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ABSTRACT

J.S. Nicholson’s critique of Marx, Marxism, and Marxist socialism is explicitly a re-reading of Marx by the Scottish economist after World War I. It was published in 1920 as a succinct monograph of less than 150 pages. Its twelve chapters review essential topics related to Marxism in the post-war period, including communism and the Leninist revolution in Russia or, what Nicholson names concisely, ‘Marxism in practice’. The tone of the work in question is well illustrated by Nicholson’s reference in his preface to ‘Marx [as]… the Mad Mullah of socialists’, a non-reformist socialist unlike Robert Owen whose ‘Utopianism’ had stimulated much thought and suggested many practical reforms. (Nicholson 1920, p. iii). This paper examines aspects of Nicholson’s booklet concentrating on the opinions he expressed on Marx, on Marxian socialism and on the nature of communism as seen by Marx, and especially by Lenin. It is clearly a work inspired by the times during which it was written, though it draws as well on Nicholson’s earlier critical work on Marx as an economic writer.
A Sign of the Times: J.S. Nicholson and the Revival of Marxism

In 1920, J.S. Nicholson published a small volume of less than 150 pages, entitled The Revival of Marxism. It addressed the post-World War I generation of socialists who needed to be made aware in simple language of the resurgence in Marxism in many parts of Europe, but in particular the establishment of a Marxian socialist state in Russia as a result of the successful Bolshevik Revolution led by Lenin in 1917. Having addressed Marx’s work critically in the first volume of his Principles of Political Economy (Nicholson 1893, pp. 103n, 105n, 129, 198, 370, 389n), Nicholson thought that the present times required a less scholarly, and broader ranged critique to deal more satisfactorily with the post-war revival of Marxism.

This paper examines Nicholson’s treatment of ‘Marxism in Practice’ in the following manner. After a section which looks at the background to Nicholson’s Marxian studies, including his treatment of Marx in his Principles, the subsequent sections in turn evaluate his opinions on Marx expressed in his 1920 booklet, the nature of which are succinctly captured by Nicholson’s remark in the preface calling Marx ‘the mad Mullah of Socialists’; and, secondly, his perspectives on Marxian socialism and on the nature of communism as discussed by Marx and elaborated by Lenin. A fourth and final section draws some conclusions.

I

J.S. Nicholson became an economics student of Marshall at Cambridge during 1874-1876 after studying the subject at Edinburgh under W.B. Hodgson. He also studied
German Economics and Law at Heidelberg, and by 1880 was appointed Professor of Political Economy at Edinburg before turning thirty. He held this chair until two years before his death in 1927. Nicholson may have been introduced to Marx’s work through Marshall’s lectures, since these at this time often contained references to Marx’s *Das Kapital*, the first edition of the first volume of which appeared in 1867, and a book which Marshall had purchased when on holidays in Germany the following year (Groenewegen 1995, pp. 146, 148, 190). However, Marshall’s *Principles* were quite critical of Marx, particularly of his treatment of Ricardo and, politically, on what Marshall called the utopian characteristics of Marx’s socialism.

Nicholson’s *Principles*, as mentioned previously, also critically addressed the economic and social thought of Marx in the following manner. Of the six references to Marx (all to the first volume of his *Capital*) in the first volume of Nicholson’s *Principles*, several are critical of Marx either for making exaggerated claims, or else for making statements which according to Nicholson are simply wrong. For Nicholson, Marx’s errors were either factual or theoretical. For example, Marx’s theory of value is declared ‘utterly erroneous’ (implicitly on the ground that it makes no allowance for utility and consumer preferences, and cf. Nicholson 1920, p. 26) while his ‘lurid picture’ of women’s and children’s work in factories was ‘clearly exaggerated’ (Nicholson 1893, pp. 189, 370 and n.2). However, Nicholson (1893, p. 105n.) found Marx’s discussion of the division of labour to be both ‘learned and exhaustive’, while his definition of the comprehensive term of capital, like that of Böhm-Bawerk, correctly suggested the need to study this complex phenomenon in the widest possible manner (Nicholson 1893, p. 103). Nicholson (1893, pp. 198, 389n.) supported Marx’s severe criticism of Bastiat’s
statement on abstinence as a justification for the rate of interest, but added that Marx failed to appreciate the underlying, ‘correct’ principle of saving (Marshall’s notion of ‘waiting’) as a satisfactory way to provide an explanation of interest. Two further references to Marx by Nicholson are also laudatory. On the real issue of rising concentration of wealth as part and parcel of economic development, Marx is hailed as one of the leading exponents of this idea among socialist writers (Nicholson 1893, p. 129). Finally, Nicholson’s single reference to Marx in volume III of his Principles (Nicholson 1901, p. 231) praised him for understanding how original ownership rights of land over time were ‘blotted out by [subsequent] contracts’ over the centuries. Taken together, these references made Marx’s Capital a not unimportant authority for Nicholson’s Principles, all in terms of its volume I of 1867 even though, given Nicholson’s date of publication of 1893, this no longer was the only volume of Capital then published.

