside were pauperized; the adage "once on the rates, always on the rates" was a true saying. But for the protracted effects of the allowance system, it would be impossible to explain the human and social degradation of early capitalism.

The Speenhamland episode revealed to the people of the leading country of the century the true nature of the social adventure on which they were embarking. Neither the rulers nor the ruled ever forgot the lessons of that fool's paradise; if the Reform Bill of 1832 and the Poor Law Amendment of 1834 were commonly regarded as the starting point of modern capitalism, it was because they put an end to the rule of the benevolent landlord and his allowance system. The attempt to create a capitalistic order without a labor market had failed disastrously. The laws governing such an order had asserted themselves and manifested their radical antagonism to the principle of paternalism. The rigor of these laws had become apparent and their violation had been cruelly visited upon those who had disobeyed them.

Under Speenhamland, society was rent by two opposing influences: the one emanating from paternalism and protecting labor from the dangers of the market system; the other organizing the elements of production, including land, under a market system, and thus divesting the common people of their former status, compelling them to gain a living by offering their labor for sale, while at the same time depriving their labor of its market value. A new class of employers was being created, but no corresponding class of employees could constitute itself. A new gigantic wave of enclosures was mobilizing the land and producing a rural proletariat, while the "maladministration of the Poor Law" precluded them from gaining a living by their labor. No wonder that the contemporaries were appalled at the seeming contradiction of an almost miraculous increase in production accompanied

by a near starvation of the masses. By 1834 there was a general conviction—with many thinking people a passionately held conviction—that anything was preferable to the continuance of Speenhamland. Either machines had to be demolished, as the Luddites had tried to do, or a regular labor market had to be created. Thus was mankind forced into the paths of a utopian experiment.

This is not the place to expatiate upon the economics of Speenhamland; there will be occasion for that later on. On the face of it the “right to live” should have stopped wage labor altogether. Standard wages should have gradually dropped to zero, thus putting the actual wage bill wholly on the parish, a procedure which would have made the absurdity of the arrangement manifest. But this was an essentially pre-capitalistic age, when the common people were still traditionally minded, and far from being directed in their behavior by monetary motives alone. The majority of the countryfolk, whether lifeholders or simple laborers, preferred any kind of existence to the status of a pauper, even if it was not deliberately burdened by irksome or ignominious disabilities, as subsequently happened. If laborers had been free to combine for the furtherance of their interests, the allowance system might, of course, have had a contrary effect on standard wages: for trade union action would have been greatly helped by the relief of the unemployed implied in so liberal an administration of the Poor Law. It might be inferred that the paternalistic intervention of Speenhamland called forth the Anti-Combination Laws, a further intervention, but for which Speenhamland might have had the effect of raising wages instead of depressing them as it actually did. In conjunction with the Anti-Combination Laws, which were not revoked for another quarter century, Speenhamland led to the ironic result that the financially implemented “right to live” eventually ruined the people whom it was ostensibly designed to succor.

To later generations nothing could have been more patent than the mutual incompatibility of institutions like the wage system and the “right to live,” or, in other words, than the impossibility of a functioning capitalistic order as long as wages were from public funds. But the contemporaries did not comprehend the order for which they were preparing the way. Only when a grave deterioration of the productive capacity of the masses resulted—a veritable national calamity which was obstructing the progress of machine civilization did the neces-

sity of abolishing the unconditional right of the poor to relief impose itself upon the consciousness of the community. The complicated economics of Speenhamland transcended the comprehension of even the most expert observers of the time; but the conclusion appeared only the more compelling that aid-in-wages must be inherently vicious, since it miraculously injured even those who received it.

The pitfalls of the market system were not readily apparent. To realize this clearly we must distinguish between the various vicissitudes to which the laboring people were exposed in England since the coming of the machine: first, those of the Speenhamland period, 1795 to 1834; second, the hardships caused by the Poor Law Reform, in the decade following 1834; third, the deleterious effects of a competitive labor market after 1834, until in the 1870s the recognition of the trade unions offered sufficient protection. Chronologically, Speenhamland antedated market economy; the decade of the Poor Law Reform Act was a transition to that economy. The last period—overlapping the former—was that of market economy proper.

The three periods differed sharply. Speenhamland was designed to prevent the proletarianization of the common people, or at least to slow it down. The outcome was merely the pauperization of the masses, who almost lost their human shape in the process.

The Poor Law Reform of 1834 did away with this obstruction of the labor market: the "right to live" was abolished. The scientific cruelty of that Act was so shocking to public sentiment in the 1830s and 1840s that the vehement contemporary protests blurred the picture in the eyes of posterity. Many of the most needy poor, it was true, were left to their fate as outdoor relief was withdrawn, and among those who suffered most bitterly were the "deserving poor" who were too proud to enter the workhouse which had become an abode of shame. Never perhaps in all modern history has a more ruthless act of social reform been perpetrated; it crushed multitudes of lives while merely pretending to provide a criterion of genuine destitution in the workhouse test. Psychological torture was coolly advocated and smoothly put into practice by mild philanthropists as a means of oiling the wheels of the labor mill. Yet the bulk of the complaints were really due to the abruptness with which an institution of old standing was uprooted and a radical transformation rushed into effect. Disraeli denounced this "inconceivable revolution" in the lives of the people. However, if

money incomes alone had counted, the condition of the people would soon have been deemed improved.

The problems of the third period went incomparably deeper. The bureaucratic atrocities committed against the poor during the decade following 1834 by the new centralized Poor Law authorities were merely sporadic and as nothing compared to the all-round effects of that most potent of all modern institutions, the labor market. It was similar in scope to the threat Speenhamland offered, with the significant difference that not the absence but the presence of a competitive labor market was now the source of danger. If Speenhamland had prevented the emergence of a working class, now the laboring poor were being formed into such a class by the pressure of an unfeeling mechanism. If under Speenhamland the people had been taken care of as none too precious beasts deserved to be, now they were expected to take care of themselves, with all the odds against them. If Speenhamland meant the snug misery of degradation, now the laboring man was homeless in society. If Speenhamland had overworked the values of neighborhood, family, and rural surroundings, now man was detached from home and kin, torn from his roots and all meaningful environment. In short, if Speenhamland meant the rot of immobility, now the peril was that of death through exposure.

Not until 1834 was a competitive labor market established in England; hence industrial capitalism as a social system cannot be said to have existed before that date. Yet almost simultaneously the self-protection of society set in: factory laws and social legislation, and a political and industrial working-class movement sprang into being. It was in this attempt to stave off the entirely new dangers of the market mechanism that protective action conflicted fatally with the self-regulation of the system. It is no exaggeration to say that the social history of the nineteenth century was determined by the logic of the market system proper after it was released by the Poor Law Reform Act of 1834. The starting point of this dynamic was the Speenhamland Law.

If we suggest that the study of Speenhamland is the study of the birth of nineteenth-century civilization, it is not its economic and social effect that we have exclusively in mind, nor even the determining influence of these effects upon modern political history, but the fact that, mostly unknown to the present generation, our social consciousness was cast in its mold. The figure of the pauper, almost forgotten

since, dominated a discussion the imprint of which was as powerful as that of the most spectacular events in history. If the French Revolution was indebted to the thought of Voltaire and Diderot, Quesnay and Rousseau, the Poor Law discussion formed the minds of Bentham and Burke, Godwin and Malthus, Ricardo and Marx, Robert Owen and John Stuart Mill, Darwin and Spencer, who shared with the French Revolution the spiritual parentage of nineteenth-century civilization. It was in the decades following Speenhamland and the Poor Law Reform that the mind of man turned toward his own community with a new anguish of concern: the revolution which the justices of Berkshire had vainly attempted to stem and which the Poor Law Reform eventually freed shifted the vision of men toward their own collective being as if they had overlooked its presence before. A world was uncovered the very existence of which had not been suspected, that of the laws governing a complex society. Although the emergence of society in this new and distinctive sense happened in the economic field, its reference was universal.

The form in which the nascent reality came to our consciousness was political economy. Its amazing regularities and stunning contradictions had to be fitted into the scheme of philosophy and theology in order to be assimilated to human meanings. The stubborn facts and the inexorable brute laws that appeared to abolish our freedom had in one way or another to be reconciled to freedom. This was the main-spring of the metaphysical forces that secretly sustained the positivists and utilitarians. Unbounded hope and limitless despair looking toward regions of human possibilities yet unexplored were the mind's ambivalent response to these awful limitations. Hope—the vision of perfectibility—was distilled out of the nightmare of population and wage laws, and was embodied in a concept of progress so inspiring that it appeared to justify the vast and painful dislocations to come. Despair was to prove an even more powerful agent of transformation.

Man was forced to resign himself to secular perdition: he was doomed either to stop the procreation of his race or to condemn himself wittingly to liquidation through war and pestilence, hunger and vice. Poverty was nature surviving in society; that the limitedness of food and the unlimitedness of men had come to an issue just when the promise of a boundless increase of wealth burst in upon us made the irony only the more bitter.

Thus was the discovery of society integrated with man's spiritual

universe; but how was this new reality, society, to be translated into terms of everyday life? As guides to practice the moral principles of harmony and conflict were strained to the utmost, and forced into a pattern of all but complete contradiction. Harmony was inherent in economy, it was said, the interests of the individual and the community being ultimately identical—but such harmonious self-regulation required that the individual should respect economic law even if it happened to destroy him. Conflict, also, seemed inherent in economy, whether as competition of individuals or as struggle of classes—but such conflict, again, might turn out to be only the vehicle of a deeper harmony immanent in present, or perhaps future, society.

Pauperism, political economy, and the discovery of society were closely interwoven. Pauperism fixed attention on the incomprehensible fact that poverty seemed to go with plenty. Yet this was only the first of the baffling paradoxes with which industrial society was to confront modern man. He had entered his new abode through the door of economics, and this adventitious circumstance invested the age with its materialist aura. To Ricardo and Malthus nothing seemed more real than material goods. The laws of the market meant for them the limit of human possibilities. Godwin believed in unlimited possibilities and hence had to deny the laws of the market. That human possibilities were limited, not by the laws of the market, but by those of society itself was a recognition reserved to Owen who alone discerned behind the veil of market economy the emergent reality: society. However, his vision was lost again for a century.

Meanwhile, it was in relation to the problem of poverty that people began to explore the meaning of life in a complex society. The introduction of political economy into the realm of the universal happened under two opposite perspectives, that of progress and perfectibility on the one hand, determinism and damnation on the other; its translation into practice also was achieved in two opposite ways, through the principle of harmony and self-regulation on the one hand, competition and conflict on the other. Economic liberalism and the class concept were preformed in these contradictions. With the finality of an elementary event, a new set of ideas entered our consciousness.

Antecedents and Consequences

The Speenhamland system was originally no more than a make-shift. Yet few institutions have shaped the fate of a whole civilization more decisively than this, although it had to be discarded before the new era could begin. It was the typical product of a time of transition and deserves the attention of any student of human affairs today.

Under the mercantile system the labor organization of England rested on the Poor Law and the Statute of Artificers. Poor law, as applied to the laws of 1536 to 1601, is admittedly a misnomer; actually these laws, and subsequent amendments, formed half of the labor code of England; the other half consisted of the Statute of Artificers of 1563. The latter dealt with the employed; the Poor Law, with what we would call the unemployed and unemployable (apart from the aged and children). To these measures were added later, as we saw, the Act of Settlement of 1662 concerning the legal abode of the people which restricted their mobility to the utmost. (The neat distinction between employed, unemployed, and unemployable is, of course, anachronistic since it implies the existence of a modern wage system which was absent for another 250 years or so; we use these terms for the sake of simplicity in this very broad presentation.)

