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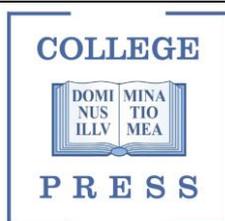
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UNKNOWN CLASSICS¹

Economics as Deception and Money as Tool to Exploit, Illustrated by the Case of the Enslavement of Fiji

An excerpt from the book “*What Shall We Do Then?*”

Count Lev Nikolayevich Tolstóy²

Abstract

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Leo Tolstoy is well-known as a novelist. It is less well known that he also studied economics, conducting empirical research and field work on the causes of poverty. His writings on economics yield an insightful critique of modern economics. Economists, on the other hand, are less familiar with his writings. In this excerpt, the concept of the production function – central to economics for the past two centuries – is shown to be not an analytical tool, but a political one. The central interest here is, however, the role of money – a subject usually evaded by economists entirely. Tolstoy concludes: “In modern times, since the discovery of America and the development of trade... the monetary tribute becomes, with the enforcement of political power, the chief instrument for the enslavement of men, and upon it all the economic relations of men are based. ... If I tried to invent a most telling illustration of how in our time the peremptory demand of money has become the chief instrument for the enslavement of one class of people by another, I could not discover one which would be more glaring and more convincing than this true story, which is based on documentary evidence and took place recently” (112). Using the example of the island of Fiji, Tolstoy relates how the colonial conquerors (Americans), required a monetary tribute from the locals and their leader, and, as a consequence, the majority of the indigenous people became workers on the plantations of the colonists, forced to work for a scanty wage to survive. The process is disaggregated in stages, while money was serving as an instrument, enabling those in power to appropriate the results of the labour of those who did not possess money and power. This destroyed the existing social order of the locals.

¹ The editors welcome submissions of other relevant ‘unknown classics’ – forgotten masterpieces that deserve being brought to the attention of the modern-day student of economics, finance or banking – via email to jbfsd@collegepress.org.uk and will acknowledge the proposer if published.

² This is a reprint of an excerpt from Tolstoy (1904), *What Shall We Do Then? (100-124)*, translated by Professor Leo Wiener of Harvard University. The title, abstract and section heads have been added by the editor, but the sections coincide with chapters (that had no titles in the original). This passage was brought to the attention of the editor over twenty years ago by Bill Totten (PhD in economics, University of Southern California), entrepreneur and citizen of Japan, and the intention to make it better known has existed ever since.

1. The Science of Economics, the Factors of Production and Money

Money! What is money? Money represents labour. I have met educated people who asserted that money represents also the labour of him who possesses it. I must confess that formerly I in some obscure manner shared this opinion. But I had to go to the bottom of what money was, and so, to find this out, I turned to science.

Science says that there is nothing unjust and prejudicial about money, that money is a natural condition of social life, – necessary: (1) for convenience of exchange, (2) for the establishment of measures of value, (3) for saving, and (4) for payments. The obvious phenomenon that, if I have in my pocket three superfluous roubles which are of no use to me, I need only to whistle in order to collect in every civilized city hundreds of men who are prepared for these three roubles to do at my will the hardest, most detested, and most humiliating work, is not due to money, but to very complex conditions of the economic life of the nations. The control exercised by one set of men over another is not due to money, but to this, that the labourer does not receive the full value of his labour; and he does not get the full value of his labour on account of the properties of capital, interest, wages, and of the complex relations between them and between the production, distribution, and employment of wealth themselves.

To express myself in Russian fashion, it turns out that people who have money have the right to twist those who have no money into ropes. But science says that this is a different matter. Science says that in all kinds of productions three factors take part: land, stored-up labour (capital), and labour. From the different relations of these factors of production among themselves, – from the fact that the first two factors – land and capital – are not in the hands of the working men, but in these of other people, – from this and from the very complex combinations which arise from it there follows the enslavement of one set of men by another.

What is the cause of that monetary kingdom which startles us all by its injustice and cruelty? Why does one set of people rule others by means of money? Science says: this is due to the division of the factors of production and the consequent combinations, which oppress the labourer. This answer has always seemed strange to me, not only in that it leaves out one part of the question, namely, as regards the significance of money in the matter, – but also by that division of the factors of production, which to an unbiased man always appears artificial and as not corresponding to reality.

It is asserted that in every production three factors take part, – land, capital, and labour, – and in this division it is understood that wealth (or its valuation, – money) is naturally subdivided among those who own this or that factor: the rent – the value of the land – belongs to the landowner, the interest to the capitalist, and the wages for the labour to the working man.

Is this true? In the first place, is it true that three factors take part in every production? Here, right about me, the production of hay is taking place, while I am writing this. Of what does this production consist? I am told: of the land which made the grass grow; of the capital, – the scythes, rakes, forks, wagons, necessary for the making of the hay; and of the labour. But I see that this is not true. In addition to the land, other factors take part in the production of the hay: the sun, the water, the social order, which kept this grass from being trespassed upon, the knowledge of the working men, their ability to speak and understand words, and many other factors of production, which for some reason are not recognized by political economy [what we today define simply as ‘economics’ – *The Editor*].

The power of the sun is just as much a factor of every production as the land, and even more necessary than the land. I can imagine the condition of people in which (say, in the city) one set

of men assume the right to shut off the sun from others by means of walls or trees; why is it not included among the factors of production? Water is another factor, which is just as important as the land. The same is true of the air. I can again imagine people deprived of water and of fresh air, because other people arrogate to themselves the right to the exclusive possession of the water and the air which others need. Social security is another such factor; food and wearing apparel are for the working men just such factors of production, and this is acknowledged by certain economists. Education, the ability to speak, which gives the possibility of applying a different kind of work, is just such a factor.

