

BERTRAND RUSSELL ON ECONOMICS, 1889–1918

J. E. KING

Economics and Finance / La Trobe U.

Victoria 3086, Australia

J.KING@LATROBE.EDU.AU

Bertrand Russell was perhaps the last great philosopher to take an active interest in economics. After a brief, youthful engagement with the economics of socialism in 1889, Russell wrote on economic questions in three separate periods up to 1918, and in each case there was a clear political motivation. The first, in 1895–96, arose from his investigation of Marxism as a creed and of German social democracy as its principal contemporary political expression. The second, in 1903–04, was provoked by his intervention on the free trade side of the tariff controversy. Finally, in 1915–18, Russell's commitment to Guild Socialism and to war resistance led him to some profound, if rather speculative, reflections on the economics of libertarian socialism. In this paper I discuss each of these three phases in Russell's economic thought and conclude that he never went far enough in his opposition to neo-classical theory in general, or to its utilitarian foundations in particular.

INTRODUCTION

For a very long time the division between philosophy and economics was an extremely fluid one. Smith and Hume in the eighteenth century, Marx and Mill in the nineteenth, achieved greatness both as economists and as philosophers; they would, indeed, have been puzzled by the suggestion of a fixed boundary between the two disciplines. The close relationship between economics and philosophy continued

until the 1870s and 1880s, when William Stanley Jevons,¹ John Neville Keynes² and Henry Sidgwick³ published textbooks on philosophy or logic in addition to their work in economics. In the twentieth century, however, while some mathematicians of distinction have dabbled in economics, few if any important philosophers have done so. Bertrand Russell, in fact, seems to have been the last in a great tradition.

After a brief prelude in 1889, Russell's interest in economic questions flourished in three distinct periods between 1895 and 1918. First, in the mid-1890s, he taught himself neo-classical economics and came to terms with the political economy of Marxian socialism. Then, in 1903–04, he intervened in the Free Trade debate initiated by Joseph Chamberlain's campaign for imperial preference. Finally, during the First World War, Russell was forced to reconsider the foundations of economic theory as he reacted to the horrors of the trenches and considered the implications of his own commitment to Guild Socialism.

The philosopher Ray Monk chose to separate the two volumes of his massive Russell biography at 1920, the year in which (he claims) Russell's original work in the philosophy of mathematics came to an end. Thereafter, Russell dissipated his declining talents in popular writings of no intellectual value on education, politics and even more trivial matters (Monk, 2: 3–7). This is a contentious and rather harsh verdict, though Russell himself acknowledged that by the end of the Great War his best philosophical work lay behind him. Neither Monk nor Russell's other biographers⁴ have anything of consequence to say about his thinking on economics. There is, however, a substantial secondary literature on his

¹ W. S. Jevons, *Elementary Lessons in Logic* (London: Macmillan, 1870).

² J. N. Keynes, *Studies and Exercises in Formal Logic* (London: Macmillan, 1884).

³ H. Sidgwick, *The Methods of Ethics* (London: Macmillan, 1874).

⁴ Of the four major biographies of Russell, only that by Monk is by a philosopher. The others are by a journalist (Wood) and two professional biographers (Clark and Moorehead). Briefer accounts, concentrating on Russell's social and political thought, include Alan Ryan (*Bertrand Russell: a Political Life* [Harmondsworth: Allen Lane, 1988]) and Philip Ironside (*The Social and Political Thought of Bertrand Russell: the Development of an Aristocratic Liberalism* [Cambridge: Cambridge U. P., 1996]). Three invaluable resources are the comprehensive three-volume bibliography of his writings, B&R; the first two volumes of Russell's *Autobiography*; and *The Collected Papers of Bertrand Russell*, of which several non-technical volumes cover the period 1888 to 1922.

critique of Bolshevism,⁵ which strengthens the case for concluding the present paper in 1918, before Russell's trip to Soviet Russia.

“STATE SOCIALISM”: A PRELUDE

Bertrand Russell was born on 18 May 1872, the grandson of Lord John Russell, “Finality Jack”, the hero (or villain, depending on your point of view) of the 1832 Reform Act. Lord John and his formidable wife, Frances, brought up the young Bertrand after the early deaths of his mother and father (in 1874 and 1876, respectively). His—secular—godfather was John Stuart Mill, who himself died in the year after Russell's birth but continued to exercise a powerful intellectual influence over him for several decades. He was educated privately until, at the age of sixteen, he was sent to a cramming school to improve his chances in the Cambridge scholarship examinations. This was a curiously lower middle-class milieu for a proud young aristocrat, but it did produce, in addition to academic success, an early economic text, the 1889 essay on “State Socialism” (*Papers* 1: 27–9). This reveals the influence less of Mill, whose *Political Economy* and *Logic* Russell read about this time, “and made elaborate notes on them” (*Auto.*, 1: 41), than of Herbert Spencer and the “Evolutionists”, who, alas,

... have no disciples among practical politicians, and their ideas do not seem to be in any way gaining ground. On the contrary, in practical politics State Interference is becoming commoner and commoner, and although some of the great principles of the “laissez-faire” school have been permanently established, yet Socialism both in theory and practice seems to be a growing force.

(*Papers* 1: 29)

The consequence, Russell notes, is that “the rigid ‘laissez-faire’ doctrine is now abandoned by all who have any connection with practical work. Indeed of late years socialistic legislation has become very common, and the State now recognises in England hardly anything with which it may not interfere” (1: 28–9). Only with regard to Pauperism had the Indi-

⁵ See in particular Antony Flew, “Russell's Judgement on Bolshevism”, in G. W. Roberts, ed., *Bertrand Russell Memorial Volume* (London: Allen & Unwin, 1979), pp. 428–54; Royden Harrison, “Bertrand Russell: from Liberalism to Socialism?”, *Russell*, n.s. 6 (1986): 5–38; and Ryan, *Bertrand Russell: a Political Life*, Chap. 4.

vidualist critics of socialism hitherto prevailed. Many other issues, including education, hours of labour and landlord–tenant relations, were now regulated by the State. The young Russell finds this growth of socialism quite alarming:

The immense harm which it may do has been shown in the case of such Socialistic institutions as have from time to time been established (as the Poor Law for example); but if judiciously carried out it may improve the moral and intellectual as well as the physical condition of the poor, and it may prevent the evils of a floating population of unemployed. It is more likely, however, to produce apathy and laziness among labourers, to make their work less efficient, to remove the stimulus to improvement which is afforded by competition, and to sap our civilization at its foundation. It should, then, be fought against by all who wish sturdiness and energy to be maintained, and those forces which have produced our civilization to perfect it. (Papers 1: 29)

In fairness, it should be noted that the rather priggish author of these lines was only sixteen or seventeen years old.

“GERMAN SOCIAL DEMOCRACY”

Russell went up to Trinity College, Cambridge in October 1890, and soon moved rapidly to the left. His views were first affected by his reading of Henry George, to whose ideas he was introduced by his friend Crompton Llewelyn Davies (*Auto.*, 1: 59). Soon he began a long period of “fellow-travelling with the Fabians”,⁶ in which State socialism proved more attractive to him. Most important, however, was Russell’s romantic attachment to Alys Pearsall Smith, whom he married in December 1894, the year after his graduation. Alys hoped that Russell would opt for a career in politics, and to that end encouraged him to study economics. Accordingly he went to see Alfred Marshall, who provided him with a formidable reading list. Evidently Russell made an impression on Mary Paley Marshall, who included him, along with J. H. Clapham and Lilian Knowles, among the “crops of students” that Alfred had in the 1890s.⁷

⁶ This is the title of Chapter 2 of Ironside, *The Social and Political Thought of Bertrand Russell*.

⁷ P. Groenewegen, *A Soaring Eagle: Alfred Marshall 1842–1924* (Aldershot, U.K., and Brookfield, VT: Edward Elgar, 1995), p. 322.

He became quite widely read in the economics literature. “During the period when he contemplated becoming an economist, Russell read Marshall’s *Principles* (1890) systematically and often. Other neo-classical economists he read during this period were W. S. Jevons, F. Y. Edgeworth, and C. F. Bastable”, together with Anton Menger’s *Das Recht auf den vollen Arbeitsertrag*⁸ and books by some of the early socialists criticized by Menger, including Marx, Rodbertus, Thompson and Bray (*Papers* 1: 308, headnote). During his stay in Paris in August–November 1894,⁹ Russell also read works by Graham Wallas and Adolph Wagner (1: 306). At about this time he made notes on Ricardo’s *Principles*, commenting (at the end of his brief summary of section IV of Chapter 1): “Doesn’t account for ‘profits’, i.e. interest.”¹⁰ Russell was highly critical of Rodbertus, whose theories of rent and profits he compared very unfavourably with those of Marx.¹¹ He found Menger more to his taste, though rather unfair to Marx: “The book is careful, and good on the Utopia-mongers. But being concerned with a question of right, of jurisprudence and equity, it wholly misses the point of Marx, and gives him credit for far less originality than he possessed.”¹² As for William Thompson’s *Inquiry into the Principles of the Distribution of Wealth Most Conducive to Human Happiness*,¹³ Russell’s verdict was that “The book as a whole is *excellent*. Only the human nature is rather Utopian—as is Bentham’s, for that matter.”¹⁴

⁸ A. Menger, *The Right to the Whole Produce of Labor* (New York: Kelley, 1970; 1st ed., 1890).

