

Socialist View of the Results of the Free Market Economy: Excerpt from Ferdinand Lassalle's "Open Letter" (1863)

Abstract

In his "Open Letter" (1863), written at the request of a Leipzig workers' committee, socialist leader [Ferdinand Lassalle](#) (1825–1864) explains his "iron law of wages," a key to socialist economic critique. According to Lassalle, supply and demand in the free labor market inevitably keeps workers' wages around the subsistence level; entrepreneurs benefit exclusively from labor profits; and temporary advantages resulting from increased productivity and lower prices are offset again by further wage reductions for workers.

Source

[...]

2. The iron economic law that determines the working wage under current conditions, under the rule of supply and demand for labor, is this: the average working wage always remains reduced to the subsistence level necessary for a given people to exist and propagate in the manner in which it is accustomed. This is the point around which the actual daily wage always swings and gravitates, without ever rising for too long above that point or being able to drop down below it. It cannot permanently rise above this average—for otherwise the easier, improved situation of the workers would cause a rise in workers' marriages and workers' propagation, a rise in the workers' population, and consequently an increase in the supply of hands, which would once again reduce the working wage to—and below—its previous level.

The working wage also cannot permanently remain far below this subsistence level, for then the result is – emigration, celibacy, abstention from procreating, and finally a poverty-induced reduction in the number of workers, which consequently diminishes the supply of workers' hands even further and therefore brings the working wage back up to its previous level.

The real average working wage therefore lies in this constant movement around a center of gravity to which it must continuously revert; sometimes [it is] situated a little above this point (period of prosperity in all or individual branches of work); sometimes a little below it (period of more or less general desperation and of crisis).

The restriction of the average working wage to the barest means necessary for a given people to exist and propagate in the manner in which it is accustomed—this is, let me repeat, the iron and cruel law that controls the working wage under current conditions.

This law cannot be disputed by anyone. Here, I could introduce as many guarantors as there are great and famous names in the science of national economy, and indeed from the liberal school itself, for it is the liberal economic school that discovered and proved this law.

This iron and cruel law, gentlemen, is something you especially need to impress deeply, deeply into your souls, and all of your thinking must proceed from it.

On this occasion, I can offer you and the entire working class the infallible means to escape all illusions and deceptions once and for all.

Above all, you must pose the following question to anyone who speaks to you about improving the condition of the working class:

does he acknowledge this law or not.

If he does not acknowledge it, you must tell him from the start that he either wants to deceive you, or else is miserably schooled in the science of national economy. For, as I already told you, even within the liberal school itself there is not a single well-known national economist who denies this. Adam Smith along with Say, Ricardo along with Malthus, Bastias along with John Stuart Mill are unanimous in acknowledging it. Here, agreement prevails among all men of science.

And if the person who talks to you about the condition of the workers has acknowledged this law in answer to your question, then you should go on to ask him:

how he proposes to eliminate it.

And if he does not know how to reply to this, then go right ahead and turn your back on him. He is an idle chatterbox who is trying to deceive you or himself, dazzling with hollow phrases.

Let us look more closely for a moment at the impact and nature of this law. It is, in other words, the following:

initially as much is deducted from the output of labor (from production) and distributed among the workers as is required for them to eke out a living (working wage).

The entire surplus of production—of the output of labor—goes to the employer.

It is therefore a consequence of this iron and cruel law that you—and that is why I have called you the class of the disinherited in my workers' brochure,[\[1\]](#) to which you refer in your letter—are necessarily excluded even from the increase in productivity resulting from the progress of civilization, i.e., from the increased output of labor, from the increased output capacity of your own labor! For you, it is always [just] the meagerest necessities of life, for the employer, [it is] always everything produced by labor above and beyond this.

But when there is major progress in productivity (in the profitability of labor) and when, at the same time, many industrial products drop down to the lowest price level, it can happen that, on account of these cheap prices, you initially derive an indirect advantage from the increased profitability of labor, not as producers but certainly as consumers. This advantage does not affect you at all in your capacity as producers; it also does not affect or change your falling share of the quotient of labor's output. It only affects your situation as consumers, just as it also improves the employers' situation as consumers and also—and, indeed, to a far greater extent than yours—the situation of all of those who are consumers, but do not even participate in work.

And this advantage that affects you merely as human beings, not as workers, also disappears once again on account of that iron and cruel law that, over the long run, repeatedly depresses the working wage to a subsistence level.

Now, when this kind of increased productivity of labor (and the extreme cheapness of certain products that results) occurs quite suddenly, and when this also coincides with a longer period in which there is a growing demand for working hands, then these newly reduced products might get absorbed into that which is customarily deemed necessary for a subsistence level existence.

But the fact that workers and the working wage always hover on the edge of that which, according to the

requirements of every era, is necessary for basic subsistence, now a little above, now a little below—this never changes!

[...]

NOTES

[1] The “Workers’ Program” – original footnote.

Source: Ferdinand Lassalle, *Gesammelte Reden und Schriften*, edited and with an introduction by Eduard Bernstein. Volume 3, *Die Agitation für den allgemeinen deutschen Arbeiterverein*. Berlin: Paul Cassirer, 1919–20, pp. 58–62.

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