By 1920, when Nicholson wrote the Revival of Marxism, his knowledge of the writings of Marxism had considerably expanded. In his 1920 book, Nicholson indicated that he had now looked at all three volumes of Capital, and was aware that the last two volumes had been edited by Engels after Marx’s death. In addition, Nicholson had carefully studied Marx’s ‘simple’ but excellent pamphlet, Value, Price and Profit (1865), the 1848 Communist Manifesto (written jointly by Marx and Engels) and finally, A Contribution to the Critique of Political Economy (1859) which Nicholson (1920, p. 13) called ‘in its way…. one of the best things Marx ever wrote’. Moreover, in 1920, Nicholson was able to quote from Lenin’s (1917) State and Revolution, from Karl Kautsky’s attack thereon in The Dictatorship of the Proletariat, and from Lenin’s reply
thereto, *Proletarian Revolution*. Nicholson’s book also drew on several secondary sources, including biographical material on Marx, and a study of historical materialism by the Italian economist and philosopher, Achile Loria.

By contemporary standards, Nicholson only used a sample of Marx’s economic works, even if a quite significant one. Nevertheless, it omits much of what would now be regarded as indispensable for a serious critical study of Marx’s economic system. Of particular importance of Marx’s economic work currently accessible, but not available to Nicholson, are the three parts of *Theories of Surplus Value*, the volume of ‘rough drafts’ published under the title of *Grundrisse* in 1939 (and in English in 1973), and minor classics such as *The Poverty of Philosophy* with its devastating critique of Proudhon on value theory.

Nor, it needs to be pointed out, was Marx’s economics a frequent subject for discussion in the English language economic journals over the three decades from 1890. Only three articles on Marx’s economics are listed in the first volume of the American Economic Association *Index of Economic Journals* which covers this period, that is, two in the *Quarterly Journal of Economics* and one in the *Journal of Political Economy*. The last is an article by S. Bell on ‘Ricardo and Marx’, published in 1907; the items in the *Quarterly Journal of Economics* are Lexis’s review article of the concluding volume of *Capital* published in 1910, and a 1913 paper by W.A. Rappard on ‘Karl Marx and Labor Legislation’. Other papers published in these years addressed aspects of Marx’s socialism and socialist economics. Most importantly, these included Veblen’s two part article on the ‘Socialist Economics of Karl Marx and his Followers’ in the *Quarterly Journal of Economics* (1906, 1907), A.P. Hazell’s discussion of ‘The Quantity Theory of
Money from the Marxist Standpoint’ (*Journal of Political Economy*, December 1898) and, the only one published in a British economic journal, E. Rignano’s, ‘The Marxists at the Cross-Roads’ in the 1920 *Economic Journal*, but this was published after the appearance of Nicholson’s book on Marxism, the focus of this discussion.

Nicholson’s book was one of the few English language books on Marx published at this time. Nicholson himself cited only one of such books in his work, that is, Zelda Coates, *Karl Marx. His Life and Teachings* (1918), a work published on the centenary of Marx’s birth. Examining the lists of books reviewed in the *Economic Journal* over the first three decades of its publication (1891-1920) indicates, however, that three works by Marx were reviewed in it: the second and third volumes of *Das Kapital* (respectively *Economic Journal* 17, 1907, p. 558; *Economic Journal* 3, 1893, pp. 249-51) and his *Value, Price and Profit* in English translation (*Economic Journal* 9, 1899, pp. 72-73). In addition, books reviewed in the *Economic Journal* during this period included four books on Marx (three in German and one in Italian), that is, Karl Dielh, *Ueber das Verhältnes von Wert und Preis im ökonomische System von Karl Marx*, reviewed in *Economic Journal*, 1899, pp. 73-74; Werner Sombart, *Das lebenswork von Karl Marx*, reviewed in *Economic Journal*, 1909, p. 239, and E. Hammacher, *Das philosophische und ökonomische System des Marxismus*, reviewed in *Economic Journal* 1910, pp. 67-69. The last book the reviewer described as a ‘thorough’ and ‘valuable study, in which influences on Marx (mainly from Ricardo and Hegel), the system, and the critique of the system, were successively outlined in detail together with an examination of Marx’s views on materialist history, the idea of social class, and the theory of surplus value. The Italian book reviewed in the *Economic Journal* (1902, pp. 389-90) was by Achile Loria,
Marx e la sua dottrina, a work highly critical of Marx. Loria’s work was familiar to Nicholson, who commented on another of Loria’s books (on historical materialism) in his 1920 book on Marxism. Curiously, no works on Marx were reviewed in the third decade of the Economic Journal (1911-1920). However, some articles in the Economic Journal in those years criticised aspects of the emerging Bolshevik economic system with respect to its underlying monetary system (Spring-Rice 1919, pp. 289-90) and on the place of the worker in its changing industrial system (Reynard, 1919). These both implied that the new Bolshevik economic system was certain to become a failure. In addition, notes on recent periodicals in the March 1919 Economic Journal reported an item in The Nineteenth Century by Dr. Arthur Shadwell, entitled Bolshevism according to Lenin and Trotsky, in which the inherent tendency to despotism of the new regime was particularly stressed. Given the relative paucity of English literature on Marx and Marxism (but note Ingram’s substantial entry on Marx for Palgrave’s Dictionary (1896, II pp. 704-06), and a considerable interest on what was happening in Russia after the revolution, Nicholson’s project of a critical discussion of Marxism in theory and practice was clearly a quite marketable exercise.