⁹ Russell had agreed to accept a brief honorary appointment at the British Embassy in Paris arranged for him by his grandmother to enforce a separation from his fiancée, as a sort of cooling-off period between them.

¹⁰ RAI 210.006550–F10: loose sheets inserted, presumably by Russell, into the second “Mit Gott” notebook. (These are two large notebooks bound in cloth and marbled boards that Russell used for writing; the title comes from the words “Mit Gott” printed thus on the first page of each). Section IV of the *Principles* is headed, “The principle that the quantity of labour bestowed on the production of commodities regulates their relative value, considerably modified by the employment of machinery and other fixed and durable capital.”

¹¹ RAI 210.006549–F1 (the first “Mit Gott” notebook), pp. 170, 174.

¹² *Ibid.*, p. 194.

¹³ W. Thompson, *An Inquiry into the Principles of the Distribution of Wealth Most Conducive to Human Happiness* (New York: Kelley, 1963; 1st ed., 1824).

¹⁴ RAI 210.006549–F1, p. 182.

For a while Russell seriously considered life as an economist, much to the alarm of those around him. “When I first read your letter” intimating the possibility that he might abandon mathematical philosophy for economics, his friend Charles Percy Sanger wrote to him in Paris, “I thought you had gone raving mad.... I doubt whether you will really find much life in trying to find out whether the word ‘Utility’ can have any meaning, and what is meant by a man’s ‘demand for tobacco.’” Russell would be well advised to stick to his original intention of writing his Fellowship dissertation on non-Euclidian geometry: “Surely you have a very excellent opportunity of being of some service to the Universe by writing about space whereas I doubt if you will quickly increase human happiness by doing the basis of economics. For, on the one hand, owing chiefly to the spread of democracy, it is distrusted and despised, and on the other hand the few people who, like myself, think that it is or ought to be a science naturally do not much mind whether it means anything or not” (*Auto.*, 1: 113–14). Sanger raised the question with the philosopher James Ward, the most influential of Russell’s tutors (*SLBR*, 1: #24n.). Ward’s view, he reported, “was that you had better do economics, if you thought that you would like it better.... He also said that there was not the slightest objection to your sending in two or more dissertations, or that if you write an article on space in “Mind” or elsewhere that you could count that in with your dissertation on Economics. But that, as one would expect, two moderate dissertations do not count as one good one” (*Auto.*, 1: 114). Russell’s close friend Edward Marsh confirmed that Ellis McTaggart, another of Russell’s tutors, was “rather horrified” to learn of his plans. Sanger had “proceeded to spoil McTaggart’s appetite by telling him the dreadful news as he was marching up to the Fellows’ table” at Trinity (1: 114–15).

In the event academic philosophy won out, but not before Alys and Bertrand had visited Germany twice, in January to March 1895 and again at the end of that year. The first trip was undertaken so that he could study economics at the University of Berlin. Two contemporary accounts of the teaching of economics in Germany offer some insights into what he might have learned there. Russell would have attended lectures in the second half of the winter semester at Berlin, which ran from about 15 October to 15 March. The two most celebrated professors were Adolph Wagner and Gustav Schmoller, both of them having a strong

background in economic statistics and economic history.¹⁵ In second semester, Wagner lectured “four hours a week upon theoretical political economy, four hours a week upon public finance, and two hours a week on socialism and the history of economic doctrine”. At the same time, Schmoller lectured on “practical political economy” and also held a seminar on economics and statistics.¹⁶ If the University timetable in 1895 was identical to that reported by Seager for 1891–92, Russell would have missed Wagner’s famous graduate seminar, which was held only in the summer semester, adjourning at the end of the formal proceedings to a local hostelry for continued discussion.¹⁷ Wagner was noted as an energetic and enthusiastic supporter of State socialism, while Schmoller, who had much less interest in abstract economic theory, “shows himself not merely an historian, but also a philosopher. He has a fondness for philosophical terms and for indulging in excursions outside of his proper field. Herbert Spencer is the English author whom he most frequently quotes. He is inclined ‘almost’ he says, to ascribe to Adam Smith’s ‘Theory of Moral Sentiments’ greater value than to his ‘Wealth of Nations.’” Russell attended at least some of Schmoller’s lectures, and kept five pages of notes on them.¹⁸ He would certainly have enjoyed the library facilities available to the student of political economy in Berlin, which were “no less superior than the lecture courses opened to him there”.¹⁹

The second visit to Germany, at the end of 1895, was quite different. This time the intention was to study German socialism, and so “the Russells interviewed party members, attended local elections, and saw and spoke with anyone who seemed likely to provide useful information” (Clark, p. 78). They also benefitted from access to the party leaders, Wilhelm Liebknecht and August Bebel. On his return to England, Russell gave a course of lectures at the newly established London School of Economics, which were soon published under the title *German Social Democracy*. The book is, for the most part, a perceptive and sympathetic

¹⁵ S. M. Wickett, “Political Economy in German Universities”, *Economic Journal*, 8 (March 1898): 146–50.

¹⁶ H. R. Seager, “Economics at Berlin and Vienna”, *Journal of Political Economy*, 1 (March 1893): 236–62 (at 241).

¹⁷ Seager, pp. 245–9; Wickett, pp. 148–9.

¹⁸ RA1 210.006551, the other end of the notebook titled “Observations on Space and Geometry”.

¹⁹ Seager, p. 251.

account of the work of the Social Democratic Party, but it begins with a long opening chapter criticizing Marxian theory. Russell bases his analysis on his reading of the *Communist Manifesto*, the *Critique of Political Economy* and *Capital*, although “I have treated very slightly the second and third volumes”,²⁰ which have had very little influence on the German socialist movement. “Moreover, the third volume is so inconsistent with the first, that it is difficult to make statements which are true of both” (p. 16n.). The *Manifesto*, however, greatly impresses him as “almost unsurpassed in literary merit” (p. 10).

Russell begins with a critique of historical materialism, which purports to be “a complete self-contained philosophy of the world and of human development” (p. 1). The Marxian dialectic, he argues, entails an almost religious fatalism: “There is an almost oriental tinge in the belief, shared by all orthodox Marxians, that capitalistic society is doomed, and the advent of the communist state a foreordained necessity” (pp. 6–7). There is an apparent inconsistency in the claim that communism represents the final stage in human history:

The communistic state ought, according to the development-conception of the dialectic method, to form the starting-point of a new triad, the thesis for a new antithesis; but if this idea ever occurred to Marx, he must have thought that “sufficient unto the day is the evil thereof”, for he nowhere gives a hint of anything better than the socialistic community. (P. 3)

Marx’s materialism hinges on the proposition, derived from Ricardo, from French socialism and from contemporary English life, that “all human institutions and beliefs are ultimately, in the last analysis, the outcome of economic conditions.... Religion, science, the State—in short, all branches of human activity—are, in the last resort, determined by economic causes” (p. 7). Russell’s objections to historical materialism emerge in the course of his criticism of the labour theory of value. “It will be seen, as we proceed, that much of this theory is false, and that its falseness destroys the certainty of that historical development on which he relied for the advent of Communism” (p. 15). Marx’s proof of the labour theory of value is, in fact, fallacious in both method and sub-

²⁰ B. Russell, *German Social Democracy* (London: Allen & Unwin, 1965; 1st ed., 1896), p. vii.

stance. As to method, “we can never be sure, by mere abstraction of differences, that we have hit on the *only* common quality of a number of things, or that the quality we have hit on is the relevant one.” As to substance, “commodities have also another common quality, utility namely, or the power of satisfying some need” (p. 17). Taking account of demand destroys not only Marx’s theory of value, but the “whole materialistic theory of history” (p. 21). Marx’s treatment of demand, Russell maintains, is wholly unsatisfactory, resting as it does on the “confused and ambiguous notion of ‘socially necessary labour’, which means, at one time, the labour normally necessary for the production of an article, at another, the labour necessary to supply a demand whose amount is supposedly constant.” But Marx completely ignores “[t]he world-wide difference between these two meanings” (p. 20). His neglect of demand is a necessary consequence of his materialist conception of history, in which “[p]roduction.... is the fundamental fact, and demand is a mere consequence of it” (p. 21).