Labor organization, according to the Statute of Artificers, rested on three pillars: enforcement of labor, seven years' apprenticeship, and yearly wage assessment by public officials. The law—this should be emphasized—applied to agricultural laborers as much as to artisans and was enforced in rural districts as well as in towns. For about eighty years the Statute was strictly executed; later the apprenticeship clauses fell partly into desuetude, being restricted to the traditional crafts; to the new industries like cotton they simply did not apply; yearly wage assessments based on the cost of living, also were in abeyance in a large part of the country after the Restoration (1660). Formally, the wage

clause of the Statute was repealed only in 1813, the apprenticeship clause in 1814. However, in many respects the apprenticeship rule survived the Statute; it is still the general practice in the skilled trades in England. The enforcement of labor in the countryside was discontinued little by little. Still it can be said that for the two and a half centuries in question the Statute of Artificers laid down the outlines of a national organization of labor based on the principles of regulation and paternalism.

The Statute of Artificers was thus supplemented by the Poor Laws, a most confusing term in modern ears, to which "poor" and "pauper" sound much alike. Actually, the gentlemen of England judged all persons poor who did not command an income sufficient to keep them in leisure. "Poor" was thus practically synonymous with "common people," and the common people comprised all but the landed classes (hardly any successful merchant failed to acquire landed property). Hence the term "poor" meant all people who were in need and all the people, if and when they were in need. This, of course, included paupers, but not them alone. The aged, the infirm, the orphans had to be taken care of in a society which claimed that within its confines there was a place for every Christian. But over and above, there were the able-bodied poor, whom we would call the unemployed, on the assumption that they could earn their living by manual work if only they could find employment. Beggary was severely punished; vagrancy, in case of repetition, was a capital offense. The Poor Law of 1601 decreed that the able-bodied poor should be put to work so as to earn their keep, which the parish was to supply; the burden of relief was squarely put on the parish, which was empowered to raise the necessary sums by local taxes or rates. These were to be levied upon all householders and tenants, rich and nonrich alike, according to the rental of the land or houses they occupied.

The Statute of Artificers and the Poor Law together provided what might be called a Code of Labor. However, the Poor Law was administered locally. Every parish—a tiny unit—had its own provisions for setting the able-bodied to work; for maintaining a poorhouse; for apprenticing orphans and destitute children; for caring for the aged and the infirm; for the burial of paupers; and every parish had its own scale of rates. This sounds grander than it sometimes was. Many parishes had no poorhouses; a great many more had no reasonable provisions for the useful occupation of the able-bodied; there was an endless vari-

ety of ways in which the sluggardliness of the local ratepayers, the indifference of the overseers of the poor, the callousness of the interests centering on pauperism vitiated the working of the law. Still, by and large, the nearly sixteen thousand Poor Law authorities of the country managed to keep the social fabric of village life unbroken and undamaged.

Yet under a national system of labor, the local organization of unemployment and poor relief was a patent anomaly. The greater the variety of local provisions for the poor, the greater the danger to the well-kept parish that it would be swamped by the professional pauper. After the Restoration the Act of Settlement and Removal was passed to protect the "better" parishes from the influx of paupers. More than a century later, Adam Smith inveighed against this act because it immobilized the people, and thus prevented them from finding useful employment as it prevented the capitalist from finding employees. Only with the goodwill of the local magistrate and the parish authorities could a man stay in any other but his home parish; everywhere else he was liable to expulsion even though in good standing and employed. The legal status of the people was therefore that of freedom and equality subject to incisive limitations. They were equal before the law and free as to their persons. But they were not free to choose their occupations or those of their children; they were not free to settle where they pleased; and they were forced to labor. The two great Elizabethan Statutes and the Act of Settlement together were a charter of liberty to the common people as well as a seal of their disabilities.

The Industrial Revolution was well on the way, when in 1795, under the pressure of the needs of industry, the Act of 1662 was partially repealed, parish serfdom was abolished, and the physical mobility of the laborer was restored. A labor market could now be established on a national scale. But in the very same year, as we know, a practice of Poor Law administration was introduced which meant the reversal of the Elizabethan principle of enforced labor. Speenhamland ensured the "right to live"; grants in aid-of-wages were made general; family allowances were superadded; and all this was to be given in outdoor relief, i.e., without committing the recipient to the workhouse. Although the scale of relief was exiguous, it was enough for bare subsistence. This was a return to regulationism and paternalism with a vengeance just as, it would seem, the steam engine was clamoring for freedom and the machines were crying out for human hands. Yet the Speenhamland

Law coincided in time with the withdrawal of the Act of Settlement. The contradiction was patent; the Act of Settlement was being repealed because the Industrial Revolution demanded a national supply of laborers who would offer to work for wages, while Speenhamland proclaimed the principle that no man need fear to starve and that the parish would keep him and his family, however little he earned. There was stark contradiction between the two industrial policies; what else but a social enormity could be expected from their simultaneous continued application?

But the generation of Speenhamland was unconscious of what was on its way. On the eve of the greatest industrial revolution in history, no signs and portents were forthcoming. Capitalism arrived unannounced. No one had forecast the development of a machine industry; it came as a complete surprise. For some time England had been actually expecting a permanent recession of foreign trade when the dam burst, and the old world was swept away in one indomitable surge toward a planetary economy.

However, not until the 1850s could anybody have said so with assurance. The key to the comprehension of the Speenhamland magistrates' recommendation lay in their ignorance of the wider implications of the development they were facing. In the retrospect it may seem as if they had not only attempted the impossible but had done so by means the inner contradictions of which should have been apparent to them. Actually, they were successful in achieving their aim of protecting the village against dislocation, while the effects of their policy were all the more disastrous in other, unforeseen directions. Speenhamland policy was the outcome of a definite phase in the development of a market for labor power and should be understood in the light of the views taken of that situation by those in the position to shape policy. From this angle the allowance system will appear as a device contrived by squirearchy to meet a situation in which physical mobility could no longer be denied to labor, while the squire wished to avoid such unsettlement of local conditions, including higher wages, as was involved in the acceptance of a free national labor market.

The dynamic of Speenhamland was thus rooted in the circumstances of its origin. The rise in rural pauperism was the first symptom of the impending upheaval. Yet nobody seemed to have thought so at the time. The connection between rural poverty and the impact of

world trade was anything but obvious. Contemporaries had no reason to link the number of the village poor with the development of commerce in the Seven Seas. The inexplicable increase in the number of the poor was almost generally put down to the method of Poor Law administration, and not without some good cause. Actually, beneath the surface, the ominous growth of rural pauperism was directly linked with the trend of general economic history. But this connection was still hardly perceptible. Scores of writers probed into the channels by which the poor trickled into the village, and the number as well as the variety of reasons adduced for their appearance was amazing. And yet only a few contemporary writers pointed to those symptoms of the dislocation which we are used to connect with the Industrial Revolution. Up to 1785 the English public was unaware of any major change in economic life, except for a fitful increase of trade and the growth of pauperism.

Where do the poor come from? was the question raised by a bevy of pamphlets which grew thicker with the advancing century. The causes of pauperism and the means of combating it could hardly be expected to be kept apart in a literature which was inspired by the conviction that if only the most apparent evils of pauperism could be sufficiently alleviated it would cease to exist altogether. On one point there appears to have been general agreement, namely, on the great variety of causes that accounted for the fact of the increase. Among them were scarcity of grain; too high agricultural wages, causing high food prices; too low agricultural wages; too high urban wages; irregularity of urban employment; disappearance of the yeomanry; ineptitude of the urban worker for rural occupations; reluctance of the farmers to pay higher wages; the landlords' fear that rents would have to be reduced if higher wages were paid; failure of the workhouse to compete with machinery; want of domestic economy; incommodious habitations; bigoted diets; drug habits. Some writers blamed a new type of large sheep; others, horses which should be replaced by oxen; still others urged the keeping of fewer dogs. Some writers believed that the poor should eat less, or no, bread, while others thought that even feeding on the "best bread should not be charged against them." Tea impaired the health of many poor, it was thought, while "home-brewed beer" would restore it; those who felt most strongly on this score insisted that tea was no better than the cheapest dram. Forty years later Harriet Martineau still believed in preaching the advantages of drop-

ping the tea habit for the sake of relieving pauperism.* True, many writers complained of the unsettling effects of enclosures; a number of others insisted on the damage done to rural employment by the ups and downs of manufactures. Yet on the whole, the impression prevails that pauperism was regarded as a phenomenon *sui generis*, a social disease which was caused by a variety of reasons, most of which became active only through the failure of the Poor Law to apply the right remedy.

The true answer almost certainly was that the aggravation of pauperism and the higher rates were due to an increase in what we would today call invisible unemployment. Such a fact would not be obvious at a time when even employment was, as a rule, invisible, as it necessarily was up to a point under cottage industry. Still there remain these questions: How to account for this increase in the number of the unemployed and underemployed? And why did the signs of imminent changes in industry escape the notice even of observant contemporaries?

The explanation lies primarily in the excessive fluctuations of trade in early times which tended to cover up the absolute increase in trade. While the latter accounted for the rise in employment, the fluctuations accounted for the much bigger rise in unemployment. But while the increase in the general level of employment was slow, the increase in unemployment and underemployment would tend to be fast. Thus the building up of what Friedrich Engels called the industrial reserve army outweighed by much the creation of the industrial army proper.

This had the important consequence that the connection between unemployment and the rise of total trade could be easily overlooked. While it was often remarked that the rise in unemployment was due to the great fluctuations in trade, it escaped notice that these fluctuations formed part of an underlying process of even greater amplitude, namely, a general growth of commerce increasingly based on manufactures. For the contemporaries there seemed to be no connection between the mainly urban manufactories and the great increase of the poor in the countryside.

The increase in the aggregate of trade naturally swelled the volume of employment while territorial division of labor combined with

* Martineau, H., *The Hamlet*, 1833.

sharp fluctuations of trade was responsible for the severe dislocation of both village and town occupations, which resulted in the rapid growth of unemployment. The distant rumor of large wages made the poor dissatisfied with those which agriculture could afford, and it created a dislike for that labor as poorly recompensed. The industrial regions of that age resembled a new country, like another America, attracting immigrants by the thousand. Migration is usually accompanied by a very considerable remigration. That such a reflux toward the village must have taken place seems to find support also in the fact that no absolute decrease of the rural population was noted. Thus a cumulative unsettling of the population was proceeding as different groups were drawn for varying periods into the sphere of commercial and manufactural employment, and then left to drift back to their original rural habitat.

Much of the social damage done to England's countryside sprang at first from the dislocating effects of trade directly upon the countryside itself. The Revolution in Agriculture definitely antedated the Industrial Revolution. Both enclosures of the common and consolidations into compact holdings, which accompanied the new great advance in agricultural methods, had a powerfully unsettling effect. The war on cottages, the absorption of cottage gardens and grounds, the confiscation of rights in the common deprived cottage industry of its two mainstays: family earnings and agricultural background. As long as domestic industry was supplemented by the facilities and amenities of a garden plot, a scrap of land, or grazing rights, the dependence of the laborer on money earnings was not absolute; the potato plot or "stubbing geese," a cow or even an ass in the common made all the difference; and family earnings acted as a kind of unemployment insurance. The rationalization of agriculture inevitably uprooted the laborer and undermined his social security.

On the urban scene the effects of the new scourge of fluctuating employment were, of course, manifest. Industry was generally regarded as a blind-alley occupation. "Workmen who are to-day fully employed may be to-morrow in the streets begging for bread . . ." wrote David Davies and added: "Uncertainty of labour conditions is the most vicious result of these new innovations." "When a Town employed in a Manufactory is deprived of it, the inhabitants are as it were struck with a palsy, and become instantly a rent-charge upon the Parish; but the mischief does not die with that generation. . . ." For in the

meantime division of labor wreaks its vengeance: the unemployed artisan returns in vain to his village for "the weaver can turn his hand to nothing." The fatal irreversibility of urbanization hinged upon this simple fact which Adam Smith foresaw when he described the industrial worker as intellectually the inferior of the poorest tiller of the soil, for the latter can usually take himself to any job. Still, up to the time Adam Smith published his *Wealth of Nations*, pauperism was not increasing alarmingly.

