



Karl Polanyi
Economy and Society



SELECTED WRITINGS

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Selected Writings

Edited by Michele Cangiani
and Claus Thomasberger

polity

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Introduction

Michele Cangiani and Claus Thomasberger

Karl Polanyi is regarded as one of the most influential social scientists of our epoch. His seminal book, *The Great Transformation*, is listed among twentieth-century classics. Polanyi was initially recognized as an economic anthropologist and historian. Later, his work entered the discourse of disciplines such as sociology, law and political science. Finally, and particularly since the beginning of the financial and economic crisis in 2007/8, he has become an indispensable point of reference in the broader public discussion. Leading intellectuals around the world refer to him as a source of inspiration. Economists, social scientists and activists engaged in challenging the current trends of neoliberal globalization, privatization and deregulation build on his writings. The 2016 *Trade and Development Report* of the United Nations Conference on Trade and Development describes the current situation as ‘a “Polanyi period”, in which the regulatory and normative framework on which healthy markets depend, having already warped, is beginning to buckle [...] Trust in political leadership is at an all-time low, just when the need for decisive political action is at an all-time high’ (p. ii).

In the critical discourse, Polanyi’s notions, such as ‘embeddedness’, ‘double movement’, ‘fictitious commodities’, ‘liberal utopia’, ‘self-regulating market system’, ‘transformation’ and ‘patterns of integration’, have become fundamental.

In our neoliberal era, an unprecedented wave of globalized investment and production, supported by an ‘obsolete market mentality,’¹ has undermined the measures of internal protection, without eliminating the tendency to the crisis. This fragility of the twenty-first-century

world draws attention to the question of how society, culture and nature can be protected effectively against an evermore powerful market system. As Polanyi stated in 1947, ‘How to organize human life in a machine society is a question that confronts us anew’,² and we are compelled to repeat this today.

Economic stagnation, increasing inequality, ecological and technological menaces, the decay of democratic institutions, the growing influence of nationalist parties and politicians, cultural and religious tensions as well as international conflicts threaten the social order established after the Second World War. There is a prevailing sense that political leaders have been overtaken by events, that they have lost control of the situation and thus confine themselves to denying the conflicts and buying time.

Polanyi would not have been surprised by current events – neither by the attacks on democracy nor by the rebellion against economic globalization, commodification and the loss of cultural identity. He regarded the liberal project of institutionally separating the market system and subordinating the whole of society to its rules as no more than a first, utopian and historically limited response of humankind to the challenges of a technological civilization. His analysis of the collapse of the nineteenth-century European institutional set-up, the Great Depression, the rise of fascism and two world wars invites comparison with the present crisis of the neoliberal institutional arrangement.³ Are we now witnessing the social and political disintegration of the neoliberal version of the nineteenth-century market economy that resulted in the Great Depression?

The latest financial crisis has exposed the fragility and limitations of modern civilization, thus bringing the question of the market society’s future into the centre of the public discourse. Throughout his life, Polanyi was concerned with the human condition in contemporary social organization. The continuing relevance of his writings depends on the depth of his insight that a capitalist economy requiring ever larger markets and investment opportunities is incompatible with the human need for mutually supportive social relations and a well-balanced use of natural resources.

Robbed of the protective covering of cultural institutions, – states an often quoted passage of *The Great Transformation*⁴ – human beings would perish from the effects of social exposure; they would die as the victims of acute social dislocation through vice, perversion, crime, and starvation. Nature would be reduced to its elements, neighbourhoods and landscapes defiled, rivers polluted, military safety jeopardized, the power to produce food and raw materials destroyed.

Polanyi's writings included in this collection are among his most significant. In recent decades, relevant parts of his oeuvre have been translated into many European and non-European languages. *The Great Transformation* has been translated into seventeen languages. However, the greater part of his work is almost unknown to the English-speaking reader. His writings in German were not translated into English. Important essays and articles he wrote in English have never been reprinted. Only some writings have been published recently,⁵ and some first-time translations into English of works in the German language are currently underway.⁶ But several aspects of Polanyi's thought – documented by unpublished, or published but difficult-to-find writings – are still waiting for the attention they deserve. This publication aims at filling this gap.

The Life Cycle of Karl Polanyi

'My life was a "world"-life – I lived the life of the human world [...]. The opposition which my world of thought has called forth at last is a good sign. I should have loved to last and be in at the fight, but man is a mortal thing.'⁷ Polanyi wrote these words to a friend of his youth in 1958. His life was really marked by vicissitudes and upheavals of world history between the end of the nineteenth century and the first six decades of the twentieth. The richness of insights in his work reflects his life path, which brought him from Hungary, where he grew up, to Vienna, London, the United States, back to England, again to the United States and finally to Canada. For the greater part of his life, he earned his living as a journalist and tutoring adults. He had to wait until his appointment at Columbia University in 1947 for an academic position: in England, despite his impeccable references, he was not considered qualified. *The Great Transformation* was written in America and above all addressed an Anglo-Saxon audience. Nevertheless, the roots of his thinking lay in Central Europe, especially in Hungary and Austria where he had lived and worked for the greater part of his life.

In spite of the changing social conditions which formed the background of his activity, there is a common thread running through Polanyi's work. The question of how the inhumanity of modern society can be overcome is the crucial issue which is at the centre of all his studies – inhumanity to be understood not only as a question of economic organization, of social justice and fair distribution of income and wealth, but also as an issue of human freedom and of personal responsibility, i.e., as an ethical challenge.

Polanyi shared with Karl Marx, Robert Owen, Max Weber, Karl Mannheim, Friedrich Hayek, Walter Lippmann and many others the conviction that the question of *freedom* has to be posed while recognizing the conditions of a technological civilization. He considered the Industrial Revolution a divide in human history more for its social implications than for the material progress it brought about. However, he accepted that technological advancements, mass production, mass consumption and a worldwide division of labour cannot be reversed and that, therefore, no modern society can be grounded in direct human relationships alone. ‘*How can we be free, in spite of the fact of society? And not in our imagination only, not by abstracting ourselves from society, denying the fact of our being interwoven with the lives of others, being committed to them, but in reality.*’⁸ With these words, Polanyi summed up the crucial question that gave meaning and direction to his research: how to safeguard personal freedom and responsibility, if in a complex society human ties lose their transparency and the single person is robbed of the possibility of taking responsibility for his/her decisions because he/she is unable to oversee the consequences for other human beings.

Born in 1886 in Vienna, Polanyi spent his youth in Hungary. While studying law and philosophy, he started to engage actively in political debates. In 1907, his first articles were published in the journal *Twentieth Century (Huszadik Század)* whose editor was Oszkar Jászi. One year later, he became one of the initiators and the founding president of the student movement known as the ‘Galilei Circle’, and continued as editor of the periodical *Free Thought (Szabádgondolat)* (1913–1919). The objective of the Circle was not just to criticize the conservative character of university teaching but to organize numerous lectures and courses for adults, primarily aimed at workers. This was their way to engage in a vast political movement, which fought for the democratization and moral regeneration of Hungary and for a non-dogmatic science – against religious, ethnic and class prejudices. Several members of that variously progressive or revolutionary culture, often personal friends of Polanyi, participated in the activities of the Circle: among others, György Lukács, Karl Mannheim, Werner Sombart, Max Adler, Eduard Bernstein, the psychoanalyst Sándor Ferenczi and the composer Béla Bartók, the poet Endre Ady and the philosopher of law and historian of institutions Gyula Pikler. At the same time, Polanyi cooperated with Jászi, leader of the Radical Party and a minister of the first Hungarian Republic in 1918.

The early period of his life ended after the First World War when political reasons prompted him to seek exile in Vienna. ‘After a nine months’ interval almost equally divided between a democratic and a

Communist revolution,' he writes, 'the feudal nobility regained political control' of Hungary.⁹ Polanyi had been a supporter of the coalition government led by Mihály Károlyi, and he had laboured three months for the People's Commissariat of Social Production in the Communist Republic of Béla Kun, though disagreeing with its tendency 'to control every aspect, including the economic, of its citizens' life'.¹⁰ The seizure of power by the reactionary government of Miklós Horthy in 1919 caused Polanyi to choose to live in Vienna, where many Hungarians took shelter, among them Ilona Duczynska, whom he married in 1922.

The First World War was the decisive event in Polanyi's life. When in 1919 he arrived in Vienna, issues of socialization of the economy were being hotly debated. On the fringes of Austro-Marxism and influenced by Guild Socialism, Polanyi participated in the debate on the feasibility of a socialist economy based on efficiency, social justice and participatory democracy. In 'Red Vienna', he felt at ease. In his contributions to the debate, he rejected dogmatism and opposed both the economism of the Second International and Bolshevik methods of seizing and keeping power by fratricidal struggle.¹¹ British Guild Socialism and such prominent representatives of Austrian socialism as Otto Bauer and Max Adler clearly influenced his point of view. Democracy should be kept alive through the participation of individuals in organizations corresponding to diverse aspects ('functions') of their existence, such as political parties and trade unions, local administrations and neighbourhoods, consumers' cooperatives and cultural associations.

In Vienna in the early 1920s, the question of socialization was not an abstract academic issue. A socialist transformation of society seemed an achievable objective. While in Austria the political power was in the hands of conservative forces at the federal level, in Vienna the Social Democratic Workers' Party had won the elections for the city council in 1919 and continued to dominate until 1933. The influence of trade unions and the consumer cooperative movement was strong. Important measures were tackled – such as limiting rents, the expansion of social housing and the creation of community colleges. The general aim of reforms was the improvement of working and living conditions and of workers' education. The question of how to organize a socialist economy was at the top of the political agenda. Intellectuals from various political currents participated in the discussion. In these debates, Polanyi opposed models of an administrative economy based on central planning. He also contested the idea of a moneyless 'natural economy', proposed by, among others, Otto Neurath. In his own socialist perspective,

socialization had to be grounded in associations of collective interests at the local, regional and national levels. Negotiations between associations of workers representing producers and cooperatives representing consumers should partly replace and partly complement the market process.

The fertile and vibrant intellectual climate in 'Red Vienna' and the debates with the protagonists of Austro-Marxism and the Austrian School of Economics (Friedrich Wieser, Eugen Böhm-Bawerk, Ludwig Mises, Friedrich A. Hayek) continued to shape Polanyi's thinking for the rest of his life. The three articles we publish in the first section originate from this context. In 'On Freedom', Polanyi lays down the basic ideas of his social philosophy. Marx's writings play a key role in his thinking, not the economic analysis, but Marx's critical theory of reification and alienation and, most of all, the idea of social freedom – that is, freedom within and through society, freedom in the 'positive' sense of a conscious participation in relevant decisions for social life. The question of how to pursue social freedom and personal responsibility under the conditions of a complex technological civilization is at the heart of the 'problem of overview' (*Übersichtsproblem*) – or 'the problem of freedom in a complex society', as Polanyi prefers to say in the 1940s and 1950s.

'On Freedom' deals mainly with such questions. This 1927 manuscript intended to be a philosophical investigation on the problem of the 'socialist theory' he had previously dealt with in 'Some Reflections Concerning our Theory and Practice', building on guild socialism and Otto Bauer's idea of functional democracy. This article, in its turn, follows two interventions in the debate on 'socialist accounting' that Polanyi published in one of the most important social science journals of the German speaking world, *Archiv für Sozialwissenschaft und Sozialpolitik*.

'The Functionalist Theory of Society and the Problem of Socialist Economic Accounting' is Polanyi's rejoinder to comments by Ludwig von Mises and Felix Weil to his 1922 essay 'Socialist Accounting'.¹² Here Polanyi challenges Mises's provocative statement that socialism would necessarily destroy not only freedom but also economic rationality.¹³ He rejects Mises's contraposition of central planning versus self-regulating markets. Functional socialism, he maintains, allows for organizing a socialist economy in which democracy and social efficiency would strengthen each other. The fact that an article written by an independent intellectual with no formal qualification in economics or sociology elicited a response from Mises, and a published reply by Polanyi indicates how open and lively the intellectual climate in Vienna was.

In 1924, Polanyi started to work as a member of the editorial team of *Der Österreichische Volkswirt*, the most important economic and financial weekly in Central Europe. This position allowed him to follow the international affairs and the unfolding world crisis in great detail. He wrote more than 250 pieces for that magazine. The article 'Economy and Democracy' was published at the end of 1932, just a few weeks before Hitler's appointment by Hindenburg as Reich Chancellor. In this article – and also in the following 'The Mechanism of the World Economic Crisis' – Polanyi demonstrates his awareness of the deadly tensions threatening European civilization even before the rise to power of fascism in Germany. In his interpretation of the Great Depression, the focus is not on the economic crisis as such but on the conflict between the market system and democracy, finding its expression in that between classes. In particular, he argues, the attempt to restore the international gold standard proved itself to be incompatible with the achievements of the labour movement and parliamentary democracy.

Later, in *The Great Transformation* in the first instance, that conflict is considered in its deeper sense. The market capitalist economic system, led as it is by the motive of monetary gain, tends to subordinate the needs of its human and natural environment to its own goals. Polanyi points out, then, a fundamental contradiction: society cannot but be 'caught on the horns of a dilemma: either to continue on the path of a utopia bound for destruction, or to halt on this path', thereby undermining the functioning of the market system.¹⁴ The inevitability of this dilemma, in which the class conflict is inherent, led society to an impasse when the crisis cut off economic and political space for compromise. At this point, Polanyi concludes, the time 'was ripe for the fascist solution',¹⁵ which refers specifically to the conditions in 1930s Europe but holds a more general significance. When capitalism and democracy become incompatible – as he points out in 'The Essence of Fascism' – the survival of the former requires the abolition of the latter.

The spreading of fascism, the changing political climate in Austria, accelerated by the suspension of the parliament, and the impending attack against organized labour and the Social Democratic Party induced Polanyi to intensify his research on fascism. In 1933, he decided to leave Vienna for London. In the difficult situation created in March by the authoritarian measures taken by Engelbert Dollfuss, the Austrian chancellor, in a vain attempt to control the subversive Nazi movement, Polanyi's well-known anti-fascist and socialist position could cause trouble for *Der Österreichische Volkswirt*. In England he continued to work as foreign editor of the weekly till

1938, when its publication was interrupted as a consequence of the annexation of Austria by the Third Reich.

Polanyi's analysis of the rise of fascism is a consistent further development of his study of economic breakdown. In so far as he highlights features that are topical again in our times, the question is worthy of closer consideration. The fascist threat occurred, he maintains, when the body politic lost the capacity to implement effective reforms of the market system, however necessary these might have been. As a consequence, the economic mechanism upon which society depended for its material existence was brought to a halt. In 'The Fascist Virus', Polanyi underlines that:

Isolated interventions, though vital to the survival of society, tended to impair the mechanism of the market. Yet, at the mere hint of a more comprehensive planned intervention the market panicked and there was imminent danger of a complete stoppage of the productive apparatus. A crisis of confidence intervened and the political forces responsible for the messes were promptly made to disappear from the scene. [...] Any comprehensive and planned reform of the capitalist system at the hands of the working class was therefore impossible, as long as the market mechanism and its regime of panic ruled the day.

In the 1930s in Europe the conflict between society and the market system had reached a new level. The 'regime of panic' blocked necessary reforms.

The understanding of the intractability of the clash in this particular situation in Europe distinguishes Polanyi's analysis from conventional approaches. The 'double movement' – the enforcing of the market system on the one hand and the 'defence' of society on the other – was not as responsible for the collapse of civilization in the nineteenth century as was the impasse and the impossibility of appropriate radical reforms. Indeed, fascist movements took the lead when the double movement had come to an end. In 'Fascism and Marxian Terminology' Polanyi had already pointed out that:

Democracy and Capitalism, i.e., the existing political and economic system, have reached a deadlock, because they have become the instruments of two different classes of opposing interests. But the threat of disruption comes not from these opposing interests. It comes from the deadlock. [...] Mankind has come to an impasse. Fascism resolves it at the cost of a moral and material retrogression. Socialism is the way out by an advance towards a Functional Democracy.

These lines are crucial if we want to learn from Polanyi's understanding of the breakdown of nineteenth-century civilization in order to tackle current challenges. Under the conditions of the 1930s in Europe, only those forces that were able to offer an escape from the deadlock had a chance of seizing power. Fascism was the backward-looking reaction, Polanyi maintained, which sacrificed freedom and democracy so as to safeguard the economy in its capitalist form.

Polanyi was interested not only in the economic and social conditions that produced the rise of fascism, but also in its historical and philosophical roots. In 1935, he joined J. Lewis and D. K. Kitchin to edit the book *Christianity and Social Revolution*, to which he contributed 'The Essence of Fascism'. As the writings in Section III of this book show, Polanyi also collaborated in England with the Christian left movement, which organized seminars, debates and lectures not only for its members but also for a larger public. The debates turned on current problems, such as the political role of Christians and pacifism, and also on philosophical and theoretical questions. Marx's *Economic and Philosophical Manuscripts* of 1844, published for the first time in Germany by S. Landshut and J. R. Meyer in 1932, were examined in a group reading guided by Polanyi. The influence of these studies and discussions is evident in 'Community and Society', 'The Christian Criticism of our Social Order' and 'Christianity and Economic Life' and continues to be traceable in his later reflection, in particular in the last chapter of *The Great Transformation*.

In the second half of the 1930s, Polanyi undertook several lecture tours in the United States before he started to work as a teacher for the Worker's Education Association (WEA) under the presidency of Richard Tawney, with whom he maintained a friendly relationship beyond their engagement in the WEA. Polanyi shared with Tawney the idea that politics and culture should recover the dominant place that the economy in its market capitalist form had occupied. His teaching, mainly given in small towns in Sussex and Kent, further acquainted him with the living and working conditions of the English working class. The encounter with working-class life in 1930s England gave him a culture shock. In the richest country of Europe, the condition of the working class seemed much worse than in Red Vienna, in impoverished Austria, where social status and cultural achievements of workers had reached exceptionally high levels. His courses for the WEA did not only comprise world affairs but also English social and economic history. The lecture notes for these courses formed the skeleton on which *The Great Transformation* was constructed. Also, the essay *Europe To-day*,¹⁶ which

deals with international politics from the First World War to the Spanish Civil War, is addressed to working-class students. In his preface, G. D. H. Cole signifies his approval by commending the book both 'as a friend' of the author and because of the 'comprehensive' analysis it offers. In particular, he supports Polanyi's 'essential point' which unfortunately is still topical eighty years later: the need for 'an international democratic front [...] against war-mongering and aggressiveness' (p. 11).

The lecture tours in the United States presented an opportunity to establish connections with American universities. In summer 1940, a teaching position at Bennington College was offered to Polanyi by President Robert D. Leigh on the recommendation of Peter F. Drucker. A subsequent grant from the Rockefeller Foundation allowed him to work on what would become *The Great Transformation*.¹⁷ Even though a draft submitted by Polanyi was criticized by a reviewer of the Foundation for lacking scientific rigor, the grant was extended for a second year. Robert MacIver, a renowned political economist and sociologist at Columbia University, recognized the extraordinary significance of the book, declared his readiness to write the preface and subsequently invited Polanyi to join Columbia. Without these fortunate circumstances, a classic of the twentieth century might never have been published.

The articles in Section IV demonstrate that in America Polanyi continued his studies in political philosophy, sociology, history and international politics. He turned to Rousseau so as to raise fundamental questions of political science: is there a solution to 'the paradox of freedom'? May people be at the same time ruler and ruled, educators and educated? Studying the parliamentary cultures in England, France, America and Russia, he intended to promote democracy as an ideal which would be differently pursued by each country, according to its own history and choices.

In 1943, Polanyi left two of the last chapters of *The Great Transformation* unfinished and hastily returned to London to participate in discussions on the post-war order. The Labour Party victory of 1945 seemed to open the door to a socialist future for Britain. In the article 'British Labour and American New Dealers', Polanyi envisages the possibility of a new solidarity between British and American progressive forces. He was also realistically aware of the minority nature of those forces. Though the American transformation – the New Deal – had taken a different way from fascism, even before Roosevelt's death the fall of many democratic reforms was foreseeable, in so far as the *Pax Americana* was going to coincide with the diffusion of 'universal capitalism' and free-market universalism. As

the pieces in Section V indicate, it was Polanyi's hope that the wartime alliance with the Soviet Union would endure; he envisioned a world of peaceful coexistence of major regional formations, including Britain and its Commonwealth offshoots, Europe, India and China. By 'coexistence', Polanyi means the possibility that different forms of democratic societies, each of them upholding its particular way of life, could cohabit peacefully.¹⁸

The appointment at Columbia University in 1947 gave him the opportunity to continue his studies of the relationship between the economy and society in primitive, archaic and modern times. Already in *The Great Transformation* he had drawn on the findings of Malinowski, Thurnwald and other anthropologists. At Columbia, his class 'General Economic History' attracted numerous students from different fields. The collective research he organized, together with some colleagues and students, resulted in the 1957 book *Trade and Market in the Early Empires*, which includes his groundbreaking essays 'The Economy as Instituted Process', 'Aristotle Discovers the Economy' and 'Marketless Trading in Hammurabi's Time'.¹⁹ This book started a debate on the comparative theory of economic systems, which continues to this day among anthropologists, archaeologists and historians.