I could fill a whole volume with such omitted factors of production. Why, then, have they chosen just those three factors and put them at the basis of science? The sunlight and the water may, just like the land, be taken as separate factors of production; the labourer's food and wearing apparel, knowledge and its transmission may be taken as separate factors of production. Why are the sunbeams, the water, food, knowledge, not taken as separate factors of production, instead of only the land, the tools of labour, and the labour itself? There can be no other reason than that only in rare cases do men lay claim to the right of using the sunbeams, water, air, food, and the right to speak and listen, whereas in our society people constantly lay claim to the use of the land and the tools of labour.

There is no other basis, and so I see, in the first place, that the division of the factors of production into three factors only is quite arbitrary and does not lie in the essence of things itself. But, perhaps, this division is so characteristic of men that where economic relations form themselves, these three, and only these three, factors of production are immediately pushed to the front. Let us see whether that is so.

I look at those nearest to me, the Russian colonists, of whom there are a million. The colonists come to some new land, settle down upon it, and begin to work, and it does not occur to any one that a man who does not make use of the land could claim any right to it, and the land does not claim any special rights; on the contrary, the colonists consciously recognize the land as a common possession, and they consider it right for every man to mow and plough wherever he pleases and as much ground as he can take. The colonists procure the tools of labour for the working of the land, for the gardens, for the building of their houses, and it does not even occur to any one that the tools of labour can in themselves bring an income, nor does the capital lay claim to any privileges; on the contrary, the colonists consciously recognize that all interest for the tools of labour, for grain loaned, for capital is unjust. The colonists work on free land with their own tools or with such as have been loaned to them without interest, each of them working for himself, or all together for the common good, and in such a commune it is impossible to find rents, or interest on capital or wages.

Speaking of such a commune I am not indulging in reveries, but am describing what has always taken place, not only in the case of the Russian colonists, but also everywhere so long as man's natural quality has not been violated by anything. I am describing what to every man appears natural and sensible. People settle on the land, and each person takes hold of the work which is proper for him, and, having elaborated what he needs for his work, he does his own work. But if it is more convenient for people to work together, they form associations; but neither in the farming in severalty, nor in the associations will the factors of production be separate, but there will be labour and the necessary conditions of labour: the sun which warms all; the air which people breathe, the water which they drink, the land on which they work; raiment on their bodies, food in their bellies; the crowbar, the spade, the plough, the machine, with which they work, – and it is evident that neither the sunbeams, nor the air, nor the water, nor the earth, nor the raiment on their bodies, nor the crowbar, with which they work, nor the spade, nor the plough,

nor the machine, with which they work in associations, can belong to any one but those who make use of the sunbeams, breathe the air, drink the water, eat the bread, cover their bodies, and work with their spades or machines, because all this is needed by those only who make use of it.

When people act in this manner, we all see that they act as is proper for men, that is, sensibly. And thus, as I observe the economic relations of men in the moment of their formation, I do not see that the division into three factors of production is proper to men. I see, on the contrary, that it is improper and senseless. But perhaps the division into three factors fails only in primitive human societies; perhaps it is inevitable with the increase of the population and the evolution of civilization, and this division has taken place in European society, and we cannot help but acknowledge the accomplished fact.

Let us see whether this is so. We are told that in European society the division of the factors of production has taken place; that is, that some people own the land, others the tools of labour, and others again are deprived both of the land and the tools of labour. The labourer is deprived of the land and of the tools of labour. We are so accustomed to this assertion that we are no longer startled by its strangeness. In this expression there is an inner contradiction. The concept of a labourer includes the concept of the land on which he lives, and of the tools with which he works. If he did not live on the land, and did not have any tools of labour, he would not be a labourer. There has never been, and there never can be, a labourer who is deprived of the land and of the tools of labour.

There cannot be a farmer without the land on which he works, nor without a scythe, a cart, a horse; nor can there be a shoemaker without a house on the land, without the water, the air, and the tools of labour, with which he works. If a peasant has no land, no horse, and no scythe, and a shoemaker has no water and no awl, this means that someone has driven him off the land and has taken away from him or cheated him out of his scythe, his cart, his horse, his awl; but it can nowise mean that there can be farmers without ploughs and shoemakers without tools. As a fisherman is unthinkable on the land and without his tackle unless someone has driven him off the water and has taken the tackle from him; even so, it is impossible to think of a peasant, a shoemaker, without the land on which he lives, and without instruments of labour, unless, indeed, some one has driven him off the land and has taken the tools away from him.

There may be people who are driven from one plot of earth to another, and who have been deprived of their tools of labour, and who are forcibly compelled with other people's tools of labour to produce objects which they do not need, but this does not mean that such is the property of the production, but only that there are cases when the natural property of production is violated. But if we accept as factors of production everything of which the labourer may be deprived by another through force, why should we not regard the claims to the slave's person as a factor of production? Why should we not regard the claims to the sun's rays, to the air, to the water, as just such factors?

There may appear a man who, building up a wall, will screen a man from the sun, or who will lead the river water into a pond and thus poison the water; there may appear a man who will claim the whole man as his chattel; but neither pretension, even if it be put into execution through force, can be recognized as a basis for the division of the factors of production, and so it is just as incorrect to accept the imaginary right to the land and to the tools of labour as special factors of production, as to regard the imaginary right to the use of the sun's rays, the air, the water, and the person of another man as special factors of production. There may be men who will lay claim to the land and to the tools of a man's labour, just as there have been men who lay claim to the labourer's person, and as there may be men who lay claim to the exclusive use of

the sun, the water, the air; there may be men who drive a labourer from place to place, and who by force take away from him the products of his labour as they are manufactured, and even the tools of his labour, and compel him to work for the master and not for himself, as is the case in the factories, – all that is possible: but there can still be no labourer without land and without tools, even as one man cannot be another man's chattel, although people have asserted for a long time that he can be.

Just as the assertion of the right to another man's property could not deprive a slave of his in-born property of seeking his own good, and not that of the master, even so now the assertion of the right to the possession of the land and to the tools of other people's labour cannot deprive the labourer of each man's innate right to live on the land and work with his own tools or with those of the commune, in order to produce what he considers useful for himself.

