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BERNARD SHAW, SIDNEY WEBB, AND THE THEORY OF FABIAN SOCIALISM

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THE transition of public policy in England from one of relatively pure *laissez faire* to one of collectivism began in the first half of the nineteenth century, and presumably has not yet reached its end. The shift in public opinion and in effective electoral power which lies behind the shift of policy, therefore, cannot have been initiated by the Fabian socialists, who began their labors in 1884. Yet they are commonly credited with a leading role in persuading the intellectual classes of England of the undesirability of organizing economic life on the basis of private enterprise.

The two leading theoreticians of Fabian socialism were Shaw and Webb—indeed one is inclined to say that they were the only theoreticians in the first decades of the Society. Webb's labors in both economic scholarship and politics are well known; at least in this country there is some tendency to underestimate Shaw's part, simply because his other activities eventually overshadowed as well as displaced his Fabian period. Shaw felt differently:

Now gentlemen, I am really a political economist. I have studied the thing. I understand Ricardo's law of rent; and Jevons' law of value. I can tell you what in its essence sound economy means for any nation.¹

The propriety of this claim is better judged at a later point.

I propose to discuss only two aspects of the Fabian movement. The first aspect is the early work in economic theory by Shaw which commands our interest because of its importance as well as its authorship. The second aspect is the precise nature of the theoretical critique of capitalism to which Shaw and Webb devoted their immense talents and energies in the first two decades of the Fabian society.

¹ Shaw, G. B., The case for equality, 11, an address delivered on the first of May, 1913. First ed., London, 1913, National Liberal Club Political and Economic Circle, *Transactions*, pt. 85; reprinted in *The socialism of Shaw*, ed. with introduction by J. Fuchs, 58, New York, Vanguard, 1926.

1. THE EARLY SHAW

Bernard Shaw was first persuaded of the need for radical economic reform, he tells us, when—in 1882—he accidentally drifted into a London hall and heard one of Henry George's influential lectures for a tax on the rent of land.² The study of *Progress and Poverty* soon led Shaw toward socialism. Shaw's incomplete novel, *An Unsocial Socialist*, revealed that within a year after hearing George the conversion to socialism was complete. Shaw's hero, a Sydney Trefusis, abandoned his wife and his inheritance—both of admirable dimensions—to devote his days to long speeches on the iniquities of capitalism and to inciting the rural proletariat to trespass. That this prince of prigs did not choke off socialism in England is itself one indication that the novel was not widely read.

The criticisms of Henry George by English Marxists drove Shaw to the French edition of Volume I of *Das Kapital*. He was captivated without being persuaded of the validity of all its economic theory. These doubts spilled into print in a letter to a weekly, *Justice*, entitled "Who is the Thief?"³ It is a tribute to Shaw's penetration that he had found for himself a crucial flaw in Marx's labor theory of value.

Marx's central argument was that the capitalists, by their control over capital equipment and the means of subsistence, forced a worker who added 10 shillings of value to 10 shillings of material, to work for only 3 shillings (his assumed subsistence requirement), yielding up 7 shillings of surplus value.

But mark what must ensue. Some rival capitalist, trading in tables on the same principle, will content himself with six shillings profit for the sake of at-

² Henderson, Archibald, *George Bernard Shaw: man of the century*, 215, New York, Appleton-Century-Crofts, 1956.

³ Signed Larking, G. B. S., Reprinted by R. W. Ellis in *Bernard Shaw and Karl Marx; a symposium: 1884-1889*, New York, printed by Random House for R. W. Ellis: Georgian Press, 1930.

tracting custom. He will sell the table for nineteen shillings; that is, he will allow the purchaser one shilling out of his profit as a bribe to secure his custom. The first capitalist will thus be compelled to lower his price to nineteen shillings also, and presently the competition of brisk young traders, believing in small profits and quick returns, will bring the price of tables down to thirteen shillings and sixpence.⁴

But if the worker is being robbed of 7 shillings, then the purchaser is committing thirteen-fourteenths of the theft—every English consumer is the thief. The criticism received no reply.