Finally, by way of introduction, a brief outline of the contents of Nicholson’s (1920) book can be given. Its twelve chapters dealt successively with ‘causes of the revival’ (chapter 1), ‘the development of Marxism’ (chapter 2), ‘what is the proletariat?’ (chapter 3), ‘the state according to Marx’ (chapter 4), ‘first phase of communism’ (chapter 5), ‘highest phase of communism’ (chapter 6), ‘the Marxian theory of value’ (chapter 7), ‘accumulation of capital’ (chapter 8), ‘profits’ (chapter 9, ‘wages’ (chapter 10), ‘property and progress’ (chapter 11) and, ‘conclusion’ (chapter 12). As already
suggested, these contents intended to review the thoughts of Marx on these subjects, and the views thereon of some of Marx’s followers and interpreters, of whom Lenin is treated by Nicholson as the major one.

II

Nicholson’s 1920 book presents both a short life of Marx, and a criticism of his economic, social and political thought. His general perspective on his re-reading of Marx is set out at the end of his preface. There Nicholson declared that his ‘re-reading of the Marxian critique of capitalism’ did not yield any ‘ideas…. of service under present conditions, and that the more he ‘read of Marx and his methods the more hopeless and depressing was the effect.’ His introductory chapter supported this critical stance. Marx’s infamous ‘theory of surplus value’ suggested both ‘profiteering’ and the ‘unearned increment’; his analysis of value based on competition and equality of the profit rate, were reviewed in some detail in his chapters 7, 9, and 10. Furthermore, Nicholson did not have a high regard for the ‘materialist conception of history’, largely because it greatly overstated the influence of material conditions and declared ‘morality [to be] only a by-product of dominant economic interests’ (Nicholson 1920, pp. 7-8).

As already indicated, Nicholson’s starting point is a ‘short account of the salient characteristics of Marx as a man and a writer’. Marx lived from 1818 to 1888. He was expelled from Prussia, France and Belgium for revolutionary activity, and ultimately found refuge in London, the place where he died. His views were ‘practical politics’ during the revolutionary years of 1848-49, and in 1864 he became head of the First International. Marx’s opinions became again influential during the 1871 Paris
Commune. In the final years of his life, Marx devoted nearly all of his time to trying to complete the various unfinished volumes of \textit{Das Kapital}.

By way of introduction to his account of Marx’s life, Nicholson (1920, p. 10 stated that Marx’s complex character matched the complexity of Marxism. By birth, ‘Marx was a German jew from the official class’, and a trained intellectual. Highly educated, including in the work of Shakespeare, Dante and Hegel; and a ‘keen bibliomaniac like many Germans’, he exhibited a strong appreciation of style and was, among other things, attributed with having helped Heine in ‘polishing’ some of his poetry. Marx was also a strong family man, and the death of his beloved wife, Jenny, almost killed him. An ‘indefatigable worker’, a born leader and an enormous enthusiast, Marx’s life reveals his sympathies and his ‘sincerities’ better than his writings. The last greatly underrated the work of his predecessors. More importantly, Marx’s ‘originality’ in thought can be said to be synonymous ‘with his errors’. These features of his work make its reading ‘immensely irritating’ and make its reader wonder why it has been so much praised (Nicholson 1920, pp. 10-13). Nicholson’s attempts to justify this general position on Marx’s views are presented in the later chapters of his book. They can now be quickly evaluated.

Marx’s theory of value and distribution as the foundation for his theory of surplus value and exploitation, is discussed in chapters 7, 8, and 9, but some general critical comments on surplus value were already made in chapter 1. There Nicholson (1920, pp. 4-6) noted that surplus value had little to do with explaining the contemporary problem of profiteering by trusts, and similar ‘uneearned increments’. After all, Marx’s theory of value assumed ‘there is no artificial monopoly [and] the principle of the tendency of
profits to equality prevails’, a consequence of the competition implied by the absence of monopoly. Nicholson also suggested at this stage that the employment of capital within the capitalist system involved ‘the robbery or exploitation of labour’ from the underpayment of that labour. Nicholson’s crude summary here missed the subtleties of Marx’s inferences from this analysis of the basic features of the capitalist wage system.