All that science, observing the present economic condition, can say is this, that there exist claims, which certain people lay to the land and the tools of working men's labour, and in consequence of which, for a part of these working men (by no means all), the conditions of production characteristic of man are violated to such an extent that the labourers are deprived of the land and of the tools of labour and are driven to the use of other people's tools of labour; but nowise this, that this accidental violation of the law of production is itself the law of production.

In affirming that the division of the factors of production is the basic law of production, the economist does precisely what a zoologist would do, who, seeing a large number of siskins with clipped wings in little houses, should conclude from this that the little house and the small water-pail, which is lifted on rails, are the most essential condition of the life of the birds, and that the life of the birds is composed of these three factors. No matter how many siskins with clipped wings there may be in little card houses, the zoologist cannot recognize the card houses as a natural quality of the birds. No matter how many labourers may be driven from their place and, deprived of the productions and the tools of their labour, the labourer's natural property of living on the land and producing with his tools what he pleases will always be the same.

There are pretensions which some people have to the labourer's land and tools of labour, even as in ancient times there existed the pretensions of some people to the persons of others; but under no condition can there be a division of men into masters and slaves, such, as they wished to establish in the ancient world, and there can under no conditions be a division of the factors of production into land and capital, such as the economists want to establish in modern society.

It is these illegal pretensions which some people have to the liberty of others that science calls natural properties of production. Instead of taking its bases in the natural properties of human societies, science took them in a specific case and, wishing to justify this Specific case, recognized one man's right to the land, which feeds another, and to the tools of labour, with which another works, that is, it recognized a right which never existed and never can exist, and which bears a contradiction in its very expression, because the right to the land claimed by a man who does not work on the land is in reality nothing but the right to make use of the land which I do not use ; and the right to the tools of labour is nothing, but the right to work with tools with which I do not work.

By its division of the factors of production, science affirms that the natural condition of the labourer is that unnatural condition in which he is; just as in the ancient world they affirmed, in dividing people into citizens and slaves, that the unnatural condition of the slaves is a natural property of man. This division, which is accepted by science only in order to justify the existing evil, which is placed by it at the basis of all its investigations, has had this effect, that science

tries in vain to give explanations of existing phenomena, and, denying the clearest and simplest answers to questions that present themselves to it, gives answers which are devoid of contents.

The question of economic science is as follows: What is the cause of this, that some men, who have land and capital, are able to enslave those who have no land and no capital? The answer which presents itself to common sense is this, that it is due to the money, which has the power of enslaving people. But science denies this and says: This is not due to the property of money, but because some have land and capital, and others have not.

We ask why people who have land and capital enslave those who have none, and we are told: Because they have land and capital. But that is precisely what we want to know. The privation of the land and of the tools of labour is that very enslavement. The answer is like this: *Facit dormire quia habet virtutem dormitivam.*

But life does not cease putting its essential question, and even science itself sees it and tries to answer it, but is absolutely unable to do so as long as it rests on its fundamental principles, and keeps moving about in its magic circle. In order to be able to do so, it must first of all renounce its false division of the factors of production, that is, the recognition of the consequences of phenomena as their causes, and must seek, at first the nearer, and then the more remote, cause of those phenomena which form the subject of its investigations. Science must answer the question as to what the cause is of the fact that some people are deprived of the land and of the tools of labour, while others own them, or, what cause produces the alienation of the land and of the tools of labour from those who work the land and employ the tools.

The moment science will put to itself this question, there will appear entirely new considerations, which will turn upside down all the propositions of the former quasi-science, which moves in a hopeless circle of assertions that the wretched condition of the labourer is due to its being wretched. To simple people it seems indubitable that the nearest cause of the enslavement of one class of men by another is money. But science, denying this, says money is only an instrument of exchange which has nothing in common with the enslavement of people. Let us see whether this is so.

2. Where Does Money Come From?

Whence does money come? Under what condition does a nation always have money, and under what conditions do we know nations who do not use money?

A tribe lives in Africa, or in Australia, as anciently the Scythians or Drévlyans lived. The tribe lives, ploughing, raising cattle, planting gardens. We hear of it only when history begins; but history begins with the incursion of conquerors. The conquerors always do one and the same thing: they take from the tribe everything they can, – its cattle, its grain, its stuffs, and even captives, and carry it all off. A few years later the conquerors return, but the tribe has not yet recovered from its desolation, and there is nothing to take away, so the conquerors invent another, a better method for exploiting the forces of this tribe.

These methods are very simple and occur naturally to all people. The first method is personal slavery. This method has the inconvenience of demanding the management of all the working forces of the tribe, and the feeding of all, and so there naturally presents itself a second method, – of leaving the tribe on its land, but recognizing it as belonging to the conquerors and distributing it to the retainers, in order to exploit the tribe's labour through the retainers. But this method has also its inconveniences. The retainers have to look after all the productions of the

tribe, and a third method, just as primitive as the first two, is introduced: it is the peremptory demand of a term tribute which the conquered have to pay.

The aim of the conquerors consists in taking from the conquered as many productions of their labour as possible. It is evident that, in order to be able to take as much as possible, the conqueror must take such objects as are of the highest value among the people of this tribe, and which, at the same time, are not bulky and inconvenient to store, — pelts, gold. And so the conquerors generally impose a term tribute in pelts or in gold on each family or gens, and by means of this tribute in the most convenient way exploit the tools of labour of this tribe. The pelts and the gold are nearly all taken from the tribe, and so the conquered have to sell to one another and to the conqueror and his retainers everything they have for gold.