In the next two decades the picture suddenly changed. In his *Thoughts and Details on Scarcity*, which Burke submitted to Pitt in 1795, the author admitted that in spite of the general progress there had been a "last bad cycle of twenty years." Indeed, in the decade following upon the Seven Years' War (1763), unemployment increased noticeably, as the rise in outdoor relief showed. It happened for the first time that a boom in trade was remarked to have been accompanied by signs of growing distress of the poor. This apparent contradiction was destined to become to the next generation of Western humanity the most perplexing of all the recurrent phenomena in social life. The specter of overpopulation was beginning to haunt people's minds. Joseph Townsend warned in his *Dissertation on the Poor Laws*: "Speculation apart, it is a fact, that in England, we have more than we can feed, and many more than we can profitably employ under the present system of law." Adam Smith, in 1776, had been reflecting the mood of quiet progress. Townsend, writing only ten years later, was already conscious of a groundswell.

However, many things had to happen before (only five years later) a man as removed from politics, as successful, and as matter-of-fact as the Scotch bridge-builder, Telford, could burst out in the bitter complaint that little change is to be expected from the ordinary course of government, and that revolution was the only hope. A single copy of Paine's *Rights of Man* mailed by Telford to his home village caused a riot to break out there. Paris was catalyzing the European fermentation.

In Canning's conviction the Poor Law saved England from a revolution. He was primarily thinking of the 1790s and the French Wars. The new outburst of enclosures further depressed the standards of the poor in the countryside. J. H. Clapham, a defender of these enclosures, conceded that the "coincidence of the area in which wages were most systematically augmented from the rates with the area of maximum

recent enclosures is striking." In other words, but for aid-in-wages the poor would have sunk below the starvation level in wide areas of rural England. Rick-burning was rampant. The Popgun Plot found wide credence. Rioting was frequent; rumors of rioting very much more so. In Hampshire—and not there alone—the Courts threatened death for any attempt at "forcibly lowering the price of commodities, either at market or on the road"; yet simultaneously, the magistrates of that same county urgently pressed for the general granting of subsidies to wages. Clearly, the time for preventive action had come.

But why, of all courses of action, was that one chosen which appeared later as the most impracticable of all? Let us consider the situation and the interests involved. Squire and parson ruled the village. Townsend summed up the situation by saying that the landed gentleman keeps manufactures "at a convenient distance" because "he considers that manufactures fluctuate; that the benefit which he is to derive from them will not bear proportion with the burthen which it must entail upon his property. . . ." The burden consisted mainly in two seemingly contradictory effects of manufactures, namely, the increase in pauperism and the rise in wages. But the two were contradictory only if the existence of a competitive labor market was assumed, which would, of course, have tended to diminish unemployment by reducing the wages of the employed. In the absence of such a market—and the Act of Settlement was still in force—pauperism and wages might rise simultaneously. Under such conditions the "social cost" of urban unemployment was mainly borne by the home village to which the out-of-work would often repair. High wages in the towns were a still greater burden on rural economy. Agricultural wages were more than the farmer could carry, though less than the laborer could subsist on. In the long run, agriculture could not compete with town wages. On the other hand, there was general agreement that the Act of Settlement should be repealed, or at least loosened, so as to help laborers to find employment and employers to find laborers. This, it was felt, would increase the productivity of labor all round and, incidentally, diminish the real burden of wages. But the immediate question of the wage differential between town and village would obviously become even more pressing for the village by allowing wages to "find their own level." The flux and reflux of industrial employment alternating with spasms of unemployment would dislocate rural communities more than ever. A dam had to be erected to protect the village from the flood

of rising wages. Methods had to be found which would protect the rural setting against social dislocation, reinforce traditional authority, prevent the draining off of rural labor, and raise agricultural wages without overburdening the farmer. Such a device was the Speenhamland Law. Shoved into the turbulent waters of the Industrial Revolution, it was bound to create an economic vortex. However, its social implications met the situation as judged by the ruling village interest, the squire's.

From the point of view of Poor Law administration, Speenhamland was a grievously retrogressive step. The experience of 250 years had shown that the parish was too small a unit for Poor Law administration, since no treatment of this matter was adequate which failed to distinguish between the able-bodied unemployed on the one hand, the aged, infirm, and children on the other. It was as if a township to-day attempted to deal singlehanded with unemployment insurance, or as if such an insurance were mixed up with the care for the aged. Accordingly, only in those short periods when the administration of the Poor Law was both *national* and *differentiated* could it be more or less satisfactory. Such a period was that from 1590 to 1640, under Burleigh and Laud, when the Crown handled the Poor Law through the justices of peace, and an ambitious scheme of erecting poorhouses, together with the enforcement of labor, was initiated. But the Commonwealth period destroyed again what was now denounced as the personal rule of the Crown, and the Restoration, ironically enough, completed the work of the Commonwealth. The Act of Settlement of 1662 restricted the Poor Law to the parish basis, and legislation paid but scant attention to pauperism up to the third decade of the eighteenth century. In 1722, at last, efforts at differentiation set in; workhouses were to be built by unions of parishes, as distinct from local poorhouses; and occasional outdoor relief was permitted, as the workhouse would now provide a test of need. In 1782, with Gilbert's Act, a long step was taken to expand the units of administration by encouraging the setting up of parish unions; at the same time it was urged that parishes find employment for the able-bodied in the neighborhood. Such a policy was to be supplemented by the granting of outdoor relief and even of aid-in-wages, in order to diminish the cost of relief to the able-bodied. Although the setting up of unions of parishes was permissive, not mandatory, it meant an advance toward the larger unit of administration

and the differentiation of the various categories of the relieved poor. Thus in spite of the deficiencies of the system, Gilbert's Act represented an attempt in the right direction, and as long as outdoor relief and aid-in-wages were merely subsidiary to positive social legislation, they need not have been fatal to a rational solution. Speenhamland put a stop to reform. By making outdoor relief and aid-in-wages *general*, it did not (as has been falsely asserted) follow up the line of Gilbert's Act, but completely reversed its tendency and actually demolished the whole system of the Elizabethan Poor Law. The laboriously established distinction between workhouse and poorhouse became meaningless; the various categories of paupers and able-bodied unemployed now tended to fuse into one indiscriminate mass of dependent poverty. The opposite of a process of differentiation set in: the workhouse merged into the poorhouse, the poorhouse itself tended more and more to disappear; and the parish was again made the sole and final unit in this veritable masterpiece of institutional degeneration.

The supremacy of squire and parson was even enhanced in consequence of Speenhamland, if such a thing was at all possible. The "undistinguishing benevolence of power," of which the overseers of the poor complained, was at its best in that role of "Tory socialism" in which the justices of peace swayed the benevolent power, while the brunt of the rates was borne by the rural middle class. The bulk of yeomanry had long vanished in the vicissitudes of the Agricultural Revolution, and the remaining lifeholders and occupying-proprietors tended to merge with the cottagers and scrap-holders into one social stratum in the eyes of the potentate of the countryside. He did not too well distinguish between needy people, and people who happened to be in need; from the lofty heights from which he was watching the struggling life of the village there seemed to be no hard-and-fast line separating the poor from the destitute, and he may have been not unduly surprised to learn in a bad year that a small farmer was going "on the rates," after having been ruined by their disastrous level. Surely such cases were not frequent, but their very possibility emphasized the fact that many ratepayers were themselves poor. On the whole, the relationship of the ratepayer and the pauper was somewhat similar to that of the employed and the unemployed of our times under various schemes of insurance which make the employed bear the burden of keeping the temporarily unemployed. Still, the typical ratepayer was usually not eligible for poor relief, and the typical agricultural laborer

paid no rates. Politically, the squire's pull with the village poor was strengthened by Speenhamland while that of the rural middle class was weakened.

The craziest aspect of the system was its economics proper. The question "Who paid for Speenhamland?" was practically unanswerable. Directly, the main burden fell, of course, on the ratepayers. But the farmers were partly compensated by the low wages they had to pay their laborers—a direct result of the Speenhamland system. Moreover, the farmer was frequently remitted a part of his rates, if he was willing to employ a villager who would otherwise fall on the rates. The consequent overcrowding of the farmer's kitchen and yard with unnecessary hands, some of them not too keen performers, had to be set down on the debit side. The labor of those who were actually on the rates was to be had even more cheaply. They had often to work as "roundsmen" at alternating places, being paid only their food, or being put up for auction in the village "pound," for a few pence a day. How much this kind of indentured labor was worth is another question. To top it all, aids-in-rent were sometimes allowed to the poor, while the unscrupulous proprietor of the cottages made money by rack-renting the unsanitary habitations; the village authorities were likely to close an eye as long as the rates for the hovels continued to be turned in. That such a tangle of interests would undermine any sense of financial responsibility and encourage every kind of petty corruption is evident.

Still, in a broader sense, Speenhamland paid. It was started as aid-in-wages, ostensibly benefiting the employees, but actually using public means to subsidize the employers. For the main effect of the allowance system was to depress wages below the subsistence level. In the thoroughly pauperized areas, farmers did not care to employ agricultural laborers who still owned a scrap of land, "because none with property was eligible for parish relief and the standard wage was so low that, without relief of some sort, it was insufficient for a married man." Consequently, in some areas only those people who were on the rates had a chance of employment; those who tried to keep off the rates and earn a living by their own exertions were hardly able to secure a job. Yet in the country at large the great majority must have been of the latter sort and on each of them employers as a class made an extra profit since they benefited from the lowness of wages, without having to make up for it from the rates. In the long run, a system as uneconomical

cal as that was bound to affect the productivity of labor and to depress standard wages, and ultimately even the "scale" set by the magistrates for the benefit of the poor. By the 1820s the scale of bread was actually being whittled down in various counties, and the wretched incomes of the poor were reduced even further. Between 1815 and 1830 the Speenhamland scale, which was fairly equal all over the country, was reduced by almost one-third (this fall also was practically universal). Clapham doubts whether the total burden of the rates was as severe as the rather sudden outburst of complaints would have made one believe. Rightly. For although the rise in the rates was spectacular and in some regions must have been felt as a calamity, it seems most probable that it was not so much the burden itself as rather the economic effect of aid-in-wages on the productivity of labor that was at the root of the trouble. Southern England, which was most sorely hit, paid out in poor rates not quite 3.3 percent. of its income—a very tolerable charge, Clapham thought, in view of the fact that a considerable part of this sum "ought to have gone to the poor in wages." Actually, total rates were falling steadily in the 1830s, and their relative burden must have decreased even more quickly in view of the growing national welfare. In 1818 the sums actually spent on the relief of the poor totalled nearly eight million pounds; they fell almost continuously until they were less than six million in 1826, while national income was rising rapidly. And yet the criticism of Speenhamland became more and more violent owing to the fact, so it appears, that the dehumanization of the masses began to paralyze national life, and notably to constrain the energies of industry itself.

Speenhamland precipitated a social catastrophe. We have become accustomed to discount the lurid presentations of early capitalism as "sob-stuff." For this there is no justification. The picture drawn by Harriet Martineau, the perfervid apostle of Poor Law Reform, coincides with that of the Chartist propagandists who were leading the outcry against the Poor Law Reform. The facts set out in the famous Report of the Commission on the Poor Law (1834), advocating the immediate repeal of the Speenhamland Law, could have served as the material for Dickens's campaign against the Commission's policy. Neither Charles Kingsley nor Friedrich Engels, neither Blake nor Carlyle, was mistaken in believing that the very image of man had been defiled by some terrible catastrophe. And more impressive even than

the outbursts of pain and anger that came from poets and philanthropists was the icy silence with which Malthus and Ricardo passed over the scenes out of which their philosophy of secular perdition was born.