The assumptions of competition and of surplus value are indeed incompatible, and even today I would like to amend Shaw's argument in only two respects. The competition of capitalists would also take place in the labor market, and force wages up. And, secondly, the customer-thieves are, of course, chiefly the workmen and their families.

The distrust of Marx's value theory was strengthened by an attack made by Philip H. Wicksteed.⁵ Using the recently developed marginal utility theory, Wicksteed showed that Marx's theory was illogical. It was illogical because Marx insisted that only socially necessary labor governs values, which introduced surreptitiously the very quality of utility which he had denied as a universal attribute of commodities. The theory was incomplete because it could not cope with the value of commodities which were not freely reproducible (such as old masters) or were monopolized. Wicksteed's own radical leanings (which diminished subsequently) were perhaps revealed by the fact that he did not comment upon the crucial flaw in Marx's theory—the denial of productivity to resources other than labor.

Shaw took upon himself the writing of a good-natured rejoinder to Wicksteed.⁶ Ignoring Marx, he rashly attacked the marginal utility theory, a task for which he was unprepared. The attack centered upon the fact that the amount of utility obtained from an increment of a commodity fluctuates widely over time for one man, and varies widely among men, without any corresponding variation in the value of the commodity. The criticism failed to distinguish positions of equilib-

rium from those of disequilibrium, and Wicksteed had no trouble in disposing of it.⁷

The debate now shifted to a small discussion group, the Hampstead Historic Club, where Shaw and Webb, as well as other critics of capitalism, were joined by two economists, Wicksteed and Edgeworth. For two years Shaw was subjected to training in economic theory by two of the world's leading theoreticians—although one may conjecture that with students such as he the professors learned a fair amount about debating. He emerged a complete convert to Jevons and Ricardo—an odd set of intellectual parents considering Jevons' vast dislike for Ricardo's theory.

The conversion was announced by three notices on *Das Kapital* in *The National Reformer* (1887).⁸ They express a deep appreciation of the powerful influence of Marx's denunciation of the injustice of capitalism and of his presentation of a law of historical evolution which gives little more time to capitalistic society. The crucial weakness of the Marxian theory of value proves to be the same point that Wicksteed made, that only relative utilities can account for the observed phenomena of value, and this is tacitly recognized when Marx refers to socially necessary labor.⁹

It will suffice merely to mention Shaw's remaining work, because we shall consider its theoretical content below. The essays on the economic theory of and the transition to socialism in *Fabian Essays* (1889) were his. Thereafter, his economic writings took the form chiefly of Fabian pamphlets,¹⁰ although he also wrote a book on municipal trading.¹¹ The much later *Intel-*

⁷ Wicksteed, "A Rejoinder," reprinted in Ellis, *op. cit.* Shaw subsequently wrote that his reply proved nothing but his incompetence; Ellis, 138 n.

⁸ Shaw, reprinted in Ellis, *op. cit.* The essays contain a remarkable vilification of H. M. Hyndman, the Colonel Blimp of English Marxism.

⁹ Apropos of the "transformation" problem of which there was promised a solution in the third volume of *Das Kapital*, Shaw observes that "scientific socialism" means cashing a promissory note of Mr. Engels, dated "London, an Marx' Geburtstag, 5 mai, 1885" (Ellis, *op. cit.*, 108).

¹⁰ They are identified in E. R. Pease, *History of the Fabian Society*, Appendix IV, new and revised edition, New York, International Publishers, 1926; some are reprinted in *The socialism of Shaw*.

¹¹ *The commonsense of municipal trading*, Fabian Socialist Series No. 5, London, A. C. Fifield, 1908. Although the volume is of more interest to political scientists than to economists, it has some remarkably bold analyses resting on the differences between social and private costs. Shaw places extraordinary weight upon the ability of cities to borrow at low interest rates.

⁴ *Ibid.*, 5-6.

⁵ Wicksteed was adding to his careers in the Unitarian ministry and literature—he was the translator of Dante—that of economist.

⁶ Shaw, G. B. *The Jevonian criticism of Marx*, 1885, reprinted in Ellis, *op. cit.*

ligent Woman's Guide to Socialism contains nothing new on our main subject.

Sydney Webb's prodigious literary output seldom lacked relevance to economic theory, but only a few early items are germane to our inquiry.¹² They will be considered in the Fabian critique of the basic logic of a capitalistic (private enterprise) system, to which we now turn.