There are also serious defects in Marx’s theories of wages and rent. Wages are not proportional to labour time, as the labour theory of value requires, since “[s]kill has a value independent of its cost; it commands, as a matter of fact, a monopoly-rent in the market, and this rent appears in the value of the product” (p. 19). Moreover, “labour, unlike other commodities, is not produced by capitalists, but produces itself. Its cost of production, therefore, is determined, wherever wages are above starvation level, by the remuneration at which it thinks it worth while to produce itself, *i.e.*, as Malthusians would say, by the standard of comfort” (p. 22). Thus trade union action is capable of increasing wages and improving conditions of labour, which Marx and his followers continue to deny. Value depends not on the average cost of production but on the greatest cost, or the cost at the margin of cultivation. His failure to recognize this “makes rent unintelligible to Marx, and leads him to regard it as derivative from profits” (p. 19). Neither does his theory of surplus value provide an adequate theory of profits, since it denies both that the entrepreneur’s labour creates value and that interest is the reward for abstinence. Contrary to Marx, Russell insists, “capital, or waiting” is “an element in determining value” (p. 23n.).

The Fabian influence on Russell’s criticism of Marx becomes apparent when he concedes that “capitalistic production does enable the recipients of rent and interest to grow rich by idleness, and does, to this extent,

mulct labour of a part of the produce” (p. 28). In fact “it is self-evident, since some men live in idle luxury, that a labourer normally produces more than he consumes, and that this surplus goes to support idleness. How does this come about? It comes about, in economic language, by monopoly rent ... and this rent is not the reward of labour, but a surplus-value which the capitalist is enabled to deduct from the labourer’s produce” (p. 25). This “monopoly rent” theory of surplus value had been developed by the Fabians Sidney Webb²¹ and George Bernard Shaw,²² and the New Liberal J. A. Hobson.²³ As Russell himself notes, “from the standpoint of the working-man” it is “practically the same as Marx’s doctrine”,²⁴ except that it is consistent with the achievement of social improvement through peaceful reform.

Russell is much more sympathetic to the Marxian law of the increasing concentration and centralization of capital, “which forms, I think, the most cardinal point of his whole doctrine” (p. 28). It is this, not the erroneous theories of value and surplus value, which demonstrates that productivity is increased under collective production and that the proletariat is indeed destined to attain supreme power. However, Marx has exaggerated the scope of this law. It applies to industry, where increasing returns are the general rule, but not to agriculture, where “a law of diminishing return prevails” (p. 32), and small businesses are the most profitable. Broadly speaking, Russell accepts that there is a sound material basis for the Marxian notion of increasing social polarization. His acceptance, though, is qualified in three ways:

First, big firms consist usually of companies, and their victory does not therefore necessarily diminish the number of individual capitalists; secondly, a new middle-class is created by large firms and the use of machinery—*e.g.*, foremen, engineers, and skilled mechanics—and this class destroys the increasingly sharp opposition of capitalist and proletariat on which Marx lays so much stress; thirdly, the profitable management of businesses by the State presupposes a

²¹ S. Webb, “The Rate of Interest and the Laws of Distribution”, *Quarterly Journal of Economics*, 2 (Jan. 1888): 188–208.

²² G. B. Shaw, “The Economic Basis of Socialism” (1889), in Shaw, *Essays in Fabian Socialism* (London: Constable, [1949]), pp. 1–19.

²³ J. A. Hobson, “The Law of the Three Rents”, *Quarterly Journal of Economics*, 5 (April 1891): 263–88.

²⁴ *German Social Democracy*, p. 24.

certain degree of development, and should therefore be undertaken at different times in different businesses, not, as Marx supposes, by a single revolutionary transformation. This last point is especially important, as it transforms the whole process into one of gradual organic development, instead of the discontinuous dialectical change which Social Democracy expects. (Pp. 35–6)

Rejection of “Marxian Socialism”, then, does not entail that “Collectivism” has been disproved. At this point the manuscript contains a crossed-out sentence that does not appear in the printed version: “Marx’s mistakes were the mistakes of a man of genius, and are more instructive than many truths from men of smaller mind.”²⁵ The book continues by denying Marxism as “a doctrine of necessary fatality”. But “a dogmatic denial of the possibility or desirability of a Collectivist State would, however, be equally impossible to substantiate, and the decision must therefore be left to detailed considerations of special circumstances” (p. 40).

The book was generally well received,²⁶ although W. H. Dawson, reviewing it in the *Economic Journal*, complained about Russell’s rudeness to the Kaiser.²⁷ The theoretical sections are clear, well-argued and almost entirely unoriginal. Russell’s critique of the labour theory of value and of Marx’s theory of surplus value followed very closely the position taken by Philip Wicksteed, who in the early 1880s had famously converted George Bernard Shaw to marginalism.²⁸ His attack on historical materialism was less derivative, and reflected his own break with Hegelianism, which had briefly attracted him at Cambridge.²⁹ He was, on balance, rather less hostile to Marxism than most of his Fabian and New

²⁵ “Summary of Criticism of Marx”, second “Mit Gott” notebook, RAI 210.006550–F1, pp. 35–7 (the crossed-out sentence is on p. 37).

²⁶ Kirk Willis, “The Critical Reception of *German Social Democracy*”, *Russell*, o.s. nos. 21–2 (1976): 35–45.

²⁷ Review of B. Russell, *German Social Democracy*, *Economic Journal*, 7 (June 1897): 248–50. Dawson was a supporter of Bismarckian State socialism, on which he himself had written (*Bismarck and State Socialism* [New York: Howard Fertig, 1890]).

Russell held no grudges. Almost 30 years later he wrote a favourable review of Dawson’s *The Evolution of Modern Germany* (*Papers* 15: 67–8).

²⁸ Willis, “The Critical Reception of *German Social Democracy*”; I. Steedman, “P. H. Wicksteed’s Jevonian Critique of Marx”, in Steedman, *From Exploitation to Altruism* (Cambridge: Polity P., 1989), pp. 117–44.

²⁹ Nicholas Griffin, *Russell’s Idealist Apprenticeship* (Oxford: Clarendon P., 1991).

Liberal friends, especially in his acceptance of the two important (and closely related) doctrines of the increasing concentration and centralization of capital, and of growing social polarization. Russell failed to confront the technical issues posed by Marx's analysis, in Volume III of *Capital*, of the transformation of values into prices of production, but in this he was joined by most contemporary opponents of Marxian theory, including the very best.³⁰ His neglect of crisis theory, and of Marx's falling rate of profit theory, is a more serious defect.³¹

German Social Democracy does reveal something which was to characterize all of Russell's work in economics: its political motivation. He had no interest in economic theory for its own sake, and seems never to have been tempted to apply his talents in mathematics and formal logic to the analysis of economic questions. Alfred Marshall, at least, would have approved, given his well-known scepticism concerning the value of mathematical methods in economics.³² Russell summarized his views on economics in a one-page "Note on Economic Theory", probably written early in late 1895 or early 1896:

All income is derived from one of two sources:

- A. The monopoly of some useful or desirable good.
- B. Endurance of pain or abstinence from pleasure in a manner which increases the wealth of others.

The first of these is *Rent* in a general sense, the second is wages (including interest).

- A. Includes the rent of internal and of external goods.
 - 1. *Internal* goods yield rent of ability, and being non-transferable, cannot be nationalized.
 - 2. *External* goods yield rent of land, of mines, and of all other monopolies of a productive kind.

In both classes, the income derived is the excess of the amount produced above

³⁰ E. von Böhm-Bawerk, "Karl Marx and the Close of His System" (1896), in Paul M. Sweezy, ed., *Karl Marx and the Close of His System* (London: Merlin P., 1975), pp. 1–118.

³¹ Royden Harrison, *The Life and Times of Sidney and Beatrice Webb: 1858–1905: The Formative Years* (Basingstoke: Palgrave, 2000), p. 31. The defect was shared, however, with the Fabians, none of whom had clear views at this time on the macroeconomics of capitalism.

³² Groenewegen, pp. 171–2.

that on the margin, i.e. on the worst land or by the most foolish undertaker. This head does not include Consumer's rent, and analogous categories, which come under B.

B. Includes

1. The reward of disagreeable exertion which produces a desirable result: *wages*.
2. The reward of an abstinence from present pleasure, in a form which increases the national wealth (i.e. by the increase of productivity through machines): *interest*.

In both cases, the greatest or marginal self-denial determines the price of the whole, but the greatness of this marginal self-denial is determined by the demand, i.e. by the price which can be paid without neutralizing the gain resulting from the self-denial. The other portions of self-denial get a Rent analogous to Consumer's Rent.³³

Allowing for the rather strange terminology, this note again reflects the influence on Russell of contemporary Fabian (and New Liberal) economic thinking, which combined Marshallian price theory with a rather radical interpretation of the theory of rent that amounted to a non-Marxian theory of surplus value.³⁴ Russell presumably included interest under "wages" rather than "rent" because he deemed it to be a reward for a genuine sacrifice ("abstinence from present consumption"), while rent was a pure surplus that corresponded to no productive contribution whatsoever.