Precisely this took place in antiquity and in the Middle Ages, and is taking place now. In the ancient world, where one nation was frequently conquered by another, and where the consciousness of the human equality of men was absent, personal slavery was the most popular means of enslavement practised by one set of men against another, and in the personal slavery lay the centre of gravity of this enslavement. In the Middle Ages the feudal system, that is, the territorial possession which is connected with it, and the vassalage partially take the place of slavery, and the centre of gravity of enslavement is transferred from the person to the land. In modern times, since the discovery of America and the development of trade and the influx of gold, which is accepted as the universal money standard, the monetary tribute becomes, with the enforcement of the political power, the chief instrument for the enslavement of men, and upon it all the economic relations of men are based.

The Enslavement of Fiji

In a volume of literary productions there is an article by Professor Yanzhul, which describes the latest history of the Fiji Islands. If I tried to invent a most telling illustration of how in our time the peremptory demand of money has become the chief instrument for the enslavement of one class of people by another, I could not discover one which would be more glaring and more convincing than this true story, which is based on documentary evidence and took place recently.

On certain islands of the South Sea, in Polynesia, there lives the Fiji nation. The whole group of the islands, says Professor Yanzhul, consists of tiny islands which approximately cover a territory of forty thousand square miles. Only half of the islands are inhabited, by a population of 150,000 natives and fifteen hundred whites. The natives have long since come out of their savage state, excel in ability all the other natives of Polynesia, and represent a nation capable of work and of development, which they have proved by having lately become good farmers and stock-raisers.

The inhabitants were prosperous, but in 1859 the new kingdom found itself in a desperate state. The people of the Fiji Islands and their representative, Cacabo, needed money. The sum of \$45,000 was wanted by the Fiji kingdom, in order to pay a contribution or damages, which the United States of North America demanded for certain violence which, it was claimed, the Fijians had shown to some citizens of the American republic. For this purpose the Americans sent a squadron, which suddenly seized a few of the better islands as a pledge, and even threatened to bombard and destroy the colonies, if the contribution should not be handed to the representatives of America at a certain time.

The Americans were among the first colonists to appear, with the missionaries, in Fiji. Selecting or seizing, under one pretext or another, the best plots of ground on the islands, and there

laying out cotton and coffee plantations, the Americans hired whole crowds of natives, binding them by contracts, which were not familiar to the savages, or acting upon them through especial contractors or purveyors of live chattel. Conflicts between such planters and the natives, upon whom they looked as slaves, were inevitable, and it was some of these that served as a cause for the demand of a contribution by America.

In spite of its prosperity, Fiji has almost down to our time preserved the so-called system of payment in kind, which in Europe was current only in the Middle Ages. No money was in circulation among the natives, and the whole commerce had exclusively the character of barter; commodity was exchanged for commodity, and the few public and governmental levies were made in country produce. What were the Fijians and their king Cacabo to do, when the Americans categorically demanded \$45,000, under threat of the most summary consequences in case of their non-compliance? For the Fijians the figure itself was something inaccessible, to say nothing of the money, which they had never seen in such a large sum.

Cacabo took counsel with the other chiefs, and decided to turn to the Queen of England. At first he asked her to take the islands under her protection, and later simply to annex them. But the English were cautious in reply to this request, and were in no hurry to rescue the semi-savage monarch from his difficulty. Instead of a direct answer, they fitted out a special expedition in 1860, for the purpose of investigating the Fiji islands, so as to decide whether it was worthwhile to annex them to the British possessions, and to spend money in order to satisfy the American creditors.

In the meantime the American government continued to insist on payment, and retained as a pledge several of the best points in its actual possession, and, having gained an insight into the national wealth, increased the former \$45,000 to \$90,000 and threatened to increase even this sum, if Cacabo did not pay it at once. Hard pressed on all sides, poor Cacabo, who was unacquainted with the European methods of credit transactions, began, with the advice of European colonists, to look for money in Melbourne, asking it of the merchants, under any and all conditions, even if he had to yield the whole kingdom to private individuals.

Here, in Melbourne, a commercial company was formed in reply to Cacabo's appeal. This stock company, which took the name of the Polynesian Company, made a pact with the rulers of the Fiji Islands, upon conditions which were exceedingly favourable to itself. Taking upon itself the debt to the American government and binding itself to pay it off in instalments, the company received for it, according to the first agreement, one hundred thousand, and later two hundred thousand, acres of the best land of its own choice, the freedom for all times from all taxes and revenues for all its factories, plants, and colonies, and the exclusive right for a considerable time to establish banks of issue, with the privilege of an unlimited issue of notes.

From the time of this pact, which was conclusively settled in 1868, the Fijians were confronted, side by side with their local government, with Cacabo at its head, by a powerful commercial organization, with extensive territorial possessions on all the islands, and with a decisive influence in the government. Heretofore Cacabo's government had been satisfied, for its necessities, with those material means which consisted in all kinds of levies in kind, and an insignificant revenue from customs for imported goods. After the conclusion of the pact and the foundation of the powerful Polynesian Company, its financial condition was changed. A considerable part of the best land in the possessions passed over to the company, and so the taxes were diminished; on the other hand, as we know, the company had obtained a grant of a free import and export of all commodities, by which the revenue from customs was also reduced. The natives, that is ninety-nine hundredths of the population, had always been poor contributors to the

customs revenue, as they hardly used any European commodities, except a few stuffs and metal objects; but now, since by the grant to the Polynesian Company the wealthier Europeans were freed from the customs revenue, the income of King Cacabo became completely insignificant, and he had to bethink himself of its increase.

And so Cacabo began to take counsel with his white friends as to how he might avert the calamity, and these advised him to introduce the first direct levy in the country, and, no doubt in order to make it as little cumbersome for himself as possible, it was to be in the shape of a monetary contribution. The levy was established in the form of a universal or head tax, to the amount of one pound for each man and four shillings for each woman on all the islands.