2. THE ECONOMIC THEORY OF FABIANISM

The main Fabian indictment of private enterprise rested squarely upon the classical theory of the rent of land.

On Socialism the analysis of the economic action of Individualism bears as a discovery, in the private appropriation of land, of the source of those unjust privileges against which Socialism is aimed. It is practically a demonstration that public property in land is the basic economic condition of Socialism.¹³

The crux of this theory is the assumption that, in a settled country, the effective supply of land is fixed. No degree of expansion of the demand for the products of land would call forth an additional acre of land—putting aside normally trifling amounts due to drainage, irrigation, and the like. The aggregate income of the landowners will therefore wax with the growth of population and wealth.

This doctrine had provided the main theoretical support for free trade in grain—the repeal of the Corn Laws in effect greatly increased the supply of land available to meet the demands of British consumers.¹⁴ This was the main goal of policy of the Ricardian school, and one might have expected that once the goal was achieved, the landowner and the rent theory would have receded from the stage of public controversy.

For a time after the repeal of the Corn Laws the criticisms of the private ownership of land

abated, but they revived in the latter decades of the century. John Stuart Mill threw his immense prestige behind the Land Tenure Reform Association,¹⁵ and he was succeeded by A. R. Wallace, the co-discoverer of the Darwinian theory. The importance of the absentee rents in the Irish agitation contributed to this revival. The interest in land taxation or nationalization became almost universal after Henry George's triumphal lecture tours beginning in 1882.¹⁶

Shaw restated the Ricardian rent theory without appreciable modification so far as land is concerned, embellishing it only with his handsome prose. Shaw's piece on the economics of socialism in the Fabian essays was a straightforward reproduction, on a nonrigorous level, and his tract on *The Impossibility of Anarchism*, where anarchism virtually means competitive private enterprise, turns on the fact that it is intrinsic to economic life that some land is more valuable than others.¹⁷ Webb's acceptance was as complete.¹⁸

How could one seriously make a heavy indictment of private property in land when free trade had made wheat—and land—cheap? Late Victorian England was an odd place to offer heavy criticism of feudalism. The answer is a complex one. In the first place, the facts were largely ignored and, when recognized, misinterpreted. The famous Fabian tract, *Facts for Socialists*, estimates rents to be £200,000,000 or one-sixth of the nation's income in the mid-eighties. Aside from a myriad of minor errors, which the incredibly complex English income tax law invited,¹⁹ the Fabians blithely included the value of all buildings in that of land. The true rent of land (urban as well as rural) surely did not exceed £60 million, or a mere 5 per cent of income. Moreover, agricultural rents had been declining in absolute amount since the 1870's, and as a share of national income they had

¹² There seems to be no doubt that Beatrice did not contribute to the work on economic theory. Perhaps one reason was her haste: "I went straight to the club and read right through Marshall's six hundred pages—got up, staggering under it. It is a great book, nothing new—showing the way, not following it." (Diary, July 27, 1890, quoted in Margaret Cole, *Beatrice Webb*, New York, Harcourt, Brace, 1946.)

¹³ Shaw, in *Fabian essays*, 24, Jubilee edition, London, George Allen & Unwin, 1950.

¹⁴ Of course economists defended free trade in grain also—as perhaps one should say, directly—on the principle of comparative cost, but this more general theory had no special relevance to the politically strategic commodity, food, nor did it necessarily have a prospering beneficiary, that is, a villain.

¹⁵ Mill, John Stuart, *Dissertations and discussions* 5, Papers on Land Tenure, London, L. J. Parker & Son, 1859. Mill recognized the validity of the landowners' claim to compensation for any differential taxation, and proposed that only future increments of land values be taken by the state.

¹⁶ Lawrence, E. P., *Henry George in the British Isles*, East Lansing, Michigan State Univ. Press, 1957.

¹⁷ Fabian Tract No. 45, 4 edition, 1893. Also *Fabian essays*, 165, 167.

¹⁸ The rate of interest and the laws of distribution, *Quart. Jour. of Economics* 2: 188–209; also, The rate of interest, *ibid.*, 469–472, 1887–1888.