The texts in Section VI of this collection are a result of Polanyi's research at Columbia. With the exception of the first one, they were posthumously published in *The Livelihood of Man* (1977). In these studies, Polanyi develops well-known concepts such as 'economic fallacy' and the distinction between 'embedded' and 'dis-embedded' economy. His principal objective is to demonstrate that the separation of the economy from society is a peculiar arrangement that distinguishes the market society from all other societies known in human history. In the introduction to that book, he explicitly gives the need to face present social problems as the motive for his comparative analysis of economic systems. The 'economic determinism' is thereby criticized as the ideological expression of our society's typically 'economic' organization.

Polanyi's focus on the conflict between economy and society produced by the self-regulating market system accounts for the uniqueness of his approach. His analysis differs from interpretations in the tradition of economic liberalism as well as of Marxist sociology in so far as he examines economic institutions and their 'place' in society from the point of view of society as a whole. This approach does not mean that Polanyi denies the existence of the economic laws and contradictions that characterize the capitalist market economy; indeed, explaining the historical specificity of those 'laws' makes his analysis

immune to any form of 'economic determinism'. Economic conflicts separated from the social context offer only a limited explanation of modern civilization and its transformations. Such conflicts become relevant, Polanyi demonstrates, when (or in so far as) they influence society as a whole. The point of view of society allows studying the historical limitation of the market society, which comes dramatically to the fore when the balance between the market system and democracy is thrown into turmoil.

I

Red Vienna

1

On Freedom*

Every thoughtful socialist will have publicly or inwardly asked himself the painful question: isn't there a kernel of truth in our opponents' objection that modern socialism only addresses the meeting of economic needs, that at best it represents a demand for justice but cannot claim to be an outlook on life, a *Weltanschauung*?

We would like to look this question squarely in the eye here, without fear of the consequences. Is socialism a *Weltanschauung* and, if it is, what is its meaning and content? That is the question we are facing.

There is a succinct formulation of socialism's final goal, which derives from Friedrich Engels. It is the notion of the leap from the realm of necessity to the realm of freedom. This formulation may seem like a mere catchphrase to some. And to some extent it would be if this leap were to be understood in the epistemological or dialectical sense. Epistemologically, we cannot see why the course of development, seen to be necessary – that is, determined by natural law – should simply cease to be determined – that is, necessary – exactly on the day in which socialism celebrates its victory. In the same way, it would also not mean much if freedom were thought of here merely in the sense of the dialectical movement of the Spirit up to the stage of freedom à la Hegel. But Engels's formulation has a different meaning. He expresses a social insight, an insight into the

* 'Über die Freiheit', ms., 1927, Karl Polanyi Archive 2–16 (*hereafter KPA, followed by the file number*). Now in K. Polanyi, *Chronik der großen Transformation*, M. Cangiani, K. Polanyi-Levitt and C. Thomasberger, eds, Band 3, Marburg: Metropolis Verlag, 2005, pp. 137–70. Translated by Eric Canepa.

character of mutual human relations, indeed in a way intended to highlight the ethical implications of this insight. We should begin by developing this sociological insight.

The necessity that socialism overcomes in favour of freedom is, as we know, the necessity of the historic laws of the capitalist economy, which operate as the natural laws of this society. The overcoming of these necessities is tied to the dissolution of those spiritual realities that, having arisen due to capitalism, are part of the true essence of this socio-historical stage.

There are a whole series of spiritual realities in capitalist society that exist and operate independently of the will of each individual in society and thus have an objective existence. The way in which they operate is likewise independent of the will of the individual; for him, their operation represents a sequence of events governed by objective laws.

This is above all the case with the economy. ‘Capital’ and ‘labour’ have an objective existence here. They confront each other independently of the will of individual capitalists and workers. What is more, capital bears interest, supply and demand meet each in the markets, and crises interrupt the course of production. We continually see that, despite the existing machines and raw materials, the available labour power and urgent, unsatisfied needs, the productive apparatus is idle and paralysed, with no earthly power able to set it in motion. Not human will but prices decide how labour is deployed. Not human will but interest rates command capital. The capitalist is just as powerless in the face of the laws of competition as the workers are. Capitalists and workers alike, human beings in general, appear as mere players on the economic stage. Only competition, capital, interest, prices and so on are active and real here, objective facts of social being, while the free will of human beings is only a mirage, only a semblance.¹

Marx spotted a problem in this state of affairs. He asked: how can lifeless objects like machines and natural resources master living beings? How can the prices of commodities, which do not adhere to them by nature, become properties of these commodities, like the material of which they consist? How can machines bear interest as if they were trees whose fruit one can pick? Or, more generally, what is the essence of this ghostly process that appears to us as reality under capitalism? And what explains the laws according to which this reality proceeds?

Putting it in this form was tantamount to answering the question; those feigned extra-human realities are ultimately nothing other than the effects of certain relations in the human world. They are effects

of relations between persons, specifically of those relations in which human beings face each other as economic actors, in other words: the relations of production.

Why does 'capital' exist? The machine, which in a human sense represents nothing other than past labour, is able to confront living labour, the workers, as a power independent of him or her, as capital, only because past labour, the product of labour – machines or tools – was alienated from present labour by becoming the property of others. Without this alienation of past labour – that is, without private ownership of the means of production, which deprives the present worker of his control of his own past labour – present labour would be a simple continuation of past labour. That it is otherwise in capitalism is a consequence of the fact that here the interrelationship of the economic actors is not the cooperative relation of the joint workers who use the joint product of their past labour, the means of production, as tools for their current labour but is the capital relation between the workers – whose past labour (the means of production) has been alienated from them – and those who are in possession of that past labour, that is, the capitalists.

Un-freedom therefore is part of the moral essence of the 'capital relation': the un-freedom of the wage workers, the proletarians, who depend on means of production in possession of others. They work under external command. It is not degrading to work under orders: any collective work requires its coordination through orders. What is degrading is the fact that under the given conditions the power to command, to which the workers are subjected, is an alien power, although it should be the workers' own since, from the social point of view, it rests on the product of their own labour, the machine. However, this un-freedom is also degrading because it curtails the individuality of those who are subjected to it.

Being separated from his product, the worker is in a sense separated from himself. A part of himself – his past work – is being alienated from him. The worker is in part alienated from himself. And, in the end, this part of his life, which is alienated from him, is in control of the remaining part of his life.

What is a 'commodity'? What is 'price'? Why do these things exist?

The 'prices' that appear as 'properties' of 'commodities' are also ultimately no more than relations between human beings, actually between the persons who have produced these commodities. The relation of producers to each other, in a society with a division of labour based on private ownership, is a unique one: They produce goods for each other without knowing about each other. They do not work in a cooperative way but in isolated groups, isolated from one another

through the private property of the owners of the firms, and thus allocation of the total labour to the individual workers is impossible to plan in advance. This allocation takes place retrospectively since the prices in the market show whether too much or too little of a commodity was produced. Therefore, what appears to be price, that is, the relation of exchange between commodities, is nothing other than the relation of the different persons producing within the division of labour. The relation of the owners to those who are propertyless (the capital relation), and the relation of the workers to each other in a society based on a division of labour in which workers are separated from each other through the private ownership of the owners – these relations of people make up the ultimate basis of social realities in capitalism such as capital, commodity prices, interest and so on. If the worker's past labour (the means of production) were not alienated from him, there would be no 'capital'; if the workers were not alienated from each other through the private capital of the owners of companies, and if they only produced in a cooperative way, there would be no 'commodity price'. The estrangement of man from man and the estrangement of things ('commodity', 'capital') from man are both thus consequences of private ownership in a society based on a division of labour. 'Capital' and 'prices' only appear to dominate human beings; in reality, human beings are being dominated by human beings here. This is true not only of the economy but also of the state.

Society creates an organ to safeguard its common interests against internal and external enemies. This organ is state power. As soon as it arises, this organ *assumes an independent existence* in the face of society. [...] And what goes for the economy and state is also true of the other entities, organs, reifications and 'pseudo-natural laws' in the realm of society.

Between the realms of nature, where necessity reigns, and the human realm, where freedom reigns, there is, 'up to now' as Engels says, 'the realm of history'. Or, according to Marx, between being and consciousness there is the world of 'social being'. The relation of flesh and blood individuals to one another is the only real relationship in society; those ostensibly real relationships can be theoretically resolved into relations between human beings.²

In capitalism, this resolution can only be achieved in thought; it remains a *theoretical insight* of sociology. *To turn it into a reality*, to carry it out practically, *is the task of socialism*. Socialism resolves on the *practical* level the ghostlike and feigned realities of society controlling us today into what Marx, on the *theoretical* level, resolved them into: the direct relation of human being to human being.³

Freedom and *humanness* are equivalent for Marx. Instead of a bourgeois society, he wants a '*human society*'. The more directly, the more meaningfully, the more lively the human essence emerges in social relations, the freer is the human being and the more human is his society. No estranged 'will', which in essence is his own alienated will, no lawfulness that is not dominated by him because it emerged, so to speak, behind his back – none of this any longer limits his conscious, responsible and therefore genuine human will.

We see that not only is an unjust order to be overcome here in favour of a just one but that humanity, through the manner in which it overcomes this, is to climb to a new, hitherto undreamed of stage of freedom. The socialist ideal goes beyond the demand for justice, which had already been raised by the bourgeois revolutions; they had originally demanded permanent equality and justice, a goal only later occluded by the economy. However, the outward recognition of the equality of human beings, that is, justice, represents an indispensable precondition of a social order based on human beings. Precisely the impossibility, for constitutive reasons, of realizing economic justice in capitalism – because in it men cannot become masters over the law of value (the law of the accumulation of capital) – is a basic reason why socialists demand the socialization of the means of production. However, even a just condition of society can remain an ethical-external condition because it does not necessarily have to be founded on the freedom and responsibility of individuals. There can also be dictatorial justice, and if justice, when realized through democracy, really is to mean ethical progress, this is not due to the nature of justice but to that of democracy, which is inseparable from the responsibility, however small, of the individual.

Socialism, however, does not limit itself to the demand for the external equality of people, that is, *the demand for justice*. Since it extends the demand for justice to the economy, it faces a social situation in which injustice prevails as an economic necessity but in which men do not control their economy and thus the requirements of this economy. The struggle for economic justice leads to the struggle against a state of society in which man does not have control over the effects of his will; it leads to the struggle to overcome social necessity as such in favour of a new freedom, the social freedom of man.

This idea of *social freedom* is a specifically socialist one. Both the sociological knowledge of the purely human conditionality of social being and the drive to give this knowledge a historic material form originate from proletarian life. Since the proletarian recognizes himself as what he is, as the lowest element of social existence, he

recognizes the social being as a purely human-conditioned construct of which he himself, the human being, is quite simply the lynchpin.

The proletarian can only free himself from the capital relation by replacing it with the purely human relation of human beings to human beings – the cooperative relation of working people. With this, not only does the dominion of man over man cease but at the same time men become masters of themselves, no longer servants of the social laws that are apparently independent of them but directly carry out their own will.

However, the impulse towards a form of life – the cooperative form – in which this conditionality of social being would resolve itself directly in his own life, arises from his struggle against the capital relation, which can only be overcome by that form of life. Just as he needs no scientific re-education to arrive at this knowledge, he also needs no ethical re-education to arrive at this impulse: science and ethics only open his eyes to that segment of his mental existence which is conditioned by his class position.⁴

However, neither proletarian sociology nor proletarian ethics arise historically from nowhere. As we know, just as Marxian sociology came into being through the analysis of the economic categories of classical political economy, therefore as the continuation of Physiocratic-Ricardian sociology, so the proletarian ethic is the continuation of ethics beyond its bourgeois possibilities. Not only the objective but also the ethical preconditions of a new social order develop in the womb of the old society because, just like the objective possibilities, the ethical requirements of an outlived social order also point beyond its own limits. And so it is with the idea of freedom, which in its highest bourgeois form leads to an irresolvable contradiction, for to be free means to be accountable to my conscience and only to my conscience. Responsibility to myself – this is the material out of which freedom is realized. My personality passes the test when it itself weighs the responsibilities which present themselves to it. No other subject can or should take this decision from me. The state and society must not be accepted as moral subjects. When it comes to feudal corporative powers, the church, the guild and the dynasties, the citizen may well inwardly hold onto this negative attitude. But he cannot do this with regard to his own society, bourgeois society, for he can neither deny his share in it nor come to terms, within and with himself, with the responsibilities that arise from his participation. And he also cannot give up the demand for unlimited self-responsibility. [...] The heroic shaping of this contradiction leads to Kant's categorical imperative, to the desperate adherence to an empty concept of duty as the social function of personality. Within

bourgeois decadence, this heroic tension between ideal and reality dissolves either into a sceptical turn against the ideal of freedom – as in fascism – or into a petit bourgeois idyll of moral contentedness. Historically, the idea of responsibility as the basis of inner freedom appears in the West in its purest form in Calvinism. The latter's hostility to the state and society arises from this core of its essence: responsibility, which the individual seizes for himself, has to be attained at the cost of the traditional bearers of moral responsibilities, at the cost of the organic forms of medieval society. In the medieval world of God, responsibility is also in a sense a corporative monopoly. It rests with the organic-traditional communities, with family, the municipality, the guild, nobility and the church. To claim personal responsibility here means rejecting the collective forms of responsibility, denying the validity of the 'social' in the ethical realm. Souls cross the threshold of personality individually: for them the 'others', 'society', continue to cling to natural existence, to the dead responsibility from which the conscience of the newborn strives to break away. For them society – as far as they can conceive of the concept – remains a part of the creaturely realm, of unredeemed creation. Its authority – whether corporative, ecclesiastical or state – is the power of evil. However, even souls who are glad to accept responsibility do not form a social bond with like-minded individuals. The doctrine of predestination dissolves the world into solitudes. One's neighbour is, like lifeless nature, a mere means to one's own moral self-probation. The passionate religious obsession of Calvinists to limitlessly increase their own responsibility leads to the idea of inner freedom the force to affirm the personality as well as the resilience needed for an absolute rejection of society and state. The individual can assert this completely utopian, extra-social position only as long as he himself has no inner participation in the objective social powers. As long as the citizen is found as an isolated foreign element within a corporative society in the course of dissolution, he can believe that an extra-social existence is real. But bourgeois society, too, does not dissolve the formally extra-social existence of its members. Rather, it confirms it: 'bourgeois society' is, in its narrower meaning, not a society of its citizens but a simple reality that can only be understood to exist in contradistinction to the state. The existence of society – not of the extraneous corporative society but of his own bourgeois society and his share in it – this is the point at which the utopian extra-social aspect of the individual comes into conflict with itself.

The 'social contract' and the categorical imperative represent two complementary attempts at resolving this contradiction. Rousseau resolves the share of the individual in the state into freedom through

an agreed self-restraint. In Rousseau's formula, this self-restraint is still dictated by a motive, although it is a purposively rational one, in which the neighbour plays a certain role, though a formal one. Kant sensed the ignobility of this rationalistic motivation as well as the contradiction of accepting the restraint agreed upon with others as moral self-restraint. In his categorical imperative it seems as if both motivation and neighbour completely vanish from the picture. The relation of the individual to his own social function, to the state, also formally becomes, by way of an extraordinarily abstract concept of duty, an exclusive problem of the inner freedom of the individual. It is precisely the strict form of this solution that starkly lays bare the contradiction that it denies. Since the responsibility of the individual should include the social dimension, this responsibility loses humanly comprehensible meaning and any possible content.

The idea of being responsible for our personal share in the life of 'others', that is, in social realities, and incorporating it into the realm of freedom cannot be realized in the bourgeois world. But it is just as impossible to renounce and thus to arbitrarily limit our responsibility and thus our freedom. The bourgeois world's idea of freedom and responsibility points beyond the boundaries of this world.

The true concept of social freedom is based on the real relation of men to men. It forces this demand on us through the twofold insight that *there is, on the one hand, no human behaviour that is completely without social consequences and that, on the other hand, there is no existing entity, no power, no structure and no law in society, nor can there be, that is not in some way based on the behaviour of individual human beings*. For the socialist, 'acting freely' means acting while conscious of the responsibility we bear for our part in mutual human relationships – outside of which there is no social reality – *and realizing that we have to bear this responsibility*. Being free therefore no longer means, as in the typical ideology of the bourgeois, to be free of duty and responsibility but rather to be free *through* duty and responsibility. It is not the freedom of those who are relieved of the necessity to choose but of those who choose, not freedom of relief from duty but the duty which one assigns oneself; it is thus not a form of releasing oneself from society but the fundamental form of social connectedness, not the point at which solidarity with others ceases but the point at which we take on the responsibility of social being, which cannot be shifted onto others.

What we have to ask is: Does this kind of freedom cancel the concept of personal freedom? Not at all! Personal freedom – the freedom and responsibility of the individual in his *nevertheless* existing extra-social relations – is and remains the unalterable basis

of inner life. Socialism does not mean the liquidation of personal freedom; it means a crisis out of which the concept of personality emerges more powerfully than ever before. The largest, essential part of a human life takes place within extra-social relations. The relation of a person to the world surrounding him, to his friends, his family, his life partner and his children, his relation to his own capacities and his works, his relation to himself, the consistency and honesty with which he confronts himself and his destiny, limited as it is by death – all this he answers in the face of his innermost conscience; this is where personal freedom prevails, through which a human being only becomes a human being. A ‘*human society*’ is unthinkable without it.

The fact of socialization obviously does not override this foundation of moral being. However, the *awareness* of this fact, that is, being conscious of one’s social being, opens a new phase in the development of personal freedom. Before the awareness of socialization the individual in a sense lives in the paradisiacal innocence of extra-social existence. His freedom, however shallow and poor it may be in reality, appears to him as solidly founded and all-embracing. But the image darkens all at once as soon as he has eaten of the tree of social knowledge. The idyll becomes a problem; the naive, firm point of departure of moral existence becomes a goal to strive for.

It is precisely the socially feeling person, the ethical person, who is today in danger of having his inner personal freedom completely cancelled out by this ethical orientation itself. For his social feeling opens his eyes to the endless mutual entanglement of human life and thus a series of unforeseeable responsibilities which he unintentionally brings upon himself. He feels that he must, he can, indeed he should free himself from the destinies of others and, in a sense, reassert his personal freedom, despite the reality of general socialization; but the only way in which he can do so without damaging his own true personality – and he feels this no less clearly – is by paying the full price for it, that is, by taking full account of all responsibilities to which social being gives rise. But he sees no means of doing so, no path. Therefore he withdraws into himself, without being able to assign content to this retreat.

In the bourgeois world, which does not recognize socialization in the concrete sense, the personality is therefore not able to develop itself beyond certain narrowly set limits. The limits are determined by the personality’s negative relation to society. For the individual of the bourgeois world, social knowledge, the highest source of humanization, is buried. Here penal codes, civil law and bourgeois convention ‘govern’ the relations of the individual to others. And within

the boundaries, within these external determinations, the individual weaves the illusion of his freedom. However, those sensitive minds who nevertheless intuitively perceive the nature of socialization and their own unavoidable enmeshment in the lives of others flee from the flood of guilt feelings that overwhelm them and take refuge on the lonely island of religious delirium – because we must call that passive form of religious morality a delirium, which undertakes to endure its necessary indebtedness to external life without attempting to repay it.

The socialist does not flee from the recognition of the socialization of his life. He stands up to this insight and strives, through his action, to reconcile himself to it. Trying to salvage his personality, in the traditional sense, would be futile. That unity of action which we call personality is something he is not able to produce for now. The recognition of the all-round human conditionality, that is, the socialization of his life, makes everything – including his innermost ego – appear to him as something derived from others, owed to others, borrowed from others.

[...] ⁵ is there power over him? Nevertheless, who would deny that precisely this state of power could not exist against the conscious will of all participants? (As we know, anarchists draw the irrational conclusion from this state of affairs that the state must be ‘abolished’. What they mean by this remains open to question.) The socialist recognizes the state as what it is, as a social relation of people to one another, and sees his task as one of overcoming the state by resolving this social relation into a direct one that is no longer mediated by the state. And a similar thing happens with the objectification ‘value’ in the exchange economy. Like blinded slaves, we sense our fate from market prices, which in the end are nothing other than the parts of our consciousness that are alienated from ourselves.

The *first* requirement of social freedom must then be: mastery of the necessary consequences of socialization, that is, of *power* and of *value*.

The *second* requirement is: make humanity capable of universal goal setting and the solidary exercise of power towards the goals established. World history still presents the eerie image – to adapt a comparison made by H. G. Wells – of desperate children who, enclosed in a cage on a cart, are rolling towards an abyss. We are all grown-up children of this sort; but we have ourselves built the cage that makes us helpless, and we are also holding up the inclined plane on which the cart rolls, and we have created the gravity, which has become fatal for us. Humanity, even civilized humanity, does not represent a unity. It is not a subject, and if it were then its organization would not make possible a universal goal nor a development of

solidary power. Not only do the segmentation into states and the confusing and antagonistic character of the economy exclude this; the confusing relation between the political state and the economy of society also excludes the setting of a universal and thus political-economic goal at the outset. However, we can only speak of humanity's freedom when it constitutes itself as a subject and is capable of expressing its will – indeed only if at the same time the condition of the earlier formulation of freedom is also met, that is, that this state embracing all of humanity, this economy of the whole of humanity or, better, the synthesis of the two, despite its enormity, come into existence as the immediate expression of living human volitions.