Russell criticized two fundamental principles of neo-classical economics in papers presented in 1896 to the Cambridge and Westminster Club, an informal grouping set up by Alys and Bertrand for their London friends. In "The Uses of Luxury" Russell confronts the law of diminishing marginal utility, and in particular the apparent implication that equality of wealth would maximize social welfare:

There is a well-worn argument for equality of fortunes, much in favour with Socialists on account of its extreme individualism and atomism. This argument

³³ *Papers* 1: 309; RAI 210.0065549-F1 (the first "Mit Gott" notebook), p. 166. This comes at the end of Russell's notes on socialist economics; it is followed by a brief "Note on Ethical Theory" (*Papers* 1: 241) and a "Note on the Logic of the Sciences" (*Papers* 2: 5), and then by a series of notes on mathematics, reflecting the change in Russell's interests as he moved away from economics and back into philosophy.

³⁴ M. H. Dobb, "Bernard Shaw and Economics", in Dobb, *On Economic Theory and Socialism* (London: Allen & Unwin, 1946), pp. 205–14.

says, that the richer a man is, the less pleasure he can get out of a given amount of money; whence, by a brief and apparently conclusive piece of mathematics, we prove irrefutably that equal division gives the greatest aggregate happiness.

(*Papers* 1: 320)

Interestingly, Russell does not attack this proposition on the grounds that interpersonal comparisons of mental states are impossible. He is prepared to concede that “the aggregate of brute happiness” would be increased by equal distribution. But absolute equality would bring with it “such a loss in the complexity and variability of individual lives as would, in the end, counterbalance the mathematical gain.” Scientists and artists could flourish only if supported by rich patrons, and the rich were more likely to have good taste than the poor:

Put generally, the argument comes to this: That where excellence is so hard to estimate that most people will judge wrong, and where success and honour depend wholly on the opinions of others, there it is always advisable to leave rewards to be adjudged by many private individuals separately, in order to avoid a system or standard almost inevitably pernicious. That further, such individuals are supplied by rich men of leisure, who can afford to spend money on what *may* be waste, just because a given amount of money, to them, has less utility than to poorer men; and that, finally, there is a little more hope of taste in such men than in those who have to work for their living. (*Papers* 1: 321; original stress)

This was not, of course, an original point. The damaging effect of egalitarianism on the growth of “culture and knowledge” was one of the (many) arguments invoked by F. Y. Edgeworth³⁵ in defence of inequality.³⁶

Just how serious Russell was in advocating this conventional conserva-

³⁵ Francis Ysidro Edgeworth (1845–1926) was Drummond Professor of Political Economy at Oxford University between 1891 and 1922. One of the foremost neo-classical theorists of his generation, he was an important pioneer of the use of mathematics in economic analysis.

³⁶ J. Creedy, *Edgeworth and the Development of Neoclassical Economics* (Oxford: Blackwell, 1986), pp. 88–9, 115–16; cf. F. Y. Edgeworth, Review of H. Sidgwick, *The Elements of Politics*, *Economic Journal*, 1 (Dec. 1891): 781–5; reprinted in Edgeworth, *Papers Relating to Political Economy*, Vol. 3 (London: Macmillan for the Royal Economic Society, 1925), pp. 15–20 at (17–18).

tive case for inequality is open to some doubt.³⁷ Significantly, he does not endorse Edgeworth's other arguments: the disincentive to work and save, Malthusian population effects, and the greater "capacity for pleasure" that supposedly characterizes the wealthy. Russell's concern for individuality and the protection of diversity and creativity goes far beyond the narrow utilitarianism of Edgeworth's approach. Eventually he was to claim that this was not inconsistent with a very high degree of equality, and in 1918 he would use the need to protect artists and scientists to argue for a Basic Income for everyone (see below). He concludes the 1896 paper by attacking the right to inheritance:

I would wish wealth to be not hereditary, but the perquisite of certain posts of distinction, whether in the service of the State, in art or literature, in Science or Industry, or, in short, in any branch of useful human activity. . . . In a Socialistic community of the future, in our nearer Utopia, we would have great inequalities of fortune, but not accidental or inherited inequalities. Rather they should be, like Bishops' palaces, the reward of real or supposed merit. (1: 322)

At a second meeting of the Cambridge and Westminster Club, also in 1896, Russell announced the death of the law of diminishing returns: "It is a singular fact that the doctrines of Malthus and Darwin were discovered almost at the very moment when, as applied to human beings, they ceased to be true." In consequence "the struggle for existence is rapidly becoming a thing of the past", sapping the whole basis of conventional morals (*Papers* 1: 325, 327). For Russell this was excellent news. For one thing, it would inevitably undermine militarism:

Though the instinctive and unthinking of all countries continue that hatred of foreign nations which was formerly a virtue, those who have grasped the principles of reasoned morality advocate international arbitration and laugh at the mutual hatreds of civilized nations. The modern love of arbitration is a direct outcome of the law of increasing returns. (1: 327)

³⁷ There is a tone of flippancy throughout this paper. It is ostensibly aimed at J. A. Hobson's supposed defence of luxury on underconsumptionist grounds, though Russell states at the outset, rather mischievously, that "I am not going to discuss Hobson's economic argument, however, and I fear that, if I did, it might militate against my conclusion" (*Papers* 1: 320).

Some of the other welcome outcomes included increased acceptance of women's rights, education, democracy and democratic socialism, together with "medicine, sanitation, temperance legislation, and all the many other schemes for enabling the weak to survive" (1: 328). Russell concludes by celebrating the fact "that worldliness, that pushing struggle for success, which was virtuous in our ancestors, and is regarded as moral by our conventional contemporaries, is now no longer needed; we may devote ourselves to the adornment of life, to the growth of roses rather than cabbages, to the pursuit of all that makes life not merely possible, but beautiful, interesting and varied" (1: 328). He does not, however, explore the implications for Marshallian economics of the abolition of scarcity, nor does he reconsider his earlier argument for inequality, which denies it.

IN DEFENCE OF FREE TRADE

The next seven or eight years saw Russell dedicated to academic philosophy, lecturing and writing on Leibniz in 1899–1900, writing the 500-page *Principles of Mathematics* between 1899 and 1903, and then beginning work with A. N. Whitehead, some time between 1900 and 1902, on *Principia Mathematica*. In correspondence with the French logician Louis Couturat he attempted unsuccessfully to defend the British role in the Boer War on utilitarian grounds: the division of the globe between a small number of Great Powers, he suggested, would contribute in the long run to the preservation of world peace. Couturat convinced him that this position was mistaken, and from 1900 onwards Russell was a consistent anti-imperialist.³⁸ But this was a private controversy. Only in 1904, after Joseph Chamberlain had launched his campaign for imperial preference, did Russell return to public political activity—and also to economics.

His interest was evident as early as July 1903, when he wrote to Elie Halévy³⁹ denying that he intended to go into politics. If Chamberlain

³⁸ David Blitz, "Russell and the Boer War: from Imperialist to Anti-imperialist", *Russell*, n.s. 19 (1999): 117–42.

³⁹ Elie Halévy (1870–1937) was a distinguished French historian of liberal sympathies, best known for his account of the origins of philosophic radicalism and for his multi-volume history of nineteenth-century England.

had any real chance of success, he told Halévy, his decision might be different. “As it is, I feel no serious doubts of his being badly beaten; the big loaf and the little loaf is such a good election cry” (*SLBR*, 1: #122). In November Russell wrote again to Halévy, defending free trade: “I sympathize fully with all internationalism, and my *enthusiasm* for Free Trade is derived from this, not from economics.” Unlike disarmament, however, free trade could safely be adopted unilaterally. In fact “the argument for Free Trade in England is equally strong whatever the fiscal policy of other nations.” As for Halévy’s suggestion that protection was needed to allow a country to escape from reliance on agriculture: “the conditions in this respect differ in different nations. In Australia the agricultural population is celibate: this seems to me a good reason for protecting manufactures. In Russia, there is hope that manufacturing may cause revolution—again an excellent reason. But in England I can see no shadow of a reason, whether economic or uneconomic” (*SLBR*, 1: #125; original stress).

Between January and March 1904 Russell “gave at least thirteen and almost certainly more public talks in defence of free trade”, had four letters to editors published on the issue, and wrote three substantial review articles (*Papers* 12: 181, headnote). In the (New Liberal) *Independent Review* he assessed W. J. Ashley’s⁴⁰ pro-Chamberlain book *The Tariff Question* and A. C. Pigou’s⁴¹ free trade manifesto, *The Riddle of the Tariff*. Writing anonymously in the *Edinburgh Review*, he repeated his analysis of these two works and added a critique of two protectionist tracts and a British government report. Finally, in the *Contemporary Review*, Russell commented on a tariff reform article by the celebrated social investigator Charles Booth.