¹⁹ Stamp, J. C., *British incomes and property*, London, P. S. King & Son, 1916.

probably been declining since 1810. One careful student set the pure agricultural land rents at £6 million at the end of the century.²⁰

One could divert attention to urban rents, and the Duke of Bedford made a regular appearance in Fabian publications. Shaw asserted that "town rents have risen oppressively,"²¹ and Webb was no doubt the author of *The Unearned Increment*, which dilated upon the unearned increment in London, which even his one-sided manipulations raised only to £6 million per year in the twenty-five years up to 1895.²²

But no amount of literary skill or empirical absent-mindedness can make a Duke of Bedford the arch-villain of capitalism. It was necessary to generalize the indictment, and the attempt was made by both men. They sought to include interest on capital with rent on land, and they denounced the unequal distribution of income. Both criticisms, however, had to be based upon the theory of rent, or a second, independent theoretical basis had to be found for explaining the workings of a capitalistic system. The second alternative was not chosen: it is not only intellectually inelegant, but psychologically ineffective, to use several unrelated theoretical principles to launch a program of reform.

Shaw's endeavors to extend the theory of rent to interest, that is, to identify the returns to capital and labor—were relatively crude. The basic method was that of assertion:

Colloquially, one property with a farm on it is said to be land yielding rent; whilst another, with a railway on it, is called capital yielding interest. But economically there is no distinction between them when they once become sources of revenue . . . shareholder and landlord live alike on the produce extracted from their property by the labor of the proletariat.²³

This argument is, in effect, that all capital instruments incorporate land in some degree—the unique location and resources of a railroad or a water company are similar to those of agricultural or urban land. Of course this is true, and "land" is in fact only an abbreviation, in the

classical economics, for non-producible, non-human resources. But this element of land hardly dominates the vast mass of capital of an economy, which is both fluid in form and augmentable in quantity, and therefore not obedient to such classical theorems as that the rent of a piece of land increases with economic progress. Shaw's dogmatic assertion that capital produces nothing, and interest is a mere exaction, is simple Marxism, wholly inconsistent with the marginal utility theory of value he professed.

Webb's attempt to identify rent and interest took a more sophisticated form. He generalized the rent theory to cover other distributive shares. If rent is the surplus of the yield of resources on good land over the yield on poor land, can one not also say that interest is the surplus of return of resources (including land) on good capital over the yield on decrepit and obsolete capital?

"Economic interest" is the amount of produce over and above "economic wages" which is obtained through the use of capital, upon land at the margin of cultivation by the skill of the worst worker employed in the industrial community, or upon the better land with greater skill, after deduction of the economic rent of the land and ability.

Economic interest, as here defined, is expressed by a law similar to the Ricardian law of rent.²⁴

Webb argues that most interest is the product of "opportunity and chance." The basic theorem that the rates of interest on various investments tend to equality, is conceded only for "the last increment of capital employed in each case."²⁵

It is true that in one sense the rent theory can be generalized to embrace every form of return—Wicksteed demonstrated in 1894 that the rent theory in this sense is analytically equivalent to the marginal productivity theory.²⁶ But the rent theory, in this sense, is only a device for isolating the contribution of one productive factor to a product, and has no relevance to the crucial assumption of fixity of supplies which gave the Ricardian rent theory its empirical content.

Without this assumption of fixity of supply, there is little substantive similarity between capital and land. Under competition all forms of investment which yield higher than average rates

²⁰ Thompson, R. J., An inquiry into the rent of agricultural land, *Jour. Royal Statistical Society* 70: 587 ff., 1907.

²¹ Shaw, G. B., The impossibility of anarchism, 9n.

²² Tract No. 30, 1895.

²³ *Fabian essays*, 19. He subsequently refers to "a form of rent called interest, obtained by special adaptations of land to production by the application of capital . . ." (*ibid.*, 25).

²⁴ The national dividend and its distribution, in S. and B. Webb, *Problems of modern industry*, 218, 219, London, New York and Bombay, Longmans, Green, 1898.

²⁵ *Ibid.*, 220.