Undoubtedly, the social dislocation caused by the machine and the circumstances under which man was now condemned to serve it had many results that were unavoidable. England's rural civilization was lacking in those urban surroundings out of which the later industrial towns of the Continent grew.* There was in the new towns no settled urban middle class, no such nucleus of artisans and craftsmen, of respectable petty bourgeois and townspeople as could have served as an assimilating medium for the crude laborer who—attracted by high wages or chased from the land by tricky enclosers—was drudging in the early mills. The industrial town of the Midlands and the North-west was a cultural wasteland; its slums merely reflected its lack of tradition and civic self-respect. Dumped into this bleak slough of misery, the immigrant peasant, or even the former yeoman or copyholder, was soon transformed into a nondescript animal of the mire. It was not that he was paid too little, or even that he labored too long—though both happened often to excess—but that he was now existing under physical conditions which denied the human shape of life. Negroes of the African forest who found themselves caged, panting for air in the hull of a slave-trader might have felt as these people felt. Yet all this was not irremediable. As long as a man had a status to hold on to, a pattern set by his kin or fellows, he could fight for it, and regain his soul. But in the case of the laborer this could happen only in one way: by his constituting himself the member of a new class. Unless he was able to make a living by his own labor, he was not a worker but a pauper. To reduce him artificially to such a condition was the supreme abomination of Speenhamland. This act of an ambiguous humanitarianism prevented laborers from developing into an economic class and thus deprived them of the only means of staving off the fate to which they were doomed in the economic mill.

Speenhamland was an unfailing instrument of popular demoralization. If a human society is a self-acting machine for maintaining the standards on which it is built, Speenhamland was an automaton for demolishing the standards on which any kind of society could be

* Professor Usher puts the date of the beginning of general urbanization at about 1795.

based. Not only did it put a premium on the shirking of work and the pretense of inadequacy, but it increased the attraction of pauperism precisely at the juncture when a man was straining to escape the fate of the destitute. Once a man was in the poorhouse (he would usually land there if he and his family had been for some time on the rates), he was morally and psychologically trapped. The decencies and self-respect of centuries of settled life wore off quickly in the promiscuity of the poorhouse, where a man had to be cautious not to be thought better off than his neighbor, lest he be forced to start out on the hunt for work, instead of "boondoggling" in the familiar fold. "The poor-rate had become public spoil. . . . To obtain their share the brutal bullied the administrators, the profligate exhibited their bastards which must be fed, the idle folded their arms and waited till they got it; ignorant boys and girls married upon it; poachers, thieves and prostitutes extorted it by intimidation; country justices lavished it for popularity, and Guardians for convenience. This was the way the fund went. . . ." "Instead of the proper number of labourers to till his land—labourers paid by himself—the farmer was compelled to take double the number, whose wages were paid partly out of the rates; and these men, being employed by compulsion on him, were beyond his control—worked or not as they chose—let down the quality of his land, and disabled him from employing the better men who would have toiled hard for independence. These better men sank down amongst the worst; the rate-paying cottager, after a vain struggle, went to the pay table to seek relief. . . ." Thus Harriet Martineau.* Bashful latter-day liberals ungratefully neglected the memory of this outspoken apostle of their creed. Yet even her exaggerations, which they now feared, put the highlights in the right place. She herself belonged to that struggling middle class, whose genteel poverty made them all the more sensitive to the moral intricacies of the Poor Law. She understood and clearly expressed the need of society for a new class, a class of "independent laborers." They were the heroes of her dreams, and she makes one of them—a chronically unemployed laborer who refuses to go on relief—say proudly to a colleague who decides to go on the rates: "Here I stand, and defy anybody to despise me. I could set my children into the middle of the church aisle and dare anyone to taunt at them about the place they hold in society. There may be some wiser; there may be

* Martineau, H., *History of England during the Thirty Years' Peace* (1816 46), 1849.

many richer; but there are none more honourable." The big men of the ruling class were still far from comprehending the need for this new class. Miss Martineau pointed to "the vulgar error of the aristocracy, of supposing only one class of society to exist below that wealthy one with which they are compelled by their affairs to have business." Lord Eldon, she complained, like others who must know better, "included under one head ['the lower classes'] everybody below the wealthiest bankers—manufacturers, tradesmen, artisans, labourers and paupers. . . ." But it was the distinction between these last two, she passionately insisted, that the future of society depended upon. "Except the distinction between sovereign and subject, there is no social difference in England so wide as that between the independent labourer and the pauper; and it is equally ignorant, immoral, and impolitic to confound the two," she wrote. This, of course, was hardly a statement of fact; the difference between the two strata had become nonexistent under Speenhamland. Rather, it was a statement of policy based upon a prophetic anticipation. The policy was that of the Poor Law Reform Commissioners; the prophecy looked to a free competitive labor market, and the consequent emergence of an industrial proletariat. The abolishment of Speenhamland was the true birthday of the modern working class, whose immediate self-interest destined them to become the protectors of society against the intrinsic dangers of a machine civilization. But whatever the future had in store for them, working-class and market economy, appeared in history together. The hatred of public relief, the distrust of state action, the insistence on respectability and self-reliance, remained for generations characteristics of the British worker.

The repeal of Speenhamland was the work of a new class entering on the historical scene, the middle classes of England. Squirearchy could not do the job these classes were destined to perform: the transformation of society into a market economy. Dozens of laws were repealed and others enacted before that transformation was on the way. The Parliamentary Reform Bill of 1832 disfranchised the rotten boroughs and gave power in the Commons once and for all to businessmen. Their first great act of reform was the abolishing of Speenhamland. Now that we realize the degree to which its paternalist methods were merged with the life of the country, we will understand why even

* Martineau, H., *The Parish*, 1833.

the most radical supporters of reform hesitated to suggest a shorter period of transition than ten or fifteen years. Actually, it took place with an abruptness which makes nonsense of the legend of English gradualism fostered at a later time when arguments against radical reform were sought. The memory of that brutal shock haunted for generations the British working class. And yet the success of this lacerating operation was due to the deep-seated convictions of the broad strata of the population, including the laborers themselves, that the system which to all appearances supported them was in truth despoiling them, and that the "right to live" was sickness unto death.

The new law provided that in the future no outdoor relief should be given. Its administration was national and differentiated. In this respect also it was a thoroughgoing reform. Aid-in-wages was, of course, discontinued. The workhouse test was reintroduced, but in a new sense. It was now left to the applicant to decide whether he was so utterly destitute of all means that he would voluntarily repair to a shelter which was deliberately made into a place of horror. The workhouse was invested with a stigma; to stay in it was made into a psychological and moral torture, while complying with the requirements of hygiene and decency—indeed, ingeniously using them as a pretense for further deprivations. Not the justices of peace, nor local overseers, but wider authorities—the guardians—were to administer the law under dictatorial central supervision. The very burial of a pauper was made an act by which his fellow men renounced solidarity with him even in death.

In 1834 industrial capitalism was ready to be started, and Poor Law Reform was ushered in. The Speenhamland Law which had protected rural England, and thereby the laboring population in general, against the full force of the market mechanism was eating into the marrow of society. By the time of its repeal huge masses of the laboring population resembled more the specters that might haunt a nightmare than human beings. But if the workers were physically dehumanized, the owning classes were morally degraded. The traditional unity of a Christian society was giving place to a denial of responsibility on the part of the well-to-do for the condition of their fellows. The Two Nations were taking shape. To the bewilderment of thinking minds, unheard-of wealth turned out to be inseparable from unheard-of poverty. Scholars proclaimed in unison that a science had been discovered which put the laws governing man's world beyond any doubt. It was at

the behest of these laws that compassion was removed from the hearts, and a stoic determination to renounce human solidarity in the name of the greatest happiness of the greatest number gained the dignity of a secular religion.

The mechanism of the market was asserting itself and clamoring for its completion: human labor had to be made a commodity. Reactionary paternalism had in vain tried to resist this necessity. Out of the horrors of Speenhamland men rushed blindly for the shelter of a utopian market economy.

Pauperism and Utopia

The problem of poverty centered around two closely related subjects: pauperism and political economy. Though we will deal with their impact on modern consciousness separately, they formed part of one indivisible whole: the discovery of society.

Up to the time of Speenhamland no satisfactory answer could be found to the question of where the poor came from. It was, however, generally agreed among eighteenth-century thinkers that pauperism and progress were inseparable. The greatest number of poor is not to be found in barren countries or amid barbarous nations, but in those which are the most fertile and the most civilized, wrote John M'Farlane in 1782. Giammaria Ortes, the Italian economist, pronounced it an axiom that the wealth of a nation corresponds with its population; and its misery corresponds with its wealth (1774). And even Adam Smith in his cautious manner declared that it is not in the richest countries that the wages of labor are highest. M'Farlane was not, therefore, venturing an unusual view when he expressed his belief that, as England had now approached the meridian of her greatness, the "number of poor will continue to increase."^{*}

Again, for an Englishman to forecast commercial stagnation was merely to echo a widely held opinion. If the rise in exports during the half-century preceding 1782 was striking, the ups and downs of trade were even more so. Trade was just starting to recover from a slump which had reduced export figures to the level of almost half a century before. To contemporaries the great expansion of trade and apparent growth of national prosperity which followed upon the Seven Years' War merely signified that England too had had her chance after Portugal, Spain, Holland, and France. Her steep rise was now a matter of the

* M'Farlane, J., *Enquiries Concerning the Poor*, 1782. Cf. also Postlethwayt's editorial remark in the *Universal Dictionary* of 1757 on the Dutch Poor Law of October 7, 1531.

past, and there was no reason to believe in the continuance of her progress, which seemed merely the result of a lucky war. Almost unanimously, as we saw, a falling off of trade was expected.

In actual fact, prosperity was just round the corner, a prosperity of gigantic proportions which was destined to become a new form of life not only for one nation but for the whole of mankind. But neither statesmen nor economists had the slightest intimation of its oncoming. As for the statesmen, this may have been a matter of indifference, as for another two generations the rocketing trade figures only dented the edge of popular misery. But in the case of the economists it was singularly unfortunate as their whole theoretical system was erected during this spate of "abnormalcy," when a tremendous rise in trade and production happened to be accompanied by an enormous increase in human misery—in effect, the apparent facts on which the principles of Malthus, Ricardo, and James Mill were grounded reflected merely paradoxical tendencies prevailing during a sharply defined period of transition.

The situation was indeed puzzling. It was in the first half of the sixteenth century that the poor first appeared in England; they became conspicuous as individuals unattached to the manor, "or to any feudal superior" and their gradual transformation into a class of free laborers was the combined result of the fierce persecution of vagrancy and the fostering of domestic industry which was powerfully helped by a continuous expansion of foreign trade. During the course of the seventeenth century there was less mention of pauperism, even the incisive measure of the Act of Settlement was passed without public discussion. When by the end of the century discussion revived, Thomas More's *Utopia* and the early Poor Laws were more than 150 years old, the dissolution of the monasteries and Kett's Rebellion were long forgotten. Some enclosing and "engrossing" had been going on all the time, for example, during the reign of Charles I, but the new classes as a whole had become settled. Also while the poor in the middle of the sixteenth century were a danger to society, on which they descended like hostile armies, at the end of the seventeenth century they were merely a burden on the rates. On the other hand, this was no more a semifeudal society but a semicommercial one, the representative members of which were favoring work for its own sake and could accept neither the medieval view that poverty was no problem, nor that of the successful encloser that the unemployed were merely able-

bodied idlers. From this time onward, opinions about pauperism began to reflect philosophical outlook, very much as theological questions had before. Views on the poor mirrored more and more views on existence as a whole. Hence the variety and seeming confusion in these views, but also their paramount interest to the historian of our civilization.

The Quakers, these pioneers in the exploring of the possibilities of modern existence, were the first to recognize that involuntary unemployment must be the outcome of some defect in the organization of labor. With their strong faith in businesslike methods they applied to the poor among themselves that principle of collective self-help which they occasionally practised as conscientious objectors when wishing to avoid supporting the authorities by paying for their keep in prison. Lawson, a zealous Quaker, published an *Appeal to the Parliament Concerning the Poor That There Be no Beggar in England* as a "Platforme," in which he suggested the establishment of Labour Exchanges in the modern sense of a public employment agency. This was in 1660; an "Office of Addresses and Encounters" had been proposed ten years before by Henry Robinson. But the Restoration Government favored more pedestrian methods; the tendency of the Act of Settlement in 1662 was directly contrary to any rational system of labor exchanges, which would have created a wider market for labor; settlement—a term used for the first time in the Act—bound labor to the parish.