However, we will have only attained the highest stage of social freedom when the social relations of human beings to each other become clear and transparent, as they are in fact in a family or in a communist community. To directly track the repercussions of our life impulses on the lives of all the others and, in this way, on our own, in order, on the basis of this knowledge, to be able to assume responsibility for the social effects of our existence, this is the final meaning of social freedom. To work out for ourselves what our own share in social problems is, to establish a balance in ourselves between effect and counter-effect and to freely take on ourselves the task of drawing up an inevitable moral balance sheet of social being and doing so heroically or humbly but consciously – this is the most that we human beings can hope for. No apparent objective power outside us may any longer be charged with this responsibility. There is no longer a state, a market or an authority on which we can put the blame for human troubles, mutual dependency, the limitation of needs or common misfortune. It would then be we human beings alone who face not only nature but also each other. And not only the economy and our interaction with nature, but all with social life will become so transparent that in all matters we have the choice to do or not to do – with the consciousness that in so doing we have chosen between two sharply contrasting and decisive responsibilities that we cannot shuffle off onto others.

These are the three tasks that social freedom assigns to man. It is clear from the outset that its complete mastery exceeds man's strength and perhaps goes beyond the limits of man's nature. Nonetheless, the socialist has to measure his social ideal against this highest of goals.

In that highest ideal condition of social freedom, in which all three requirements are simultaneously fulfilled, both the mastery of the necessary consequences of socialization and the universal goal of humanity, which includes ultimate responsibility for all social effects of our existence – in this situation the personality is free in

a way that it could never be either in ideal anarchy or in bourgeois anarchy. For it is not free through sheer denial of the ineluctable reality of socialization, as in the frivolous and dishonest freedom of the anarchists, nor is it free as in bourgeois society, in which the so-called personality, as a gambler and evader of responsibilities, obtains a clear conscience under false pretences; it is only truly free as someone is who has paid for everything that he has enjoyed at the cost of others and can say of himself: for me the life that is most my own is that for which I am responsible to no one in this world. Those other 'free personalities', which see the true liberation of their personality, their so-called *Übermensch* status, in the denial of this debt to others, are free of conscience, free of responsibility and thus free of any personality; and the illusion of freedom that may remain is simply proof of their moral frugality, their philistine un-freedom, their inborn slave disposition.

Many who have got used to imagining socialism as an economic 'wishing-table' and a moral automaton, as a pre-established harmony of ethics, will ask: 'Won't these problems resolve themselves automatically in socialism?' The answer is 'no'! On the contrary, those responsibilities, which are today only felt by the more ethically gifted, the more highly developed personality, will be felt *generally* in that more highly organized society and weigh more heavily than they do now. As long as responsibilities exist, as they now do, only on *this side of the market*, it is easy to belie the fact that the satisfaction of every need is bought through the toil of other human beings and the workplace danger, tragic accidents and illnesses they suffer. Moreover, in so far as this situation is connected with the dreadful fact that it brings personal advantage to a minority of human beings, the feeling of indignation and the explosiveness of the indictment arising from it distracts us from clear consciousness of our own responsibility for stunted and destroyed human life. Under socialism, after the overcoming of the relations of exploitation, this emotional veil of resentment disappears, and we must learn to see that, even in the most justly organized economy, people's struggle with the elements of nature and consequently the technical problem of production still costs toil and trouble, un-freedom and murderous agony, health and often life itself. Whoever wants to look squarely at the facts cannot be blind to this. The highest wisdom of the bourgeois philistine is: 'Everything costs money in this world.' But the socialist insight is: 'Every good costs labour, renunciation, and human life!' Today, private property stands between one human being and another, and the fact that some selfishly enrich themselves in the production process covers up the fundamental connection that exists between consumers

and producers, which comes directly and starkly into view with the abolition of private property, that is, that through the satisfaction of our wants, through their magnitude and direction, *we take onto ourselves the responsibility for their social costs*. You have probably all heard of the philosopheme of the murdered Chinese, which goes as follows:⁶ If we were given the possibility of immediately having every wish granted by simply pressing a button, but on condition that at each press of the button one of 400 million Chinese people would die in far-off China, how many people would abstain from pressing the magic button? The cynical Frenchman, from whom this philosopheme originates, thinks he would practise finger exercises on the blessed button. And he was a humanist of high standing, who would probably never have harmed a fly, as long as the fly was not in China but had to kick the bucket painfully before his own eyes. This odd philosopheme gives us a true allegory of the situation in which even the best person finds himself in relation to his co-citizens. Anyone who is able to offer an appropriate price on the market can promptly conjure up everything that humanity can create. The consequences of this trick take place *on the other side of the market*. He does not know anything of these; he cannot know anything of them. Today, for every single one of these human beings, all humanity consists of nameless Chinese whose life he is ready, without batting an eye, to snuff out in order to fulfil his wishes, and this is what he in fact does. Here, moreover, we see the importance of an attitude that is unconsciously immanent in socialism but has never been clearly expressed. This is the *finiteness of the human world* and thus the limitlessness, but *finiteness*, of the task that socialism confronts. This is where the essential progress of the socialist conception of humanity over the bourgeois conception resides. The task of realizing social freedom can only be formulated in relation to a finite community; here, too, however, it remains a qualitatively unlimited task that at the same time becomes a quantitatively limited one. For in a finite community, responsibilities for actions are always feasible because those effects for which our action makes us responsible are at least logically locatable: they no longer evaporate into the twilight of the indefinite boundaries of the allegedly infinite mass of people and goods; instead, from an unnameable quality they become a concrete quantity in that this quantity *must* affect every last member of society.

In any case, a world in which we would have to consciously bear the human effects of our existence must today seem frightening to us weak human beings. Indeed, this is also the reason why so many socialists prefer to flee from capitalism to state socialism in order at least to keep the impersonal state, which apparently exists

independently of us, as the general scapegoat for all suffering. For the more transparent this state becomes, the more it becomes unavoidable to face ourselves beyond the glass wall of this state – for it is only we who stand behind that reification – the more forcefully is the fatal recognition imposed on us that each workplace accident has occurred for our own well-being, and the coal that we have just thrown onto the stove, the light with which we now see, contains a part of a human life. However, this recognition is the price that we have to pay for our freedom. So even after we fully overcome the shameful injustice of our condition, our full freedom will not drop into our laps. The more organized a society becomes, however, the smaller the circles in which cohesiveness in production, consumption and communal life lets individuals become solidary, the closer is the hour in which the only choice that remains is to either close one's eyes in a cowardly way and abjure in favour of various self-erected powers, the true connection between human life and freedom or, on the other hand, boldly face reality in order finally to acquire the new freedom along with the new responsibility. If one sees more in socialism than an economic question, more than a mere demand for justice, if one hails in it the final programme of humanity's emancipation, one cannot and must not shy away from this highest of freedoms!

As ineluctably as these last goals impose themselves, so mighty, so frightening are the obstacles on the road to their achievement.

These obstacles arise from the nature of the social objectifications of the will of which we spoke above, from the innermost nature of the phenomenon of power and of the phenomenon of value or, put differently, of *law* and *economy*. If we suppose a democratic society, the law is then based on the volitions of individuals; but at the moment that it arises, it cancels out these volitions in favour of a new essence, precisely that of law, which now opposes these individual volitions as an independent entity. The past of our will, that which we previously wanted, confronts the present will like an immutable event. Even if we have strong will and also the power to want something different by now, we cannot eliminate the fact that we earlier had a different will. This is where the individual and the social problem of freedom most strikingly part ways. For personal – that is, inner – freedom, bygone will only gives rise to an inner but sometimes tragic problem: the problem of consistency or inconsistency. However, its solution occurs within the individual himself. But we have to ask *why* the same does not apply to the social phenomenon of will in regard to what is willed in common. We would like to point only to one cause for this, which arises from the difference between the individual will and the common will or common decision; this is the necessity of

summing up individual wills in a socialized situation. The summation of individual wills, *the integration of individual volitions* is the necessary process without which a collective will cannot emerge. Volitions that are in alignment with each other can, however, be reduced to a common denominator only if the common *content* of the will can be wrested free of the personally different *motives* out of which they arise. This severing of the motive for the will, whether it occurs through unconscious development of customs or conscious election, makes our innermost impulses, our 'volition', into something external, addable, then into something added, which has thus become lifeless, into a fact alienated from ourselves, from social environment, from the human external world. The socialized form of the will is thus necessarily something objectified, something alienated from what was originally wished, a substance that confronts him from outside.

The same phenomenon, as we know, can also be seen in the sphere of the economy in a society based on division of labour, and indeed for related reasons, as we would like to show. The needs of isolated individuals can only cause the relative size of the productive sectors in society to correspond to these individual needs when these needs are added together to form a composite need, which sums up the infinitesimal fractions of all imaginable feelings of needs, by way of an integration process, to specific quantities of composite needs or, more correctly, to the total need. In the course of this process, which however today occurs *unconsciously*, in contrast to the formation of law and similar to the formation of customs (though by way of a quite different psychic process), the need ceases to be an inner psychological fact and constitutes itself as a composite need, an objective quantity in relation to individual needs. In the market, total demand and total supply, or, more correctly, total need and total stock, meet; and the price, which emerges as a result, is almost completely independent of the will of individuals. They have to accept it in the way that primitive man accepted a natural event or the slave the diktat of his master. The personal freedom of individuals does not figure here at all. Through the reality of socialization of an individual's work and his needs, his personal freedom has been cancelled. As long as we imagine him as an isolated 'individual' – which is where the subjective or marginal utility school often still leaves the matter today – his needs, as well as the toil through which he could satisfy these needs, are the current, living contents of his soul, whose balance is indeed necessary but always only occurs *within his own self*. The integration of needs into the total need disappears, just as does the integration of the psychologically available labour powers into

the total stock of these labour powers and, due to the lack of this external twofold integration, in his consciousness the needs and work impulses confront each other directly; and he mediates the struggle of these competing motives within himself in the framework of personal freedom under his own responsibility. He is and remains master in his own house.

Let us now go one step further in the analysis of the most important objectifications. The social relation of people to each other, which both in the political as well as the economic sphere leads to the integration of the impulses of the soul [*Seelenregungen*] and thus to alienation, to fetishization of the reifications, that is, the objectifications that have arisen outside of ourselves – these social relations are in reality *still much more complex than we have so far suggested*. We cannot trace them here in all their ramifications. We would like simply to mention yet one more social relation, that between *law* and *economy*. And we must do this in order to make clearer the obstacles that stand in the way of that *universal* goal of social freedom that we have postulated.

As we have explained, law and price are both *results of the social integration* of individual juridical volitions, of impulses of needs. What now is the relation between the reifications ‘law’ and ‘price’?

Marx expressed this relation as follows: the relations of property are the legal forms of the relations of production; on these relations of production the bourgeois exchange economy is built. In brief: private property leads to market economy and market price. We would like to emphasize here that the social relations of the economy already *presuppose* the other relations that are established in law. And so the market and price represent a kind of compressed, denser and less transparent reification, one of a higher level than property law is. Even if ultimately prices have to be thought of as resolvable into simple social relations between people, those relations that constitute themselves in price are of a higher order and more complex nature than those contained in law as a reification. Or put more simply: the law is more dependent on our will than is price because price is also determined by the law, especially by property law. Market price, this sibylline manifestation of the fetish of commodity, thus represents, as Marx correctly saw, the true Gessler’s hat of our social un-freedom. The main obstacle to the mastery of the necessary consequences of socialization, and to laying bare the mutual relations between human beings, thus consists in the great complexity of these relations and the nature of the reifications and their apparent natural lawfulness, on which social freedom founders. The person who is willing to accept responsibility, who seeks a higher

freedom, appears condemned to play the tragicomic role of futilely expressing his self-sacrifice. Most things are done without him, and he everywhere announces his readiness to assume responsibility *ex post facto*. It is as if one lived in a bewitched world where, in Marx's words, everything important in fact is determined *behind the backs of the human world*.

What can socialism, which wants to achieve social freedom for all, do against this creation of circumstances? Through what means is it possible to dissolve the social reifications and integrate them into our own lives, from which they arose, and to take the social decisions made behind our backs into our own hands – not into the hands of any sort of state power?

Put differently: is it possible to have a *direct, inner overview* of all our relations within society, that is, both the economic and non-economic relations?

The answer is staring us in the face, bringing us to the heart of the positive part of our deliberations. It is that social freedom is mediated in socialism through social awareness, through the concrete understanding of the real interconnections between individual human lives. This knowledge is certainly not an individual, abstract, Tolstoyan insight, that inner idea which in the social realm must lead to the unreal and empty anarchist position. In contrast to individual knowledge, social knowledge can only become effective if mediated by the *real reshaping* of the interrelated life of people. Indeed, this requires a real restructuring in the sense of larger, increasing and continuously clearer *oversee-ability* in certain areas of life of a certain dimension. The real restructuring of society in the sense of increasing oversee-ability is thus part of socialism's innermost nature. For where there is no overview there is no freedom because without knowledge there can be no choice.

'The real experience of real social mutual relations' cannot therefore be accomplished in a small study room. The purely cognitive aspect of social knowledge is very limited. But that small part of social knowledge nevertheless does have to be acquired. Socialists working in theoretical sociology should have this orientation. Instead of developing the supposed laws, which govern *everything* human, this science would instead principally have the task of expanding the limits of human freedom within society by showing these laws to be the unintended result of intentional human actions and by therefore extending the domain of free will. Only when, after reaching its limits, after being able clearly to understand that we necessarily have to choose between various unintentional consequences of intended actions, only then will we be in a position to take the consequences

of the chosen actions upon ourselves, to be responsible for them and thus to incorporate them into the realm of freedom. Not the 'laws' but the freedom of man in society would be the principal subject matter of this sociology.

But it is not theory we are dealing with here. The solution to the problem of overview, which socialism can be said to be, can only be reached through a concrete restructuring of the interrelated lives of human beings.

Before turning to the question of what kind of restructuring – the *organization problem* – we must take a closer look at the *problem of overview* [*Übersichtsproblem*].

Theory can only prove the *possibility* of a form of life that provides overview by showing the mutual economic relations of people to each other to be the real basis on which the superstructure of political, economic and other objectifications are built. *In reality*, however, this overview can only develop within concrete social relations as the latter connect individuals with one another in a way that offers an unmediated, truly lived overview, one that reveals a certain segment of the lives of others and is offered to each specific individual so connected. From the point of view of economic performance, the concentration and centralization of production represent such moments facilitating overview, hence their great importance for the socialist interpretation of capitalist development. Management overview in production is certainly immensely increased by those kinds of unification. However, management overview is only the first precondition of a socialist overview. Even in a classless society, an economy that is managed by a central administrative office represents only an external socialist solution, for the overview that underlies the managerial overview only concerns external aspects of the economy, that is, the external things: the means of production and the material goods, on the one hand, and, on the other, the human elements of the economy, the needs and work-effort expended, but only in its external aspects in so far as this can be apprehended by a quantifying and measuring administrative apparatus through statistics. As important as this external apprehension of needs converted into the form of 'past need' as well as work-efforts expended in the ambiguous aspect of 'skilled labour power' must be for an overview of the social economy, it is no less certain that the human element of the economy – needs and labour expended – in reality has not at all been apprehended but that instead some ambiguous objectifications, such as magnitude of need and labour powers, would have to serve as substitute. Thus even managerial overview does not relate to what it should relate to (needs and current toil) but to something

else (the need and availability of labour power). For this, a true managerial overview would not suffice even to realize the socialist goal. Alongside managerial overview, membership overview would be required, for in order that every producer may produce with 'species-consciousness' (Engels) and every consumer consume with species-consciousness, it is clearly not enough that the directors of the economy issue orders on the basis of a general overview. Only if each individual at every moment directly perceives his place within total production, if he really experiences the connection between the satisfaction of his own needs and those of others, only if, finally, the actually existing real connection between his own consumption and production activity on a social scale is constantly before his eyes, or can at least potentially be, can we justifiably speak of an economy with overview, socialism at its highest stage. In a family, these conditions are all present. Socialism, however, must always be thought of as the solidary life form, as the living family extended to humanity.

As will be clear to those who were present at previous lectures, asking this question is the same as posing the *overview problem in its general form*. We had the opportunity to exhaustively treat the problem of overview of the economy. What is at issue now is to generalize the overview problem beyond the boundaries of the economy and to extend it to all of the social relations of man to man. This is what we can call *social insight*. Freedom through social knowledge – this is the path of the human race. It is only *possible through a true restructuring of society!* The inner overview of needs and hard labour expended already took us a good distance further. The social process that integrates needs into the total need is here precisely *no longer tied to a reification of needs*, no longer tied to their alienation from *need*. And the same thing applies in the analogous case to labour expended. [In a solidary society,] individuals would directly experience everyone else's need-impulses and the hard labour they expend as if it were their own because of society's self-organization based on these motives. In particular, we have spoken of the unconscious and automatic, and yet living and direct, balancing of all value measurements of labour that the contemporary trade union undertakes. This follows precisely from the proposition that self-organization on the basis of specific motives represents a *means of inner, true overview* of those motives out of which self-organization arose. The objectification 'total demand' as well as the objectification 'total toil' are dispelled here and resolved into the living motives that had lain hidden behind them.

But let us go a step further. Let us imagine that those present in this room formed the members of a small society based on division

of labour. Let us think of those present here as being organized on the basis of functional democracy: they have come together as consumers in a consumer cooperative; on the other hand, as producers they have formed a guild. For the sake of simplicity, let us say they all draw the same income. And now they negotiate the economic plan. 'Who negotiates?', you will ask. Well, everyone with everyone else. Everyone is simultaneously a consumer and a producer; it thus makes no difference how you would like to imagine the matter, but let us say that those who are standing to my right represent themselves and also the others, standing on the left, as producers, and those who are standing to my left represent themselves and all those sitting on the right as consumers. The main point remains that every person present is equally interested in both sides, although his assignment as a negotiating party places him on one side. And now the economic plan is negotiated: one side asks for better and cheaper goods, the other for shorter working times. In the end, they agree to a specific working time expressed in minutes and a product series expressed in prices.

How did this working time and this price come into being? It follows from the whole structure that they arose from the inner, direct decision of each individual. For each person is indeed *at once* consumer and producer. Here there is no longer a market outside of the consciousness of those present, no market factors, no supply, no demand – all of that plays out within each individual. The two sides of his own existence, the consumer and the producer, are confronting each other eye to eye here, within his own consciousness. The decision made by the individual treats the social problem in question as something given within his personality, within the moral autonomy of his ego, and in full freedom and responsibility. He has taken his economic fate into his own hands.

In a similar way, the idea of functional democracy, of functional representation – which moreover has much in common with the idea of soviets – leads to robbing the political objectification *state power* of its reified character to an extent that is up to now unimaginable and an approximation of the direct expression of the impulses of individuals towards the law. A complete abolition [*Aufhebung*]⁷ of the objectification *law* naturally does not occur here. It is not even thinkable. The congealed will, which we call law, remains forever as a wall between past impulses formulated as law and the fluid impulses to create law which are at work today. However, in a functional democracy this wall will be infinitely thin and completely transparent – which is the most that our fantasy of social freedom currently lets us imagine.

The idea of functional democracy in our conception takes us further by dissolving and displacing directly into the realm of freedom that nexus of objectifications which is represented by the mutual relations of *law and economy*.

I invite all present to think of yourselves as being divided into two further delegations: The representatives of the political state – let us call them the *commune* – who are elected on the basis of democratic suffrage, sit on the left; the representatives of the producers – we will call them the guild – sit on the right. Once again, both parties represent all present here. The commune representatives demand large investments in order to secure the healthcare interests of the community and the life interests of future generations. Thus in the name of ideals they demand sacrifices of the economy (because everything that costs human labour restricts human need). The producers defend their labour power and the satisfaction of their needs as such. In the end, they agree on a concrete tax figure that means a specific quantity of surplus labour, of restriction of needs. For this reason, social ideals are realized up to a point but only up to this point. Society has to abnegate things that lie beyond this.

This decision in turn means a direct, internal choice, for here ideals within people are confronted with their costs; here everyone has to decide *what his ideals are worth to him*. No state and no market intervene between the two sides of our consciousness; here there can be no shifting of responsibility, and nothing outside of ourselves can be made responsible for our fate. The individual only confronts himself because his fate is in his own hands.

Within politics, in dealing with state power as a reification, and within the economy, in dealing with the reifications market and price, as well as, finally, within the interplay between state and economy – that is, within the highest reification, which we call society itself – an inner overview of the reciprocal relations between people is possible. Self-organization is the key to this solution. In a classless society, the free association of working people, of those in need, of neighbours, leads to cooperative organizations that offer a living inner overview of the socialized motive inherent in them. And the decisions that are arrived at through negotiations between such associations are a direct expression of the relations of forces of the conflicting motives and so carry with them the highest level of responsibility, one that only presents itself to the truly free. One of these associations, the political state, the commune, however, is a territorial entity and thus not a free association but a compulsory organization. And it could not be otherwise.

Socialism as a leap into freedom must not be taken in the historical but in the logical sense. Beyond the demand for justice in a classless society the human race's true destiny only first opens up here: it is the realization of the highest social and personal freedom through the concrete conception of solidarity between man and man. The leap does not bring us to the end but only to the beginning of our task. We believe that we have shown that socialism is able to approach this task infinitely.