²⁶ Wicksteed, Phillip Henry, *Coordination of the laws of distribution*, London, Macmillan, 1894.

of return will attract additional investment until the rate of return is equalized on all, not merely on marginal, increments of investment.

One could seek escape from this conclusion by denying the existence of competition—by arguing that monopolies of various sorts had become so ubiquitous and powerful that most interest was a monopoly return.²⁷ But Webb placed no emphasis upon such a development. On the contrary, he asserts, that “every development toward a freer Individualism must, indeed, inevitably emphasize the power of the owner of the superior instruments of wealth-production to obtain for himself all the advantages of their superiority.”²⁸

But the monopoly of which the democracy is here impatient is not that of any single individual, but that of the class itself. What the workers are objecting to is . . . the creation of a new feudal class of industry, . . . who compete, it is true, among themselves, but who are nevertheless able, as a class, to preserve a very real control over the lives of those who depend upon their own daily labor.²⁹

In Webb's scheme, indeed monopoly was not even an evil. In *Industrial Democracy* he presents the famous picture of “higgling in the market.”²⁹ The search of consumers for bargains forces down retailers' prices, retailers in turn are compelled to drive down wholesalers' prices, and so on until the competitive pressure “finally crushes the isolated workman at the bottom of the pyramid.”³⁰ Monopolies are devices to obtain some relief from this unrelenting pressure, and, if they succeed in diminishing competition, they treat their workers a *little* better. Here monopoly is a modestly benevolent phenomenon.

In this later volume, Webb alleges a further resemblance between land and capital, but it appears to be *ad hoc*: the supply of savings is held to be virtually independent of the rate of interest.³¹ But even if this were wholly true, it would not yield the Ricardian conclusion that the capitalist necessarily benefits from every advance of society—what happened would depend upon the supply of capital over time.³²

²⁷ It would still not be a rent, in the sense that a reduction in this monopoly return brought about by price fixing or taxation would usually lead to a reduction in the monopolist's output.

²⁸ *Problems of modern industry*, 237. Also *Fabian essays*, 55.

²⁹ Part III, Ch. II.

³⁰ *Op. cit.*, 671.

³¹ *Ibid.*, 622 ff.

³² In *Capital and land* (Fabian Tract No. 7, 7th ed., 1908) a wholly different criticism of private receipt of

Both Webb and Shaw seek to extend the rent theory even farther, to include the “rent of ability” of superior workers.³³ It is a most unusual feature of Fabian socialism that it attacked large labor incomes as well as property incomes. Much of the superior earnings of professional men and artists was attributed to the unequal distribution of income, which allowed a few men to prosper by catering to the whims of the rich. Even more was attributed to the “monopoly” of education by the children of property-owning families. The chief remedy proposed was widespread education (which was already developing rapidly), supplemented if necessary by a progressive income tax.

In one respect the analogy between labor and land was closer than that between capital and land: there are natural differences in quality of both men and acres, unlikely to be eliminated under any social system. But the fixity of supply of land finds no parallel in population, and both classical economists and almost all socialists concurred in the absence of any secular increase in wage rates as a society progressed economically. The Fabian doctrine of rents of ability tended both to blur the ethical differences they alleged between wages and other incomes, and to alienate the professional classes from their doctrines, and perhaps these are the reasons this aspect of their theory received little elaboration or emphasis. Still, the socialization of the labor force was latent in this doctrine, and the various hints of compulsion which were dropped³⁴ are in keeping with the anti-democratic tendencies both Shaw and Webb made explicit in later years.

The final indictment of capitalism, that it generated a cruel and inhuman distribution of income, was no doubt the most influential. The street corner orator was especially clear in Shaw when he reached this theme:

interest is advanced by Sidney Olivier. It is to the effect that savings are invested to form concrete capital goods, and when these goods wear out, the goods which replace them are in some mysterious sense not due to the original savings. Shaw uses this argument also in *The Intelligent woman's guide to socialism and capitalism*, Garden City, New York, Garden City Publ. Co., ca. 1928; London, Constable, 1928.

³³ Thus Webb says the Ricardian theory must be extended “to all the instruments of production, as well as to the varying efficiencies of every kind of human labour,” *The Rate of Interest*, *loc. cit.*, 472; for Shaw's statement, see *Fabian essays*, 183 ff.