After the Glorious Revolution, Quaker philosophy produced in John Bellers a veritable prognosticator of the trend of social ideas of the distant future. It was out of the atmosphere of the Meetings of Sufferings, in which statistics were now often used to give scientific precision to religious policies of relief, that, in 1696, his suggestion for the establishment of "Colleges of Industry" was born, in which the involuntary leisure of the poor could be turned to good account. Not the principles of a labor exchange, but the very different ones of exchange of labor underlay this scheme. The former was associated with the conventional idea of finding an employer for the unemployed; the latter implied no less than that laborers need no employer as long as they can exchange their products directly. "The labour of the poor being the mines of the rich," as Bellers said, why should they not be able to support themselves by exploiting those riches for their own benefit, leaving even something over? All that was needed was to organize them in a "College" or corporation, where they could pool their

efforts. This was at the heart of all later socialist thought on the subject of poverty, whether it took the form of Owen's Villages of Union, Fourier's *Phalanstères*, Proudhon's Banks of Exchange, Louis Blanc's *Ateliers Nationaux*, Lassalle's *Nationale Werkstätten*, or for that matter, Stalin's Five-Year Plans. Bellers's book contained *in nuce* most of the proposals that have been connected with the solution of this problem ever since the first appearance of those great dislocations that the machine produced in modern society. "This college-fellowship will make labour and not money, the standard to value all necessities by. . . ." It was planned as "a College of all sorts of useful trades that shall work for one another without relief. . . ." The linking of labor-notes, self-help, and cooperation is significant. The laborers, to the number of three hundred, were to be self-supporting, and work in common for their bare existence, "what any doth more, to be paid for it." Thus subsistence and payment according to results were to be combined. In the case of some minor experiments of self-help, the financial surplus had gone to the Meeting of Sufferings and was spent for the benefit of other members of the religious community. This surplus was destined to have a great future; the novel idea of profits was the panacea of the age. Bellers's national scheme for the relief of unemployment was actually to be run for profit by capitalists! In the same year, 1696, John Cary promoted the Bristol Corporation for the Poor, which, after some initial success failed to yield profits as did, ultimately, all other ventures of the kind. Bellers's proposal was built on the same assumption as John Locke's labor-rate system, put forward also in 1696, according to which the village poor should be allocated to the local ratepayers for work, in the proportion in which these latter were contributing to the rates. This was the origin of the ill-starred system of roundsmen practised under Gilbert's Act. The idea that pauperism could be made to pay had firmly gripped people's minds.

It was exactly a century later that Jeremy Bentham, the most prolific of all social projectors, formed the plan of using paupers on a large scale to run machinery devised by his even more inventive brother, Samuel, for the working of wood and metal. "Bentham," says Sir Leslie Stephen, "had joined his brother and they were looking out for a steam engine. It had now occurred to them to employ convicts instead of steam." This was in 1794; Jeremy Bentham's Panopticon plan with the help of which jails could be designed so as to be cheaply and effectively supervised had been in existence for a couple of years, and he now de-

cided to apply it to his convict-run factory; the place of the convicts was to be taken by the poor. Presently the Bentham brothers' private business venture merged into a general scheme of solving the social problem as a whole. The decision of the Speenhamland magistrates, Whitbread's minimum wage proposal, and, above all, Pitt's privately circulated draft of a comprehensive bill for the reform of the Poor Law had made pauperism a topic among statesmen. Bentham, whose criticism of Pitt's Bill was supposed to have brought about its withdrawal, now came forward in Arthur Young's *Annals* with elaborate proposals of his own (1797). His Industry-Houses, on the Panopticon plan—five stories in twelve sectors—for the exploitation of the labor of the assisted poor were to be ruled by a central board set up in the capital and modelled on the Bank of England's board, all members with shares worth five or ten pounds having a vote. A text published a few years later ran: "(1) The management of the concerns of the poor throughout South Britain to be vested in *one* authority, and the expense to be charged upon *one* fund. (2) This Authority, that of a *Joint-Stock Company* under some such name as that of the *National Charity Company*."* No less than 250 Industry-Houses were to be erected, with approximately 500,000 inmates. The plan was accompanied by a detailed analysis of the various categories of unemployed, in which Bentham anticipated by more than a century the results of other investigators in this field. His classifying mind showed its capacity for realism at its best. "Out of place hands" who had been recently dismissed from jobs were distinguished from such as could not find employment on account of "casual-stagnation"; "periodical stagnation" of seasonal workers was distinguished from "superseded hands," such as had been "rendered superfluous by the introduction of machinery" or, in even more modern terms, from the technologically unemployed; a last group consisted of "disbanded hands," another modern category brought into prominence, in Bentham's time, by the French War. The most significant category, however, was that of "casual-stagnation," mentioned above, which included not only craftsmen and artists exercising occupations "dependent upon fashion" but also the much more important group of those unemployed "in the event of a general stagnation of manufactures." Bentham's plan amounted to no less than

* Bentham, J., *Pauper Management*. First published, 1797.

the levelling out of the business cycle through the commercialization of unemployment on a gigantic scale.

Robert Owen, in 1819, republished Bellers's more than 120-year-old plan for the setting up of Colleges of Industry. Sporadic destitution had now grown into a torrent of misery. His own Villages of Union differed from Bellers's mainly by being much larger, comprising 1,200 persons on as many acres of land. The committee calling for subscriptions to this highly experimental plan to solve the problem of unemployment included no less an authority than David Ricardo. But no subscribers appeared. Somewhat later, the Frenchman Charles Fourier was ridiculed for expecting day by day the sleeping-partner to turn up who would invest in his *Phalanstère* plan, which was based on ideas very similar to those sponsored by one of the greatest English experts on finance. And had not Robert Owen's firm in New Lanark—with Jeremy Bentham as a sleeping-partner—become world famous through the financial success of its philanthropic schemes? There was yet no standard view of poverty nor an accepted way of making profits out of the poor.

Owen took over from Bellers the labor-notes idea and applied it in his National Equitable Labour Exchange in 1832; it failed. The closely related principle of the economic self-sufficiency of the laboring class—also an idea of Bellers—was at the back of the famous Trades-Union movement in the next two years. The Trades-Union was a general association of all trades, crafts, and arts, not excluding small masters, with the vague purpose of constituting them the body of society, in one peaceful manifestation. Who would have thought that this was the embryo of all violent One Big Union attempts for a hundred years to come? Syndicalism, capitalism, socialism, and anarchism were indeed almost indistinguishable in their plans for the poor. Proudhon's Bank of Exchange, the first practical exploit of philosophical anarchism, in 1848, was, essentially, an outgrowth of Owen's experiment. Marx, the state-socialist, sharply assailed Proudhon's ideas and henceforth it was the state that would be called upon to supply the capital for collectivist schemes of this type, of which Louis Blanc's and Lassalle's went down to history.

The economic reason why no money could be made out of the paupers should have been no mystery. It was given almost 150 years before by Daniel Defoe, whose pamphlet, published in 1704, stalled the

discussion started by Bellers and Locke. Defoe insisted that if the poor were relieved, they would not work for wages; and that if they were put to manufacturing goods in public institutions, they would merely create more unemployment in private manufactures. His pamphlet bore the satanistic title: *Giving Alms No Charity and Employing the Poor a Grievance to the Nation*, and was followed by Doctor Mandeville's more famous doggerel about the sophisticated bees whose community was prosperous only because it encouraged vanity and envy, vice and waste. But while the whimsical doctor indulged in a shallow moral paradox, the pamphleteer had hit upon basic elements of the new political economy. His essay was soon forgotten outside the circles of "inferior politics," as problems of policing were called in the eighteenth century, while Mandeville's cheap brilliance exercised minds of the quality of a Berkeley, Hume, and Smith. Evidently, in the first half of the eighteenth century, mobile wealth was still a moral issue, while poverty was not yet one. The Puritan classes were shocked by the feudal forms of conspicuous waste which their conscience condemned as luxury and vice, while they had reluctantly to agree with Mandeville's bees that but for those evils commerce and trade would quickly decay. Later these wealthy merchants were to be reassured about the morality of business: the new cotton mills did not cater any more for idle ostentation but for drab daily needs, and subtle forms of waste developed which pretended to be less conspicuous while managing to be even more wasteful than the old. Defoe's jibe at the perils of relieving the poor was not topical enough to penetrate consciences preoccupied with the moral dangers of wealth; the Industrial Revolution was still to come. And yet, as far as it went, Defoe's paradox was a forecast of the perplexities to come: "Giving alms no charity"—for in taking away the edge of hunger one hindered production and merely created famine; "employing the poor, a grievance to the nation"—for by creating public employment one merely increased the glut of the goods on the market and hastened the ruin of private traders. Between John Bellers, the Quaker, and Daniel Defoe, the enthusiast of business, between saint and cynic, somewhere around the turn of the seventeenth century, the issues were raised to which more than two centuries of work and thought, hope and suffering were to provide the laborious solutions.

But at the time of Speenhamland the true nature of pauperism was still hidden from the minds of men. There was complete agreement on

the desirability of a large population, as large as possible, since the power of the state consisted in men. There was also mostly agreement on the advantages of cheap labor, since only if labor was cheap could manufactures flourish. Moreover, but for the poor, who would man the ships and go to the wars? Yet, there was doubt whether pauperism was not an evil after all. And in any case, why should not paupers be as profitably employed for public profit as they obviously were for private profit? No convincing answer to these questions could be given. Defoe had chanced upon the truth which seventy years later Adam Smith may or may not have comprehended; the undeveloped condition of the market system concealed its inherent weaknesses. Neither the new wealth nor the new poverty was yet quite comprehensible.

That the question was in its chrysalid stage was shown by the amazing congruence of the projects reflecting minds as different as those of the Quaker Bellers, the atheist Owen, and the utilitarian Bentham. Owen, a socialist, was an ardent believer in the equality of man and his inborn rights; while Bentham despised equalitarianism, ridiculed the rights of man, and bent heavily toward *laissez-faire*. Yet Owen's "parallelograms" resembled Bentham's Industry-Houses so closely that one might imagine he was solely inspired by them until his indebtedness to Bellers is remembered. All three men were convinced that an appropriate organization of the labor of the unemployed must produce a surplus, which Bellers, the humanitarian, hoped to use primarily for the relief of other sufferers; Bentham, the utilitarian liberal, wanted to turn over to the shareholders; Owen, the socialist, wished to return to the unemployed themselves. But while their differences merely revealed the almost imperceptible signs of future rifts, their common illusions disclosed the same radical misunderstanding of the nature of pauperism in the nascent market economy. More important than all other differences between them, there had been meanwhile a continuous growth in the number of the poor: in 1696, when Bellers wrote, total rates approximated 400,000 pounds; in 1796, when Bentham struck out against Pitt's Bill, they must have passed the 2 million mark; by 1818, Robert Owen's innings, they were nearing 8 million. In the 120 years that elapsed between Bellers and Owen the population may have trebled, but rates increased twentyfold. Pauperism had become a portent. But its meaning was still anybody's guess.

Political Economy and the Discovery of Society

When the significance of poverty was realized, the stage was set for the nineteenth century. The watershed lay somewhere around 1780. In Adam Smith's great work poor relief was no problem as yet; only a decade later it was raised as a broad issue in Townsend's *Dissertation on the Poor Laws* and never ceased to occupy men's minds for another century and a half.