However, we can only come close to its accomplishment; its complete accomplishment is impossible, for it is an unlimited task that appears clearly only at the beginning of socialism, whose accomplishment however must remain an eternal task of humanity, an asymptotic goal to be approached and never completely reached. We can easily see from our presentation that humanity's life can never be completely reflected in all its facets in each individual life, that *our final goal of living our own lives as something directly social* can never be completely realized. Nor is the moral idea of socialism ever exhaustible through any specific state of affairs but only through continuously working at the eternal tasks of humanity. *Freedom through social knowledge* can never mean a specific state of affairs; rather, it is a programme, a goal which is constantly re-establishing itself. The history of humanity will not have reached its final point with socialism; humanity's history will, in its true sense, only begin with it.

Appendix 1

Ought and Being in Marx⁸

Socialism's image of the world – its world of Being – and worldview – its world of Ought – constitute a unity. The gap that opens for logic between Being and Ought is overcome through the most inner disposition of human Being – and only of human Being. He who says Man, says Being and Ought in the same breath. As a thing, as an animal, Man simply is, he is simply Being; but as the measure and meaning of our world, the human world, he is the embodiment of the Being that Ought. The difference between Man and other living beings or things is one of mere Being. Even if being a human being had no meaning for him, Man would, as a species of animal, be different from all other species, a corporeal thing differentiated from other things. But if, in relation to one person, I assert that in contrast to another person he is more human than the latter, that he is more

of a human being than the other, and that he is a Man in the truest sense, that the other person does not deserve this name, then something else is meant: a judgement not about Man as Being but Man as Ought. The meaning of the judgement is just as clear as that of the other [judgement]. This is the meaning of the judgement Marx has in mind when he wants 'human' society instead of 'bourgeois' society. They both consist of human beings, but today's society is not human. (Marx nowhere systematically developed a conception of the Being of the Human.)

Nevertheless, this socialist ideal of being human remains the backbone of the socialist critique of bourgeois society. Marx's entire work was one single condemnation of bourgeois society, which does not let Man become Man. His critique of the capitalist economy and its laws was a unique attempt to use a segment of the bourgeois world to demonstrate its essential dishonourableness, its inhumanity. The denunciatory literature of the period, the philosophies of misery and novels of poverty – many of which were authored by noble minds – fuelled outrage at the injustice of capitalist relations [and] at the monstrous misery of the masses. And, even before Marx, many of them also saw that in such a social order the life of the wealthy too would have to slide into nullity and falsehood. But what none of them saw was the inescapable necessity with which capitalist society has to make class division constantly re-emerge within itself despite any benevolent attempts to bridge these divisions. However, Marx saw still something more, and this constitutes his historic greatness. He understood that capitalist society is not just unjust but also un-free.

A social condition in which each individual life is dominated by apparent laws, which our faculty of reason can understand as in reality only facts of our own relations, lacks freedom. Not only the workers but also the capitalists, as Marx saw, are dependent on market laws whose subjects they remain, even if through them they keep themselves affluent and the workers in poverty. It is not that the capitalists have no inclination to allow more economic justice but that, even if they had, it would be impossible for them, the apparent lords of the economy, to do so [...] In this, he saw the [abyss] of humanity's current predicament. Therefore, he preached not understanding or inclinations but the struggle for a society in which understanding could be effective.

Therefore he, himself an idealist, refused to [concede to] idealism its own intrinsic power. This is not because he saw human society just like a mere agglomeration of physical atoms without the capacity for its own goals but because in capitalist society, despite individual will, despite the possible honest idealism of individuals, people have

to behave as if they were mere atoms without will and all their idealism meant nothing in the face of the silent, inevitable force of an overwhelming dependence on the external conditions. This was the deep and frightful insight from which our world appeared to him to arise as an inferno. How corporeally he saw those invisible threads of price figures looming, which would here throw the individual and whole masses out of the factory into the misery of unemployment and there drag them into exhaustion from overwork on the tilted plane of piecework, and then suddenly, in the midst of feverish recovery, clamorously whip up the dead in the factories amidst the wailing of the capitalists and proletarians. And at the same time he saw how all the moaners were themselves weaving the strands, tying the noose and tugging it as in a dream until they lay prostrate and shackled. He saw how people groped like blinded slaves deciphering their fate through a mysterious script of knots that they had unconsciously tied themselves.

Appendix 2

[Effects of Alienation on Individual Lives]

In every large society based on division of labour (that is, large enough so that, with a limited lifespan and our limited mobility, direct and mutual attention on the part of all members of society seems unfeasible), no direct socialization of people is possible. The unity of the whole can only be perceived here if certain social phenomena continuously appear and are mediated between persons. These social phenomena form a kind of third realm that stands between the realm of Being and of Consciousness. Marx calls this the phenomenal world of the social Being. It is the actual object of sociology. Its wealth of phenomenal forms is no less than that of nature or of the human soul. Alongside near-corporeal organs like state and market, they include laws that assert themselves with causal inevitability, such as those which govern price formation in capitalism, the reifications of personal relations of people to become the material relations between objects, as represented for example in the fetish character of commodities, as well as the continuous forms of interaction between people, as represented for example by the relations of super- and subordination. The socialization of a large number of people is necessarily bound up with the existence of such objectifications of the human content of consciousness, with these social objectifications, as we would like to call them. From this arise consequences that are

important in two kinds of ways for the individual lives so associated. Social objectification can tie people as a community only at the cost of, first, separating individual lives, which are connected in this way, from each other and, second, internally splitting each individual life. These two effects necessarily result from the nature of objectifications.

1. The direct connection between the individual lives becomes a mediated one, because the individual lives are no longer related to each other but to their objectifications, by way of which their community is mediated. Through this, these individual lives are right away separated.

2. In terms of its content, however, the individual life itself is split, in that the part of our life which produces the cause of the objectifications is split off from the part that represents its effect. Two different contents of consciousness – which continually subsist separately alongside each other in us – belong to our active relation to the objectifications [acting on them] and to our passive relation to the objectification [being acted upon by it]. In this way, the unity of the personality is split. Social institutions, laws, reifications, all these phenomenal forms of social objectification have in common that they insert themselves between Man and Man, on the one hand, and between the diverse volitions of one and the same person on the other hand. In that they separate human beings from human beings, they prevent an unmediated personal community between them. In that, in relation to consciousness, they are inserted like an impenetrable isolating substance between our own volitions, they split our own consciousness in two and prevent the unification of the separated parts in our own mind. Thus the state transforms all of us into oppressors and oppressed – or, more precisely, into both at the same time in terms of our active and passive relation to it, a relationship that would be unsustainable within one and the same consciousness. This is what the thingness of the state as an objectification consists of: that this ghostlike substance is inserted between our volition, which has let it emerge, and that other volition, from which our complaint about its existence arises, so that a confrontation and compensation never occurs. However, we all stand in this same double relation not only to state power as an objectification but also to custom and law, and to market and price. Since we are all partly an active cause, partly a suffering effect of these phenomena, the active part of our consciousness is able to connect to the active part of the consciousness of other people, and our suffering part with the corresponding part of the consciousness of others.

The result is the monstrous concept of two humanities as thing-like realities: of an egoistically active humanity that limits the other helplessly passive humanity in its freedom and pushes it into misfortune – without the ability of the theoretical knowledge to counteract against this semblance, that what is involved here is just two directions of intent of one and the same humanity.

2

New Reflections Concerning our Theory and Practice*

Many a socialist has posed the question of whether a comprehensive overview of the economy as a whole is possible at all. For the sake of convenience, we will refer to the question concerning the feasibility, modalities and limits of an overview of the economy as the *overview problem* (*Übersichtsproblem*).¹ It unquestionably constitutes an important area of socialist theory. One of the goals of socialism is to replace the capitalist economy, which is governed by blind laws and is fundamentally resistant to overview, with a socialist economy that would be consciously constructed and foundationally subject to overview. ‘*Scientific socialism*’ directly owes its development, in part, to the insight that the progress of economic transparency is no mere pious wish, but represents a scientifically observable trend already in capitalism itself. It is, after all, well known that technical and economic concentration and centralization within capitalism lead to an increasing degree of uniformity of the economy as a whole, and through this to the transparency of the process of economic activity in certain important respects. This does not mean of course, that the overview problem will, one fine day, ‘solve itself’, without our active assistance. In creating a conscious overview of the economy, if anywhere, the thesis holds that an active understanding of the

* ‘Neue Erwägungen zu unserer Theorie und Praxis’, *Der Kampf* 18(1), 1925, pp. 18–24. Now in K. Polanyi, *Chronik der großen Transformation*, M. Cangiani, K. Polanyi-Levitt and C. Thomasberger (eds), Band 3, Marburg: Metropolis Verlag, 2005, pp. 114–25. Translated by Kari Polanyi Levitt in cooperation with David Woodruff.

transformative process in which we are participants is part of the essence of this process itself. With respect to the *Übersichtsproblem*, socialist theory is therefore called on not to aim to construct the theory of the future socialist economy in a historical vacuum but to interpret concrete present realities in a socialist spirit and through this to steer them in a socialist direction. It is thus true even for the *Übersichtsproblem* that its treatment by socialist theory is sensible and justified only to the degree to which its results prove to be fruitful in the *praxis of the working-class movement*. We must not lose sight of this as we approach the regrettably rather abstract question of the overview problem.

The matter appears, at first sight, to be quite simple. How is it possible to gain an overview of the economy as a whole? The conventional answer is: with the aid of perfected *statistics*. And if this does not take us far enough, then we are told that we will ‘organize the economy *centrally* and thereby make it susceptible to oversight’.

The apparent simplicity of this solution, which we shall call the administered economy model, soon disappears on closer examination. For in such an approach one speaks of *what is overseen* as the economy in general, as if the economy were a natural phenomenon, something like a landscape, which can readily be surveyed from an aeroplane. But the economy is not a natural phenomenon; rather, it is a social-natural process. Fearful of bogging down in the fetishistic approach of classical political economy, which treats the wealth of society as so many ‘commodities’, the administered economy approach easily falls into the false extreme of a crude naturalism, whereby the economy is conceived merely in terms of tangible objects, machines, raw materials, etc. But when socialists speak of the overview of the economy, we mean (or at least we should mean) the overview of the ultimate elements of the social-natural processes that constitute the economy. The elements of the economy are: (1) human needs; (2) the [subjective] hardships of human labour (*menschliches Arbeitsleid*);² (3) means of production, i.e. minerals, tools and machines, available foodstuffs, raw materials and intermediate products and, finally, the most important means of production, labour power. The task of economic managers is the maximal satisfaction of needs, using the available means of production, with a minimum of labour hardship. Thus, the object of economic overview is in reality not ‘the economy in general’, conceived as a natural phenomenon observable from a bird’s eye view, but rather the above mentioned elements, i.e. needs, labour hardship and the means of production. Of these three objects of overview, the administered economy approach concerns itself exclusively with physical and material things, i.e. the means of

production, including labour power. We must ask: is this approach at all capable of encompassing the other two elements of the economy – human needs and labour hardship?

To pose this question inevitably leads us to a new aspect of the overview problem. It is obvious that the *form of overview* will be different according to its object and that object's circumstances. In fact, it is one thing to observe material objects of the external world (means of production such as labour power, factories, mines, arable land, etc.) and quite another to observe human psychological states (needs and the hardships of labour), and likewise internal psychological processes. Means of production are visible, tangible aspects of the external world, which are countable, measurable and externally ascertainable. *The needs and hardships of another person, by contrast, we can only envision in some fashion, through mentally putting ourselves in his situation, through an empathetic experience of his needs and hardships, through entering into them within ourselves.* This process of *inner overview* is, however, fundamentally different from the external form of overview relating to material objects and things. Of the three elements of the economy, only the means of production are accessible by means of external overview; the two other elements (needs and labour hardship) are subject to an essentially different kind of overview, which we have called inner overview. The answer to our previous question (whether the administered economy solution to the overview problem can also encompass needs and labour hardship) depends on *whether the administered economy is capable not only of an external, but also of an inner overview of the economic elements.*

Let us first see how theorists of the administered economy, whose attention is directed primarily at the overview of the material means of production, have dispensed with this problem. In so far as they regard the economy as no more than a technical-material process of production, their vision of the economy narrows, largely unremarked, to production; thus, needs and labour's hardships automatically slip into the background. As regards *needs*, for example, these are simply assumed to be known without difficulty. To be on the safe side, and to give to some extent a substitute for the neglected needs, actual consumption in a past period (for instance, the prior year) is offhandedly put *in place* of current needs. *Needs and consumption are however two totally different things* – as everybody whose actual consumption does not satisfy his needs knows perfectly well. Previous actual consumption would more closely correspond to present needs if, among other things, it had coincided with previous needs, and if needs had remained unchanged. To establish this, however, *requires*

that needs be known first. If they are unknown, there is nothing to be done except to impose equality between needs and consumption by force, or more exactly to do so on paper, where the factually unknown needs are taken as authoritatively stipulated, standardized, and thus as 'known'. This however is no solution at all, because in order to *correctly* stipulate, standardize, and record the extent to which the individual types of needs should be satisfied, it is first necessary to know what they are. The same is true of labour's hardships (*Arbeitsleid und Arbeitsmühe*), which are related to the quantity of work done. The economic manager has also to balance satisfaction of needs with the pain and effort of work. But the hardships of labour cannot be measured by work done, or by the wages paid, as theorists of the administered economy customarily seek to do. On the contrary, the appropriate work requirement and corresponding wage are in part a function of the effort and disagreeableness of the work to be done. Determining this requires knowledge of the [subjective] hardships of labour. Knowledge of hours of work done, production targets achieved or wages paid is no substitute for knowledge of the actual hardship endured by the worker. Thus, with respect to both human needs and labour's hardships, the theorist of the administered economy rests content with the mere *appearance of a solution* to the overview problem.

To return to our question: whether it is at all possible for the administered economy to achieve an inner overview of the economy depends on the *means of overview* available. We now turn to a brief examination of available means and their limitations.

One of the available tools is *statistics*. Statistics are, in fact, a general means to gain an exact overview of mass phenomena, in so far as they are quantifiable and took place in the past. Statistics are not, however, a magic solution because they can inform us only about enumerable and thus external realities, such as quantities of people, goods, acres, consumption figures and so on, and never about their present status, but only their past. *Inner and qualitative phenomena in their present manifestation escape statistics*. These, then, are the limits of statistics in providing an overview. *Statistics are thus the classical means of the external overview of the economy*.

Equally general in applicability, but of far greater significance, is a second means available to the economic administrator: *organization*. Everybody knows that when an industry, a sector or an army is organized, there is significant increase in ability to oversee. Organization achieves this in two distinct ways: first, information is *generated* for the leadership via reports of 'lower' levels to 'higher' ones; secondly, overview by the top leadership is obviated by the more

limited but direct overview by the lower levels. In the latter case the leadership formulates its will based on the 'reports' of the lower ranks of the organization. The will thus formulated, which only needs to be kept at a general level, is correspondingly expanded and made concrete in the course of implementation by the lower ranks. In this fashion, each organization functions as an *organ of overview*, both by *creating* the capacity for overview, on the one hand, and by *obviating* overview on the other. Any organization is, thus, overview *creating*, and overview *obviating*. Important as these facts undoubtedly are for the solution of the overview problem, it is likewise clear that the *provision of overview* by the purely external organization of people in the economy (for it is always only people that can be organized, never 'the economy') is necessarily limited.

Unfortunately, we do not as yet have a theory of social organization with the help of which it would be easy to show that the *overview effect* of an organization is limited by its underlying *principles*. This is to be understood as follows: An organization constructed exclusively on the principles of power, such as an army of slaves, could not provide any overview to its leadership, which – if it does not wish to allow the human machine subject to it to operate blindly and haphazardly – would have to obtain the overview necessary for management in some other way (not via the organization itself). However, an organization built exclusively on legal principles (the principle of legal obligation), such as the civil service, is also limited in its provision of overview. No matter how magnificent its performance in certain areas, such as production, it must fail completely in others. Precisely the desired inner overview of the changes in human needs and the labour hardships of the people subordinated to the organization escape even the most bureaucratized apparatus. These, then, are the *limits of overview* achievable by the administered economy as customarily understood.

But the most prominent failure of the administered economy approach arises when the issue is encompassing the concrete reality of the working-class movement and the elements of the future that it embodies. Trade unions, industrial associations, cooperatives and socialist municipalities already provide overview at present, yet this is entirely overlooked by the theoreticians of the administered economy. Moreover, as we will show, all these formations are *organs of the inner overview of the economy*, with great significance for socialist development. The evolution of this overview can be illustrated by the example of the political party, before turning briefly to the economic overview already operating today within trade unions, cooperatives, industry associations and socialist municipalities.

Let us examine the situation of a democratically organized *workers' party* during an acute political crisis, i.e. in the moment of its maximal effectiveness. The party leadership has a complete overview of the mood, determination, combat strength and capacity for action of the voters organized in the party. Hour by hour, the party leadership monitors the direction and intensity of all currents and undercurrents within the masses and reacts to them with the sensitivity of the most fine-tuned scientific instrument. *Within such a party, the inner overview of the will and desires of broad strata of the electorate is constantly carried out. Alongside this nearly total leadership overview there exists, moreover, an impressive level of 'membership overview'.* Every *member* of a living and democratic party organization senses with particular precision whether the movement as a whole is losing or gaining strength, and the clarity of this overview depends almost exclusively on the democratic character of the party. This living inner overview, within the framework of the party organization, naturally serves to protect the political interests of the voters as fully as possible and to permit the leadership of the party to mobilize, for the benefit of all, each individual member's strength, determination and readiness for sacrifice.

The situation is quite similar with respect to the economic organizations of the working-class movement.

Let us examine, for example, a democratically constituted *trade union* on the eve of a decisive conflict with an employers' association. At such a moment, both the leadership and membership have an exact overview of the currents and undercurrents within the union, and weigh their objectives and the means to reach them in precise relation to the available forces. Yet alongside this conscious overview of the conditions of struggle, there exists within the union another, almost unnoticed overview, directed elsewhere. The significance of this other overview is no longer tied to the existing capitalist order; on the contrary, it can only be fully revealed in socialism. Before a union in the above case is ready to declare itself 'ready for action', it must internally weigh, evaluate and recognize *all the conflicting claims of its members. Conflicting assessments of labour by the members must, to a certain extent, be brought into balance.* The enormous number of factors that affect wage levels – age, number of children, skill, danger, responsibility, infrequency of work, etc. – have to be brought into a just relationship. Should this by any chance be neglected, the union could fragment in the midst of the battle. This requirement is so obvious that it is generally not even necessary to emphasize it explicitly. It belongs to the normal life and activity of the trade union and takes place almost automatically. The fact that

this process *can* readily take place is proof of the fact that, within the union, there exists a complete, living inner overview of the mutual assessments of work by the members. The trade union is thereby, already today, an organ of inner overview relating to the world of work, in so far as it directly enables overview by members and leaders of all forms of labour hardship. It is more than an organ fulfilling the oft-noted role of external overview of *labour power* as a means of production; it is also a means of inner overview of the completely distinct economic element of labour hardship. What in capitalism the labour market can only achieve mechanically and externally, via setting the price for labour power, is here organically put into effect via direct inner oversight – though still within the framework of the capitalist wage system.

Industry associations are likewise an instructive case. What is accomplished within a trade union with respect to an occupation or profession is here achieved with respect to an industry. An industry joins manual and intellectual workers, factory and office workers of various occupations. Each of these occupations performs a specific function within the industry. The workers' industry association is only equipped to battle the employers, and likewise to monitor or perhaps to take over the industry, if it has a clear overview of the significance of each of its component occupations for the industry as a whole. Conclusions regarding this significance – that is, about the functional importance of each of the occupations – can obviously not be reached by a vote: here formal democracy in the sense of majority rule no longer has any justified validity. But within any healthy industry association, there exists a form of inner overview concerning the individual occupations' balance of power in terms of their significance, that is, according to the importance of their function in the framework of an enterprise or the industry. This inner overview is much more than a nebulous feeling: *it is the actual basis of the organization of the association*. This inner overview of the functional significance of individual occupations within an enterprise or industry is obviously one of the most important elements of the future in the structure of the current working-class movement. For it forms one of the most essential preconditions of *industrial self-management*.

The case of a democratically organized consumer *cooperative* is similar. The leadership of a cooperative becomes an organ of inner overview of the needs of its members through daily direct contact with working-class women and local residents, who are simultaneously authorized as voting members to guide the cooperative's leadership via criticism. The resulting inner overview can be as intensive

and comprehensive as that of the head of a family regarding the needs of the family members.

In different fashion, we find the same overview function in socialist *municipalities*. The inhabitants of a neighbourhood, who indicate the same common needs, with a leadership drawn from the same area, facilitate comprehensive overview of their needs as members of the municipality.

We thus can reach the *conclusion* that the existing formations of the working-class movement have great significance for the problem of overview. For all these formations have in common that via their organization, an essential economic element can be directly overseen within them.