As we have said, payment in kind and barter even now persist in the Fiji Islands. Very few natives possess any money. Their wealth consists exclusively in all kinds of raw products and flocks, and not in money. But the new tax demanded that, at certain stated periods of time, money be paid, which, when added up, amounted to a considerable sum for a head of a native family. Heretofore the native had been accustomed to no individual imposts in favour of the government, except personal obligations; all the levies that were made were paid by the Commune or the village to which he belonged from the common fields, from which he received his main income. There was but one way left for him, — to seek money from the white colonists, that is, to turn either to the trader, or the planter, who had what he needed, — money.

To the first he was compelled to sell his products at any price, since the collector of taxes demanded the money by a given time; or he had to borrow money against some future product, a circumstance which, of course, the trader made use of in order to demand unscrupulous interest; or he had to turn to the planter and sell him his labour, that is, turn labourer. But the wages, no doubt on account of the great simultaneous supply, turned out to be very low in the Fiji Islands, according to the statements of the present administration, at about one shilling a week, or two pounds twelve shillings a year; consequently, in order merely to pay the tax for himself, to say nothing of his family, a Fijian was compelled to abandon his home, his family, his own land, and his farm, and, often settling far away, on some other island, to sell himself to a planter for at least six months in order to gain the one pound necessary for the payment of the new tax; but for the payment of the taxes for his whole family he was compelled to look to other means.

The result of this order can be easily imagined. From the 150,000 subjects Cacabo collected only £6,000; and so there begins an intensified extortion of taxes, which was unknown before, and a series of compulsory measures. The local administration, incorruptible before, very soon made common cause with the planters, who began to manage the country. For arrears the Fijians were taken to court, and were sentenced, in addition to the payment of the costs, to incarceration for periods of not less than six months. The rôle of these prisons was played by the plantations of the first white man who was willing to pay the tax and the legal cost for the defendant. In this manner the whites had an abundant supply of cheap labour in any quantity desired. At first this compulsory farming out was permitted for the period of six months, but later on the venal judges found it possible to send a man to work for eighteen months, and then to renew their decree.

Very soon, in the period of a few years, the picture of the economic condition of Fiji was completely changed. Whole prosperous districts were half depleted of their population and extremely impoverished. The whole male population, except the old men and the feeble, were working away from their homes, on the plantations of the whites, in order to provide themselves with the money necessary for the payment of the tax or to satisfy the decree of the court. The women in Fiji do hardly any agricultural labour, and so, in the absence of their husbands,

the farms were neglected or entirely abandoned. In a few years half the population of Fiji were turned into slaves of the white colonists.

To alleviate their condition, the Fijians once more turned to England. A new petition, covered with a large number of signatures of the most prominent persons and chiefs, and asking to be annexed to England, made its appearance and was handed to the British consul. By this time England, thanks to its learned expeditions, had had time, not only to study, but also to measure the islands, and in due manner to appreciate the natural wealth of this beautiful corner of the globe. On account of all this the negotiations were this time crowned with full success, and in 1874 England, to the great dissatisfaction of the American planters, entered into possession of the Fiji Islands, by annexing them to its colonies.

Cacabo died, and a small pension was decreed to his successors. The government of the islands was entrusted to Sir Robinson, the governor of New South Wales. In the first year of its annexation to England, Fiji did not have its administration, but was under the influence of Sir Robinson, who appointed an administrator for it. On taking the islands into its hands, the English government had to solve a difficult problem, — to satisfy the various expectations from it. The natives naturally expected first of all the abolition of the hateful head tax; but the white colonists (the Americans) looked upon the British rule partly with suspicion, and partly (those of British origin) expected all kinds of benefits, for example, the recognition of their rule over the natives, the approval of their land-grabbing, etc.

The English government, however, proved itself to be equal to the task, and its first action was the abolition for ever of the head tax, which had created the slavery of the natives to the advantage of a few colonists. But here Sir Robinson was confronted with a difficult dilemma. It became necessary to do away with the head tax, to save themselves from which the Fijians had turned to the English government; at the same time, according to the rule of the English colonial policy, the colonies were to support themselves, that is, it was necessary to find local means to meet the expenditures of the administration. But, with the abolition of the head tax, all the income of Fiji (from the customs dues) did not exceed £6,000, whereas the expenditures of the administration demanded at the least £670,000 a year. And so Robinson, after having abolished the money tax, invented the labour tax, which the Fijians had to pay in work, but this did not net the £670,000 necessary for the support of Robinson and his assistants.

The thing did not go until the appointment of a new governor, Gordon, who, to get out of the inhabitants the money necessary for his support and for that of his assistants, took it into his head that he would not demand any money until a sufficient amount of it should be in circulation in the islands, but that he would take the products from the natives and would sell them himself.

What Money Is

This tragic episode from the life of the Fijians is the clearest and best indication of what money is and in what its significance lies. Here everything was expressed: the first fundamental condition of the enslavement — the cannon, menaces, murder, and seizure of land, and the chief means — money, which has taken the place of all the other means. What in the historical sketch of the economic development of the nations has to be followed out in the course of centuries, is here, where the forms of the monetary violence are worked out completely, concentrated in one decade.

The drama begins by this, that the American government sends its ships with loaded cannon to the shores of the islands, whose inhabitants it wants to enslave. The pretext of this threat is

money, but the beginning of the drama is with the cannon which are directed upon all the inhabitants, — women, children, old men, — people who are not guilty of anything, and this phenomenon is now repeated in America, in China, in Central Asia. The beginning of the drama is this, “Your money or your life,” which is repeated in the history of all the conquests of all the nations; \$45,000 and then \$90,000, or slaughter. But there are no \$90,000. The Americans have them. And so the second act of the drama begins: it is necessary to put off, to exchange the bloody, terrible, concentrated slaughter for less noticeable, though more prolonged, sufferings. And the little nation by its representative seeks a means for exchanging slaughter for enslavement to money. It borrows money, and the forms of the enslavement of men by means of money are worked out.