The change of atmosphere from Adam Smith to Townsend was, indeed, striking. The former marked the close of an age which opened with the inventors of the state, Thomas More and Machiavelli, Luther and Calvin; the latter belonged to that nineteenth century in which Ricardo and Hegel discovered from opposite angles the existence of a society that was not subject to the laws of the state, but, on the contrary, subjected the state to its own laws. Adam Smith, it was true, treated material wealth as a separate field of study; to have done so with a great sense of realism made him the founder of a new science, economics. For all that, wealth was to him merely an aspect of the life of the community, to the purposes of which it remained subordinate; it was an appurtenance of the nations struggling for survival in history and could not be dissociated from them. In his view, one set of conditions which governed the wealth of nations derived from the improving, stationary, or declining state of the country as a whole; another set derived from the paramountcy of safety and security as well as the needs of the balance of power; still another was given by the policy of the government as it favored town or countryside, industry or agriculture; hence it was only within a given political framework that he deemed it possible to formulate the question of wealth, by which he for one meant the material welfare of "the great body of the people." There is no intimation in his work that the economic interests of the capitalists laid down the law to society; no intimation that they were

the secular spokesmen of the divine providence which governed the economic world as a separate entity. The economic sphere, with him, is not yet subject to laws of its own that provide us with a standard of good and evil.

Smith wished to regard the wealth of the nations as a function of their national life, physical and moral; that is why his naval policy fitted in so well with Cromwell's Navigation Laws and his notions of human society harmonized with John Locke's system of natural rights. In his view nothing indicates the presence of an economic sphere in society that might become the source of moral law and political obligation. Self-interest merely prompts us to do what, intrinsically, will also benefit others, as the butcher's self-interest will ultimately supply us with a dinner. A broad optimism pervades Smith's thinking since the laws governing the economic part of the universe are consonant with man's destiny as are those that govern the rest. No hidden hand tries to impose upon us the rites of cannibalism in the name of self-interest. The dignity of man is that of a moral being, who is, as such, a member of the civic order of family, state, and "the great Society of mankind." Reason and humanity set a limit to piecework; emulation and gain must give way to them. Natural is that which is in accordance with the principles embodied in the mind of man; and the natural order is that which is in accordance with those principles. Nature in the physical sense was consciously excluded by Smith from the problem of wealth. "Whatever be the soil, climate or extent of territory of any particular nation, the abundance or scantiness of its annual supply, must, *in that particular situation*, depend upon two circumstances," namely, the skill of labor and the proportion between the useful and the idle members in society. Not the natural, but only the human factors enter. This exclusion of the biological and geographical factor in the very beginning of his book was deliberate. The fallacies of the Physiocrats served him as a warning; their predilection for agriculture tempted them to confuse physical nature with man's nature, and induced them to argue that the soil alone was truly creative. Nothing was further from the mind of Smith than such a glorification of Physis. Political economy should be a human science; it should deal with that which was natural to man, not to Nature.

Townsend's *Dissertation*, ten years afterward, centered on the theorem of the goats and the dogs. The scene is Robinson Crusoe's island in the Pacific Ocean, off the coast of Chile. On this island Juan Fernan-

dez landed a few goats to provide meat in case of future visits. The goats had multiplied at a biblical rate and became a convenient store of food for the privateers, mostly English, who were molesting Spanish trade. In order to destroy them, the Spanish authorities landed a dog and a bitch, which also, in the course of time, greatly multiplied, and diminished the number of goats on which they fed. "Then a new kind of balance was restored," wrote Townsend. "The weakest of both species were among the first to pay the debt of nature; the most active and vigorous preserved their lives." To which he added: "It is the quantity of food which regulates the number of the human species."

We note that a search* in the sources failed to authenticate the story. Juan Fernandez duly landed the goats; but the legendary dogs were described by William Funnell as beautiful cats, and neither dogs nor cats are known to have multiplied; also the goats were inhabiting inaccessible rocks, while the beaches—on this all reports agree—were teeming with fat seals which would have been a much more engaging prey for the wild dogs. However, the paradigm is not dependent upon empirical support. Lack of antiquarian authenticity can detract nothing from the fact that Malthus and Darwin owed their inspiration to this source—Malthus learned of it from Condorcet, Darwin from Malthus. Yet neither Darwin's theory of natural selection, nor Malthus's population laws might have exerted any appreciable influence on modern society but for the following maxims which Townsend deduced from his goats and dogs and wished to have applied to the reform of the Poor Law: "Hunger will tame the fiercest animals, it will teach decency and civility, obedience and subjection, to the most perverse. In general it is only hunger which can spur and goad them [the poor] on to labour; yet our laws have said they shall never hunger. The laws, it must be confessed, have likewise said, they shall be compelled to work. But then legal constraint is attended with much trouble, violence and noise; creates ill will, and never can be productive of good and acceptable service: whereas hunger is not only peaceable, silent, unremitting pressure, but, as the most natural motive to industry and labour, it calls forth the most powerful exertions; and, when satisfied by the free bounty of another, lays lasting and sure foundations for goodwill and gratitude. The slave must be compelled to work but the

* Cf. Antonio de Ulloa, Wafer, William Funnell, as well as Isaac James (which also contains Captain Wood Rogers's account on Alexander Selkirk) and the observations of Edward Cooke.

free man should be left to his own judgment, and discretion; should be protected in the full enjoyment of his own, be it much or little; and punished when he invades his neighbour's property."

Here was a new starting point for political science. By approaching human community from the animal side, Townsend bypassed the supposedly unavoidable question as to the foundations of government; and in doing so introduced a new concept of law into human affairs, that of the laws of Nature. Hobbes's geometrical bias, as well as Hume's and Hartley's, Quesnay's and Helvetius's hankering after Newtonian laws in society had been merely metaphorical: they were burning to discover a law as universal in society as gravitation was in Nature, but they thought of it as a human law—for instance, a mental force such as fear with Hobbes, association in Hartley's psychology, self-interest with Quesnay, or the quest for utility with Helvetius. There was no squeamishness about it: Quesnay like Plato occasionally took the breeder's view of man and Adam Smith did certainly not ignore the connection between real wages and long-run supply of labor. However, Aristotle had taught that only gods or beasts could live outside society, and man was neither. To Christian thought also the chasm between man and beast was constitutive; no excursions into the realm of physiological facts could confuse theology about the spiritual roots of the human commonwealth. If, to Hobbes, man was as wolf to man, it was because outside of society men behaved like wolves, not because there was any biological factor which men and wolves had in common. Ultimately, this was so because no human community had yet been conceived of which was not identical with law and government. But on the island of Juan Fernandez there was neither government nor law; and yet there was balance between goats and dogs. That balance was maintained by the difficulty the dogs found in devouring the goats which fled into the rocky part of the island, and the inconveniences the goats had to face when moving to safety from the dogs. No government was needed to maintain this balance; it was restored by the pangs of hunger on the one hand, the scarcity of food on the other. Hobbes had argued the need for a despot because men were *like* beasts; Townsend insisted that they were *actually* beasts and that, precisely for that reason, only a minimum of government was required. From this novel point of view, a free society could be regarded as consisting of two races: property-owners and laborers. The number of the latter was limited by the amount of food; and as long as property was safe, hun-

ger would drive them to work. No magistrate was necessary, for hunger was a better disciplinarian than the magistrate. To appeal to him, Townsend pungently remarked, would be "an appeal from the stronger to the weaker authority."

The new foundations closely fitted the society that was emerging. Since the middle of the eighteenth century, national markets had been developing; the price of grain was no longer local, but regional; this presupposed the almost general use of money and a wide marketability of goods. Market prices and incomes, including rents and wages, showed considerable stability. The Physiocrats were the first to note these regularities, which they could not even theoretically fit into a whole since feudal incomes were still prevalent in France, and labor was often semi-servile, so that neither rents nor wages were, as a rule, determined in the market. But the English countryside in Adam Smith's time had become part and parcel of a commercial society; the rent due to the landlord as well as the wages of the agricultural laborer began to show a dependence on prices. Only exceptionally were wages or prices fixed by the authorities. And yet in this curious new order the old classes of society continued to exist more or less in their former hierarchy, notwithstanding the disappearance of their legal privileges and disabilities. Though no law constrained the laborer to serve the farmer, nor the farmer to keep the landlord in plenty, laborers and farmers acted as if such compulsion existed. By what law was the laborer ordained to obey a master, to whom he was bound by no legal bond? What force kept the classes of society apart as if they were different kinds of human beings? And what maintained balance and order in this human collective which neither invoked nor even tolerated the intervention of political government?

The paradigm of the goats and the dogs seemed to offer an answer. The biological nature of man appeared as the given foundation of a society that was not of a political order. Thus it came to pass that economists presently relinquished Adam Smith's humanistic foundations, and incorporated those of Townsend. Malthus's population law and the law of diminishing returns as handled by Ricardo made the fertility of man and soil constitutive elements of the new realm the existence of which had been uncovered. Economic society had emerged as distinct from the political state.

The circumstances under which the existence of this human aggregate—a complex society—became apparent were of the utmost

importance for the history of nineteenth-century thought. Since the emerging society was no other than the market system, human society was now in danger of being shifted to foundations utterly foreign to the moral world of which the body politic hitherto had formed part. The apparently insoluble problem of pauperism was forcing Malthus and Ricardo to endorse Townsend's lapse into naturalism.

Burke approached the issue of pauperism squarely from the angle of public security. Conditions in the West Indies convinced him of the danger of nurturing a large slave population without any adequate provision for the safety of the white masters, especially as the Negroes were often allowed to go armed. Similar considerations, he thought, applied to the increase of the number of the unemployed at home, seeing that the government had no police force at its disposal. Although an out-and-out defender of patriarchal traditions, he was a passionate adherent of economic liberalism, in which he saw also the answer to the administrative problem of pauperism. Local authorities were gladly taking advantage of the unexpected demand of the cotton mills for destitute children whose apprenticing was left to the care of the parish. Many hundreds were indentured with manufacturers, often in distant parts of the country. Altogether the new towns developed a healthy appetite for paupers; factories were even prepared to pay for the use of the poor. Adults were assigned to any employer who would take them for their keep; just as they would be billeted out in turn among the farmers of the parish, in one or another form of the roundsman system. Farming out was cheaper than the running of "jails without guilt," as workhouses were sometimes called. From the administrative angle this meant that the "more persistent and more minutely detailed authority of the employer"* took the place of the government's and the parish's enforcement of work.

Clearly, a question of statesmanship was involved. Why should the poor be made a public charge and their maintenance put on the parish, if ultimately the parish discharged its obligation by farming out the able-bodied to the capitalist entrepreneurs, who were so eager to fill their mills with them that they would even spend money to obtain their services? Did this not clearly indicate that there was also a less expensive way of compelling the poor to earn their keep than the parish

* Webb, S. and B., *English Local Government*, Vols. VII-IX, "Poor Law History."

way? The solution lay in the abolishment of the Elizabethan legislation without replacing it by any other. No assessment of wages, no relief for the able-bodied unemployed, but no minimum wages either, nor a safeguarding of the right to live. Labor should be dealt with as that which it was, a commodity which must find its price in the market. The laws of commerce were the laws of nature and consequently the laws of God. What else was this than an appeal from the weaker magistrate to the stronger, from the justice of the peace to the all-powerful pangs of hunger? To the politician and administrator *laissez-faire* was simply a principle of the ensurance of law and order, at minimum cost. Let the market be given charge of the poor, and things will look after themselves.

It was precisely on this point that Bentham, the rationalist, agreed with Burke, the traditionalist. The calculus of pain and pleasure required that no avoidable pain should be inflicted. If hunger would do the job, no other penalty was needed. To the question, "What can the law do relative to subsistence?" Bentham answered, "Nothing, directly."* Poverty was Nature surviving in society; its physical sanction was hunger. "The force of the physical sanction being sufficient, the employment of the political sanction would be superfluous."† All that was needed was the "scientific and economical" treatment of the poor.‡ Bentham was strongly opposed to Pitt's Poor Law Bill, which would have amounted to an enactment of Speenhamland, as it permitted both outdoor relief and aid-in-wages. Yet Bentham, unlike his pupils, was at this time no rigid economic liberal, nor was he a democrat. His Industry-Houses were a nightmare of minute utilitarian administration enforced by all the chicanery of scientific management. He maintained that there always would be a need for them as the community could not quite disinterest itself in the fate of the indigent. Bentham believed that poverty was part of plenty. "In the highest stage of social prosperity," he said, "the great mass of the citizens will most probably possess few other resources than their daily labour, and consequently will always be near to indigence. . . ." Hence he recommended that "a regular contribution should be established for the wants of indigence," though thereby "in *theory* want is decreased and thus industry hit," as he regretfully added, since from the utilitarian

* Bentham, J. *Principles of Civil Code*, Ch. 4., Browning, Vol. I, p. 333.