These organizations of the working-class movement also have a second, very important common characteristic: they are not created by fiat according to some artificially conceived administrative model but are fundamentally the outcome of the independent activity of the workers and their advancing self-organization. It is to this development from the 'inside outward' that we must ascribe their provision of overview. *The principle underlying these organizations is quite different from that which underlies the administered economy model.* The principle underlying an organization, as we showed above, determines how, whether, and to what extent an organization is able to serve as an organ of overview. The principle which underlies the organizations of the working-class movement is not that of power, coercion or authority, nor is it abstract legal or bureaucratic principle (though neither of these can be lacking). Rather, it is first and foremost the principle of comradeship in the broadest sense of the word, the principle of relations among equals, of genuine self-organization (*Selbstorganisierung*). *Our principal conclusion is that self-organization is an instrument for the achievement of inner overview over the specific aspect of life that provided motive and impulse for self-organization.* Those who join with comrades to satisfy their needs through forming a *consumer cooperative* create thereby an organ of inner overview of the intensity and direction of the needs of its members. Those who join with others in an occupation or profession to defend their labour through forming a *trade union* create thereby an organ of inner overview of the intensity and direction of members' assessments concerning the hardships of their various forms of labour. When workers belonging to different occupations or professions combine as members of an industry to create an *industry association*, this association becomes an organ of inner overview of the significance of each individual occupation within the industry, of the functional importance of each individual occupation for the whole of the

industry in question. Whenever residents of a locality join with others for the satisfaction of their collective needs within the framework of a *socialist municipality*, they create an organ of inner overview of the intensity and direction of their collective needs as residents of the locality. The more lively and intensive individuals' activity in these organizations, the more both the leadership and some of the members find available to them a precise and powerful overview of that portion of economic life from which the organization has sprung.

Can anything useful be derived from these insights for *the praxis of the working-class movement*? We can answer in the affirmative at least in one respect: insight into the essence of the overview problem offers some clear and simple criteria for judgements concerning certain important practical questions of organization. The correct form of organization generally emerges as a natural course of events in accordance with specific tasks and prevailing circumstances. Nonetheless, there is often a choice to be made between possible organizational models. Most often this leads to the fruitless question of *which possible model we should favour as socialists*. In such cases, we need only pose the question *whether one or another possible form of organization can ensure better inner overview*. The consolidation of organizations of distinct character, which advocates of the administered economy are so happy to propose, can only be regarded as progressive when the sacrifice of inner overview – which is almost always unavoidable – is more than compensated by other advantages. Not every new 'organization' represents organizational progress *in a socialist sense*. There are also erroneous organizations and one of the means to avoid them is by the test of transparency – i.e. the degree of their overview prevailing in them. Especially the advocates of the administered economy with their (doubtless well-intentioned) mania for the creation of new organizations all too often violate this test. Secondly, the practical organizer can gain a deeper understanding of the importance of *democracy within the organizations of the working class*, as these insights should clarify that their capacity to perform their overview function depends on the extent of vital democracy practised in their daily life. Thirdly, organizers will gradually learn to grasp that it is not sufficient for the leadership alone to acquire an overview; instead, the highest possible degree of overview for members, of *members' overview*, must prevail in the organization. The realization of this requirement is known to be one of the most interesting and difficult tasks of the practising organizer. The leadership alone can naturally never cope with this task; each worker must likewise do his best for the organization. As to what the worker's participation should consist of, particularly in

the organization's daily life, here the pursuit of maximal membership overview provides useful pointers to the practitioner. Only in this sense is it true, and indeed doubly true, that the road to socialism is an organizational problem.

These insights concerning the contributions of the trade unions, industry associations, cooperatives, socialist municipalities and the socialist parties to the achievement of overview are by no means irrelevant even for the higher goals of the working-class movement. *Functional democracy*, defined by Otto Bauer as 'constant cooperation of those comrades representing the interests of the whole with those who perform a particular function in an individual profession', is possible only if each individual has somehow become conscious of his particular function. Bauer is absolutely correct to state that the educational work required to reach this aim is *the* problem of socialist organization. As concerns the problem of raising individuals' consciousness of their function, we therefore wish to emphasize just one more point: for all the questions of socialism, the thesis holds that any 'consciousness' can become reality only to the extent that some concrete content corresponds to it. For a *consciousness* without content, without object, without – in the case of a collectivity – *overview* does not exist. Consciousness of particular *economic functions* thus also requires, as its precondition, *a properly directed overview of the elements of the economy*. The provision of such an overview is one of the most important achievements of the most deeply rooted organizations of the working-class movement. It is in this regard that our contribution to the solution of the overview problem relates to the larger problem of functional democracy as a socialist form of life.

The Functionalist Theory of Society and the Problem of Socialist Economic Accounting (A Rejoinder to Professor L. von Mises and Dr Felix Weil)*

Our essay on ‘Socialist Accounting’¹ has been subjected to more or less detailed critiques from various sides.² As an introduction to this short note of response, it will perhaps be helpful to briefly summarize our position with respect to the ongoing discussion of the problem of socialist accounting.

The significance of the problem for the socialist economy has now become generally acknowledged.³ There are basically three contending groups of viewpoints – two of which represent the traditional opposition between market and marketless economies,⁴ while the third group, which is still coalescing, takes its point of departure from reasoning independent of the traditional dichotomy. The advocates of this third position are less numerous to be sure; we refer to them as representatives of *positive* socialist theories.

Between the first two contending groups, there is unanimity concerning the problematic. Both sides identify the opposition between market and marketless economies with the opposition between capitalism and socialism, and thus from the outset define the socialist economy not only in a collectivist and state-socialist sense, but moreover as an economy without exchange or markets, as a centrally administered economy. However hotly the contending positions are

* ‘Die funktionelle Theorie der Gesellschaft und das Problem der sozialistischen Rechnungslegung’, *Archiv für Sozialwissenschaft und Sozialpolitik* 52(1), 1924, pp. 218–27. Now in K. Polanyi, *Ökonomie und Gesellschaft*, Frankfurt a. M.: Suhrkamp, 1979, pp. 81–90. Translated by Kari Polanyi Levitt in cooperation with David Woodruff.

debated by their respective advocates, both sides to the dispute form a common front against the more recently constituted third group in this debate, which we termed the positive socialist theorists. In the latter we would include the pioneers of functional socialism in England, particularly the advocates of *functional guild socialism*, as well as socialist theoreticians who share the convictions of E. Heimann and J. Marschak.⁵ Our own essay originated in pronounced opposition to the two conventional positions and should be interpreted as a first attempt to respond to the need to create a positive socialist *theory of economics* (*Wirtschaftslehre*) as distinct from what, in our view, is a somewhat stale scholastic debate between orthodox Marxists and their 'bourgeois' enemies.⁶ Thus to the meat of the matter.

To call for creation of a positive socialist economics implies, it goes without saying, the admission that such a body of knowledge does *not*, as yet, exist. Our article addressed itself extensively to the methodological implications of this state of affairs for our treatment of the problem of socialist accounting. On the other hand, we also constructed our definitions and other assumptions in a fashion intended to *leave the way clear* for the development of a positive theory of the economics of socialism. Specifically, this was done in three instances. Firstly, with respect to the definition of a socialist economy; secondly, with respect to the mutual relationship between the legal and the economic order; and thirdly, with respect to the analysis of economic motives. We defined a socialist economy in such a way as to leave untouched questions of the organization of the communal economy, in the widest sense of the word. All that the concept of a socialist economy encompasses for us is the realization of two requirements – of maximum productivity on the one hand, and of the rule of social justice (as manifested in the distribution of production as well as its orientation to social benefit) on the other.⁷ We approach the concepts of law and economy in the same spirit: not statically, as two manifestations of the same social substrate (property relations = relations of production), but dynamically, as two relatively independent determinants of societal reality. This enabled us to distinguish between 'framework effects' and 'intervention effects' of law on the economy, a distinction that nullifies the conventional opposition between the administered economy, understood as a legally regulated economy, and the free economy, understood as an economy free of legal regulation.⁸ Finally, we related the problem of differentiating between 'natural' and 'social' costs of a product⁹ to the analysis of the 'unified economic will' in terms

of the motives from which it proceeds. This analysis showed the concrete relation between the internal organization of economic actors and the way their economic will is determined.

All of this is but a starting point toward the construction of a positive theory of socialist economics. It is, however, not difficult to show that the above-mentioned definitions and assumptions must be made if a positive theory of socialist economics is to be possible. The English functionalists proceeded in similar fashion to overcome the supposedly inevitable choice between collectivism and syndicalism.¹⁰ In our essay we attempted to explain that our definitions and assumptions can bear fruit only in the *intellectual soil of a functionalist approach to society*.¹¹ In summary, our attempted solution depends on a dual premise: neither 'market versus marketless economy', for economic theory, nor 'collectivism versus syndicalism', for the theory of socialism's economic organization, represents a necessary choice.

In his critique, Mises unquestionably went to the heart of the matter in attacking the functionalist position itself: 'Between syndicalism and socialism there can be no compromise and no reconciliation,' says Mises. (Socialism in this context is always to be understood as collectivist socialism.) The error of our model, according to Mises, lies in the indeterminacy with which it 'seeks to evade the key issue: syndicalism or socialism'. This particularly applies to the assumption of a constitutional structure which places joint direction of society in the hands of two functionally defined main associations – the commune and the production association.¹² As substantiation of his argument Mises offers the following line of thought:

He quotes from our article: 'The fundamental idea of every functional constitutional form is that distinct functional representative organs (associations) of the same individuals can never fall into irresolvable conflict with one another.'¹³ He elaborates

This fundamental idea of the functional form of constitution is, however, wrong. If the political parliament is to be formed by the votes of all citizens, with equal voting rights for each – and this condition is implied by Polanyi and all other similar systems – then the parliament and the congress of producers' associations, which is the result of an electoral structure quite differently built up, may, easily, conflict. ... If the final decision rests with neither the Commune nor the Congress of Producers' Associations, the system cannot live at all. If ultimate decision lies with the Commune, we have to deal with a 'central administrative economy', and this, as even Polanyi admits, could not calculate economically. If the Producers' Associations decide, then we have a syndicalist community.

This line of argument would indeed be convincing if the implicit starting point on which it is predicated were valid. It is, however, invalid. Mises's starting point would have to be that 'the constitutional model cannot be viable unless ultimate decision powers rest with *one* of the two constitutionally recognized associations'. There is no lack of evidence, however, that in the overwhelming number of constitutional systems which are acknowledged to be perfectly viable, the opposite is true: the ultimate decision rests *not* with one but at least with two legislative actors.

Mises's erroneous conclusion is explained by his failure to note the distinction between two senses of a society's 'constitutional form' (*Verfassungsform*), one pertaining to a mere actual *power relationship* (*Machtverhältnis*), the other to a *relationship of mutual recognition* (*Anerkennungsverhältnis*). Only for the first sense, as a power relationship, is it true that to be effective a society's constitutional form must establish supremacy in power relations, i.e. that the decision must rest with one of the parties. If we consider the constitutional form in the second sense, as a relationship of mutual recognition, this thesis no longer holds. Because Mises does not see this difference, he reaches his erroneous conclusion that a constitutional order cannot be viable unless decision-making powers rest with *one* of the two constitutionally recognized actors. Mises's error is perhaps veiled in the ambiguity of the expression 'final decision', in so far as the adjective 'final' may mean ultimate in the sense of the *power relations* which lie *behind* relations of mutual recognition or it may refer to the highest agency in terms of *recognized societal relations as such*.

But even an erroneous line of reasoning may conceal a pertinent objection to an argument. For this reason, we will attempt to address Mises's critique again after we have briefly dealt with the problem of the teleological necessity of a unified ultimate decision organ in a constitutional form, understood both as a power relationship and as a relationship of mutual recognition.

In pure power relations, a conflict between two parties can only be resolved by the permanently superior power of one party over the other. In this case, the decision will indeed always rest with one of the two parties. In the case of equal or changeable relative power of the two parties, power relations fail conceptually: the settlement of the conflict based on power relations is fundamentally ruled out. In so far as a conflict is in fact resolved in such a case, it can only be because the parties enter into relations of mutual recognition (e.g. by drafting a constitution, or by law, or custom, etc.). It is *possible* even in this case – albeit more in appearance than reality – that the decision is assigned to one of the two parties (for instance via taking turns

or decision by lot). This, however, is not *required* and will be the exception rather than the rule. In the general case the parties have mutually *recognized* the duty to reach an accord, which fundamentally ensures the settlement of their possible conflict. Which side on a given occasion will hold the *superior influence* – as opposed to the *superior power*, which would annul the relationship of mutual recognition itself – is a matter of minor importance, which only shifts the point of compromise, but cannot annul the duty to find a mutually agreeable settlement of the conflict. By identifying superior influence (*Übergewicht*) with superior power (*Übermacht*), Mises seems to us to have slipped into another confusion.

To be true to relations of this sort, then, Mises's *objection* should be reformulated as follows: 'The permanent superiority of the commune vis-à-vis the production association (or the reverse) rules out relations of mutual recognition between the two bodies; in this case, the relationship must remain one of pure power, which can only be effective if final decisions rest with one or the other association. Ergo: collectivism or syndicalism.'

To give *evidence* for his objection to our thesis, Mises would have to explain *which* of the two associations would capture the purported permanent superiority of power. (As explained above, the issue here can only be permanent superiority of power, in so far as the continual rise and fall of superiority would permit, and indeed require, relations of mutual recognition between the parties.) Mises cannot evade this question, as this would amount to admitting that it is impossible to theoretically demonstrate that either one or the other of these functionally based associations will have priority. This impossibility, though, is precisely what we claimed to follow from the functional principle, and what Mises intended to refute in favour of his unproved claim that either collectivism or syndicalism must be chosen.

This question [of whether the commune or the production association will necessarily come to dominate] has no answer. Man as producer and man as consumer represent two fundamental human motivations which are determined by a single life process – the economic activity of the individual. The interests which arise from these motives thus find themselves fundamentally in equilibrium. In so far as the commune and the production association constitute, as we have assumed, separate representatives of these motivational tendencies, the functional associations counterpoise interests of fundamentally equal strength. Swings towards one interest, which thereby acquires superior influence, do remain as likely as they would be in the case of an individual within himself. But the inevitable effect of such a swing on the other, temporarily suppressed interest, which has a polar link

to the first, must lead automatically to a restoration of equilibrium. Equilibrium in power relations, which implies their annulment and the foundation of relations of mutual recognition, thus follows from the functional principle itself, ruling out an immanent argument against the possibility of functional equilibrium. In any event Mises makes no attempt to provide such an argument.¹⁴

To return to the involuntarily misleading form of Mises's critique, we note that we obviously have never stated that there could not be conflict between the commune and the production association. Such conflicts are indeed an element of the life of a functionally conceived socialist society. In place of conflicts between analogously constituted interests of various groups of people, as is the case in a class society, in socialism *conflict between variously constituted interests of the same group of people* becomes the fundamental driving force (*Bewegungsprinzip*) of the society and thus also the economy. Conflict between the main functional associations, which we and Mises emphasize in equal measure, is thus implied not by different preference orderings alone, as he suggests, but rather by the functional principle itself. What we propose as the fundamental idea of a functional constitutional form is, moreover, that these inevitable conflicts are never *irreconcilable*. Given the transparency (*Durchsichtigkeit*) of functional organizations, the conflict between differently oriented interests of the same individuals *must* find resolution, just as is the case with respect to differently oriented interests within a single individual. Via their functional representation, individuals should be *confronted with themselves*. The inevitability of the reconciliation of functional interests is, thus, based on the physical and psychic unity of the individual and requires no further proof, and is indeed not capable of such proof. In order to prove that this confronting [of individuals with themselves] could not occur, Mises (lacking an immanent objection against the functional principle) would have had to turn his argument against the functional model of social organization. He would have had to prove either that the functional representation system is ineffective in representing the separate motivational tendencies of individuals [as consumers and producers], or that the functional democratic model is not sufficiently transparent (*durchsichtig*) to ensure that the individuals involved on both sides become conscious that they are one and the same. In his brief and scantily expounded critique, Mises did not assert either of these arguments, nor speak of proving them.

While Mises pushes the conflict between the interests of functional organs to the fore, prying it from its place in functionalism properly apprehended, and goes so far as to claim that collisions between the

opposed interests of consumers and producers show the impracticability of the functionalist constitutional form, Weil asserts that the commune and guilds 'have no real conflicting interests at all'!¹⁵ Small wonder then that all of the essential conclusions we draw from the functional structure of our assumed socialist economy appear to him to rest on 'mere imagination'¹⁶ and a 'curious fantasy'¹⁷ of 'mystical powers',¹⁸ which we ascribe to this organizational form! We need not look very far to discover the sources of this sweeping failure of Weil's critical endeavours. It is his misfortune to have *misunderstood* two *key concepts* of our argument. Our model designates the assumed constitutional design of society as a 'functionalist' one. For the socialist economy of this functionally organized society we adopted a precisely described system of fixed prices (*Festpreise*), which are legally set, and *negotiated prices* (*Vereinbarungspreise*). It is on this dichotomy, which is incidentally quite common, that the description of our postulated economy rests. Weil has misinterpreted these negotiated prices¹⁹ as a type of fixed price and has *consistently ignored the fundamental nature of the difference*. He has similarly misunderstood the central concept of our essay, the term '*functional*'. He consistently identifies 'functional' with 'guild socialist',²⁰ which explains the title of his critique, 'Guild Socialist Accounting'. Although our work assumes a guild socialist organization of production, we have set this within the framework of a *functional* organization of society. *Our principal propositions, however, derive from the functional organization of society and not from the guild socialist model of production!*

Weil equates the term 'functional', whose meaning within the recent socialist literature is evidently not familiar to him, with the term 'guild socialist'. This *crucial error dooms to failure* his honest efforts to understand our work.²¹ Our entire line of argument thus must appear to him as a chaos of contradictions. These 'contradictions'²² are easily resolved if one does not misinterpret negotiated prices to mean their opposite, and confuse the organizational model of guild-based production with the *very different concept* of a functional constitutional model of society.²³

Given this context, any substantive points of contact between Weil's critical comments and our line of argument could only be coincidental. We have found only one such instance, where Weil suggests that the determination of quasi-social costs is not feasible because it involves subtracting from the new costs of production 'an entirely imaginary quantity, namely those costs which would be incurred absent the effects of the social justice considerations in question, for instance if a particular product were not produced at all and

another made in its place.²⁴ These comments are accurate in so far as, in particular *marginal cases*, a range of indeterminacy attends conjectures about the costs of social justice considerations, namely when these mandate quite new production conditions that cannot be compared with previous ones.²⁵ This is a dynamic phenomenon that occurs repeatedly, whereby certain 'social costs' become 'natural costs'. Indeed, this happens regularly as soon as these social costs become general production conditions for society. In such a case, what were interventions in the economy are consolidated into the framework of the economy, transforming the associated costs from intervention to framework costs, which now may be interpreted as natural rather than social costs. Accounting for this transition constitutes *accounting for economic dynamics*, without which a long-term quantitative overview would be fundamentally impossible. In our functional model of society, the transition from 'social' to 'natural' costs would have to be determined by agreement between the commune and the production association. The objection raised by Weil thus relates to a dynamic phenomenon, which we could not address in our static treatment and alluded to in a footnote, which Weil likewise misunderstood.²⁶

II

The World Economic Crisis and the Rise of Fascism

4

Economy and Democracy*

A chasm has opened between the economy and politics. These scant words give the diagnosis of the times. The economy and politics, two manifestations of the life of society, have declared their autonomy and wage unceasing war against each other. They have become slogans under which political parties and economic classes pursue their opposing interests. Things have reached the point that right and left feud in the name of economy and democracy, as if these two basic functions of society could be embodied in two separate parties within the state! Behind the slogans, however, lurks a terrifying reality. The left *is* rooted in democracy; the right *is* rooted in the economy. As a direct result, the current functional breakdown between the economy and democracy is stretching into a catastrophic polarity. The realm of political democracy gives rise to forces that intervene in the economy, disturbing and constraining it. In response, business mounts a general attack on democracy as the embodiment of an irresponsible hostility towards the economy that is devoid of objectivity.

There is no contemporary problem more worthy of the attention of well-intentioned people than this one. A society whose political and economic systems are in conflict is doomed to decline – or to be overthrown. Indeed, political democracy has succumbed in most of the countries of Europe. Bolshevism rules in Russia, while many of the eastern, central and southern European states are under military dictatorship or fascism. And the end is not in sight.

* *Der Österreichische Volkswirt* 25(13–14), December 1932. Translated by Kari Polanyi Levitt in cooperation with David Woodruff.

Even we, rooted with our every fibre in the intellectual soil of democracy, can permit ourselves no illusions: democracy is suffering one of the severest trials in its centuries-old development. Since the war, both the economy and democracy, each in its own way, have been in open crisis. In the defeated countries, the economy had scarcely begun to believe the crises of the period of downfall overcome when it again fell victim to a boundless general crisis whose gravity surpassed anything previously experienced. Seemingly unrelated political crises of democracy and parliamentary government manifested themselves in a large number of states. This alone would have diminished the prestige of democracy. But the onslaught was intensified a hundredfold because the economy likewise placed responsibility for its own paralysis at the feet of democracy. Democracy was blamed not only for legislative failures, endless governmental and coalition crises, and the degeneration of party politics but also for the unrelenting decline in prices, production and consumption, the equally unrelenting rise of bankruptcies and the misery of mass unemployment.

