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# The Great Transformation

## The Political and Economic Origins of Our Time

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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."

CHAPTER SIX

# 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 throve 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 twofold: 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 feudal 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 burgesses, 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.

CHAPTER SEVEN

# 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 legal 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 necessity 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 mainspring 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 elemental event, a new set of ideas entered our consciousness.