In chapter 7 Nicholson approached the theory of value in Marx by its complete opposite in Mill’s *Principles*, in the new Jevonian theory of value, and particularly in the pioneering but long neglected theory of Cournot (Nicholson 1920, pp. 69, 70). Nicholson then reviewed Marx’s theory of value as an ‘emotional retrogression’, designed to provide a ‘scientific basis’ for the contention that capitalism means the continuous exploitation of labour. Put simply, Nicholson (1920, p. 71) concisely stated,

According to Marx, the value of everything depends upon the labour sunk in it. Of this value as much as is necessary to keep up the supply of labour is given to labour and the rest goes as surplus value to capital.

This shows, Nicholson then claimed, that Marx’s theory is ‘closely analogous’ to Henry George’s theory that landlords exploit their labour by claiming all of its surplus product in the form of rent. ‘Hence Progress meant Poverty’, as Nicholson put it in a play on the words of the title of George’s famous book. Nicholson added that George’s theory by now had been completely discredited and largely forgotten; unfortunately, Marx’s theory, despite its frequent destruction by hostile critics, continued to survive. In the critical pages which conclude chapter 7, Nicholson (1920, pp. 73-79) summarised the contemporary critique of the theory in terms of utility, and of the law of supply and demand, as was already grasped by the classical economists when they explained the
difference between use- and exchange-value. He also noted the limitations in Marx’s value theory from the assumption of homogeneous labour, from the elimination by assumption of the productive contribution to output from capital and land, and from its inadequate treatment of improvements in the means of production. His final paragraphs in the chapter (Nicholson 1920, pp. 78-79) reiterate that this was not Marx’s intention in setting out his theory of value, his theory is ‘a preliminary to communist revolution’ and designed to show that ‘capital’, by the nature of things under capitalism, ‘is continually robbing labour of its just reward’. Nicholson dealt with this in the chapters on wages and capital, accumulation and property.

In chapter 8 on the accumulation of capital, Nicholson (1920, p. 80) observed that a quarter of the first volume of Marx’s *Capital* was devoted to this topic, but in an essentially negative way. Marx invariably tended to stress the evils and abuses associated with nineteenth century capital accumulation, ignoring its undoubted benefits. Nicholson acknowledged that it was now widely admitted that the early decades of the factory system made possible by capital accumulation, largely matched Marx’s depiction of its consequences but added, ‘the history of the growth of capitalism is not all of it a black record of evil’. Nicholson admitted that the early view of the classics (Smith, J.S. Mill, especially) on accumulation was sometimes overly optimistic on its consequences, but this did not mean that its long-term benefits could simply be neglected. Nicholson provided two further critical points of Marx in this context. First, Marx’s argument on the wage slavery inherent in the capitalist system and the low wage levels it ensured, was contradicted by the facts about rising real wages and living standards for labourers in advanced industrial countries which had benefited from large-scale capital accumulation.
Secondly, a lack of sharing the gains of capital formation with labour as Marx predicted would ensure a crisis of demand, since such a limitation of workers’ incomes would ensure that the growth in output associated with capital accumulation, could not be sold. ‘The fatal weakness in [Marx’s] position is that no attention is paid to demand…..There can be no profit unless there a demand for the things made to sell….This neglect of the vital element of demand vitiates the whole of the Marxian argument against Capitalism’ (Nicholson 1920, pp. 86-87). On the basis of what he read of Marx and Marxist literature, Nicholson is quite correct in this assessment. The possibility of underconsumption and the associated possibility of realisation crises were only admitted at this stage by Marxist critics of Marx such as Rosa Luxembourg in her 1913 book on *The Accumulation of Capital*, a study not known to Nicholson (or, for that matter, to many other British economic writers at that time).

Nicholson also presented various less important points critical of Marx’s position on the accumulation of capital. On is a detrimental factor associated with capital accumulation in the form of the growth of monopolies and trusts, especially apparent during and after the war. This in itself, Nicholson (1920, p. 90) argued, was ‘also one of the main causes of the [post-war] revival of Marxism.’ Secondly, Nicholson (1920, pp. 93-94) noted that Marx’s highly critical position on abstinence in relation to saving and accumulation, ignored the valuable aspect inherent in such theories, namely that capital accumulation arises from the basic need to provide for the future, a form of investment invariably subject to risk, and hence to the concomitant need for a premium to compensate for such risk. Thirdly, Nicholson (1920, p. 95) noted in the final paragraph of this long chapter that high wages were now valued in themselves as a source of greater
productivity in the work force, and a contemporary vindication of an ‘economy of high wages’ perspective.