The charge-sheet of the economy against democracy (or, as it is also put, against politics) includes: inflation, subsidization, protectionism, trade unionism, currency mismanagement, costly and senseless support and propping up of individual enterprises, state assistance to and bail-outs of specific industrial sectors, tariff protection, and excessively high wages and social obligations. Left-wing governments in the victorious countries went down to defeat on the currency question. The new franc, the belga, the new pound sterling – now approaching stabilization and delinked from gold – and, indeed, even the new Reichsmark were born from the rubble of periods of progressive democratic government. Herriot and the cartel in France, the Pouillet-Vandervelde regime in Belgium, the second Labour government in England, the Weimar coalition in Germany and even, to a certain extent, the coalition government in Austria as early as 1920 were all victims of inflation. In countries like England, where the trade unions are not subordinate to working-class political parties and thus pursued class-oriented wage policies entirely unconstrained by political responsibility, unemployment insurance enabled the rigidification of nominal wages (despite the appreciation of the pound), causing excessive wages in the economic sectors dependent on the world market. Mining, shipping, shipbuilding and the textile industry were forced to comprehend this. For this reason, businesses (with the most incapable at their head) enjoyed state subsidies, the infamous coal subventions. This system of state subsidization of some industries at the expense of others reached fullest flower in Germany

(after the Ruhr conflict, for purely political reasons as well). There is hardly a grain-importing country in Europe that did not succumb to the temptation of high protective duties. The driving force here was a thoroughly political pursuit of the delusion of autarky, which, where not impossible, is damaging to the entire economy. The economy as a whole inevitably paid a price for the preferential treatment of certain of its parts. This led to an often overlooked and, for democracy, particularly tragic strain: democracy got the blame for the deepening general economic crisis from the very parts of the economy that benefited from preferential policies – agricultural interests, employers and ultimately sections of the working class itself! Unquestionably, fascism was nourished by working-class disappointment with the economic policies of democracies. Politics, political parties and parliaments came under suspicion. Democracy fell into disrepute. Broad strata of the masses, both right and left, turned against democracy.

Hence springs a realization: nothing can save democracy today except a new mass culture of economic and political education [*Bildung*]. This alone can protect democracy from suicide. If the grass roots leaders of the masses – who already almost constitute a mass themselves – could be successfully trained, in an emphatic and vivid way, to be economically educated, this would automatically halt a large share of the policy measures that democracy has seized upon only because it is unclear on their consequences. What is killing democracy is ignorance of the requirements and the basic laws of modern economic life. The old truths are no longer sufficient – for the problems are new. The currency issue as it faces the post-war generation is new. Persistent mass unemployment is new. Born of the war, the rudiments of a planned economy are new. For our generation, the experience of an industrial revolution in technology and business practices is new. The incomparably profound interdependence of world capital markets is totally new. Almost as new as these problems are the forms of knowledge that are to be applied to them. In its application to issues of the currency, business cycles, crises, the rationalization of industry and so on, theoretical economics is virtually an entirely new branch of knowledge. (The most important work originated in the post-war period.) But new knowledge is not yet education! Knowledge becomes education only when it contributes to revealing to the masses the meaning of work, life and everyday existence.

One advising democracy to foster education can easily give the appearance of wanting to pit the economy against politics. But it must be stated loud and clear that business is often as deficient in its education about politics as the politicians are in their education

about economics. How often in the course of the last ten years has business not received priority over politics! In every single case, business failed. And that is not all. Business leaders have proved to be as ignorant in economic affairs as the politicians, without having even a rudimentary understanding of politics. What has the world not been led to believe by business, beginning from the first private supply agreements to the creation of the international steel cartel by the now deceased Mayrisch via the Luxembourg understanding, the potash agreements of Arnold Rechberg, the so-called commercialization and mobilization of reparations, and up through Loucheur's cartel plan as the supposed solution to the German-French problem? Or take the international economy: merely recall the Genoa conference where, amidst general astonishment, the petroleum interests proposed to solve the Russian question with a 25 million pound sterling joint-stock company. Or consider Morgan's amazing contribution to the problems of the world system of credit by the creation of the Bank of International Settlements; or the numberless world economic conferences; or finally the failure of almost all bank directorates to contain the problem of short-term credits – the lenders no less than the borrowers! Truly, with the exception of Morgan's short-lived contribution to the financial ceasefire known as the Dawes Plan, each and every initiative on the part of serious business aimed at the solution of political questions has proved worthless. Stinnes and Kreuger are not the problem; but rather Thyssen and Loucheur, Hoover and Ford.

That business leaders were not even educated about economics raised the comedy of errors to the level of paradox. Not only in politics but even in their own field they lacked comprehension of interconnections and an overview of the entirety of the situation. With the aid of inflationary monetary policies, countless investments were made whose profitability could only be secured by high protective tariffs. First in Germany, then in France, and now in England, protectionism and state intervention have come up trumps. Certainly, democracy's charity to entrepreneurs was often given as compensation for the consequences of socio-political interventions. This unholy alliance of economic interests of the left and the right, of which those concerned were frequently only partially aware, inflicted grievous damage to the image of democracy, especially in Germany.

However, the declining authority of democracy did not increase the influence of business leaders *in* the democracies. This was their greatest failure. Instead of educating democracy in economic responsibility, they abandoned democracy. In many countries where parliamentarianism and democracy were relatively recently established, as in Germany, Italy, Poland and almost all of Eastern Europe, economic

interests deserted democracy and civil rights. In the post-war period, the working classes manifested greater intellectual and moral resistance to dictatorial thinking than did the bourgeoisie. With a casual unconcern unthinkable in the Anglo-Saxon countries, where democracy was ideologically anchored in religious foundations of puritan origins, democracy was abandoned and permitted to fall as if mere external formalities were at stake, rather than the highest expression of moral consciousness within the modern state. To the English, 'free trade' means more than the freedom to trade in the continental sense; it also means peace, liberty and civil rights. The failure to understand these most elementary relationships betrays, like nothing else, the lack of true political culture in the regions of Europe that are geographically isolated from the West or lag behind it historically.

This applied as much to politics as to economics. In the post-war period, the political sciences have written significant new chapters. For here too the problems themselves are new: the surprising failure of proportional representation by a system of rigid lists; the grounds for and limits to the incorporation of professional interest representation into constitutional institutions; the significance of the theory of referenda to the health of parliamentary democracy; and several other issues. But above all, the decisive chapter: the rise of fascism.

We stand before a new calling for knowledge in our times. In the national and international division of labour, modern technologies and modern communication have created so tangled a structure that any overview of the position of the individual is lost. This is also the most profound cause of the chasm between democracy and economy. That it is often the very same man, who in the arenas of democracy and the economy struggles against himself, remains hidden from individuals. The result is the disillusionment that has stripped democracy of legitimacy. In the mirror of knowledge, the individual would be astonished to discover how, standing on both sides, in politics and economics, he is often merely in senseless conflict with himself. He would note in wonder how knowledge awakens him to his responsibilities for previously unknown interconnections. The richer, deeper and more ramified the framework of democracy, the more real this responsibility is. This, though, already spills into the realm of world-views, which lies outside of science. There is no need to enter this realm in order to affirm staunchly and clearly the calling of economic and political education in our times: to lead democracy to maturity through knowledge and personal responsibility.

5

The Mechanism of the World Economic Crisis*

Central European observers are ever more convinced that the entire post-war period with all its economic twists and turns – including eight years of miraculous prosperity in the United States, sustained business upswings in some other countries and the multifaceted technical, economic, currency and trade policy adventures of this whole dismal historical epoch – constitutes in reality just one single economic crisis, traversing the world in manifold forms, of which the upheaval of the 1929–33 crisis is the most recent and powerful. The economic crisis of the first post-war years was not truly overcome – just displaced in time and space. When a national economy had departed equilibrium, its restoration was only local, achieved by shifting the burden of deficits, deliberately or otherwise, to other economic regions and sectors. When the unavoidable day of reckoning arrived, it not only reignited old smouldering fires – the crisis acquired a depth and inexorability which made all previous imaginings pale by comparison.

To carry this argument beyond audacious generalization inferred from random connecting of events of the past fifteen years, the author is obliged not only to explain his particular approach to the essence of the crisis, and the method capable of yielding proof for the above claims, but also to link this proof to concrete phenomena.

* 'Der Mechanismus der Weltwirtschaftskrise', *Der Österreichische Volkswirt* 25, Special Issue, 1933. Now in K. Polanyi, *Ökonomie und Gesellschaft*, Frankfurt a. M.: Suhrkamp, 1979, pp. 63–80. Translated by Kari Polanyi Levitt in cooperation with David Woodruff.

Why Was It Impossible for the Crisis to Heal Itself?

What is the essence of the world economic crisis? Why has it so far been resistant to self-healing? How could some national economies repeatedly reach a deceptive surface equilibrium and temporarily overcome the symptoms of crisis by displacing the enormous burden of persistent and evermore frequent economic deficits in space and time? Above all, how and in what way can such an interpretation shed light on the totality of the general process within which the world economic crisis is embedded?

We may set aside the complexities of economic business-cycle theory. For all its unquestionable kinship with the familiar economic fluctuations that regularly afflict us, the crisis raging since 1929, we are convinced, derives its decisive characteristics directly from its specific present context. In our view, the conjunctural crisis of 1929 to 1933 is only the most dramatic phase in a general crisis which had its origins in the world war and the unique political and sociological configurations associated with it. These origins of the general crisis explain why the self-healing process has encountered insurmountable obstacles. The economic costs of the war were enormous in and of themselves. To express it paradoxically: the view that for economic reasons a modern war could not last for more than three months was entirely correct. That the war could last for more than this number of years was possible only at the price of pervasive social damage of a sort that can emerge in society only under the coercive pressures of overwhelming political-sociological forces. However, only tendencies which are confined within the strictly economic sphere are amenable to self-healing. The convulsive strains on the common life required to bring forth the means necessary to conduct the war, which far exceeded the economy's supply capacity, led to damage of such magnitude that the social fabric could no longer withstand the forced restoration of economic equilibrium.

The conventional view, which sees the problem exclusively in terms of the threat of social revolution, is one-sided – although this danger was unquestionably real. The political-sociological factors which made it impossible to reconstruct a post-war economic equilibrium adequate to the damage done by the war were almost as complex as the national, social, ideological and real forces which drove the war, and terminated it with a peace imposed by the victors on the vanquished.

Statistical research has only recently revealed the true costs of the war. Despite a technological revolution and the American economic

miracle, industrial production at the high point of the business cycle in 1929 remained alarmingly far behind the level it would have reached if the trend of development of the last two generations before the war had continued unbroken. In the twenty years since the outbreak of the war, industrial production should approximately have doubled. Instead, it increased by not quite 60 per cent, only to fall in 1933 to levels below those of 1914. According to the dynamics that obtained consistently for many past generations, industrial production in the middle of 1933 thus should have been twice as high as it was. Neither the feverish but unproductive semblance of activity in the war years, nor the steady increase in agricultural production in the face of the agrarian crisis can hide the fact that the war led to ten years of lost growth in agriculture and, even if one disregards the crisis of 1929 to 1933, a full twenty years' lost growth in industry.

The Three Claimants: Bondholders, Workers and Peasants

Whether the costs of the war were greater or less than was previously believed, it remains clear that in the political-sociological circumstances created by the war, these costs were easily large enough to prevent the attainment of a new economic equilibrium for many years. The social fabric could be sustained after the war only if political leadership were to avoid the disappointment of three major classes of society:

- the *bondholder* (*rentier*) who had helped financially to win the war and without whose confidence in currencies and credit capitalist economies could not be reconstructed;
- the *worker* who had borne the moral and political burdens of the war and was promised a reward in terms of more rights and more bread;
- the *peasant* who appeared to be the only bulwark against social revolution.

It makes little difference that bondholders in the defeated states were immediately ruined, or that all efforts to protect bond claims from damage in the victorious countries were futile. After all, in the defeated countries the workers received just as little protection from the consequences of the crisis. One possessed of purely economic rationality, detached from the preconditions of society's existence, would have to say that less inflexible protection of their claims by

bondholders, workers and farmers would definitely have brought them more in the end. But for us the important point is that they would never have received this 'more' since in the meantime the fabric of society would have ceased to exist.

In the victorious states, bondholder interests had priority. Their financial sacrifices had won the war, and the possibility of restarting the economy depended on their unbroken faith in the currency and credit. Society could continue only if the dismantled command economy of the war was immediately and permanently superseded by a functioning free market, avoiding the mortal danger of an intermediate period.

In the defeated states, the worker had priority. Installed in the seat of political power, those who had suffered the spiritual burden of war most bitterly now desired the promised rights and the promised bread.

Even in the victorious states, the democratization of public life assumed landslide proportions. In England, the number of voters increased from eight million before the war to 28 million soon after it. Here also the war machine had been fired up with promises: 'Homes fit for heroes', in the flowery language of the Welshman [Prime Minister Lloyd George], whose contributions to the military campaign included not only munitions factories but also slogans. When the war was won, there were no excuses for failure to deliver on promises. In reality, nobody in Britain believed in the necessity to restrict living standards after the war. When the glimmerings of correct understanding arrived, it was too late. The tremendous exertions required from the whole economy to defend – and increase – the value of *rentier* income blocked any path to policies that would have imposed one-sided sacrifices on the working classes.

The third party of this trilogy was the peasant. After the war, only the peasant – protective of his hereditary piece of land, accustomed to an adversarial market relationship with the town – offered, in a metaphorical sense, a guarantee against bolshevism. Economic interest and his general *Weltanschauung* allied him with conservatism. But when disillusioned the peasant was capable of very different behaviour, as the Bulgarian example shows. Indeed, peasants even without particular disillusionment could participate in the division of large landed estates, as the fate of any number of other East and South-East European countries appears to corroborate. The fact that revolutions do not come exclusively from the political left is a lesson that Europe has today thoroughly learned. It is enough to note that neither the *rentier* nor the worker proved as successful in pressing his claim to be socially unassailable.

Any attempt at the restoration of economic equilibrium had to take into consideration the three directions in which claims were staked. The existence of a viable social fabric demanded:

- Preservation of *rentier* income by support of currency values.
- Preservation of worker income by support of wages.
- Preservation of peasant income by support of commodity prices.

Today there cannot be the slightest doubt that the economic damage caused by the war ruled out the overconsumption that would have resulted from the satisfaction of all three demands. The maintenance of a viable social fabric thus required the economically impossible. But when the viability of society comes into conflict with what is economically possible, economic possibilities are stretched in one way or another. In the long run, this is of course not sustainable. Violation of the laws of economics must sooner or later be paid for by new, terrible economic costs. But, in the meantime, the existence of society has been saved.

Moreover, in the framework of the international state system created by the war, domestic economic threats to the social fabric were accompanied by external ones. Nonetheless, in our view the primary responsibility for interference with the self-healing of the world economy does not lie with reparations, war debts and the delusionary pursuit of autarchy. If instead we emphasize above all efforts to support the incomes of *rentiers*, workers and peasants, it is because there is no doubt that the issue of general overconsumption in the domestic economy had decisive significance for the problem of equilibrium. However, the two groups of problems nevertheless belong together. Reparations and war debts determined the direction of financial and economic exertions that were just as unrealistic as the attempt to maintain general high living standards in a world that had become poor in productive capital. Nonetheless, these exertions were made, and here too the collapse could be delayed for a while only by economically damaging interventions.

The Great Intervention: the War

That virtually the whole financial and economic history of the last fifteen years consists of interventions, whose eventual adverse consequences did not fail to manifest themselves, is thus an important insight of great practical value. But these interventions were not the *cause* of the crisis. It is only correct to say that such

interventions – sometimes misconceived and short-sighted in implementation – significantly postponed the solution of the crisis. But postponement was certainly not without rationale: the mother of all interventions was the war itself. All the interventions of the post-war era were no more than costly measures taken to protect society against the lethal consequences of this most brutal of all disruptions to equilibrium. But at the same time they created unnecessary new disruptions which exacerbated the consequences of the original major intervention of the war. It is impossible to comprehend the function of the interventions of the post-war era without understanding how the destruction caused by the war made them inevitable.

It is moreover inconsistent to consider as interventions only those policies which were intended to benefit the workers or the peasants. The convenient assumption here is that economic measures designed to restore the pre-war order require no further justification. Restoration of currency values, no matter how artificial and draconian the means used, is not considered interventionist; no one asks whether the new equilibrium state in a given country permits the restoration of *rentier* income that is a side effect of such a currency policy. A theory of equilibrium which consists exclusively in the purely formal assertion of the sanctity of contract is of no value as a practical tool of economic and financial policy. It does not speak to the decisive practical question: what levels of incomes correspond to the new equilibrium state, that is, are sustainable in the long run?

The return of the pound sterling to pre-war gold parity symbolizes the mindlessness of the attempt, launched little more than ten years ago, to continue building the world economy based on pre-war blueprints when its foundations had been undermined in the war years. But here also it was possible to postpone the consequences of this error for years.

How Was Postponement of the Crisis Possible?

Only three sources could sustain consumption by the favoured classes – rentiers, workers or peasants – in excess of what equilibrium determined:

- Firstly, redistribution of domestic income in favour of privileged classes. Where workers and peasants were favoured, the distributional burden fell on the assets of the middle classes and on working capital in industry by means of property taxes, and above all by the most unrelenting and unfair of all taxes – currency

depreciation. Agricultural overconsumption was sustained by external tariffs and other protectionist expropriation methods, at the expense of the urban population.

- Secondly, consumption of capital. Domestic capital was eaten away by inflation and by the sale of assets to foreigners.
- Thirdly, the remaining deficit had to be made up through new foreign borrowing.

This happened on an undreamt-of scale. National economies financed their deficits by perpetual external borrowing. Weaker national economies sought assistance from stronger ones. Years of apparent stability, a run of strong growth and a deceptive appearance of complete equilibrium were punctuated by new economic and financial difficulties, until suddenly, at the height of the American boom, the elastic band snapped. The interdependent deficit economies went into an irreversible slide, and the whole stabilization structure collapsed.

What were the mechanisms of the world economic crisis which determined this course of events and facilitated it?

The geographical displacement and the consequent postponement of the crisis were facilitated by credit mechanisms of unique capacity and flexibility, which developed after the war.

The nature of these credit mechanisms is still far from sufficiently grasped. While the world economy was destroyed by the war, then gradually resurrected after the war, only to slide into uninterrupted decline at the end of 1928, the system of credits had already reached new heights during the war. This paradoxical phenomenon has continued almost throughout the entire post-war period. The amazing mobility and magnitude of international credit was accompanied by an often alarming constriction and paralysis of international economic integration.

Wars give birth to new modalities of credit. The victorious states financed virtually all their purchases of materiel, to the extent these took place abroad, via a credit apparatus created ad hoc. This enabled the most gigantic financial transactions of modern times: the sale of overseas bonds and equity in the United States, backing for the pound's exchange rate by the United States, and the elimination of all payments in foreign exchange between the allied powers through the extension of credit. This apparatus acquired its almost limitless capacity because the major powers, united in a war of life and death, mobilized weapons of credit to the ultimate degree. In sum, never in the history of modern capitalism has credit been so politicized. One consequence has been the building of a closer relationship than ever

before between the commercial banks and the central banks in London, New York and Paris. The new and seemingly inexhaustible source feeding this ultra-modern pipeline for the distribution of credit to the whole of Europe, which brought gold to irrigate the parched plains of Central Europe's economy, was the unfathomable wealth of America. The unimaginably enormous profits which America made in the war were searching for investment. The reconstruction of Europe appeared as an excellent business which could not only rescue American claims on Europe but would also show a far-sighted love of humanity. Unequalled in wealth – and inexperienced – the investors who now appeared on the scene asked only that this credit mechanism should be fuelled by their resources.

If we now find it incredible that the world could have been so mistaken as to the true state of the financial balance sheet of the war, we merely need to recall for a moment the financial claims which were considered 'good'. The sum total of war debts between the allies was estimated at 25,000 million dollars. Anyone investigating the mood prevailing at the Genoa conference should recall that it broke up in a quarrel over the distribution of quotas between Russian petroleum interests, and they were not alone in still taking their claims on Russia seriously. After all, Lloyd George's famous proposal for floating a 25 million pound sterling public company for the reconstruction of Russia could be made in earnest only because hope lived that Russian war and pre-war loans were secure. At an estimated value of 35,000 million gold francs, they were not small change! Little wonder that the creditors owed these sums thought they were rich – until they were all written off. As late as 1925 [sic; actually 1926], after Britain and Germany had already returned to the gold standard, there was talk in Thoiry of paying reparations via a 16,000 million gold mark bond issue as if it were a straightforward business proposition! This credit mechanism, which contemporaries endowed with virtually mythical powers, was the principal actor in the ten-year postponement of the crisis.¹

The General Process

The outcome of the war determined the geographical course of the crisis – from East to West.

There were the *defeated states* like Russia, Austria, Hungary, Bulgaria and (in economic terms) the succession states carved from the eastern war regions like Rumania, Yugoslavia, Czechoslovakia, Poland and Greece. Last but not least, there was Germany.

There were the European *victorious states*: England, France, Belgium and Italy. And in a class by itself, there was the *supreme victor*, America.

1918–1924: The process starts in the East with the reconstruction of most of the defeated states – with assistance from the victors and America. The Austrian (1923) and the Hungarian (1924) currencies were stabilized with the help of the League of Nations. At the same time, Greece, Bulgaria, Finland and Estonia were ‘structurally adjusted’ (*saniert*). Romania, Poland, Czechoslovakia and Yugoslavia received French credits; support plans were drawn up even for Russia. The high point was the restoration of the gold standard in Germany, rooted in the Dawes Plan and the financing of Dawes loans, almost half of American provenance. The reinstatement of the gold standard stripped the defeated states of the secret reserves of inflationary finance. Their stagnant deficits were increasingly covered by foreign loans and thus shifted to the victorious states. In this first period the victorious states, while extending support, themselves had currencies that were far from stable.

