and the first volume of his great work on capital, *Das Kapital* (1867).

The causes which have variously contributed to the rise of German socialism are sufficiently clear. With the acces­sion of the romanticist Frederick William IV. to the throne of Prussia in 1840 German liberalism received a fresh expansion. At the same time the Hegelian school began to break up, and the interest in pure philosophy began to wane. It was a time of disillusionment, of dis­satisfaction with idealism, of transition to realistic and even to materialistic ways of thinking. This found strongest expression in the Hegelian left, to which, after the ideals of the old religions and philosophies had proved unsub­stantial, there remained as solid residuum the real fact of man with his positive interests in this life. The devotion and enthusiasm which had previously been fixed on ideal and spiritual conceptions were concentrated on humanity. To adherents of the Hegelian left, who had been delivered from intellectual routine by the most intrepid spirit of criticism, and who, therefore, had little respect for the conventionalisms of a feudal society, it naturally appeared that the interests of humanity had been cruelly sacrificed in favour of class privilege and prejudice. The greatest thinkers of Germany had recognized the noble elements in the French Revolution. To recognize also the noble and promising features of French socialism was a natural thing, especially for Germans who had been in Paris,—the great hearth of the new ideas. Here they found themselves definitely and consciously in presence of the last and greatest interest of humanity, the suffering and struggling proletariat of western Europe, which had so recently made its definite entry in the history of the world. Thus social­ism became a social, political, and economic creed to Karl Marx and his associates. But they felt that the theories which preceded them were wanting in scientific basis ; and it was henceforward the twofold aim of the school to give scientific form to socialism and to propagate it in Europe by the best and most effective revolutionary methods.

The fundamental principle of the Marx school and of the whole cognate socialism is the theory of “ surplus value,”— the doctrine, namely, that, after the labourer has been paid the wage necessary for the subsistence of himself and family, the surplus produce of his labour is appropriated by the capitalist who exploits it. This theory is an applica­tion of the principle that labour is the source of value, which was enunciated by many of the old writers on economics, such as Locke and Petty, which was set forth with some vagueness and inconsistency by Adam Smith, and was more systematically expounded by Ricardo. The socialistic application of the principle in the doctrine of surplus value had been made both by Owenites and chart­ists. It was to prevent this appropriation of surplus value by capitalists and middlemen that the Owen school tried the system of exchange by labour notes in 1832,— the value of goods being estimated in labour-time, repre­sented by labour notes. The principle that labour is the source of value has been accepted in all its logical conse­quences by Marx, and by him elaborated with extraordinary dialectical skill and historical learning into the most com­plete system of socialism that has ever been formulated. A like application of the principle but in a less rigorous fashion has been made by Rodbertus ; and it is the same theory that underlies the extravagancies and paradoxes of Proudhon. The question whether the priority in the scientific development of the principle is due to Marx or Rodbertus cannot be fully discussed here. But it may be said that, while the *Social Letters* of Rodbertus to Von Kirchmann were published in 1850, the importance of the principle was understood by the Marx school as early as 1845, and in a broad and general way had indeed become

the common property of socialists. The historical import­ance and scientific worth of the writings of Rodbertus should not be overlooked ; nor are they likely to be when so much attention has been given to him by A. Wagner and other distinguished German economists. But in the great work of Marx the socialist theory is elaborated with a fulness of learning and a logical power to which Rodbertus has no claim. With Marx the doctrine of surplus value receives its widest application and develop­ment ; it supplies the key to his explanation of the history and influence of capital, and consequently of the present economic era, which is dominated by it. It is the basis, in fact, of a vast and elaborate system of social philosophy. In any case it is an absurdity as well as an historical error to speak of Marx as having borrowed from Rodbertus. Marx was an independent thinker of great originality and force of character, who had made the economic develop­ment of modern Europe the study of a laborious lifetime, and who was in the habit, not of borrowing, but of strongly asserting the results of his own research and of impressing them upon other men.

The great work of Marx may be described as an exposi­tion and criticism of capital. But it is also indirectly an exposition of socialism, inasmuch as the historical evolu­tion of capital is governed by natural laws, the inevitable tendency of which is towards socialism. It is the great aim of Marx to reveal the law of the economic movement of modern times. Now the economic movement of modern times is dominated by capital. Explain, therefore, the natural history of capital, the rise, consolidation, and de­cline of its supremacy as an evolutionary process, and you forecast the nature of that into which it is being trans­formed,—socialism. Hence the great task of the Marx school is not to preach a new economic and social gospel, not to provide ready-made schemes of social regeneration after the fashion of the early socialists, nor to counteract by alleviating measures the wretchedness of our present system, but to explain and promote the inevitable process of social evolution, so that the domination of capital may run its course and give place to the higher system that is to come.

The characteristic feature of the régime of capital, or, as Marx usually calls it, the capitalistic method of produc­tion, is, that industrial operations are carried on by indi­vidual capitalists employing free labourers, whose sole dependence is the wage they receive. Those free labourers perform the function fulfilled in other states of society by the slave and the serf. It is the tendency of the capital­istic system to consolidate those two classes,—the capitalist class, enriching itself on the profits of industry, which they control in their own interest, and the class of workers, nominally free, but without land or capital, divorced, there­fore, from the means of production, and dependent on their wages,—the modern proletariat. The great aim of the capitalist is the increase of wealth through the accumula­tion of his profits. This accumulation is secured by the appropriation of what the socialists call surplus value. The history of the capitalistic method of production is the history of the appropriation and accumulation of surplus value. To understand the capitalistic system is to under­stand surplus value. With the analysis of value, there­fore, the great work of Marx begins.

The wealth of the societies in which the capitalistic method of production prevails appears as an enormous collection of commodities. A commodity is in the first place an external object adapted to satisfy human wants; and this usefulness gives it value in use, makes it a use value. These use values form the material of wealth, whatever its social form may be. In modern societies, where the business of production is carried on to meet the