Nicholson indicated in chapter 9 that apart from a simple truism embodied in Marx’s theory of profits – ‘the more is given to labour, the less accrues to profits’ - a truer explanation of this proposition resides with J.S. Mill and the earlier ‘classical economists’ (Nicholson 1920, pp. 97-98). Profits, more generally for Marx, reduce the wages of labour, a statement which Nicholson (1920, p. 103) described as a ‘theory of organised robbery’. As shown by the ‘modern theory’ of profit and capital, Marx’s theory is totally wrong. The modern theory embodies the theory of interest and thrift, of risk, and that of the ‘wages of superintendence’ (Nicholson 1920, pp. 103-04). The last part of the modern theory is explicitly associated by Marx ‘with the directing motive, the end and aim of capitalist production, is to extract the greatest possible amount of surplus-value, and consequently, to exploit labour power to the greatest possible extent’ (cited from Kapital, I p. 321, in Nicholson 1920, p. 105). Moreover, Nicholson claimed in this chapter, Marx completely omitted any discussion of the exploitation of consumers by the monopolist, largely from his virtually total neglect of demand considerations in the analysis (Nicholson 1920, pp. 108-09).

Marx’s treatment of wages (discussed by Nicholson 1920, chapter 10) has already been largely covered in this paper. Marx assumed ‘an iron law of wage’ in the form of a minimum subsistence wage which, according to him, also equalled the value of labour-power, or its cost of reproduction. Wages are not, as in the modern (marginal productivity) theory of wages, the product of labour (Nicholson 1920, p. 111). Marx’s notion of subsistence, according to Nicholson, embodied a social as well as a physical
element. This particular admission by Marx destroyed the ‘iron law’ established earlier, since the social subsistence wage established partly by historical standards of comfort, would invariably be greater than minimum physical subsistence (Nicholson 1920, pp. 112-13). Nicholson added that Marx’s view of wage determination failed to match modern wage bargaining models explaining wage contracts in various trades; furthermore, that its perspective conflicted with his view of economic progress and, perhaps most significantly with the requirement of labour’s ability to administer eventually the workers’ state under either socialism or communism (Nicholson 1920, pp. 120-21).

Chapter 11 provides Nicholson’s criticism of Marx’s position on property and progress. This illuminates Marx’s dual method of economic reasoning: by ‘theory’ and ‘abstract ideas and ideals’, and ‘by facts’ (Nicholson 1920, p. 124). Marx’s account, however, ‘jumbles property and capitalism’, and economic evolution under capitalism is depicted as becoming ‘more and more evil’. In this picture, Marx utilised the notion of an ‘earlier golden age’ in which labourers (endowed with their land and cottage) lived a free and independent life, a ‘golden age’ current historical research has shown never to have existed (Nicholson 1920, pp. 125-7). However, with the advent of capitalism, ‘large industry and large agriculture’ gladly combined to destroy these idyllic village communities and replace them with the recognised severe hardship forced on labour in the early factory system.

To conclude the long chapter on property and progress, Nicholson (1920, pp. 129-35) discussed the role of private property in stimulating industry and in raising its efficiency in production. Thus large-scale farming and other activities of rural enterprise
required private property and security of tenure, as was well known to the classical
economists (Nicholson 1920, pp. 129-31). Similarly, a right in the product of their own
labour was the only way to stimulate individual initiative in industrial production
(Nicholson 1920, pp. 131-33), as was the ‘hope of gain’ in inducing capital investment in
productive enterprise (Nicholson 1920, p. 133). Furthermore, private property in
contemporary society needs not only be used productively, there is a vast amount of
property used by households for the purpose of consumption. Abolishing private
property altogether is therefore not generally part of the socialist plan, this tends to be
135) in conclusion suggests that eliminating all private property will of necessity check
progress and ultimately lead society ‘back to barbarism’. The last paragraph has brought
Nicholson to a discussion of Marx on socialism and communism, the subject matter
reserved for Section III.

III

136) gives an indication of his general opinion of Marx’s system of socialism, ‘Of the
forms of Socialism the system of Marx is the least attractive from the moral standpoint.’
Nicholson’s criticisms, and comments more generally, on the meaning of socialism for
Marx, are much more limited. For example, Nicholson (1920, p. 30) comments briefly
on a passage from the 1848 Communist Manifesto by Marx and Engels in which countries
with large peasant populations such as France are said to have developed ‘a kind of
middle class socialism…. described [by Marx and Engels] as both reactionary and
utopian’. This point is raised in the context of clarifying the meaning of proletariat’, the subject matter of Chapter 3. Peasants as a class are not included within the proletariat nor, as Nicholson (1920, p. 30) implied, is the lumpenproletariat or the ‘slum population, that passively putrifying scum of the lowest layers of society’, a definition quoted by Nicholson from the Communist Manifesto.