³⁴ For example, *Fabian essays*, 55–57. See also E. Halévy, *L'ère des tyrannies*, 217–218, 3rd ed., Paris, Gallimard, ca. 1938.

A New York lady, for instance, having a nature of exquisite sensibility, orders an elegant rosewood and silver coffin, upholstered in pink satin, for her dead dog. It is made: and meanwhile a live child is prowling barefooted and hunger-stunted in the frozen gutter outside.³⁵

This sort of diatribe—adorned by frequent references to such strange capitalistic institutions as compulsory prostitution—must have been especially effective at the lips of one of the most formidable debaters of his time.

The denunciation of inequality may be viewed as an ethical judgment, to be accepted or rejected according to one's taste. This is not a very useful view, however, for equality is not a basic ethical value in any important western philosophy.³⁶ One surely wishes to distinguish nominal from real inequality: the difference between the average earnings of a twenty-five-year-old lawyer and one twice his age is devoid of ethical significance. If policies are to have purpose and effectiveness, one must isolate the sources of inequality, be they education, natural inheritance, luck, thrift, property inheritance, or a particular government policy. One should seek to quantify the subtle and ambiguous concept of inequality, discover whether it is increasing or decreasing, and invent and analyze alternative methods of dealing with objectionable inequality.

Shaw and Webb discharged a portion, but only a very small portion, of the duties of a responsible proponent of an egalitarian program. Shaw advanced, in fact, three basic arguments for equality of income. The first was simply that there is no other objective basis for distribution:

Now . . . suppose you think there should be some other standard applied to men, I ask you not to waste time arguing about it in the abstract, but bring it down to a concrete case at once. Let me take a very

³⁵ *Fabian essays*, 21.

³⁶ For every Shavian parable on the inequities of inequality, one could contrive a counter-parable on the inequities of equality; e.g., "Dr. John Upright, the young physician, devoted every energy of his being to the curing of the illnesses of his patients. No hours were too long, no demand on his skill or sympathies too great, if a man or child could be helped. He received £2,000 net each year, until he died at the age of 41 from over-work. Dr. Henry Leisure, on the contrary, insisted that even patients with broken legs be brought to his office only on Tuesdays, Thursdays, and Fridays, between 12:30 and 3:30 P. M. He preferred to take three patients simultaneously, so he could advise while playing bridge, at which he cheated. He received £2,000 net each year, until he retired at the age of 84."

obvious case. I am an exceedingly clever man. There can be absolutely no question at all in my case that in some ways I am above the average of mankind in talent. You laugh; but I presume you are not laughing at the fact, but only because I do not bore you with the usual modest cough. . . . Now pick out somebody not quite so clever. How much am I to have and how much is he to have? I notice a blank expression on your countenances. You are utterly unable to answer the question. . . .

It is now plain that if you are going to have any inequalities of income, they must be arbitrary inequalities.³⁷

This argument cannot be taken as seriously as it was given. Equality is an unambiguous rule of distribution only when it is applied as unmeaning arithmetic, giving equal sums of income to the day-old baby, the adult worker, and the jailed felon. Conversely, a competitive market does determine, not how much more clever Shaw was than contemporary dramatists, but how much more he produced of what people desired.

Shaw's second argument for equality was professedly "economic":

. . . if you allow the purchasing power of one class to fall below the level of the vital necessities of subsistence, and at the same time allow the purchasing power of another class to rise considerably above it into the region of luxuries, then you find inevitably that those people with that superfluity determine production to the output of luxuries, while at the same time the necessities that are wanted at the other end cannot be sold, and are therefore not produced. I have put it as shortly as possible; but that is the economic argument in favor of equality of income.³⁸

That an unequal distribution of income will lead to an unequal distribution of consumption, however, is not an argument for equality. If one believes, as almost everyone always has, that no living person should be denied subsistence (and perhaps much more), then he should favor raising consumption of some people, but the belief does not lead to egalitarianism.

Shaw's final argument for egalitarianism was eugenic; economic barriers prevented marriage from taking place whenever biological urges dictated:

Just consider what occurs at the present time. I walk down Oxford Street, let me say, as a young man. I see a woman who takes my fancy. I fall in

³⁷ The case for equality, in *The socialism of Shaw*, 53–54.