1925–1928: Apart from the deficits of the defeated states, the victorious states had their own disequilibria. The introduction of the gold standard led to a constant struggle over currency stability in the victor states, highlighting the deficits of their economies. By so-called central bank cooperation, England shifted the economic burden of maintaining the external value of the pound sterling to the United States. The return of the pound to gold at pre-war parity in April 1925 was secured by American lines of credit. Notwithstanding ever increasing US loans extended to Germany, from this time on the secret purpose of American credit policy was not so much assistance to Europe as assistance to England. The high point was the negotiations between [Bank of England governor] Montague Norman and [Federal Reserve governor] Strong in New York in May 1927. In August of that year, the United States adopted an intensified ‘Cheap Credit Policy’ which lasted until February 1928 and prepared the way for the Wall Street crash of October 1929. The American crypto-inflation meant constant support, via supply of cheap credit, to the European victor states which had returned to the gold standard.

1929–1933: A crisis revealed the overall deficit of the European victors and the defeated states, which had been shifted to America; the bridging role of US credits over the previous ten years was an essential component in the development of this crisis. Ever since the Dawes Plan and the debt agreement with Britain and France, America had financed both reparation payments and the servicing of its own claims, taking on the burden of the futile English stabilization, bad

German investments and the accumulation of East European private sector deficits in financial institutions in Vienna. Principal event: the crash of the Vienna Creditanstalt Bank on 12 May 1931. The Reichsmark failed; the English pound retreated from parity. On 19 April 1933, the dollar was floated. The constriction of the world economy and the chaotic instability of currencies are comparable only to conditions prevailing in the immediate aftermath of the war.

Revaluation of the Pound and Its Consequences

Seen in this light, policies that on partial consideration seem erroneous or blameworthy appear as inevitable. Charges of mistaken policies are revealed as inconsistent, and supposedly missed opportunities as merely alternative paths to the same undesirable outcome. The return of the pound to pre-war parity now appears as a textbook example of an economic policy mistake. But the excuse repeated everywhere in England, that in 1925 no one could predict France and Belgium would stabilize their currencies at devalued levels and thus put pressure on English exports, points to alternative policies whose non-implementation was actually fortunate. The principal issue concerning the French and Belgian stabilization levels, we must insist, was not their relation to the price situation, but their relation to the original gold parities of these currencies. The essence of the matter was that France expected its bourgeoisie to tolerate the expropriation of 80 per cent of its rent income. In so far as England had to struggle with export difficulties after 1926, it was because its production costs were too high, due to the increase [via the revalued pound] in the burden of interest payments and also due to the high wages politically linked to this increase.

Another case: for many years, Central Europe refused to acknowledge England's acute economic difficulties because on the basis of its own experience it had recognized clearly that the English bank rate was still too low to sustain the value of the pound in the long run. In reality, from 1925 to 1931 only for barely two months did the bank rate fall below 4.5 per cent, an unusually high level for England. The problems caused by the revaluation of the pound might have been offset by a legislative reduction of the rate of interest on government bonds, or a tax on wealth – if undertaken in 1925. Implemented later, these same measures would have undermined England's credit no less than a currency devaluation. A substantial, sustained increase in the bank rate would not only have aggravated the acute economic crisis in England, but would have paralysed the export of capital

considered essential to the maintenance of the level of British goods exports.² For England continued to export capital after the pound's stabilization [in 1925]; this capital flow benefited among others the just recently 'structurally adjusted' economies of East Europe. Since 1924, foreign bonds floated on the London market have yielded 782 million dollars of long-term investments in continental Europe.

In fact, from 1927 ever increasing difficulties in maintaining capital exports made it impossible to raise the English bank rate. London markets were under strong but invisible pressures. Short-term lending spread, and the City itself depended more and more on short-term foreign deposits. The dangers of this situation were clearly spelled out in the Macmillan Report shortly before the collapse of the currency in 1931.³ Foreign loans floated in London in 1927 amounted to 651 million dollars; in 1928 they were reduced to 525 million and in 1929 to a mere 228 million dollars – and without question even this sum was facilitated most by the cheap money policy approved by New York!

From the start, American credits served as the elastic band which held together the evermore fragile equilibria of the deficit economies. But the transmission belt which carried the deficits of even the strongest European economies into America's credit ledgers was the re-established gold standard. Stripped of the secret reserves of inflation, with any displacement in space and time blocked by the rigid rules of the gold standard, the national economies had to admit their shortcomings. This was done without public pronouncements, but no less effectively – via new borrowing. But whereas the currency stabilizations in Central Europe induced only England to initiate a policy of low interest rates (the effects of which became noticeable only much later), the restoration of the gold standard in England itself prompted nothing less than the American silent inflation of 1926 to 1929, thereby contributing to the eventual collapse of the whole structure of world credit.

The United States and the Double Function of Credit Mechanisms

Perhaps the most deceptive aspect of post-war economic experience was the fabulously high standard of living of the United States in this period. This was only partly due to the real wealth of the United States. It was due also to two interventions which to a certain extent isolated the United States from the effects of the crisis in the rest of the world: high external tariffs and closing the door to immigration.

Without these measures, the poverty of Europe would have spread to the United States, and the resulting new equilibrium would have settled somewhere between the misery of the defeated continental states and the high American standard. The United States could free itself from European pressures on its standard of living only by shutting out cheap labour and cheap imports. This is the fundamental reason for the one-way flow of gold into the United States. It was the only means of payment which did not reduce American living standards.

Countless charges have been made that the United States' short-sighted policies of protectionism not only aggravated, but were actually to blame for the crisis. A creditor state should set itself up economically as a receiver of rents, through a trade deficit facilitating its debtors' exports, and thus their repayments. But as examples one can point only to countries like England, which built up its foreign investments over generations, and, when the moment arrived that repayments [from abroad] predominated [over new foreign investments], was able gradually to adapt its economic structure to new circumstances. While today Britain imports raw materials and semi-manufactured goods for further processing on a large scale, it made the necessary adaptation of its economic structure over decades of trade with its debtors scattered all over the world. But how can one demand a rapid, voluntary transition to a trade deficit from a state which moved overnight from being a debtor to the world's leading creditor, and whose overseas loans are principally *political* in origin? American exports from 1914 to 1919, which created the allied war debts, required unilateral adaptation of America's economic structure to the requirements of the war in Europe. The acceptance of debt repayment in the form of imported goods, immediately after peace was concluded, would thus have brought a severe economic crisis to the United States. Here again, we believe that the responsibility ascribed to US interventionist policies in the post-war years should more properly be ascribed to interventions in the war era itself. Such is the curse of politically shaped economic facts: the terrible consequences of the original intervention often can only be warded off by costly new interventions.

Arguably, the United States would have done best to have written down the face value of the 11 billion dollars of claims on Europe stemming from the war. Certainly, the United States would have had to take on Europe's war costs after the fact, and to suffer for a long time under the heavy tax pressure that would have been required to make interest payments on domestically issued Liberty Bonds. But American living standards would still likely have been higher

than those prevailing before the war. The question, however, is thoroughly academic because America not only held tight to its claims but sought to ensure their payment by extending enormous new credits to Europe. Nevertheless, this observation gives rise to two important reflections.

First, American living standards were in any event higher than was justified, and a write down of war debts would have reduced them. This would also have inevitably happened if America had accepted repayment of war debts in goods and labour. Second, the politically and sociologically determined overconsumption of rentiers, workers and peasants in Europe played an important role in making possible an inflated standard of living in America; but this overconsumption in Europe, in turn, was only possible due to the help of American credits. The credit mechanism thus served a double purpose: to maintain living standards in both Europe and America above equilibrium levels.

For years the Federal Reserve was accused of the sterilization of the vast sum of gold flowing into the United States.⁴ While Europe felt the lack of this gold, without which no expansion of the volume of credit was possible, the United States, it was said, deliberately did not use this gold to expand credit. Europe had to choke the economy by withdrawal of credits, while America purportedly refused to extend new credits to Europe. At present, the opposite criticism – that American policies of unrestrained inflation and mindless capital exports were directly responsible for the crisis – is raised much more emphatically. Clearly, these two accusations are mutually exclusive. But we now know that the [claim of] sterilization of gold reserves was based on a simple misunderstanding. The increase in gold reserves from 1921 to 1929 was accompanied by an increase in the average daily excess reserves of the commercial banks of 706 million dollars (September 1921 to September 1929). The increase in the effective volume of credit available to the economy was nine or ten times this amount.

If the charges [that the United States was restricting credit] proved anything, it was that at the time no amount of American credit could appear large enough to Europe! The stabilization of a series of Central and East European currencies, the draconian credit restriction required to prop up the gold value of the German mark, the increasing economic pressure on England resulting from the return of sterling to parity, the need for political stimulus lending and bridge financing in the period between the Dawes and Young loans, in addition to the reconstruction credits for Germany and other countries, created a near-insatiable demand for American financial assistance.

This invites a critical look at the contrary claim, accurate in a purely objective sense, of American crypto-inflation. Without question, it is correct as far as it goes. But the now prevalent conclusion that America is therefore at fault for the collapse of world currencies is not convincing. The actual sequence of events indicates the opposite: currencies were stable only as long as they were supported by American credits, which were necessarily accompanied by inflation [in the sense of currency issue]. When this could no longer be continued, the stability of European currencies also vanished. Only those who have forgotten the European cry for American help in the long years of repeated financial, economic and, last but not least, political crises, can fail to recognize the bitter alternative that a refusal on the part of the Americans to extend credit would have brought to us. However, the Americans offered no serious resistance to European encouragement of credit expansion. And certainly American credits to Europe were to some extent just as excessive and lavishly wasteful as Wall Street's South American loans have proved to be. We also see the evidence of the dire economic consequences connected to the postponement of the crisis in the way that artificially facilitated overconsumption led to still larger overconsumption by both debtors and creditors.

The Course of the Crisis

Nevertheless, the decisive connection for causal understanding is the following: the flow of gold to the United States had already begun in the economic crisis of 1921/2, but the outflow of gold did not unleash perceptible pressures on the supply of credit in Europe as long as the leading European currencies were still floating.⁵ Paper currencies are insensitive to the loss of gold reserves. Serious complaints about the maldistribution of gold reserves arose only after England (1925) and France (1926) returned to gold. Repeated American attempts at credit restrictions thenceforth led regularly to the drain of gold from debtors and thus to an exacerbation of their situation.⁶ Twice America, faced with business slumps, initiated policies of 'cheap money'. In each case, the following year (1925 and 1928) ended with a loss of gold from America.⁷ When the de facto stabilization of the French franc in the spring of 1927 resulted in a huge transfer of gold from the Bank of England to the Bank of France, Montague Norman and Federal Reserve Governor Strong met in New York and agreed on a new period of 'cheap money' to save the heavily embattled British economy from a rise in the bank rate.

From August 1927 to February 1928, the discount rate of the New York Federal Reserve Bank was a mere 3.5 per cent. In the United States and Europe, the peak of business cycle began. An influx of American gold supported the new gold-backed European currencies; capital inflows to Germany in 1927/8 topped 2 billion dollars. In July 1928, the New York bank rate was raised to 5 per cent, and the futile effort to check the speculative boom began. The supply of long-term capital to Europe dried up. In the first half of 1929, the value of European bonds floated in New York was a mere 101 million dollars, compared with 499 million in the first half of 1928.

Up until 1925, American protectionist and credit policies sustained living standards in both the United States and in Europe, in so far as America in part accepted gold for payment and in part provided new credits. After the restoration of the gold standard in Europe, especially in England, the debtor states could withstand the pressure of gold outflows on their currencies only because the United States surrendered to inflationism, holding interest rates artificially low and increasing its capital export to Europe many times over. When the inflation mechanism failed, the financial pressure of overindebtedness inevitably triggered the world crisis. In mid-1929, the United States and France together accounted for 58 per cent of the world's monetary gold. But America ceased foreign lending. Neither gold nor credits were available any longer. Debtor states now had no alternative but to make their payments in goods. From 1928/9, they began forcibly to expand exports.⁸ Both Europe and overseas raw materials producers flooded world markets with goods seeking buyers at any price. The trend of universally falling world prices manifested in 1929 was the prelude to the world economic crisis. Then came the credit crisis of 1931, the constriction in world trade in 1932 and the general collapse of currencies in 1933. The spatial and temporal displacement of economic deficits had run its course. Inflation perhaps succeeded in saving the social fabric, but it could not spare humanity the torments of the healing process, which it only prolonged.⁹

6

The Essence of Fascism*

Victorious Fascism is not only the downfall of the Socialist Movement; it is the end of Christianity in all but its most debased forms.

The common attack of German Fascism on both the organisations of the working-class movement and the Churches is not a mere coincidence. It is a symbolic expression of that hidden philosophical essence of Fascism which makes it the common enemy of Socialism and Christianity alike. This is our main contention.

All over Central Europe, Socialist parties and trade unions are being persecuted by the Fascists. But so are Christian Pacifists and Religious Socialists. In Germany National Socialism is setting up definitely as a counter-religion to Christianity. The Churches are suffering oppression, not for some unchristian rivalry with the secular power, but because, in spite of all compromise with the world, they have not ceased to be Christian. The State is attacking the religious independence of the Protestant Churches, and, when they succeed in asserting their independence, it calmly proceeds to secularise society and education. Even the Roman Church is under heavy fire in Germany. There is reason to doubt whether the Lateran Treaty in Italy has fulfilled her expectations. Where she seemingly holds her own, as in Austria, her position is both politically and morally more than precarious.

Our picture may seem to over-stress the importance of the German developments and to ignore the fact that the struggle between Fascism

* In J. Lewis, K. Polanyi, D. K. Kitchin (eds), *Christianity and the Social Revolution*, London: Gollancz, 1935, pp. 359–94.

and the Churches is far from general. Undoubtedly, the Roman Church follows a different line of policy in different countries; and even in one and the same country the attitude of the various Christian communities to the Fascist Party State varies. In the encyclical, *Quadragesimo Anno*, the Pope opened an avenue of compromise with Fascist sociology; though this happened before the victory of National-Socialism, it left no doubt about the direction in which Rome was eventually prepared to take its bearings on the future. Its experiment with a kind of Catholic Fascism in Austria proves this conclusively.

But these instances of the Catholic will to compromise seem rather to enhance than to diminish the significance of the German Church conflict, the seriousness and the reality of which should not be underrated. It bears out our conviction that it is to National-Socialism we must turn to discover the political and philosophical characteristics of full-fledged Fascism. Parallel movements in other countries are but comparatively undeveloped variants of the prototype. Italian Fascism, in spite of Mussolini, has no distinctive philosophy of its own; indeed, it is almost characterised by a deliberate lack of it. Corporative Austria is marking time. Only in Germany has Fascism advanced to that decisive stage at which a political philosophy turns into a religion. National-Socialism is, indeed, almost as far ahead of Italian or Austrian Fascism as Socialism in Soviet Russia is of the tentative Socialist policies of Labour Governments in Central Europe.

But, even so, there are objections to using the German Church conflict as a proof of the inherent antagonism of Fascism to Christianity. There is, for one, the patent lack of identity between Christianity and the Churches; secondly, the traditional feud between the Socialist Movement and the Churches on the Continent.

Undoubtedly, it would be impossible to argue that he who attacks the Christian Churches is attacking Christianity. Only too often has the opposite been true in the course of history. Even in Germany to-day, Christian Pacifists and Religious Socialists are as far removed from the pale of the official Churches as ever; the same applies to Religious Socialists in Austria. Not even common persecution could bridge the gulf between the live faith of Christian revolutionaries and organised Christianity. However, as long as the Church in Germany stands up against Fascism in defence of her Christian faith, in the universality of her mission the significance of her witness cannot be denied. Incidentally, in this an important difference between the fate of the Western Churches in Germany and the Orthodox Church in Russia is revealed, where the Church suffered persecution not because she was faithful to her Christian mission, but because she was not; for who could deny that the Orthodox Church in Russia was the

political mainstay of tsarist tyranny, at a time when the social ideal of Christianity was inherently on the side of revolution?

This helps to clear up the second objection: the reference to the traditional feud between the Socialist Parties and the Churches on the Continent. From the rise of the working-class movement this hostility existed.

But the Russian example should be a strong warning from adducing it as an argument. For in the eyes of the masses, also, the Western Churches were far from embodying the ideals of Christianity. Though organised Christianity paid cautious lip service to the idealist aims of Socialism, it fought its advance with all its power. At the present juncture, however, the Churches, though predominantly reactionary, are unconsciously bearing witness to that Christian content which they have in common with Socialism. Thus, not in spite of its antagonism to Marxian Socialism, but in consequence of it, is National-Socialism attacking them. This, however, is precisely our contention.

On the face of it, the argument is really extremely simple. No attack on Socialism can be permanently effective that fails to dig down to the religious and moral roots of the movement. But at these roots lies the Christian inheritance. The Fascists setting out to deliver mankind from the alleged delusions of Socialism cannot pass by the question of the ultimate truth or untruth of the teachings of Jesus.

But politics does not deal with abstractions. That which may seem an insoluble contradiction in the realm of pure thought does not necessarily lead to a clash in reality. If Fascist Governments take great risks in order to infuse pagan elements into the Christian religion, they do this for compelling reasons of a purely practical order. What are these reasons? Are they accidental only, or do they spring inevitably from the efforts of Fascism to re-cast the structure of society in such a manner as to rule out for ever the possibility of the development towards Socialism? And, if so, why can they not eliminate this possibility without removing at the same time every vestige of the influence Christian ideals may have had on the political and social institutions of Western civilisation?

It is to the philosophy and sociology of Fascism we must turn for the answer.

1. Fascist Anti-Individualism

The common complaint that Fascism has not produced a comprehensive philosophic system of its own is not altogether fair to Professor Othmar Spann of Vienna. Half a decade before the corporative

principle can be said to have emerged in Italian Fascist politics he made this idea the basis of a new theory of the State. In the subsequent years he amplified this theory into a philosophy of the human universe, and dealt, in detail, with politics, economics, sociology as well as general methodology, ontology, and metaphysics. But that feature of his system which makes it peculiarly relevant to our enquiry is neither its priority nor its comprehensiveness. It is the manner in which its author laid down as its basis the idea which in one form or another has become the guiding principle of all Fascist schools of thought of whatever description: the idea of *anti-individualism*.¹

After having first broadly established this fact, we will enquire more closely into its less obvious implications.

Spann, the prophet of counter-revolution, starts on his career amid the middle-class ruin and despair of 1919. It is his belief we have come to the eleventh hour. We must make our choice between two world systems: Individualism and Universalism.²

Unless we accept the latter, we cannot escape the fatal consequences of the former. For Bolshevism is but the extension of the individualist doctrine of the natural rights of man from the political sphere to the economic. Far from being the opposite of Individualism it is its consistent fulfilment. In spite of Hegel, Spann contends, Marx remained thoroughly individualist. In his theory of the State he is individualistic to the point of anarchist Utopianism. "That in Marxism the 'State dies off' is the outcome of its inherent Individualism which regards society as being, essentially, lack of domination of human beings by human beings, a 'free association' of individuals." The Socialist ideal is definitely the "State-free" society. Historically, it is by way of Democracy and Liberalism that Individualism leads to Bolshevism. The "barbaric, brutal, and bloody" rule of Liberal Capitalism, as Spann himself terms it, prepares the way for a Socialist organisation of economic life, a transition for which representative Democracy supplies the political machinery. Once we allow the universalist principle of medieval society to be finally destroyed by the individualistic virus, no other outcome is possible.

The distinctive feature of Spann's system is the manner in which he attempts to locate this virus. Individualism is with him not a principle confined to social philosophy – it is a formal method of analysis. Basically it is responsible for the vicious causal approach to natural phenomena in modern science, and thus, ultimately, for the atomistic Individualism in terms of which we have, to our undoing, come to conceive of society. Spann's "Universalism"³ professes to be the counter-method to this inclusive concept of Individualism.

The deep conviction of the individualistic nature of the forces working for Socialism to-day pervades Fascism in all its forms. Ernst Krieck, the leading German pedagogue, thus contrasts the National-Socialist revolution with the two stages of Individualism embodied in the last centuries of Western European development on the one hand, and Socialism on the other: from the time of the Renaissance, he says,

the People, the State, Society, Economic Life, were regarded as a mere sum of autonomous individuals. [...] With Marxism the dialectic move to collectivity supervenes. In Socialism the sum ranks higher than the component parts; this is due to a coercive mechanism which lies, however, preformed in representative mass Democracy.

Individualism, he asserts, is thus not overcome in Socialism; there is only a shifting of the centre of gravity. In short: Socialism is preformed in Democracy. For Socialism is but Individualism with a different emphasis. There is the same insistence amongst Italian Fascists on the individualist and Liberal origins of Socialism. Take Mussolini himself: "Free-Masonry, Liberalism, Democracy, and Socialism are the enemy." Or the Catholic Fascist, Malaparte: "It is originally Anglo-Saxon civilisation which has recently triumphed in democratic Liberalism and Socialism." Finally, the reactionary aristocrat, the Baron Julius Evola: "The Reformation supplanted Hierarchy by the spiritual priesthood of the Believers, which threw off the shackles of authority, made everybody his own judge and the equal of his fellow. This is the starting-point of 'Socialist' decay in Europe."