Earlier in the book, Nicholson (1920, p. 4) pointed out that there are ‘many and diverse interpretations of socialism’, a matter illustrated by quotations he gives from Kautsky and Lenin rather than from Marx, as well as visible in many remarks on this topic made by Marshall (but not by Nicholson, 1920), in various parts of his work (for a detailed discussion, see Groenewegen (1995), chapter 17). Nicholson (1920, p. 66) even discussed the position of J.S. Mill on the socialist state (a system which Marx vehemently rejected) and, indirectly, raised Robert Owen type socialism with its National Labour Exchanges, a scheme found wanting both by Nicholson (1920, p. 50) and by Marx (1867, 1959, p. 941 n.1).

By contrast, Nicholson’s discussion of Marx, and Lenin, on communism, is much more detailed. Their views on the first stage of communism are discussed in chapter 5, those on the highest phase of communism in chapter 6. Prior to this discussion, Nicholson reviewed the role of the State according to Marx, but as interpreted by Lenin, including its ‘withering away’ as a prerequisite to their treatment of the stages of communism. Moreover, Nicholson’s discussion of the first stage of communism is particularly interesting because it raises the views of people, later called the ‘Ricardian socialists’, part of the offspring of Owenite socialism, with reference to their treatment of labour value measures to make their proposed labour exchanges workable.
Nicholson’s criticism of Marx’s views of the state, discussed those views on the basis of Lenin’s later interpretation, as has already been mentioned. Lenin’s position on the State, Nicholson (1920, p. 35) suggested, ‘is ‘perfectly clear in theory, and has been made ruthlessly clear in practice.’ Lenin depicted the capitalist state as ‘the product of the manifestation of the irreconcilability of class antagonisms’ and as the clear sign that such class antagonisms are indeed irreconcilable (Nicholson 1920, pp. 35-36).

Nicholson’s source for this succinct statement is Lenin’s *State and Revolution*. This text also reveals the lie in the bourgeois ploy of depicting the State as the reconciler of class differences whereas it is in fact, under capitalism, the major organ of class domination, whereby the working class is oppressed. With the class domination of capitalists a fact under capitalism, the First World War according to Lenin can only be depicted as ‘a capitalist war for the extension of capitalism’ (Nicholson 1920, p. 37). Furthermore, and this is the second aspect of the Marxist theory of the State according to Lenin, ‘the liberation of the oppressed class is impossible without violent revolution’; it cannot be achieved by peaceful means. Proletarian revolution in turn eliminates class antagonisms by liquidating the former capitalist oppressing class. ‘No classes, no State’, is how Nicholson (1920, p. 39) succinctly summed up Lenin’s position. Nicholson added that recent (post-1917) events in Russia show that there Lenin’s theory has effectively become practice: ‘classes above the proletariat have been….made to work or left to starve’. The proletariat has now acquired the organs of the State, and only when class equality has been ruthlessly established, can the State effectively disappear. This last event is not very likely until communist society has been fully established (Nicholson 1920, pp. 39-41). Nicholson then sought to clarify how much of Lenin’s argument
accorded with the facts or fitted in with ‘recognised common sense morality’. Here
Nicholson argued that Lenin’s picture of late nineteenth century capitalism is contrary to
the facts, given the reforms through factory legislation which had taken place, and the
rise in living standards which had accompanied these changes. Furthermore, the rule of
law had greatly limited the ability of the dominant class to oppress the people. However,
Nicholson conceded that in Russia Lenin’s views had been largely fulfilled – the
capitalist class has been virtually destroyed by violent revolution, but the full
development of an alternative communist society still has to be realised.

The first and lower phase of communism according to Marx ‘bears the stamp of the
old society from the womb of which it came’ (Lenin 1917, p. 94, cited in Nicholson,
1920, p. 48). Means of production are no longer private property but held by society at
large, that is, by the armed workers who form the majority of society. Moreover,
everyone now contributes their labour for the good of society, for which they are paid in
certificates according to the quantity of work they have done. Nicholson (1920, p. 49)
stressed that this is far more difficult to organise than it seems at first sight. How, for
example, is the value of the work of armed soldiers to be assessed; how do you estimate
the value of the labour from the enormous number of different classes and grades of
labour which exist in an industrialised society? However, solving this problem by
issuing labour certificates \(à la\) Robert Owen requires the setting up of consumption goods
stores where the workers can exchange these certificates for the goods they need. These
stores have to be supplied with such goods, indicating the need for well organised
production to assure this supply, including the necessary investment to expand production
where required, as well as the replacement of worn-out machines and other equipment.
Armed worker-soldiers are not well-trained to make these types of calculations, while ‘the telescopic faculty of the masses is generally not very great’ (Nicholson 1920, p. 50). Nicholson’s comments just quoted foreshadow the feasibility of socialist planning debate of the late 1920s and 1930s. In particular, items to secure future production have to be set aside before the present needs of workers are decided according to the equality principle for a just society, ‘every worker receives from society as much as he has given to it’ (Nicholson 1920, p. 51).