This method begins at once to act like a disciplined army, and in five years the work is done: the people have lost not only the right to use their land, but also their property and their freedom; the men are slaves.

The third act begins. The situation is exceedingly hard, and the unfortunate people hear the rumour that it is possible to change masters and go into another slavery. (Of liberation from the slavery which the money imposes there is no longer a thought.) And the little nation invites another master, to whom it abandons itself with the request that it improve its condition. The English come and see that the possession of these islands makes it possible for them to feed some drones who have been breeding in too great a quantity, and the English government takes these islands with their inhabitants, but not in the form of personal slaves: it does not even take the land and does not distribute it to its assistants. Those old methods are not needed now. All that is necessary is that they should pay a tribute, one that will, on the one hand, be sufficiently large to keep the labourers in perpetual slavery, and, on the other, will feed well the multitude of drones.

The inhabitants have to pay £70,000. This is the fundamental condition under which England agrees to ransom the Fijians from American slavery, and this is at the same time the one necessary thing for the complete enslavement of the inhabitants. But it turns out that the Fijians are not able under their present condition to pay the £70,000. The demand is excessive. The English for a time modify the demand and take a part in kind, in order, in proper time, when the money shall be in circulation, to increase the demand to its full norm.

England does not act like the former company, whose procedure may be compared with the first arrival of savage conquerors in the country of savage inhabitants, when they have but the one thought of carrying off as much as possible and going away again; England acts like a more far-sighted enslaver: it does not all at once kill the hen with the golden eggs, but does not mind feeding her, since it knows that she is a good layer. At first it slackens the reins for its own benefit, in order later to pull them tight for all time and to bring the Fijians to that condition of monetary slavery in which all the European and civilized nations are, and from which no liberation is in sight.

Money is a harmless medium of exchange, but certainly not when the shores of the country are lined with loaded cannon, which are directed upon the inhabitants. The moment money is levied by force, under the protection of guns, there is inevitably repeated what took place on the Fiji Islands, and what has taken place everywhere and at all times, — in the case of the princes and the Drévlyans, and of all the governments and their nations. People who have the power to employ force against others will do so by means of the extortion of a sum of money, which compels the people on whom the extortion is practised to become the slaves of the extortioners.

Besides, there will take place what took place in the case of the English and the Fijians, namely, that the extortioners will, in their demand for money, be more likely to transcend the limit at which the sum of money demanded has been set, in order to hasten the enslavement, than not to come up to it. They will reach the limit without crossing it only in case of a moral sentiment, and they will always reach it, even though the sentiment may exist, if they are in want. But the governments will always cross this limit, in the first place, because, as we know, the governments themselves are in extreme need, due to the wars and to the necessity of offering stipends to their accomplices.

All the governments are always in insolvable debt, and, even if they wished to do otherwise, cannot help but carry out the rule promulgated by a Russian statesman of the eighteenth century, that it is necessary to shear the peasant and not give him a chance to grow his hair. All the governments are in insolvable debt, and this debt in its totality (not counting its accidental decrease in England and in America) grows from year to year in a terrifying progression. Even so grow the budgets, that is, the necessity of fighting other extortioners and giving stipends in money and land to the assistants in the extortion, and in a similar way does the land value grow.

The wages do not grow according to the law of rents, but because there exists a state and land tribute, the purpose of which is to take from the people all their surplus, so that for the fulfilment of this demand they may sell their labour, because the exploitation of this labour is the aim of the imposition of a tribute. Now the exploitation of this labour is possible only when a greater aggregate amount of money is demanded than the labourers can give without depriving themselves of their means of support. The raising of the scale of wages would destroy the possibility of slavery, and so it can never be raised so long as there is any violence. It is this simple and intelligible action of one set of men upon another that the economists call an iron law; but the instrument with which this action is produced they call a medium of exchange.

Money, this harmless medium of exchange, is needed by men in their relations among themselves. Where there does not exist a violent demand for a monetary tribute, there has never been any money in its modern significance, and there could have been none, but it has always been, and it always will be, as it is with the Fijians, the Kirgizes, the Africans, the Phoenicians, and in general with people who do not pay any taxes: there we have the direct exchange of objects for objects, and there the accidental standards of values are sheep, furs, hides, shells. A certain kind of money becomes current among people only when it is forcibly demanded of all. Only then does it become a necessity for each person in order that he may ransom himself from violence, and only then does it receive a constant exchange value. What, then, receives a value is not what is more convenient for exchange, but what is demanded by the government. If gold is demanded, gold will have a value; if knuckle-bones are demanded, knuckle-bones will have a value. If this were not so, why has the issue of this medium of exchange always formed the prerogative of the government?

People — let us say the Fijians — have established their medium of exchange; very well, let them exchange things in any way they please, and you people who have power, that is the means for violence, do not meddle with this exchange. But what you do is to coin this money, prohibiting others from coining the like: then, as is the case with us, you print a lot of bills, representing on them the portraits of kings; you sign them with special signatures; determine penalties for the counterfeiting of this money; distribute them among your assistants, and demand, in the form of state and land taxes, just such coins and scraps of paper, with precisely the same signatures, and so many of them that the labourer has to give up his whole labour in order to obtain these scraps of paper and these coins, and you assure us that this money is necessary as a medium of exchange.

All men are free, and one set of men does not oppress another, does not keep men in slavery; all there is, is money in society and an iron law, according to which rents rise and wages decrease to a minimum! The fact that half (more than half) the Russian peasants sell themselves to work for landed proprietors and manufacturers, for the sake of their direct and indirect and land taxes, does not at all mean what it obviously means, namely, that the levying of head taxes and of indirect and land taxes, which are paid to the government and to its assistants, the proprietors, in money, compels the labourer to be in the slavery of him who levies the money, but it means that there is money — the medium of exchange — and an iron law!