Russell’s published writings on free trade show him to be a resolute

⁴⁰ William James Ashley (1860–1927) was a prominent defender of the German historical school of economics in the English version of the great *Methodenstreit* of the 1890s, and an opponent of abstract, neo-classical theory. As Professor of Commerce at Birmingham University between 1901 and 1925, he published extensively on British economic history.

⁴¹ Arthur Cecil Pigou (1877–1959) succeeded Alfred Marshall to the chair in Economics at Cambridge in 1908, a position he retained until his retirement in 1943. Pigou applied Marshallian value theory to the analysis of economic welfare, identifying the conditions under which market failures needed to be corrected by taxes, subsidies and the redistribution of income and wealth from the rich to the poor.

enemy of protection, totally in command of the orthodox case against tariffs but also convinced that the economic arguments were secondary to the political ones. The protectionists relied upon four points, he notes. The first is that “manufactured imports rob the British working man of his employment.” This, he responds, is “a sheer mistake”: “If labour and capital are allowed to find their most profitable employment, which is the result of free imports, they produce more wealth, demand is stimulated, and wages and employment increase. If, on the other hand, prices are raised by protection, there is a diminution in demand, and therefore there is less employment” (*Papers* 12: 201). Neither will tariffs reduce unemployment, which depends primarily on fluctuations in trade and not at all on the level of imports. There is in fact an inverse relationship between unemployment and imports, as Russell demonstrates for the period 1889–1902, using statistics published by the Board of Trade. “And this result is not surprising, for after all men out of work do not buy American watches, nor do we increase our purchases of leather and such half-wrought materials when people cannot afford new boots” (12: 202–3).

The second argument for protection is “that the free-trade case supposes a mobility of labour and capital from trade to trade which does not, as a matter of fact, exist” (12: 201). To this Russell’s response is that “where the change is gradual, as it almost always is, the postulate of the economists is fully borne out by the facts ... wherever the rate of decay [of demand for goods subject to competition from imports] is slow enough to be met by diminishing the investment of new capital and labour in a trade, no hardship need result, provided other trades are at the same time growing at an equal or greater rate” (12: 203).

Third, the tariff reformers maintain, “much foreign competition is ‘unfair’, i.e. consists of goods sold below cost price, or produced by sweated labour” (12: 201). Russell is prepared to concede that the argument from dumping is the strongest and most convincing of the four. But dumping takes place only in periods of depression, when overseas producers keep their prices up in the home market and dispose of their surplus output abroad for whatever it will fetch. It does not represent a great danger, since “this form of dumping will not occur at all in most years, and when it does occur, will seldom concern more than a small proportion of the produce of the dumping country. It can therefore never be sufficient to ruin a large industry in this country, but can at

most cause temporary annoyance” (12: 204). Were dumping instead to constitute “a definite act of aggression, designed to ruin competitors and conquer a market” (12: 203), it will have to be taken more seriously. But Russell doubts whether this is likely to occur. The most likely such aggressor was the American iron and steel industry, which does not have the capacity not only to supply the entire British market but also to replace British exports to third countries. “Now the world’s market for iron is not only growing, but is also very elastic; it would be very greatly increased by a slight fall in price. Consequently the production necessary in America would be immense, and the expense of selling such large quantities at a loss for years together would be greater than even an American Trust could endure, or than any sane man of business would voluntarily incur” (12: 205). In any case, Russell concludes, dumping would benefit everyone in Britain except the iron and steel producers, not least the iron-using industries like engineering and shipbuilding. And the

arguments which apply against interference with dumping apply, with even greater force, against protection from sweated goods. So far as the interests of this country are concerned, it is irrelevant how the cheapness of an imported commodity is caused—whether by better natural resources, by greater technical skill, by dumping, or by sweated labour. Indeed, if any distinction can be drawn, the produce of sweated labour is even less to be feared than dumped goods; for sweating, where it occurs, is not subject to sudden and violent fluctuations, and therefore causes little disturbance to our trade. (12: 205–6)

It simply was not possible, as many feared, for foreigners to undercut domestic producers in *all* industries. As Pigou had shown, if such an unlikely state of affairs were to eventuate “there would instantly be an export of gold, in consequence of which prices would fall here and rise abroad until equilibrium had been attained” (12: 206).

The fourth and final argument for protection is “that some trades, for reasons of national well-being, are more desirable than others, and ought to be preserved even if there is some economic loss in doing so” (12: 201). Ashley, for example, had raised the spectre of an England specializing in trades that used mainly unskilled labour. This, Russell contends, is “quite unsupported by the facts. Indeed, some of the trades which are likely to be injured by protection—cotton, building, coal-mining, engineering, ship-building and shipping—are among the most desirable as

regards skill and conditions of labour, and among the most vitally important to our wealth and our imperial power" (12: 210).

The case for imperial preference, Russell suggests, is even weaker than that for protection pure and simple: "all the arguments employed to demonstrate the advantage which we should derive from protection apply even more strongly to the colonies, and are believed by them to be sound.... Accordingly the outcome of Mr. Chamberlain's campaign is to strengthen the protectionist parties throughout the Empire; and it is well known that, in spite of preferences, colonial tariffs are directed chiefly against us, because we are the chief exporters of manufactures" (12: 211).

All in all, Russell concludes, the case for free trade is even stronger than it had been in the 1840s. "But free trade was not then, and is not now, merely a question of economic loss or gain. It involves greater issues, and must be judged by reference to larger ideals" (12: 212). Protection is inextricably linked to nationalism and racial prejudice, themselves fostered by

the belief, now accepted as almost axiomatic, that whatever benefits one nation must harm another, and vice versa. Under the influence of this belief, trade is conceived as warfare; and it happens that exports have been taken as marking success, imports as marking failure ... the conception that trade offers mutual advantages has become impossible to men imbued with the spirit of grasping pugnacity which forms Bismarck's legacy to the civilized world. (12: 213)

Thus it has been "forgotten that even foreigners are human beings, and that their evil is not an end in itself". No less important, Russell continues, are the domestic political consequences of protection:

And at home, behind the protection of the tariff, trusts will grow up, destroying liberty and corrupting our public life. In every election candidates will have to promise increased protection for the industries carried on in their constituencies, and, if they refuse, they will fail to be elected. High-minded men, disgusted at the necessity for such tactics, will no longer take part in politics, and their place will be taken by men open to the only arguments that trusts are able to employ. The purity of our public life, achieved slowly by the nineteenth century, will be a dream of the past, and interests will govern in the lobby and at the polls. (12: 215)

Russell here presents himself as a Cobdenite liberal, opposed to State intervention in the interest of the privileged few and committed to free

trade as a moral good that offers the prospect of abolishing war. He is close here to the position taken by Joseph Schumpeter,⁴² who saw imperialism as an atavism, pursued not by capitalists but by aristocrats who were imprisoned in the militarist mentality of a distant past.⁴³

As Russell notes in a subsequent critique of Charles Booth's writings on tariff reform, "the Socialists of all countries are in favour of Free Trade" (12: 225). This was certainly true of the German Social Democrats, whose hostility to tariffs was, like that of Russell, based much more on opposition to the forces of reaction than on narrow economic considerations. Rudolf Hilferding saw protection and aggressive imperialism as being very closely connected, and described the political implications in the following terms:

The demand for an expansionist policy revolutionizes the whole world view of the bourgeoisie, which ceases to be peace-loving and humanitarian.... Since the subjection of foreign nations takes place by force—that is, in a perfectly natural way—it appears to the ruling nation that this domination is due to some special national qualities, in short to its racial characteristics. Thus there emerges in racist ideology, cloaked in the garb of natural science, a justification for finance capital's lust for power, which is thus shown to have the specificity and necessity of a natural phenomenon. An oligarchic ideal of domination has replaced the democratic ideal of equality.⁴⁴

By 1914 Russell would have found this profoundly and regrettably true.

⁴² J. A. Schumpeter, "The Sociology of Imperialism" (1919), in *Imperialism. Social Classes. Two Essays by Joseph Schumpeter*, trans. Heinz Norden, introd. by Bert Hoselitz (New York: Meridian Books, 1955), pp. 1–104.

⁴³ I owe this point to a referee. Joseph Alois Schumpeter (1883–1950) was born in Triesch, in Austro-Hungary, taught economics in Austria and in Germany, and was Professor of Economics at Harvard University from 1932 until his death. He was an influential writer on business cycles, the role of the entrepreneur and the history of economic thought, and is regarded as one of the founders of modern evolutionary economics. Russell probably met him at Harvard in 1914. He told Ottoline Morrell: "... this morning another man was shaving at the same time, who turned out to be an Austrian economist, who at once began talking about Keynes, Pigou, etc. He had been trying to meet me for some days ... (SLBR, 1: #225).