³⁸ *Ibid.*, 60.

love with her. It would seem very sensible, in an intelligent community, that I should take off my hat and say to this lady: "Will you excuse me; but you attract me very strongly, and if you are not already engaged, would you mind taking my name and address and considering whether you would care to marry me?" Now I have no such chance at present. Probably when I meet that woman, she is either a charwoman and I cannot marry her, or else she is a duchess and she will not marry me.³⁹

Of this argument I will say only that Shaw was utterly sincere, and that it did not become a Fabian article of faith.

Webb based his analysis of inequality much more directly upon the rent theory.

Nor is there any doubt or dispute as to the causes of this inequality. The supersession of the Small by the Great Industry has given the main fruits of invention and the new power over Nature to a comparatively small proprietary class, upon whom the mass of the people are dependent for leave to earn their living. When it suits any person having the use of land and capital to employ the worker, this is done only on the condition that two important deductions, rent and interest, can be made from his product, for the benefit of two, in this capacity, absolutely unproductive classes—those exercising the bare ownership of land and capital.⁴⁰

That "the most virtuous artisan cannot dodge the law of rent"⁴¹ is the anchor of this indictment of inequality.

The net effect of rent upon the distribution of income among families in late Victorian England is not known. If it parallels modern American experience—and there should be at least a family resemblance—the wealthiest classes received a much more than proportionate share of rents, and so, too, did the lowest income classes, and the intermediate classes received a less than proportionate share.⁴² Elimination of rents, therefore, would reduce income inequality at the top of the income distribution and increase it at the lower end. But no matter what one did with rents, the distribution of income would change little.

Only if one includes interest on capital are the possibilities of redistribution large, and here the rent theory was of no avail: one must contrive an entirely new reason for rejecting private property

in capital. Of course such reasons can be contrived, but the Fabians did not meet this demand.

3. CONCLUSION

Reformers seldom proportion criticism carefully to evil, but the Fabians must be among the most extreme in their concentration upon a minor and uncharacteristic aspect of capitalism as its major flaw. There is a non-functional income to productive resources in fixed supply, and it is roughly—but only very roughly—approximated by rent of land, but it was already trifling in their time and it was on balance (including urban rents) declining relative to national income.

One expects blind slogans and high emotions to carry a mass movement, but the particular clientele of the Fabians was the educated class of Great Britain. That they were as successful as they are reputed to be,⁴³ is suggestive of a proposition for which I believe there is much support: that social problems are the creation of the "intellectual." The intrinsic importance of a complaint against a social system, as judged by later opinion, has little to do with its effectiveness in shifting opinion. If enough able and determined men—and the number in the Fabian group was almost unbelievably small—denounce and denounce again a deficiency, that deficiency becomes grave.⁴⁴

It is less unusual of the Fabian theoreticians that they were not good economists—popular reformers have seldom been. In economics Shaw was merely a clever dilettante. No short sentence could do justice to Webb's large talents, but they did not include a strong command of economic theory. Their limitations prevented them from constructing a coherent program of economic reform, but it apparently did not decrease the effectiveness of their criticisms of the existing order. Had the leading economists of the period subjected this literature to critical review—instead they simply ignored it—I doubt whether the control over land use would have been an element of modern English socialism.

⁴³ Their influence is a difficult question, to which no established answer has yet been given. They are credited with much long run influence, but little immediate impact, by H. Pelling, *The origins of the Labour Party, 1880-1900*, London, Macmillan, 1954; New York, St. Martin's Press, 1954.

⁴⁴ Of course, to the possibly decisive extent that the distribution of income, rent theory aside, was the successful element of their indictment, they were only one of many streams of nineteenth century criticism, and their influence must be assessed correspondingly lower.

³⁹ *Ibid.*, 63-64.

⁴⁰ The difficulties of individualism, in *Problems of modern industry*, 235-236.

⁴¹ *Ibid.*, 260.

⁴² See D. Gale Johnson, Rent control and the distribution of income, *Proceedings*, American Economic Association, 568-582, May, 1951.