When the serfs were not free, I was able to compel Vanka to do all kinds of work, and if Vanka refused, I sent him to the rural officer, and the officer flogged him until he submitted. However, if I made Vanka work above his strength, without giving him land or food, the matter reached the ears of the authorities, and I had to be responsible for it. Now men are free, but I can compel Vanka, Sidorka, or Petrushka to do any kind of work, and if he refuses I will not give him any money for his taxes, and they will flog him until he submits; besides, I can compel a German, and a Frenchman, and a Chinaman, and a Hindoo to work for me, by not giving him money, in case of his insubmission, with which to rent land or buy bread, because he has neither land nor bread. And if I make him work without food, above his strength, if I kill him with work, no one will say a word to me; but if, in addition, I have read books on political economy [what we today define simply as ‘economics’, The Editor], I can be firmly convinced that all men are free, and that money does not create any slavery.

The peasants have known for a long time that it is possible to cause more pain with a rouble than with a club; it is only political economy that does not want to know it. To say that money does not cause any enslavement, is the same as if half a century ago we should have said that the serf law does not produce any enslavement. Political economists say that, although in consequence of the possession of money one man may enslave another, money is a harmless medium of exchange. Why, then, could it not have been said half a century ago that, although it is possible by means of the serf law to enslave a man, the serf law is not a means for enslavement, but a harmless medium of mutual services? Some give their rude work, others attend to the physical and mental welfare of the slaves and to the distribution of the work. It seems to me they used to talk that way.

3. Money in the Imaginary Science of Economics

If this imaginary science – political economy – did not busy itself with what all the juridical sciences busy themselves with, - with an apology for violence, it could not help but see that strange phenomenon that the distribution of wealth and the despoliation of land and capital by some, and the enslavement of one set of men by another, are all dependent on money, and that only by means of money one set of men now exploits the labour of others, that is, enslaves others.

I repeat: a man who has money can buy up all the bread and starve another and for the bread enslave him completely. Indeed, so it is done on a large scale in our own sight. One would think that it would be necessary to look for a connection between these phenomena of enslavement and money, but science assures us with absolute confidence that money has no relation whatever to the enslavement of men.

Science says: Money is a commodity like any other which has the value of its production, with this difference, that this commodity is chosen as the most convenient medium of exchange for

the establishment of prices, for storing, and for making payments; one man makes boots, another grows grain, a third raises sheep, and, to be able more conveniently to exchange their products, they introduce money, which represents a corresponding share of labour, and by means of it exchanges soles for a brisket of mutton and ten pounds of flour.

The men of this imaginary science are very fond of representing to themselves such a state of affairs; but such a state of affairs has never existed in this world. Such a representation of society is the same as the representation of the primeval, uncorrupted, perfect human society, which former philosophers used to make for themselves. There has never existed such a state. In all human societies, where there has been any money as such, there has always existed violence, which is exerted by the strong and the armed over the weak and the unarmed; but where there has been violence, the standards of values – money, no matter what it may have been, – cattle, furs, hides, metals, – had inevitably to lose their significance and to acquire the meaning of ransom from violence.

Money has unquestionably the harmless properties which science mentions, but it would in reality have these properties in a society where the violence of one man over another has not made its appearance, – in an ideal society; but in such a society there would be no money as such, as a common standard of values, as it has not existed, and cannot exist, in any society which has not been subjected to the general political violence. Its chief significance is not to serve as a medium of exchange, but to serve for the purpose of violence. Where there is violence, money cannot serve as a regular medium of exchange, because it cannot be a standard of values. It cannot be a standard of values, because, as soon as one man in society can take away from another the products of his labour, this standard is at once impaired.

If horses and cows, raised by farmers and others, are taken by force away from farmers and brought together to the market, it is evident that the value of the horses and cows at this market will no longer correspond to the labour of raising the stock, and the values of all other articles will change in conformity with this change, and money will not determine the values of these articles. Besides, if it is possible by force to acquire a cow, a horse, or a house, it is possible by means of this same violence to acquire the money itself, and with this money to acquire all the other products. But if the money itself is acquired through violence and is used for the purchase of articles, the money loses every semblance of a medium of exchange. The oppressor, who has taken away the money and gives it for the products of labour, does not exchange, but by means of the money takes all he needs.

But even if there existed such an imaginary, impossible society, in which, without the general political violence being exerted over men, money – silver or gold – had the significance of a standard of values, it would, at the appearance of violence, immediately lose its significance even in such a society. The oppressor makes his appearance in such a society in the form of a conqueror. This oppressor, let us assume, seizes the cows, and the horses, and the houses of the inhabitants; but it is not convenient for him to possess all this, and so it naturally occurs to him to seize that from these people which among them forms all kinds of values and is exchange for all kinds of articles, namely, money. Immediately the money, as a standard of values, ceases to have any place in such a society, because the standard of the value of all articles will always depend on the arbitrary will of the oppressor. The article which the oppressor will need most and for which he will give most money, will receive a greater value, and vice versa. Thus in a society which is subjected to violence, the money at once receives the one predominant meaning of a medium of oppression for the oppressor, and will retain its significance as a medium of exchange for the oppressed only to such an extent and in such a relation as is convenient for the oppressor.

Let us imagine the matter in a small circle. The serfs furnish the proprietor with cloth, chickens, sheep, and day labour. The farmer substitutes money for the dues in kind, and determines the price of the various articles of the dues. He who has no cloth, bread, cattle, or work hands, can offer a certain sum of money. It is evident that in the society of the peasants belonging to this proprietor, the valuation of the articles will always depend on the arbitrary will of the proprietor. The proprietor makes use of the articles collected, and some he needs more, others less, and in accordance with this he determines a higher or lower price for this or that article. It is evident that nothing but the proprietor's will or his needs decides the prices of these articles among the payers.

If the proprietor needs grain, he puts a high price on the right of not furnishing a given amount of grain, and a lower price on the right of not furnishing cloth, cattle, or day labour; and so those who have no grain will sell to others their labour, their cloth, and their cattle, in order to buy the grain which they have to furnish to the proprietor.