⁴⁴ R. Hilferding, *Finance Capital: a Study of the Latest Phase of Capitalist Development* (London: Routledge & Kegan Paul, 1981; 1st ed., 1910), p. 335.

“ROADS TO FREEDOM”

The Liberal election victory in 1906 saw the effective defeat of the battle for Imperial Preference, although the Conservatives continued to campaign for protection until the outbreak of the Great War. Russell himself now returned full-time to philosophy. The next decade was perhaps the most fertile of his entire life, producing the three volumes of *Principia Mathematica* (published in 1910, 1912 and 1913), a collection of his *Philosophical Essays* (also in 1910), *The Problems of Philosophy* (1912), and an impressive series of technical papers in leading philosophical journals. Inevitably the First World War changed all this, driving him into a period of intense political activity and forcing him to reconsider the foundations of his ethical and social beliefs. Like many liberals who were horrified at the senseless slaughter, Russell was radicalized by the war and especially by the threat to freedom that was posed in all the combatant nations by the demands of the war machine. From 1915 he worked tirelessly for the No-Conscription Fellowship, eventually losing his lectureship at Trinity and being jailed for his anti-war propaganda (*Auto.*, 2: 15–40). Influenced by the writings of G. D. H. Cole,⁴⁵ Russell now broke decisively with liberalism and eventually declared himself to be a Guild Socialist. Already in July 1915 he had joined the Independent Labour Party and had thereby indicated his support for the Labour Party itself, to which the ILP was affiliated.⁴⁶

The War had an even greater impact on Russell's economic, political and social thought. “It may seem curious that the War should rejuvenate anyone”, he wrote in his *Autobiography*, “but in fact it shook me out of my prejudices and made me think afresh on a number of fundamental questions” (2: 15). Three were crucial. What had caused the War, and

⁴⁵ George Douglas Howard Cole (1889–1959) was Chichele Professor of Social and Political Theory at Oxford from 1944 until 1957, and an extremely prolific author on economics, politics, social theory and history. A lifelong socialist, Cole was a Guild Socialist as a young man before moving to a more orthodox Fabian position. In his *Social Theory* he praised Russell for recognizing that Guild Socialism was “a step towards a non-coercive society” (*Social Theory* [London: Methuen, 1920], p. 140n.), and recommended both *Principles of Social Reconstruction* and *Roads to Freedom* in the bibliography. Three years earlier, however, Cole had written to Russell criticizing him for being insufficiently interested in politics or economics (*Papers* 14: 467, headnote).

⁴⁶ Royden Harrison, “Bertrand Russell: from Liberalism to Socialism?”, p. 12.

how might similar catastrophes be avoided in the future? What was wrong with the prevailing conceptions of human nature and human well-being? What form of socialism could best reconcile freedom and social justice? The answers to these three questions proved to be closely linked.

In 1915 Russell wrote a series of lectures, which he delivered at the beginning of 1916. The text was published as *Principles of Social Reconstruction* (the U.S. publisher re-titled the book *Why Men Fight*). As he notes in the Preface, his “aim is to suggest a philosophy of politics based upon the belief that impulse has more effect than conscious purpose in moulding men’s lives”. There are two groups of impulses, the possessive and the creative, “according as they aim at acquiring or retaining something that cannot be shared, or at bringing into the world some valuable thing, such as knowledge of art or goodwill, in which there is no private property” (*PSR*, p. 5). A life built on the creative impulses is greatly to be preferred to one based on the possessive impulses. “The state, war, and property are the chief political embodiment of the possessive impulses”, while “[l]iberation of creativeness ought to be the principle of reform both in politics and in economics” (p. 6).

In the first lecture, “The Principle of Growth”, Russell argues that people’s impulses and desires “proceed from a central principle of growth, an instinctive urgency leading them in a certain direction, as trees seek the light” (p. 24). This natural growth can be encouraged or hindered by political and social institutions, as humanity’s “vital needs” (p. 42) are not exclusively—or even primarily—economic:

It is not only more material goods that men need, but more freedom, more self-direction, more outlet for creativeness, more opportunity for the joy of life, more voluntary cooperation, and less involuntary subservience to purposes not their own. All these things the institutions of the future must help to produce, if our increase of knowledge and power over Nature is to bear its fruit in bringing about a good life. (*PSR*, p. 43)

After further discussion of the State, and war, Russell returns to economics in the fourth lecture, “Property”, where he sets out his critique of capitalist institutions. He begins by attacking

the *worship* of money ... the belief that all values may be measured in terms of money, and that money is the ultimate test of success in life. This belief is held

in fact, if not in words, by multitudes of men and women, and yet it is not in harmony with human nature, since it ignores vital needs and the instinctive tendency towards some specific kind of growth. (P. 113; original stress)

In England, however, the worship of money is almost as universal as it is in America, in France and even in Germany, where it is associated with aggressive nationalism and subordinated to the demands of the State:

The happiest men and women, as we can all testify from our own experience, are those who are indifferent to money because they have some positive purpose which shuts it out. And yet all our political thought, whether Imperialist, Radical, or Socialist, continues to occupy itself almost exclusively with men's economic desires, as though they alone had real importance. (P. 119)

Again, this is not an original observation. Alfred Marshall, for example, began his address to the 1907 Congress of the Royal Economic Society by noting that large additional consumption expenditures added little if anything to the well-being of those who were already affluent, and praising the increasing emphasis on "chivalry in business life". By chivalry Marshall meant not just public spiritedness but also "a delight in doing noble and difficult things because they are noble and difficult.... It includes a scorn for cheap victories, and a delight in succouring those who need a helping hand."⁴⁷ More and more, he believed, honour, position and influence were being conveyed by "less blind and less wasteful" means than the continual growth of consumption (*ibid.*, p. 15). Russell might well have approved of Marshall's emphasis on "the force of chivalrous emulation" as an alternative to money-grubbing in motivating human creativity. There is no evidence, however, that he was aware of Marshall's address, and he would have certainly been repelled by its anti-socialist and elitist message, with the very clear implication that business people were much more chivalrous than their workers.⁴⁸

Russell proposes four tests for any economic system: maximum production, justice in distribution, a tolerable existence for the producers,

⁴⁷ A. Marshall, "The Social Possibilities of Economic Chivalry", *Economic Journal*, 17 (March 1907): 7-29 (at 14).

⁴⁸ Earlier experiments in Utopian socialism had "proved, I think, conclusively that in the common man jealousy is a more potent force than chivalry" ("The Social Possibilities of Economic Chivalry", p. 24).

and “the greatest possible freedom and stimulus to vitality and progress” (*PSR*, p. 119). Capitalism is concerned only with the first criterion; socialism is preoccupied with the second and third. However, Russell continues, “I believe that the fourth is much the most important of the objectives to be aimed at, that the present system is fatal to it, and that orthodox socialism might well prove equally fatal” (p. 120). He concedes that capitalism had greatly increased humanity’s productive powers. But this is not an unmixed blessing, since the growth in productivity “has enabled us to devote more labour and capital to armies and navies for the protection of our wealth from envious neighbours, and for the exploitation of inferior races, which are ruthlessly wasted by the capitalist regime” (pp. 118–19). And it is unsustainable under present social conditions, which are “wasteful of human material” and of the natural environment (p. 123). Suitably civilized, though, modern technology would make it possible for hours of work to be greatly reduced. Once the “mania for increasing production” has been overcome, people will be able to enjoy “far more science and art, more diffused knowledge and mental cultivation, more leisure for wage-earners, and more capacity for intelligent pleasures”. This, however, requires “a different economic system, in which the relation of activity to needs will be less concealed and more direct” (p. 120).

As for distribution, Russell regards the existing system as “indefensible from every point of view, including the point of view of justice” (*PSR*, p. 123). The right to be paid interest on capital produces effects “so bad that it seems imperatively necessary to devise some means of curbing its power”; the wealth and influence acquired by the owners of private capital have been at the expense of real freedom for everyone else. The right of inheritance is, morally speaking, dubious in the extreme, while private property in land “has no justification except historically through power of the sword” (p. 125). While it is necessary that rent should be paid, Russell argues, it should be paid to the State “or to some body which performs public services” (p. 126). Socialists do advocate justice in distribution, but this, for Russell, does not go far enough: “Justice would be secured if all were equally unhappy, as well as if all were equally happy. Justice, by itself, when once realized, contains no source of new life” (p. 129). Equally, while the alleviation of poverty is a necessary condition for a good society, it is not sufficient: “perhaps socialism would only substitute the evils which now affect the more prosperous in

place of the evils resulting from destitution” (p. 130).