† Bentham, J., *ibid.*

‡ Bentham, J., *Observation on the Poor Bill*, 1797.

point of view the task of the government was to increase want in order to make the physical sanction of hunger effective.*

The acceptance of near-indigency of the mass of the citizens as the price to be paid for the highest stage of prosperity was accompanied by very different human attitudes. Townsend righted his emotional balance by indulging in prejudice and sentimentalism. The improvidence of the poor was a law of nature, for servile, sordid, and ignoble work would otherwise not be done. Also what would become of the fatherland unless we could rely on the poor? "For what is it but distress and poverty which can prevail upon the lower classes of the people to encounter all the horrors which await them on the tempestuous ocean or on the field of battle?" But this display of a rugged patriotism still left room for more tender sentiments. Poor relief should, of course, be abolished outright. The Poor Laws "proceed from principles which border on absurdity, as professing to accomplish that which, in the very nature and constitution of the world, is impracticable." But once the indigent were left to the mercy of the well-to-do, who can doubt that "the only difficulty" is to restrain the impetuosity of the latter's benevolence? And are the sentiments of charity not far nobler than those that flow from hard-and-fast legal obligations? "Can in nature anything be more beautiful than the mild complacency of benevolence?" he cried out, contrasting it with the cold heartlessness of "a parish pay-table," which knew not those scenes of an "artless expression of unfeigned gratitude for unexpected favours. . . ." "When the poor are obliged to cultivate the friendship of the rich, the rich will never want inclination to relieve the distress of the poor. . . ." No one who has read this touching portrayal of the intimate life of the Two Nations can doubt that, unconsciously, it was from the island of the goats and dogs that Victorian England drew its sentimental education.

Edmund Burke was a man of different stature. Where men like Townsend failed in a small way, he failed in a great way. His genius exalted brutal fact into tragedy, and invested sentimentality with the halo of mysticism. "When we affect to pity as poor those who must labour or the world cannot exist, we are trifling with the condition of mankind." This was undoubtedly better than coarse indifference, empty lamentations, or the cant of sympathetic uplift. But the virility of this realistic attitude was impaired by the subtle complacency with

* Bentham, J., *Principles of Civil Code*, p. 314.

which he spotlighted the scenes of aristocratic pageantry. The result was to out-Herod Herod, but to underestimate the chances of timely reform. It is a fair guess that had Burke lived, the Parliamentary Reform Bill of 1832, which put an end to the *ancien régime*, would have been passed only at the cost of an avoidable bloody revolution. And yet, Burke might have countered, once the masses were fated by the laws of political economy to toil in misery, what else was the idea of equality but a cruel bait to goad mankind into self-destruction?

Bentham possessed neither the sleek complacency of a Townsend nor the all too precipitate historicism of a Burke. Rather, to this believer in reason and reform the newly discovered realm of social law appeared as the coveted no man's land of utilitarian experimentation. Like Burke, he refused to defer to zoological determinism, and he too rejected the ascendancy of economics over politics proper. Though author of the *Essay on Usury*, and of a *Manual of Political Economy*, he was an amateur at that science and even failed to provide the one great contribution which utilitarianism might have been expected to make to economics, namely, the discovery that value derived from utility. Instead, he was induced by associationist psychology to give rein to his boundless imaginative faculties as a social engineer. *Laissez-faire* meant to Bentham only another device in social mechanics. Social not technical invention was the intellectual mainspring of the Industrial Revolution. The decisive contribution of the natural sciences to engineering was not made until a full century later, when the Industrial Revolution was long over. To the practical bridge or canal builder, the designer of machines or engines, knowledge of the general laws of nature was utterly useless before the new applied sciences in mechanics and chemistry were developed. Telford, founder and lifelong president of the Institution of Civil Engineers, refused membership in that body to applicants who had studied physics and, according to Sir David Brewster, never made himself acquainted with the elements of geometry. The triumphs of natural science had been theoretical in the true sense, and could not compare in practical importance with those of the social sciences of the day. It was to these latter that the prestige of science as against routine and tradition was due, and unbelievable though it may seem to our generation, the standing of natural science greatly gained by its connection with the humane sciences. The discovery of economics was an astounding revelation which hastened

greatly the transformation of society and the establishment of a market system, while the decisive machines had been the inventions of uneducated artisans some of whom could hardly read or write. It was thus both just and appropriate that not the natural but the social sciences should rank as the intellectual parents of the mechanical revolution which subjected the powers of nature to man.

Bentham himself was convinced that he had discovered a new social science, that of morals and legislation. It was to be founded on the principle of utility, which allowed of exact calculation with the help of associationist psychology. Science, precisely because it became effective within the circumference of human affairs, meant in eighteenth-century England invariably a practical art based on empirical knowledge. The need for such a pragmatic attitude was indeed overwhelming. As no statistics were available it was often not possible to say whether population was on the increase or decrease, what the trend of the balance of foreign trade was, or which class of the population was gaining on the other. It was frequently a mere matter of guesswork whether the wealth of the country was waxing or waning, where the poor came from, what the situation of credit, banking, or profits was. An empirical instead of a purely speculative or antiquarian approach to matters such as these was what was in the first place meant by "science"; and as practical interests were naturally paramount, it fell to science to suggest how to regulate and organize the vast realm of the new phenomena. We have seen how puzzled the Saints were by the nature of poverty, and how ingeniously they experimented with the forms of self-help; how the notion of profits was hailed as a cure-all for the most diverse ills; how none could say whether pauperism was a good or a bad sign; how bewildered scientific workhouse managements were to find themselves unable to make money out of the poor; how Owen made his fortune by running his factories on the lines of a conscious philanthropy; and how a number of other experiments which seemed to involve the same technique of enlightened self-help failed pitifully, thus causing dire perplexity to their philanthropic authors. Had we extended our purview from pauperism to credit, specie, monopolies, savings, insurance, investing, public finance or, for that matter, prisons, education, and lotteries we might have easily adduced as many new types of ventures in respect to each of them.

With Bentham's death, approximately, this period comes to an

end*"; since the 1840s projectors in business were simply promoters of definite ventures, not any more the alleged discoverers of new applications of the universal principles of mutuality, trust, risk, and other elements of human enterprise. Henceforth businessmen imagined they knew what forms their activities should take; they rarely inquired into the nature of money before founding a bank. Social engineers were now usually found only amongst cranks or frauds, and then often confined behind iron bars. The spate of industrial and banking systems which from Paterson and John Law to the Pereires had flooded stock exchanges with the projects of religious, social, and academic sectarians had now become a mere trickle. With those engaged in the routine of business, analytical ideas were at a discount. The exploration of society, at least so it was thought, was concluded; no white spots were left on the human map. A man of Bentham's stamp had become impossible for a century. Once the market organization of industrial life had become dominant, all other institutional fields were subordinated to this pattern; the genius for social artifacts was homeless.

Bentham's Panopticon was not only a "mill to grind rogues honest, and idle men industrious"[†]; it would also pay dividends like the Bank of England. He sponsored proposals as different as an improved system for patents; limited liability companies; a decennial census of population; the establishment of a Ministry of Health; interest-bearing notes to make savings general; a frigidarium for vegetables and fruit; armament factories on new technical principles, eventually run by convict labor, or alternatively, by the assisted poor; a Chrestomathic Day School to teach utilitarianism to the upper middle classes; a general register of real property; a system of public account keeping; reforms of public instruction; uniform registration; freedom from usury; the relinquishment of colonies; the use of contraceptives to keep the poor rate down; the junction of the Atlantic and the Pacific by means of a joint stock company; and others. Some of these projects harbored literally shoals of minor improvements as, for instance, that on Industry-Houses which were a congeries of innovations for the betterment and the exploitation of man based on the achievements of associationist psychology. While Townsend and Burke linked laissez-faire with legislative quietism, Bentham saw in it no obstacle to broadsides of reform.

* 1832.

† Stephen, Sir L., *The English Utilitarians*, 1900.

Before we proceed to the answer which Malthus, in 1798, gave to Godwin and with which classical economics properly begins, let us remember the times. Godwin's *Political Justice* was written to counter Burke's *Reflections on the French Revolution* (1790). It appeared just before the wave of repression started with the suspension of habeas corpus (1794) and the persecution of the democratic Correspondence Societies. By this time England was at war with France and the *terreur* made the word "democracy" synonymous with social revolution. Yet the democratic movement in England, which was inaugurated with Dr. Price's "Old Jewry" sermon (1789) and reached its literary height in Paine's *The Rights of Man* (1791), was restricted to the political field; the discontent of the laboring poor found no echo in it; the question of the Poor Law was barely mentioned in the pamphlets which raised the cry for universal suffrage and annual parliaments. Yet actually, it was in the sphere of the Poor Law that the squires' decisive countermove came, in the form of Speenhamland. The parish retired behind an artificial morass under the cover of which it outlived Waterloo by twenty years. But while the evil consequences of the panicky acts of political repression of the 1790s might have been soon overcome, had they stood alone, the degenerative process started by Speenhamland left its indelible mark on the country. The forty years' prolongation of squirearchy which it produced was bought at the price of the sacrifice of the virility of the common people. "When the owning classes complained of the poor rate becoming heavier and heavier," says Mantoux, "they overlooked the fact that it really amounted to an insurance against revolution, while the working class, when they accepted the scanty allowance doled out to them, did not realize that it was partly obtained by a reduction of their own legitimate earnings. For the inevitable result of 'allowances' was to keep wages down to the lowest level, and even to force them below the limit corresponding to the irreducible needs of the wage-earners. The farmer or the manufacturer relied on the parish to make up the difference between the sum he paid the men and the sum on which the men could live. For why should they incur an expense which could so easily be foisted on to the body of the ratepayers? On the other hand, those in receipt of the parish relief were willing to work for a lower wage, and thus made competition quite impossible to those who received no parish help. The paradoxical result arrived at was that the so-called 'poor-rate' meant an economy for the employers, and a loss for the industrious workman who expected

nothing from public charity. Thus the pitiless interplay of interests had turned a charitable law into a bond of iron.”*

It was this bond, we submit, on which the new law of wages and of population rested. Malthus himself, like Burke and Bentham, was violently opposed to Speenhamland and advocated complete repeal of the Poor Law. Neither of them had foreseen that Speenhamland would force the wages of the laborer down to subsistence level and below; on the contrary, they expected that it would force wages up, or at least maintain them artificially, which, but for the Anti-Combination Laws, might well have been the case. This false anticipation helps to explain why the low level of rural wages was not traced by them to Speenhamland, which was its actual cause, but was regarded as incontrovertible proof of the working of the so-called iron law of wages. To this foundation of the new economic science we must now turn.

Townsend's naturalism was doubtless not the only possible basis for the new science of political economy. The existence of an economic society was manifest in the regularities of prices, and the stability of the incomes dependent upon those prices; consequently, economic law may well have been based directly on prices. What induced orthodox economics to seek its foundations in naturalism was the otherwise inexplicable misery of the great mass of the producers which as we know today, could never have been deduced from the laws of the market. But the facts as they appeared to contemporaries were roughly these: in times past the laboring people had habitually lived on the brink of indigence (at least, if one accounted for changing levels of customary standards); since the coming of the machine they had certainly never risen above subsistence level; and now that the economic society was finally taking shape, it was an indubitable fact that decade after decade the material level of existence of the laboring poor was not improving a jot, if, indeed, it was not becoming worse.