If the proprietor takes it into his head to demand all the obligations in money payments, the price of the articles will again not depend on the value of the labour, but, in the first place, on the amount of money which the proprietor will demand, and, in the second, on the articles produced by the peasants, which the proprietor needs most, and so on this, for what articles he pays more and for what less. The levy of money, which the proprietor makes on the peasants, would not have an influence on the value of articles among the peasants, unless, in the first place, the peasants of this proprietor lived separately from other people and had no other relations except those between themselves and the proprietor, and, in the second, the proprietor did not use the money of the purchase of the articles from his own village, but elsewhere. Only under these two conditions would the value of the articles, though nominally changed, remain relatively true, and the money would have the significance a standard of values and of exchange; but if the peasants have economic relations with the surrounding inhabitants, the greater or lesser demand for money made by the proprietor will, in the first place, affect the greater or lesser value of their articles in relation to their neighbours. (If less money is demanded of their neighbours than of them, their products will be sold more cheaply than the products of their neighbours, and vice versa.) And, in the second place, the levy of money made by the proprietor on the peasants could have no influence on the value of the products unless the proprietor did not use the money collected for the purchase of products from his peasants. But if he uses his money for the purchase of his peasants' products, it is evident that even the relation of prices of various articles among the peasants themselves will constantly change in proportion as the proprietor purchases this or that article.

Let us suppose that one proprietor has set the peasant dues very high, and his neighbour has put them low: it is evident that in the sphere of the first proprietor all the articles will be cheaper than in the sphere of the second, and that the prices in either sphere, will depend only on the raising or the lowering of the dues. Such is one of the influences of violence on prices.

Another influence, which results from the first, will consist in the relative values of all articles. Let us suppose that one proprietor likes horses and pays well for them; another is fond of towels and pays well for them. It is evident that in the possessions of the two proprietors, horses and towels will be high, and the price for these articles will not be in proportion to the prices of cows and of grain. Tomorrow the one who is fond of towels dies, and his successor is fond of chickens: it is evident that the price of the towels will go down, and that of the chickens will rise.

Where in society there exists the oppression of one man by another, the significance of money as a standard of values is immediately subjected to the arbitrary will of the oppressor, and its significance as a medium of exchange of products of labour gives way to its significance as a most convenient medium for exploiting the labour of others. The oppressor needs the money not for exchange, nor for the establishment of standards of values, — he establishes them himself, — but only as a convenience of oppression, which consists in this, that the money is put away for safe-keeping, and that with money it is much easier to keep in subjection the greatest number of men. It is inconvenient to take away all the cattle, in order that one may all the time have horses, and cows, and sheep, as many as one may need of them, because one has to feed them ; the same is true of the grain, — it may get spoiled. The same is true of the labour, the *corvée*: at one time a thousand labourers are wanted, and at another not even one. The money, which is demanded of him who does not have it, makes it possible to get rid of all these inconveniences and always to have everything which is needed, and it is for this alone that the oppressor needs it. Besides, the oppressor needs the money for this, that his right to exploit the labour of others may not be limited to certain persons, but may extend over all men who are in need of money. When there was no money, the proprietor could exploit the labour of his serfs alone; but when two of them agreed to take from their serfs money, which they did not have, they both began indiscriminately to exploit all the forces in the two estates.

And so the oppressor finds it more convenient to make his demands for other people's labour in the shape of money, and for this alone does the oppressor need the money. But for the oppressed man, for him who is deprived of his labour, the money is not necessary for exchange, — he exchanges without money, as all the nations without governments have exchanged; nor for determining the standards of values, because this determination takes place in spite of him; nor for safe-keeping, because he who is deprived of the products of his labour cannot save; nor for payments, because the one who is oppressed will have to pay more than he receives, or, if he has to receive, the payments will not be made to him in money, but in commodities, — if the labourer receives the payment for his work directly from his master's shop, — and the same is true if for his whole earnings he purchases articles of prime necessity in free shops. Money is demanded of him, and he is told that, if he does not pay it, he will get no land, no grain, or his cow, his house, will be taken from him, and he will be made to work out or will be put in prison. From this he can free himself only by selling the products of his labour and his labour itself at prices which are not established by a regular exchange, but by the power which demands the money of him.

With these conditions that result from the influence of tributes or taxes on the values, which are repeated at all times and everywhere, with the proprietor on a small scale, and in the government on a large scale; with these conditions, where the causes of the changes of values are as evident, as it is evident to him who looks back of the curtain why and how the marionette raises or lets down a foot; with these conditions, to speak of money as representing a medium of exchange and a standard of values is, to say the least, astonishing.

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Journal of Banking, Finance & Sustainable Development

About the Journal

The Journal of Banking, Finance and Sustainable Development is dedicated to scholarly and high quality research publications that adopt the scientific methodology. This methodology, common in the natural and social sciences, but less common in economics, is the inductive methodology, whereby truth is sought on the basis of establishing empirical evidence. In 1978, when Deng Xiaoping argued that it was necessary to drop ideological blinkers in order to progress, he replaced ideology with the call and the imperative to "Seek truth from facts". Since facts are in the past, whether in the form of data or other factual information, including concerning institutions, such a scientific and empirical approach to economics often adopts a historical perspective or analyses data series statistically.

Concerning empirical econometric methods, the Journal for Banking, Finance and Sustainable Development again favours the scientific approach, which is to allow the data to reveal its behaviour, instead of allowing prior biases to dictate the analysis of data. Thus the general to specific econometric methodology is favoured. Overall, the journal is a pluralistic journal, open to all approaches, and especially aims to provide scientific researchers with a platform to present their important insights and findings. As the title indicates, topics include banking, finance, monetary economics, macroeconomics, growth, development and sustainability, as well as economic history and the history of economic thought.

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