At this point Russell returns to his fourth criterion of social welfare:

The chief test of an economic system is not whether it makes men prosperous, or whether it secures distributive justice (though these are both very desirable), but whether it leaves men’s instinctive growth unimpeded. To achieve this purpose, there are two main conditions which it should fulfil: it should not cramp men’s private affections, and it should give the greatest possible outlet to the impulse of creation. (PSR, p. 135)

Under capitalism, work is only a means to earning a wage, not an end in itself. State socialism would be no better in this regard: “In a socialist community, the State would be the employer, and the individual workman would have almost as little control over his work as he has at present” (p. 137). Given the nature of modern technology, large-scale productive organizations are inescapable. “But there is no reason why their government should be centralized and monarchical” (p. 138). Some combination of cooperation and syndicalism would permit large businesses to become “democratic and federal in their government” (p. 138). There is no need to eradicate capitalism:

Provided the sphere of capitalism is restricted, and a large proportion of the population are rescued from its domination, there is no reason to wish it wholly abolished. As a competitor and a rival, it might serve a useful purpose in preventing more democratic enterprises from sinking into sloth and technical conservatism. But it is of the very highest importance that capitalism should become the exception rather than the rule, and that the bulk of the world’s industry should be conducted on a more democratic system. (Pp. 137–8)

Such a system will not entail complete equality of earnings. While the landlord will disappear, and the capitalist will face severe restrictions, Russell’s decentralized socialism can easily accommodate artists, writers, “and others who produce for their own satisfaction works which the public does not value soon enough to secure a living for the producers” (pp. 140–1). They can be offered the opportunity to work part-time in uninteresting jobs at low wages and devote the bulk of their time and energy to charitable or creative activity.

Russell’s conception of socialism and his critique of economic theory are further developed in his second set of war-time lectures, written in the second half of 1916 and eventually published in New York in the

following year as *Political Ideals*.⁴⁹ Here he again begins with the distinction between “two sorts of goods, and two corresponding sorts of impulses. There are goods in regard to which individual possession is possible, and there are goods in which all can share alike.”⁵⁰ Food, clothing and material goods generally belong to the first category, while “mental and spiritual goods” fall into the second. In twenty-first century terminology, the latter are non-rival; they represent public goods rather than private goods. As Russell puts it:

If one man knows a science, that does not prevent others from knowing it; on the contrary, it helps them to acquire the knowledge. If one man is a great artist or poet, that does not prevent others from painting pictures or writing poems, but helps to create the atmosphere in which such things are possible. If one man is full of good-will toward others, that does not mean that there is less good-will to be shared among the rest; the more good-will one man has, the more he is likely to create among others. In such matters there is no *possession*, because there is not a definite amount to be shared; any increase anywhere tends to produce an increase everywhere. (Pp. 7–8; original stress)

Corresponding to these two classes of goods are the two types of impulses, the possessive and the creative. The possessive impulses are profoundly dangerous, since they generate “competition, envy, domination, cruelty, and almost all the moral evils that infest the world” (p. 9). They also tend “to infect activities which ought to be purely creative” (p. 10). Political and social institutions ought therefore to be judged according to whether they stimulate the possessive or the creative impulses of humankind.

For Russell capitalist institutions rest on property and power. “Both of these are very unjustly distributed; both, in the actual world, are of great importance to the happiness of the individual. Both are possessive goods; yet without them many of the goods in which all might share are hard to acquire as things are now” (*Political Ideals*, p. 16). He repeats the case for industrial democracy: “There can be no real freedom or democracy until the men who do the work in a business also control its management” (p. 26), but this needs to be coupled with devolution in order

⁴⁹ For details of his harassment by the British State in this period, see *Papers* 14: 223–6, general headnote.

⁵⁰ *Political Ideals* (New York: Century, 1917), pp. 6–7.

to prevent the oppression of minorities by the majority. The diffusion of power will

weaken the impulse towards force and domination in two ways: first, by increasing the opportunities for the creative impulses, and by shaping education so as to strengthen these impulses; secondly, by diminishing the outlets for the possessive instincts.... And the abolition of capitalism and the wage system would remove the chief incentive to fear and greed, those correlative passions by which all free life is choked and gagged. (Pp. 34–5)

This will also improve the prospects for peace, since “war is only the final flower of an evil tree” (p. 41).

Political Ideals reveals Russell’s political thinking to be in a state of transition. He now rejects syndicalism as inconsistent with distributive justice, since “[s]ome trades are in a much stronger bargaining position than others” (p. 50) and should not be able to exploit their weaker colleagues:

In the affairs of any body of men, we may broadly distinguish what may be called questions of home politics from questions of foreign politics. Every group sufficiently well-marked to constitute a political entity ought to be autonomous in regard to internal matters, but not in regard to those that directly affect the outside world.... The relations of a group of men to the outside world ought, whenever possible, to be controlled by a neutral authority. It is here that the state is necessary for adjusting the relations between different trades. The men who make some commodity should be entirely free as regards hours of labor, distribution of the total earnings of the trade, and all questions of business management. But they should not be free as regards the price of what they produce, since price is a matter concerning their relations to the rest of the community. (Pp. 97–8)

Like the syndicalists, the Guild Socialists are wrong to deny the need for political institutions, since the State must play some role in any new socialist order: “The economic system we should wish to see would be one in which the state would be the sole recipient of economic rent, while private capitalistic enterprises should be replaced by self-governing combinations of those who actually do the work” (p. 60). Workers should be free to choose between part-time and full-time employment,

but not to opt for idleness:⁵¹

The workers in a given industry should all be combined in one autonomous unit, and their work should not be subject to any outside control. The state should fix the price at which they produce, but should leave the industry self-governing in all other respects. In fixing prices, the state should, as far as possible, allow each industry to profit by any improvement which it might introduce into its own processes, but should endeavor to prevent undeserved loss or gain through changes in external economic conditions. In this way there would be every incentive to progress, with the least possible danger of unmerited destitution. (Pp. 61–2)

Such a system will also avoid the most important pitfalls of State socialism. “The tyranny of the majority is a very real danger”, Russell concedes (p. 92). Since “love of power is a stronger motive than economic self-interest” (p. 86), constant vigilance is necessary to prevent the excessive concentration of power in the hands of the State. But this does not prevent Russell from advocating the establishment of a world government, which will (among its many other benefits) allow the abolition of tariffs. “Universal free trade would indubitably be of economic benefit to mankind, and would be adopted tomorrow if it were not for the hatred and suspicion which nations feel one toward another.... The desire for exclusive markets is one of the most potent causes of war” (pp. 159–60).

The political implications of Russell’s analysis are drawn out even more clearly in the third of his wartime books, *Roads to Freedom*.⁵² Here he reluctantly rejects anarchism as an appealing but impracticable political philosophy, repeats his objections to Marxian socialism and to syndicalism, and states his support for Guild Socialism more explicitly than he had done in his two previous works. Russell’s criticism of Marxism adds little to *German Social Democracy*, and the only additional source that he cites is Bernstein’s *Evolutionary Socialism*.⁵³ He prefers

⁵¹ “Unwillingness to work should be treated medically or educationally, when it could not be overcome by a change to some more congenial occupation” (*Political Ideals*, p. 61).

⁵² Both Russell himself and his biographer disparage *Roads to Freedom* as a potboiler, written at high speed for fast money (Monk, 1: 504, 522). This, I think, is much too harsh a verdict; and Russell would not be the first author to express disgust at one of his own manuscripts.

⁵³ Russell, *Roads to Freedom: Socialism, Anarchism, and Syndicalism* (London: Allen

Kropotkin to Bakunin as a proponent of anarchism, and notes that “[t]he *economic* organisation of society, as conceived by the Anarchist Communists, does not differ greatly from that which is sought by the Socialists” (p. 68; original stress). They do differ, however, in their attitude to the State, and also on the individual’s obligation to work. Unlike the socialists, anarchism

aims at granting to every one, without any conditions whatever, just as much of all ordinary commodities as he or she may care to consume, while the rarer commodities, of which the supply cannot easily be indefinitely increased, would be rationed and divided equally among the population. Thus Anarchism would not impose any *obligation* to work, though Anarchists believe that the necessary work could be made sufficiently agreeable for the vast majority of the population to undertake it voluntarily. Socialists, on the other hand, would exact work. (Pp. 105–6)

Rejecting the socialist position, which he had endorsed in *Principles of Social Reconstruction*, Russell is now much closer to the anarchists:

the principle of unlimited supply could be adopted in regard to all commodities for which the demand has limits that fall short of what can be easily produced. And this would be the case, if production were efficiently organized, with the necessities of life, including not only commodities, but also such things as education. (P. 110)

Other goods and services will have to be allocated by the price mechanism, and this entails the continued payment of wages, including wages for housework (p. 196). Those who perform “disagreeable” or “painfully monotonous” work should receive “special privileges” (p. 112), while people who choose not to work at all should not be left to starve, be imprisoned or compulsorily re-educated. Russell now suggests “that a certain small income, sufficient for necessities, should be secured to all, whether they work or not, and that a larger income—as much larger as might be warranted by the total amount of commodities produced—should be given to those who are willing to engage in some work which the community regards as useful” (pp. 119–20). This Basic Income, or “vagabond’s wage” (p. 179), is the means whereby “the claims of free-

dom could be combined with the need of some economic stimulus to work” (p. 119).