If ever the overwhelming evidence of the facts seemed to point in one direction, it was, therefore, in the case of the iron law of wages, which asserted that the bare subsistence level on which laborers actually lived was the result of a law which tended to keep their wages so low that no other standard was possible for them. This semblance was, of course, not only misleading but indeed implied an absurdity from

* Mantoux, P. L., *The Industrial Revolution in the Eighteenth Century*, 1928.

the point of view of any consistent theory of prices and incomes under capitalism. Yet, in the last analysis, it was on account of this false appearance that the law of wages could not be based on any rational rule of human behavior, but had to be deduced from the naturalistic facts of the fertility of man and soil, as they were presented to the world by Malthus's law of population combined with the law of diminishing returns. The naturalistic element in the foundations of orthodox economics was the outcome of conditions primarily created by Speenhamland.

It follows that neither Ricardo nor Malthus understood the working of the capitalist system. Not until a century after the publication of the *Wealth of Nations* was it clearly realized that under a market system the factors of production shared in the product, and as produce increased, their absolute share was bound to rise.* Although Adam Smith had followed Locke's false start on the labor origins of value, his sense of realism saved him from being consistent. Hence he had confused views on the elements of price, while justly insisting that no society can flourish, the members of which, in their great majority, are poor and miserable. However, what appears as a truism to us was a paradox in his time. Smith's own view was that universal plenty could not help percolating down to the people; it was impossible that society should get wealthier and wealthier and the people poorer and poorer. Unfortunately, the facts did not seem to bear him out for a long time to come; and as theorists had to account for the facts, Ricardo proceeded to argue that the more society advanced the greater would be the difficulty of procuring food and the richer would landlords grow, exploiting both capitalists and workers; that the capitalists' and the workers' interests were in fatal opposition to one another, but that this opposition was ultimately ineffective as the workers' wages could never rise above the subsistence level and profits were bound to shrivel up in any case. In some remote sense all these assertions contained an element of truth, but as an explanation of capitalism nothing more unreal and abstruse could have been produced. However, the facts themselves were formed on contradictory patterns and even today we find it difficult to unravel them. No wonder that the *deus ex machina* of animal and plant propagation had to be invoked in a scientific sys-

* Cannan, E., *A Review of Economic Theory*, 1930.

tem the authors of which claimed to deduce the laws of production and distribution from the behavior not of plants or of animals but of men.

Let us briefly survey the consequences of the fact that the foundations of economic theory were laid down during the Speenhamland period, which made appear as a competitive market economy what actually was capitalism without a labor market.

Firstly, the economic theory of the classical economists was essentially confused. The parallelism between wealth and value introduced the most perplexing pseudo-problems into nearly every department of Ricardian economics. The wage-fund theory, a legacy of Adam Smith, was a rich source of misunderstandings. Apart from some special theories like that of rent, taxation, and foreign trade, where deep insights were gained, the theory consisted of the hopeless attempt to arrive at categorical conclusions about loosely defined terms purporting to explain the behavior of prices, the formation of incomes, the process of production, the influence of costs on prices, the level of profits, wages, and interest, most of which remained as obscure as before.

Secondly, given the conditions under which the problem presented itself, no other result was possible. No unitary system could have explained the facts, as they did not form part of any one system, but were actually the result of the simultaneous action on the body social of two mutually exclusive systems, namely, a nascent market economy and paternalistic regulationism in the sphere of the most important factor of production, labor.

Thirdly, the solution hit upon by the classical economists had the most far-reaching consequences for the understanding of the nature of economic society. As gradually the laws governing a market economy were apprehended, these laws were put under the authority of Nature herself. The law of diminishing returns was a law of plant physiology. The Malthusian law of population reflected the relationship between the fertility of man and that of the soil. In both cases the forces in play were the forces of Nature, the animal instinct of sex and the growth of vegetation in a given soil. The principle involved was the same as that in the case of Townsend's goats and dogs: there was a natural limit beyond which human beings could not multiply and that limit was set by the available food supply. Like Townsend, Malthus concluded that the superfluous specimens would be killed off; while

the goats are killed off by the dogs, the dogs must starve for lack of food. With Malthus the repressive check consisted in the destruction of the supernumerary specimens by the brute forces of Nature. As human beings are destroyed also by other causes than starvation—such as war, pestilence, and vice—these were equated with the destructive forces of Nature. This involved, strictly, an inconsistency as it made social forces responsible for achieving the balance required by Nature, a criticism, however, to which Malthus might have answered that in absence of wars and vice—that is, in a virtuous community—as many more people would have to starve as were spared by their peaceful virtues. Essentially, economic society was founded on the grim realities of Nature; if man disobeyed the laws which ruled that society, the fell executioner would strangle the offspring of the improvident. The laws of a competitive society were put under the sanction of the jungle.

The true significance of the tormenting problem of poverty now stood revealed: economic society was subject to laws which were *not* human laws. The rift between Adam Smith and Townsend had broadened into a chasm; a dichotomy appeared which marked the birth of nineteenth-century consciousness. From this time onward naturalism haunted the science of man, and the reintegration of society into the human world became the persistently sought aim of the evolution of social thought. Marxian economics—in this line of argument—was an essentially unsuccessful attempt to achieve that aim, a failure due to Marx's too close adherence to Ricardo and the traditions of liberal economics.

The classical economists themselves were far from unconscious of such a need. Malthus and Ricardo were in no way indifferent to the fate of the poor but this humane concern merely forced a false theory into even more tortuous paths. The iron law of wages carried a well-known saving clause according to which the higher the customary needs of the laboring class, the higher the subsistence level below which not even the iron law could depress wages. It was this "standard of wretchedness" on which Malthus set his hopes* and which he wished to have raised by every means, for thus alone, he thought, could those be saved from the lowest forms of wretchedness, who, by virtue of his law were doomed to be wretched. Ricardo, too, for the same reason, wished that in all countries the labouring classes should have a taste for comforts

* Hazlitt, W., *A Reply to the Essay on Population by the Rev. T. A. Malthus in a Series of Letters*, 1803.

and enjoyments, "and that they should be stimulated by all legal means in their exertions to procure them." Ironically, in order to evade the law of nature, men were here enjoined to raise their own starvation level. And yet, these were undoubtedly sincere attempts on the part of the classical economists to rescue the poor from the fate which their theories helped to prepare for them.

In the case of Ricardo, theory itself included an element which counterbalanced rigid naturalism. This element, pervading his whole system, and firmly grounded in his theory of value, was the principle of labor. He completed what Locke and Smith had begun, the humanization of economic value; what the Physiocrats had credited to Nature, Ricardo reclaimed for man. In a mistaken theorem of tremendous scope he invested labor with the sole capacity of constituting value, thereby reducing all conceivable transactions in economic society to the principle of equal exchange in a society of free men.

Within Ricardo's system itself the naturalistic and the humanistic factors coexisted which were contending for supremacy in economic society. The dynamic of this situation was of overwhelming power. As its result the drive for a competitive market acquired the irresistible impetus of a process of Nature. For the self-regulating market was now believed to follow from the inexorable laws of Nature, and the unshackling of the market to be an ineluctable necessity. The creation of a labor market was an act of vivisection performed on the body of society by such as were steeled to their task by an assurance which only science can provide. That the Poor Law must disappear was part of this certainty. "The principle of gravitation is not more certain than the tendency of such laws to change wealth and vigour into misery and weakness . . . until at last all classes should be infected with the plague of universal poverty," wrote Ricardo.* He would have been, indeed, a moral coward who, knowing this, failed to find the strength to save mankind from itself by the cruel operation of the abolishment of poor relief. It was on this point that Townsend, Malthus and Ricardo, Bentham, and Burke were at one. Fiercely as they differed in method and outlook, they agreed on the principles of political economy and opposition to Speenhamland. What made economic liberalism an irresistible force was this congruence of opinion between diametrically opposed outlooks; for what the ultra-reformer Bentham and the

* Ricardo, D., *Principles of Political Economy and Taxation*, ed. Gonner, 1929, p. 86.

ultra-traditionalist Burke equally approved of automatically took on the character of self-evidence.

One man alone perceived the meaning of the ordeal, perhaps because among the leading spirits of the age he alone possessed intimate practical knowledge of industry and was also open to inner vision. No thinker ever advanced farther into the realm of industrial society than did Robert Owen. He was deeply aware of the distinction between society and state; while harboring no prejudice against the latter, as Godwin did, he looked to the state merely for that which it could perform: helpful intervention designed to avert harm from the community, emphatically not the organizing of society. In the same way he nourished no animosity against the machine the neutral character of which he recognized. Neither the political mechanism of the state, nor the technological apparatus of the machine hid from him *the* phenomenon: society. He rejected the animalistic approach to society, refuting its Malthusian and Ricardian limitations. But the fulcrum of his thought was his criticism of Christianity, which he accused of "individualization," or of fixing the responsibility for character on the individual himself, thus denying, to Owen's mind, the reality of society and its all-powerful formative influence upon character. The true meaning of the attack on "individualization" lay in his insistence on the social origin of human motives: "Individualized man, and all that is truly valuable in Christianity, are so separated as to be utterly incapable of union through all eternity." His discovery of society urged him on to transcend Christianity and seek for a position beyond it. He grasped the truth that because society is real, man must ultimately submit to it. His socialism, one might say, was based on a reform of human consciousness to be reached through the recognition of the reality of society. "Should any of the causes of evil be irremovable by the new powers which men are about to acquire," he wrote, "they will know that they are necessary and unavoidable evils; and childish unavailing complaints will cease to be made."

Owen may have nourished an exaggerated notion of those powers; otherwise he hardly could have suggested to the magistrates of the County of Lanark that society should be forthwith newly started from the "nucleus of society" which he had discovered in his village communities. Such flux of the imagination is the privilege of the man of genius, but for whom mankind could not exist for lack of understanding of itself. All the more significant was the irremovable frontier of

freedom to which he pointed, that was given by the necessary limits set to the absence of evil in society. But *not until man had transformed society according to the ideals of justice* would this frontier become apparent, Owen felt; then man would have to accept this frontier in the spirit of maturity which knows not childish complaint.

Robert Owen, in 1817, described the course on which Western man had entered and his words summed up the problem of the coming century. He pointed to the mighty consequences which proceed from manufactures, "*when left to their natural progress.*" "The general diffusion of manufactures throughout a country generates a new character in its inhabitants; and as this character is formed upon a principle quite unfavourable to individual or general happiness, it will produce the most lamentable and permanent evils, unless its tendency be counteracted by legislative interference and direction." The organization of the whole of society on the principle of gain and profit must have far-reaching effects. He formulated them in terms of human character. For the most obvious effect of the new institutional system was the destruction of the traditional character of settled populations and their transmutation into a new type of people, migratory, nomadic, lacking in self-respect and discipline—crude, callous beings of whom both laborer and capitalist were an example. He proceeded to the generalization that the principle involved was unfavorable to individual and social happiness. Grave evils would be produced in this fashion unless the tendencies inherent in market institutions were checked by conscious social direction made effective through legislation. Doubtless, the condition of the laborers which he deplored was partly the effect of the "allowance system." But essentially, what he observed was true of town and village laborers alike, namely, that "they are at present in a situation infinitely more degraded and miserable than they were before the introduction of those manufactories, upon the success of which their bare subsistence now depends." Here again, he hit rock bottom, emphasizing not incomes but degradation and misery. And as the prime cause of this degradation he, rightly again, pointed to the dependence for bare subsistence on the factory. He grasped the fact that what appeared primarily as an economic problem was essentially a social one. In economic terms the worker was certainly exploited: he did not get in exchange that which was his due. But important though this was, it was far from all. In spite of exploitation, he might have been financially better off than before.

But a principle quite unfavorable to individual and general happiness was wreaking havoc with his social environment, his neighborhood, his standing in the community, his craft; in a word, with those relationships to nature and man in which his economic existence was formerly embedded. The Industrial Revolution was causing a social dislocation of stupendous proportions, and the problem of poverty was merely the economic aspect of this event. Owen justly pronounced that unless legislative interference and direction counteracted these devastating forces, great and permanent evils would follow.

He did not, at that time, foresee that the self-protection of society for which he was calling would prove incompatible with the functioning of the economic system itself.