Nicholson at this stage briefly digressed to comment on the ‘Right of Labour to the Whole Produce of Labour’, as exhaustively examined by Anton Menger’s book of the same title (translated, and expanded, by Foxwell). Foxwell’s additions on the early nineteenth century history of this notion allow Nicholson to comment that Marx’s treatment of this issue is very inferior to these writers, particularly to William Thompson’s 1824 *An Inquiry into the Principles of the Distribution of Wealth most conducive to Human Happiness*. Nicholson’s argument then shifts to Lenin’s views on the subject of the first stage of Communism, which generally ‘have the great merit of making his meaning perfectly clear’ (Nicholson 1920, p. 53). Lenin indicates that the first stage of Communism enables abolition of private property in the means of production, but not the elimination of the wage system. On the basis of information in a study by W.T. Goode, *Bolshevism at Work*, written in 1919 and published in January 1920, Nicholson (1920, pp. 54-60) then showed that the first stage of communism had, as yet, not been achieved in Russia, partly because its industrial development had not been extensive enough. Here Nicholson revealed his deficient knowledge of the literature of Russian Marxism, including herein Lenin’s *The Development of Capitalism*
in Russia (Lenin 1899, 1956). The peasants, particularly the rich peasants, remained hostile to the new regime. Hence the ideals of fully developed Marxian Communism, ‘From each according to his ability, to each according to his Needs’, were at this stage far from being achieved in post-revolution Russia.

Nicholson’s discussion of the ‘highest stage of Communism’ (chapter 6) starts with a quotation from Lenin’s State and Revolution on two of its fundamental characteristics: the State ‘is able to wither away completely’, because Society has realised the maxim, ‘from each according to his ability, to each according to his needs’ (Nicholson 1920, p. 61). Only without a State, can there be freedom, Engels (as cited by Lenin 1917, 1925, pp. 83-87) had clearly enunciated, hence the necessity for the State to wither away in a true Communist society. Nicholson provided two objections to this opinion. According to him, only freedom under the law can provide real freedom; while, secondly, Bolshevik discipline of labour has not added to the real freedom of Russian labour. Furthermore, unfree labour lacks incentives, and this ‘spur to productive activity’ is totally lacking under communism (Nicholson 1920, p. 62). Moreover, Nicholson indicated, the features of Communism in its highest phase according to Lenin, presented it to Nicholson as a simple ‘utopian system’, a characterisation Lenin explicitly but unsuccessfully denied according to Nicholson from a long quotation he cited (1920, pp. 63-64). This quote from Lenin, however, also demonstrated that for him the highest stage of Communism was only realisable in the distant future, and until then required the utmost vigilance by workers and soldiers in the first phase to ensure its eventual arrival.

Nicholson’s criticism of the Marxist theory of socialism and communism, drawn largely from Lenin’s State and Revolution, rests basically on its neglect of the rule of law
as the major force for reform and freedom, and the omission therein of the progress in living standards workers have achieved through the more recent developments in capitalism from the final decades of the nineteenth century. Nicholson’s views also rely heavily on what he had managed to learn about the early years of Bolshevik practice in Russia from 1917, knowledge largely gained from W.T. Goode (1920), a book described by Nicholson (1920, p. 54) as a sympathetic commentary on the successes achieved by communism in Russia so far, and a heavily used source in Nicholson’s chapter on the highest phase of communism. More generally, communism is defined by Nicholson as the seizure of the means of production by the State on behalf of society (the first stage) and the destruction of the greater part of the capitalist class in Russia by means of violent revolution. Nicholson also had major reservations about the ability of workers to organise production in an efficient manner, and to make the necessary calculations for ensuring that the necessary consumption goods are available in the right proportions, and that investment is sufficient for future growth and for the replacement of worn out capital. Only by the highest stage of communism, can its more utopian policies (the withering away of the State, and the abolition of the wage system) be achieved, according to Lenin. Nicholson doubts the validity of this prognosis because of its high utopian content, in particular its total neglect of the need for incentives to secure adequate output levels from workers. In short, Nicholson is very sceptical about the feasibility of Communism as an enduring system of economic organisation, in the sense in which it was presented by Marx, and by Lenin.
Before concluding on Nicholson’s critical treatment of Marx and Marxism, the contents of the one academic review the book received, may be briefly explored. This was by Edgeworth in the *Economic Journal* (1921, pp. 70-73) where he reviewed Nicholson’s book together with a book by Loria on Karl Marx. Edgeworth’s review started with the comment, ‘we have much sympathy with those who hold that the theories of Marx are beneath the notice of a scientific writer. However, the refutation of prevailing fallacies has always been recognised as part of the economist’s province…. Accordingly, gratitude is due to Professor Nicholson for having performed the heavy task of re-examining *Das Kapital* and other writings of Marx.’ This task demonstrated to Nicholson that Marx did not improve on detailed study. The contrary was indeed the case for him, because Marx’s value theory was a ‘retrogression’, the mathematical apparatus used in Marx’s work was very poor and primitive, and, ‘that what was original in Marx was wrong.’ ‘Equally searching criticism’, Edgeworth added, was bestowed [by Nicholson] on the writings of Marx’s most important disciple, Lenin. What there is of importance in these writings by Marx and his followers, Edgeworth concluded from his review, ‘is indeed, as Professor Nicholson shows, wholly emotional’ (Edgeworth’s italics).