Russell’s endorsement of the “vagabond’s wage” marks a distinct shift in his attitude towards the work ethic and the role of economic incentives. Basic Income was very clearly “in the air” in 1917–18, with a very similar proposal being worked out at the same time by the Guild Socialist Dennis Milner.⁵⁴ There is no evidence that Russell discussed the idea with Milner, though as both were active in the anti-conscription movement this cannot be ruled out. He would have found closely related arguments in the work of both Hegel and Fichte, with whom he had sympathized as a young man.⁵⁵ But this connection is rather speculative, as is the intriguing possibility that Russell himself influenced Major C. D. Douglas’s subsequent espousal of a “social dividend” payable to all citizens as of right. Douglas himself, of course, had a Guild Socialist background.⁵⁶

CONCLUSION

By the time he came to write *Roads to Freedom*, Russell had provided clear answers to the three “fundamental questions” posed by the War. The conflict itself was the inevitable outcome of the possessive impulses, unrestrained as they were by social and political institutions; if war was to be avoided in future, the creative impulses must be fostered instead. Prevailing conceptions of human nature were defective in two ways: they exaggerated the role of reason and conscious deliberation, and placed too much emphasis on the possessive impulses at the expense of the creative. Guild Socialism offered better prospects than either State socialism or anarchism of promoting the creative impulses and thereby of controlling greed and aggression.

Implicit in all this, but never fully articulated, was a powerful critique of contemporary economic theory, along the following lines. The

⁵⁴ W. Van Trier, *Every One a King* (Leuven: Katholieke Universiteit Leuven, Faculteit Sociale Wetenschappen, Departement Sociologie, 1995), Part One.

⁵⁵ E. Morley-Fletcher, “Per una storia dell’idea di ‘minimo sociale garantito’”, *Quaderni della rivista trimestrale*, 64–6 (1980–81): 297–321 (at 300–6).

⁵⁶ F. Hutchison and B. Burkett, *The Political Economy of Social Credit and Guild Socialism* (London: Routledge, 1997).

“goods” that economists concern themselves with are overwhelmingly possessive in nature rather than creative. Pigovian welfare economics extends the analysis to only a small sub-class of the latter, and tends to concentrate on public bads rather than public goods; it offers a theory of pollution, but has very little to say about science, art, community spirit and mutual goodwill. Neo-classical economics is thus very largely irrelevant to the really important things in life. Moreover, the two categories of goods are not independent of each other. People who devote themselves to the acquisition and enjoyment of possessive goods necessarily lose interest in creative goods, reducing their ability to live a good life and stunting their capacity for growth. Even worse, such devotion stimulates aggressive nationalism, racial hostility and war.

Finally, the individualistic focus of neo-classical economics had led it greatly to underestimate the importance of society, both as the source of satisfaction of many important creative impulses and—under capitalism—as a barrier to the achievement of such satisfaction. As Russell wrote in *Principles of Social Reconstruction*, “[s]ubjectivism, the habit of directing thought and desire to our own states of mind rather than to something objective, inevitably makes life fragmentary and unprogressive” (p. 240). This is true whether it takes the form of the quest for amusement, romantic love or even religious experience: “The pursuit of pleasure and the pursuit of virtue alike suffer from subjectivism.... What is needed is to keep thought in intimate union with impulses and desires, making it always an activity with an objective purpose. Otherwise, thought and impulse become enemies, to the great detriment of both”, and people’s lives become “fragmentary and separate” (pp. 241–2). This requires “a change in institutions”, rendering social and political factors much more important as influences on human welfare than the economists were willing to admit.

These arguments provide the basis for a penetrating methodological critique of economic theory, which might have drawn Russell closer to contemporary Marxian political economy. Rudolf Hilferding, for one, would have strongly approved of Russell’s defence of “objective” reality as opposed to subjective value theory, for this was central to his own critical of marginal utility analysis.⁵⁷ It is odd that Russell seems not to

⁵⁷ R. Hilferding, “Böhm-Bawerk’s Criticism of Marx” (1904), in Sweezy, ed., *Karl*

have realized the affinity between his account of the way in which the creative impulses were stultified under capitalism, and Marx's treatment of alienation and fetishism. Although Marx's early writings were not available to Russell, the essential arguments are made very clearly in the first volume of *Capital*, which he had studied in depth while working on *German Social Democracy*.

Three observations critical of Russell can be made in conclusion. First, he was not as well-read as he might have been. He appears not to have kept up with the literature of German socialism after 1896, and there is no evidence that he had read Hilferding, Kautsky or Luxemburg or that he had ever confronted the emerging Marxian theory of imperialism. Russell knew and respected J. A. Hobson, and refers briefly to his *Evolution of Modern Capitalism*,⁵⁸ but he never really got to grips with Hobson's argument that human aggression was greatly intensified under capitalism by powerful economic forces. His analysis of the causes of the War was therefore rather less convincing than it might have been.

Second, and related to this, Russell did not take his critique of neo-classical economics far enough. He seems not to have read Pigou's *Work and Welfare* (1912), the forerunner of the celebrated *Economics of Welfare*, and certainly did not attempt a detailed assessment of it.⁵⁹ A comprehensive attack on the ideas of Marshall and Pigou would have required a serious critical analysis of utilitarianism, which he was unwilling or unable to perform. It would also have entailed a more systematic reconsideration of methodological individualism, which might have led Russell towards an institutionalist approach to political economy where preferences are endogenous and human agents are socially conditioned and largely habit-bound. Again the limits of his reading handicapped him. He seems to have known nothing of Thorstein Veblen⁶⁰—or any other American economist, for that matter. But Russell is not the only

Marx and the Close of His System, pp. 121–96.

⁵⁸ J. A. Hobson, *The Evolution of Modern Capitalism* (London: Walter Scott, 1906).

⁵⁹ W. Orton, "The Social Philosophy of Mr. Bertrand Russell", *American Economic Review*, 14 (June 1924): 209–26.

⁶⁰ Thorstein Bunde Veblen (1857–1929) taught economics and sociology at several American universities in the course of a long and chequered academic career. The author of popular works on the business enterprise, the leisure class and the conflict between the engineers and the price system, Veblen was the founding father of the "Old Institutional" school in economics.

critic of neo-classical welfare economics to pull his punches in this way. The same criticism has been made of Amartya Sen, whose “criticisms of utilitarianism and other ethical perspectives are in fact so pointed that it is remarkable that he can wind up endorsing only slightly modified versions of what he has condemned and rejected.”⁶¹

Finally, Russell did not go nearly far enough with his libertarian socialist blueprint. Almost all the crucial questions that were to occupy the socialist economists of the 1930s were missing from *Roads to Freedom*. How much planning was there to be, and what residual role remained for the market? How were prices to be determined, and what by principles would incomes be distributed in excess of the “vagabond’s wage”? In *Roads to Freedom*, for example, the latter question is simply to “be left to each Guild to decide for itself”, while the former “will be settled by the Guild Congress”, in some unspecified manner (p. 194). On what criteria were inter-temporal choices to be made? How much consumption could be permitted, and how much investment was required? Not even Russell’s visit to Soviet Russia in 1920 stimulated him to think seriously about these questions. His case for socialism was suggestive, often inspirational, but also seriously incomplete.

Between 1889 and 1918 perhaps one percent of Bertrand Russell’s written output was devoted to economics, broadly defined, and it is difficult to imagine that much more than one percent of his waking hours were given over to thinking about economic issues. Philosophy’s gain, I think, was political economy’s loss. If Russell *had* read more widely in economics, if he *had* confronted the best post-Marxian socialists, if he *had* systematically criticized the ethical and methodological basis of Cambridge economic theory, he might have achieved great things.⁶²

⁶¹ A. L. Duhs, “A Critique of Sen’s *Development as Freedom*: Institutional Prerequisites to Empowerment” (University of Queensland, mimeo, 2003), p. 13.

⁶² I am grateful for comments from two anonymous referees and the Editor. Helpful comments were also received from Harry Bloch, L. Alan Duhs, Peter Groenewegen, Mike Howard, Rob Knowles, Mike White and participants in the 2004 conference of the History of Economic Thought Society of Australia, University Western Australia.