Nicholson’s concluding chapter fits in neatly with the sentiments expressed in Edgeworth’s review. Marx’s system of socialism, for Nicholson (1920, p. 136), was ‘the least attractive from the moral standpoint’. His attempts at ‘historical verification’ were very antiquated. Marx’s views on ‘class hatred’, were likewise. Moreover, Marx’s exploration of capitalism rested on ‘a fallacious theory of value’ (Nicholson 1920, pp.
The final four pages of the book briefly review the basic faults of the Marxian system as seen by Nicholson. The systematic underpayment of labour under capitalism implied in the Marxian theory of surplus value, is one of Marx’s misinterpretations of contemporary capitalism: in reality adequate wages need to be paid to workers to ensure the degree of labour productivity required for profitable business activity (Nicholson 1920, pp. 137-8). Secondly, the distributional aims of Marxist socialism (and communism) are best achieved through a more equitable distribution of new wealth, rather than interfering in the distribution of old, established wealth, a proposition tested by both theory and history, so Nicholson (1920, p. 139) asserted. This is not to say that there are no injustices under contemporary capitalism. Nicholson here mentioned the case of the comparatively severe tax treatment of family trusts (‘of widows and orphans and the like’), as contrasted with the much lighter treatment in taxing war profiteering. However, ‘the morality of Bolsheism – which is Marxism in practice – is immeasurably worse by any recognised moral standard.’ Nicholson’s final paragraph states that this is what the critique of contemporary Marxism in practice is all about. It also stressed the secrecy and lack of openness in Russian communist society, which prevents impartial study of ‘the actual condition of Russia’. Nicholson therefore proposed that before opening world trade to Russia, Russia should open itself to inspection to enable the world to see its system of ‘the unwritten laws, on which all international commerce depends’. However, the final sentence asked rhetorically: ‘Why do Bolsheviks shun publicity, unless they “love darkness rather than light, because their deed are evil”?’, a reminder from Nicholson that much of his criticism in the book dealing with the actual practice of Marxism in Russia, rested on moral grounds.
Nicholson’s criticism of Marx’s economics is on the whole quite straightforward and unoriginal. He rejected Marx’s value and distribution theory, essentially on the ground that these theories have been shown to be wrong by the new marginalist theories of value and distribution. These emphasise the role of demand in value determination, and the association between productivity of the factors of production, and their renumeration. Surprisingly, Nicholson did not raise the ‘great contradiction’ between volumes I and III of *Das Kapital*, which formed the basis of Böhm-Bawerk’s (1896, 1949) then famous critique of Marx’s system. In the context of accumulation and growth, Nicholson claimed that Marx tended to deny the benefits of that economic development for all classes of society, as illustrated for Nicholson through the elimination of sweated labour for children and women in factories through the Factory Acts, and the statistically demonstrable rise in living standards for workers and their families from 1870 onwards while, in addition, the relative share of labour in national income had risen appreciably (Bowley, *Changes in the Distribution of National Income 1880-1913*, cited by Nicholson, 1920, p. 27). For Nicholson, these ‘facts’ proved the total obsolescence of Marx’s theories and their application in Russia under communism. However, in the context of Nicholson’s criticism of Marx’s economics, it is interesting to note that the Marxian economic theory which has been most highly regarded by later economic theorists, that is, Marx’s theories of simple and expanded reproduction and their application to business cycle theory (see Sweezy, 1949, Appendix, by Shigetu Tsuru), were not mentioned in Nicholson’s 1920 book, despite his claim that he had studied all three volumes of *Das Kapital* in its preparation.
As already mentioned, the moral aspects of the critique of practical Marxism were more important for Nicholson than the economic ones. For Nicholson, Marxism as practised in Russia, cannot be described as a moral system of freedom and justice, because it lacked the major benefit of the State, that is, the preservation of freedom under the law. His criticism of the Marxist view of socialism and the two stages of communism (as enunciated by Lenin), rested essentially on this point. Nicholson was also very dubious of the ability of workers to organise society effectively, particularly with respect to planning production, especially the production of means of production. A worker’s state, in short, cannot provide a realistic economic system, and as presented by Lenin is nothing but an idealist (utopian) construction. Regulated capitalism is the only satisfactory model for a genuinely free, and progressive, society, in which accumulation and technical progress generate higher living standards for all classes of society.

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**Bibliography**