But an identical attitude is apparent also in political National-Socialism. To quote Hitler: "Western democracy is the forerunner of Marxism, which would be entirely unthinkable without it." Similarly, Rosenberg: "Democratic and Marxian movements take their stand on the happiness of the *Individual*." And Gottfried Feder's semi-official commentary to the Party Programme curtly speaks of "Capitalism and its Marxian and bourgeois satellites" – a syncopated form of speech which hides under its apparent paradox a tactically well-considered amalgamation of Individualism and Socialism.

This unanimity is impressive. For a generation or two, Socialism has been assailed by its critics as the enemy of the idea of human personality. Although sensitive minds like Oscar Wilde discovered the fallacy, it remained a favourite charge with the writers of the day; that Bolshevism is the end of personality is almost a standing phrase in middle-class literature. Fascism disclaims all solidarity with this facile school of criticism. It is too deadly serious in its will to destroy Socialism to afford to use as its weapons charges so misdirected as

to be ineffectual. It has fixed upon a true one. Socialism *is* the heir to Individualism. It *is* the economic system under which the substance of Individualism can alone be preserved in the modern world. Hence the efforts to produce a systematic body of knowledge that could provide a background to a distinctively Fascist, i.e. radically anti-individualist, philosophy. It is under this heading that most of the work of psychologists like Prinzhorn, ethnologists like Bäumler, Blüher, and Wirth, philosophers of history like Spengler, are relevant to our problem. It would be safe to say that the invisible border-line dividing Fascism from all other shades and variants of reactionary anti-Socialism, consists precisely in this irreducible and extreme opposition to Individualism. No spiritual ancestry of this idea, however august, is safe from the ruthless onslaught of the Fascist, and invariably he will found his attack on the charge that Individualism is responsible for Bolshevism.

The new State-supported religious movements in Germany, whether based on racial or tribal or only national and super-patriotic tenets, turn against Individualism even when they do not profess to have discovered a complete dispensation from ethics. Thus, Friedrich Gogarten's *Politische Ethik*, the non-nationalist trend of which was very far from foreshadowing the subsequent rôle of its writer in the German Christian Movement, was aimed at redefining social ethics in a pointedly anti-individualistic sense. No wonder that even the Catholic Church, which of all Christian persuasions is known to be least inclined to overstress the individualist elements in its teachings, complains of the unchristian leanings in Fascism predominantly on the grounds of the lack of appreciation in Fascism for the human individual as such.

The German Faith Movement,⁴ lastly, is free from all the embarrassing ambiguities inherent in the German Christian position. It is German, not Christian. It prides itself on its choice between these self-styled alternatives. It can thus proceed to proclaim the fundamental inequality of human beings in the name of religion. Thus the ultimate aim is reached. For obviously the democratic implications of Individualism spring from the affirmation of the *equality of individuals as individuals*.⁵ This is the Individualism on which Democracy is based, and on the destruction of which Fascism is bent. It is the Individualism of the Gospels.

We are back to our starting-point again. We noted Spann's insistence that Democracy is the institutional link between Socialism and Individualism. This singles out representative Democracy as the point of attack for Fascism. It is of signal importance to realise that the underlying political belief is solidly founded in fact.

In Central Europe, if not in the whole of Europe, universal suffrage increased enormously the impact of the industrial working class on economic and social legislation, and, whenever a major crisis arose, Parliaments elected on a popular vote invariably tended towards Socialist solutions. The steady progress of the Socialist Movement, once representative Democracy is allowed to stand, is the dominating historical experience of the Continent in the post-war period. It is the main source of the conviction on the Continent that, if only the authority of representative institutions is left unimpaired, Socialism must come. Thus, if Socialism is not to be, democracy must go. This is the *raison d'être* of the Fascist movements in Europe. Anti-individualism is but the rationalisation of this political outlook.

But the anti-individualist formula meets also the practical requirements of this movement most adequately. By denouncing Socialism and Capitalism alike as the common offspring of Individualism, it enables Fascism to pose before the masses as the sworn enemy of both. The popular resentment against Liberal Capitalism is thus turned most effectively against Socialism without any reflection on Capitalism in its non-Liberal, i.e. corporative, forms. Though unconsciously performed, the trick is highly ingenious. First Liberalism is identified with Capitalism; then Liberalism is made to walk the plank; but Capitalism is no worse for the dip, and continues its existence unscathed under a new alias.

2. Atheist and Christian Individualism

But we are not primarily concerned here with politics. We hope to have succeeded in establishing the fact that anti-individualism is, broadly speaking, the cue of all Fascist schools of thought. But what exactly is the Individualism at which the Fascist attack is aimed, and what is its relationship to Socialism and Christianity?

The answer which we will try to extricate from Spann's argument is of a highly paradoxical character. It is, in short, that the Individualism on which Socialism fundamentally rests, and against which Spann's attack must necessarily be aimed, is an entirely different Individualism from the one against which his actual arguments are directed. Thus, as a critical contribution to Fascism, Spann's argumentation is a failure. Yet incidentally it reveals the true nature of the problem with exceptional clarity, i.e. that meaning of individualism which Socialism and Christianity have in common.

Spann's indictment of Individualism is based on the double assertion that its concepts both of the individual and of society

are fictitious and self-contradictory. Individualism must conceive of human beings as self-contained entities spiritually “on their own,” as it were. But such an individuality cannot be real. Its spiritual autarchy is imaginary. Its very existence is no more than a fiction. The same would hold good of a society that is made up of individuals of this kind. It might or it might not exist – according to whether the individuals decided to “form it” or not. This, again, would depend upon the more or less fortuitous circumstances of their feeling more sympathy or antipathy towards each other, whether they took a rational or irrational view of their self-interest, and so on. A society thus conceived must lack essential reality.

Nobody can deny the strength of these arguments. Indeed, they are conclusive. And yet they prove exactly the opposite of what they are intended to prove.

Spann’s criticism of Individualism is vitiated by a fundamental ambiguity. What he is *aiming* to disprove is the Individualism which is the substance of Socialism. It is essentially Christian. His *actual* arguments are directed against atheist Individualism. Both these forms of Individualism are theological in origin. But the reference to the Absolute is negative with the one and positive with the other. In fact one is precisely the opposite of the other. No valid conclusions can be reached if we confuse them.

The formula of atheist Individualism is that of Kiriloff in Dostoevsky’s *The Possessed*: “If there is no God, then I, Kiriloff, am God.” For God is that which gives meaning to human life and creates a difference between good and evil. If there is no such god outside myself, then I myself am god, *for I do these things*. The argument is irrefutable. In the novel, Kiriloff resolves to make his godhead actual and real by conquering the fear of death. He proposes to achieve this by committing suicide. His dying proves a ghastly failure.

Dostoevsky’s ruthless analysis of Kiriloff leaves no doubt about the true nature and limitations of the spiritually autonomous personality. The Titanic Superman is the heir to the gods Nietzsche had proclaimed dead. In the mythological figures of Raskolnikoff, Stavrogin, Ivan, from whom Smardjakoff also derives, but, most forcibly of all, in Kiriloff, Dostoevsky provided us with an almost mathematically exact refutation of this concept of human personality. Spann’s criticism of Individualism is but a belated attack on Nietzsche, with whose position Dostoevsky had dealt half a century earlier.⁶ Historically, both Nietzsche and Dostoevsky had been anticipated by the lonely genius of Søren Kierkegaard, who, in a unique dialectic effort, had a generation before them created and wiped out again the Autonomous Individual.

But Othmar Spann does not only force open doors, he also gets through them into the wrong apartments. By his effective, though superfluous, attack on atheist Individualism he refutes what in corporate Capitalism he eventually intends to uphold: the Individualism of Unequals, and upholds unwittingly what he started to refute: the Individualism of Equals. For the latter is inseparably bound up with Christian as the other is with atheist Individualism.⁷

Christian Individualism arises out of the precisely opposite relation to the Absolute. "Personality is of infinite value, because there is God." It is the doctrine of the Brotherhood of Man. That men have souls is only another way of stating that they have infinite value as individuals. To say that they are equals is only restating that they have souls. The doctrine of Brotherhood implies that personality is not real outside community. The reality of community *is* the relationship of persons. It is the Will of God that community shall be real.

The best proof of the coherence of this series of truths lies in the fact that Fascism, in order to rid itself of one of the links finds itself constrained to renounce them all. It tries to deny the equality of Man, but it cannot do this without denying that he has a soul. Like different properties of a geometrical figure these statements are really one. The discovery of the individual *is* the discovery of mankind. The discovery of the individual soul *is* the discovery of community. The discovery of equality is the discovery of society. Each is implied in the other. The discovery of the person *is* the discovery that society is the relationship of persons.

For the idea of Man and the idea of Society cannot be dealt with separately. What Fascism is contending with is the Christian idea of man and Society as a whole. Its central concept is that of the person. It is the individual in his religious aspect. The consistent refusal of Fascism to regard the individual in this aspect is the sign of its recognition that Christianity and Fascism are completely incompatible.

The Christian idea of society is that it is a relationship of persons. Everything else follows logically from this. The central proposition of Fascism is that society is not a relationship of persons. This is the real significance of its anti-individualism. The implied negation is the formative principle of Fascism as a philosophy. It is its essence. It sets to Fascist thought its definite task in history, science, morals, politics, economics, and religion. Thus Fascist philosophy is an effort to produce a vision of the world in which society is *not* a relationship of persons. A society, in fact, in which there are either no conscious human beings or their consciousness has no reference to the existence and functioning of society. Anything less leads back to the Christian

truth about society. But that is indivisible. It is the achievement of Fascism to have discovered its whole scope. It rightly asserts the correlatedness of the ideas of Individualism, Democracy and Socialism. It knows that either Christianity or Fascism must perish in the struggle.

At first sight it seems almost inconceivable that Fascism should have undertaken a task which to our conventional minds seems so utterly hopeless. And yet it has. That its assertions and propositions are more startling than anything which Radicals of the left have ever produced ought, however, not to surprise us. Revolutionary Socialism is but a different formulation and a stricter interpretation of truths generally accepted in Western Europe for almost two thousand years. Fascism is their denial. This explains the devious paths which it has been driven to explore.

3. The Solutions

Let us restate the problem. How is a society conceivable which is not a relationship of persons? This implies a society which would not have the individual as its unit. But in such a society, how can economic life be possible if neither co-operation nor exchange – both personal relationships between individuals – can take place in it? How can power emerge, be controlled, and directed to useful ends, if there exists no individuals to express their wills or wishes? And what kind of human being is supposed to populate this society if this being is to possess no consciousness of itself and if its consciousness is not to have the effect of relating him to his fellows? In human beings endowed with the type of consciousness we know such a thing seems frankly impossible.

Indeed, so it is. Fascist philosophy deliberately moves on to other planes of consciousness. Their nature is suggested by the two terms: Vitalism and Totalitarianism. As a biocentric philosophy Vitalism derives from Nietzsche, Totalitarianism from Hegel. But both terms are intended to convey here vastly more than mere systems of thought. They point to definite modes of existence. The Vitalist philosophy of Nietzsche has been carried by Ludwig Klages to an appalling extreme. It is usually referred to as the Body-Soul theory of consciousness. Hegel's philosophy of the Absolute Mind has been used in an equally extreme manner by Spann. It is known as the Totalitarian philosophy, sometimes also referred to by the wider term Universalism. It is in some ways an analogy to Hegel's theory of the Mind Objective, but with Totality instead of the Mind as the central principle.

As social philosophies Vitalism and Totalitarianism define different, or, rather, opposite, types of human existence. Vitalism represents the animal plane of a darker and more material consciousness; Totalitarianism implies a vaguer, more shadowy and hollow consciousness. The substance of Vital consciousness is curiously enough called the "Soul" (a term introduced, by Klages); that of Totalitarianism, the Mind. As a rule Fascist thought moves to and fro between the two. It is in the terms of the struggle of these two concepts that the partial insights and the fatal contradictions of Fascist philosophy can best be understood.

4. "Soul" Versus Mind

Let us begin by a broad contrast.

The first type of consciousness is the "Soul"; it belongs to the plane of vegetative or animal life. There is no Ego. No movement towards self-realisation emerges because there is no self. The tide of consciousness does not reach out towards the faculty of intelligence; its climax is in ecstasy. No vapour of the Mind hovers over the surface of the Soul and drives the wedge of the Will into the tissue of animal instinct. Neither power nor value have crystallised in the day-dream of tribal existence. Life is immediate, like touch:

Touch comes when the white mind sleeps
and only then.
[...]
Personalities exist apart;
and personal intimacy has no heart.
Touch is of the blood
uncontaminated, the unmental flood.⁸

Whether it is the rule of womanhood or that of manhood is doubtful; in either case it is the communities of one sex alone which determine the flow of life whether in the clubs of the young men, or in matriarchal "sororities." The urge of sex runs like a thin thread through the rich flux of homoerotic emotionalism. Blood and soil are the metaphysical nourishment of this almost corporeal body-soul, which still adheres to the womb of nature. Such is the structure of consciousness in undiluted Vitalism.

The alternative type of consciousness is as far removed from this as can be imagined. The Mind is the chief actor in producing that other plane of existence in which there is society which is not personal

relationship. Society which is the realm of Totality has not persons for its units. The Political, the Economic, the Cultural, the Artistic, the Religious, etc., are the units; persons are not related to one another except through the medium of that sphere of Totality which comprises them both. If they exchange their goods they are fulfilling an adjustment Totality, i.e. the Whole; if they co-operate in producing them, they are relating themselves not to one another, but to the product. Nothing personal has here substance unless it be objectified, i.e. has become impersonal. Even friendship is not an immediate relationship of two persons, but a relation of both to their common Friendship. What the individual person is supposed to contain as a subjective experience in himself, he thus encounters as colourless semi-translucent objectivity outside himself. Society is a vast mechanism of intangible entities, of Mind-stuff; the substance of personal existence is merely the shadow of a shadow. We are in a world of spectres in which everything seems to possess life except human beings.

The details of this broad contrast are more or less arbitrary, each of the opposites being the compound of the spirit of a whole school of thought. Yet the values and methods presented in them ultimately derive from Nietzsche and Hegel respectively. They are biocentric in the system referred to in the first picture, i.e. survivalist, amoral, pragmatist, mythological, orgiastic, aesthetic, instinctive, irrational, bellicose, or apathetic; logocentric in the second picture, i.e. the values and ideas are related and graded, hierarchic, orientated on reason, a realm of the objective existence of the Mind and Spirit.

Both Nietzsche and Hegel were thinkers of great intellectual passion. But their present embodiments, though inferior in stature, surpass them by much in the capacity for a one-sided line of thought. Klages is Nietzsche without the Superman. Spann is Hegel shorn of his dialectic. Both omissions are so vital that they suggest a caricature rather than a portrait. But as with Klages so with Spann the change serves only to increase the reactionary effect. Nietzsche rid of anarchist-individualism; Hegel deprived of revolutionary dynamics; the one reduced to an exalted Animalism, the other to a static Totalitarianism: obviously the change enhances greatly the methodical usefulness of their systems from the point of view of Fascist philosophy.

5. Spann, Hegel, and Marx

Spann's method in using Hegel's concept of the Mind Objective without his dialectic tends to produce a new kind of metaphysical justification of Capitalism.

This can be readily seen when contrasted to Marx's criticism of Capitalist society.

Marx starts from primitive Communism as the original state of mankind. Human relationships in daily life are here immediate, direct, personal.

In a developed market-society distribution of labour intervenes. Human relationships become indirect; instead of immediate co-operation there is indirect co-operation by the medium of the exchange of commodities. The reality of the relationships persists; the producers continue to produce for one another. But this relationship is now hidden behind the exchange of goods; it is impersonal: it expresses itself in the objective guise of the exchange value of commodities; it is objective, thing-like. Commodities, on the other hand, take on a semblance of life. They follow their own laws; rush in and out of the market; change places; seem to be masters of their own destiny. We are in a spectral world, but in a world in which *spectres are real*. For the pseudo-life of the commodity, the objective character of exchange value, are *not* illusion. The same holds true of other "objectifications" like the value of money, Capital, Labour, the State. They are the reality of a condition of affairs in which man has been estranged from himself. Part of his self is embodied in these commodities which now possess a strange self-hood of their own. The same holds true of all social phenomena in Capitalism, whether it be the State, Law, Labour, Capital, or Religion.

But the true nature of man rebels against Capitalism. Human relationships are the reality of society. In spite of the division of labour they must be immediate, i.e. personal. The means of production must be controlled by the community. Then human society will be real, for it Will be humane: a relationship of persons.

In Spann's philosophy it is precisely the self-estranged condition of man which is established as the reality of society. Thus pseudo-reality is justified and perpetuated. Social phenomena are universally represented as thing-like; yet, it is denied that there is self-estrangement. Not only the State, Law, the Family, Custom, and the like are "objectifications," as with Hegel, but so is every kind of social group function and contact, including economic and private life. This leaves no foothold for the individual; man is entrapped in his condition of self-estrangement. Capitalism is not only right, it is also eternal.

The anti-individualist implications of this position go far beyond Hegel. The reason for this is easily found. His apologia for State-Absolutism and his glorification of the semi-feudal Prussian State are restricted, after all, to the sphere of political ethics; they do not affect the person. He proclaimed the State, not society, as "the

Divine Idea as it exists on Earth.” But the State is itself, for Hegel, a person, and as such can never entirely rid itself of the metaphysical substance of freedom – self-realisation. In order to eliminate the concept of freedom from man’s world altogether, society – not the State – must be made supreme. In fact this is precisely the point of difference between Spann and Hegel. Spann relegates the State to a most modest position in his system (which, incidentally, is in accordance with medieval organic conceptions), and reserves Totality to society as a whole. By this subtle move he eliminates the very possibility of freedom. For even a slave-state is a State, and thus can become free. But a slave-society which was so perfectly organised that it could exist without the coercive power of the State could never become free; it would lack the very machinery of self-emancipation. Thus, in spite of the use of the Hegelian method, the world of man in its totality is not a person; it is a helpless body devoid of consciousness. There is no freedom and there is no change. It may be doubted whether a more complete absence of self-determination in society was ever conceived.

6. Klages, Nietzsche, and Marx

If the Mind Objective suggests a kind of consciousness in human individuals which does not link them up in personal relationships, Vitalism implies human beings with no rational consciousness whatever.

It was the philosophy of Ludwig Klages which presented the lure of this startling line of thought to the younger generation in Germany.

Klages derives his thought from Nietzsche. But of the two different visions present in Nietzsche’s mind, he follows up only one; and with the utmost consistency. Nietzsche had, if unconsciously, divided his allegiance between the Superman and the Blond Beast; Klages decided for the latter. He sums up both the greatness and the limitations of his master thus: “Nietzsche was the philosopher of the Orgiastic; the rest was no good.” The “rest” means Zarathustra, Titanic Individualism, the Superman.

Klages is appalled at Nietzsche’s inconsistency. He rails against Christianity – this feeble-nerved, vile, and cowardly religion of slaves in rebellion against the laws of Nature and Life, and yet refuses to comply with these laws himself, fatuously pursuing the phantom of some “higher” and “nobler” form of existence. Nietzsche, for all his passionate aversion to Christianity, Klages suspects, never quite overcame the Christian superstition that animal life was not enough. His philosophy of Natural Values is contaminated by spiritual elements. Klages made it the task of his life to decontaminate it.

He deduced from Nietzsche's orgiastic line of thought an anthropology comprising a theory of consciousness of human character, prehistoric culture, and mythology. J. J. Bachofen's antithesis between the chthonic and the solar principles in prehistoric culture inspires much of this work.

The core of Klages's anthropology is between the *Body and the "Soul"* on the one hand, the *Mind* on the other.

Body and "Soul" belong together; for the "Soul" signified with Klages not *anima*, but *animus*: the physiological companion of the Body. The Mind stands apart; it is the principle of consciousness. It is an inimical irruption into the Body-Soul world; in fact, a disease. Before this fateful intrusion occurred man remained in animal harmony with his environment, a life-pervaded part of Nature. With its occurrence, consciousness starts. The Ego emerges. The "Soul" is gripped by the Mind, becomes a person – a form of parasitism on Life in which the "Soul" is reduced to a mere satellite of the Ego. But the main form in which the Mind takes hold of Life is the Will; for domination is inherent in the Mind; it is the source of all Will to Power. The urge of animal instinct is not purposive; it is more akin to the forces at work in parturition: like the *ananké* [necessity] of the Greeks. Conscience and ethics are the symptoms of a Mind-process of which Christianity is the most pernicious form. That which it calls the Spirit is poison to the "Soul"; it is Will to Power bent on the destruction of life. When it has succeeded, the end of mankind will have come.

For Klages, psychology is emphatically not a theory of consciousness. Life is unconscious. He distinguishes six fundamental concepts in psychology; only two of which are conscious. The Body finds expression in the process of sensation and the impulse to movement; the "Soul," in the process of contemplation and in the impulse to form (i.e. the magical or mechanical realisation of images); the Mind, in the act of apprehension and the act of volition. The first four relating to the Body and "Soul" can take place without consciousness; they are "genuine" processes which in their totality constitute animal and human vitality. Apprehension and Will are conscious; they are the product of that extraneous and life-destroying principle, the Mind.

This is a far cry from Nietzsche's voluntarism. According to Nietzsche volition is a natural function of life; the Will to Power, the very embodiment of vitality. With Klages, the Will is a product of the Mind; but the Mind is not a genuine part of vitality, it is the parent of that deadliest of all parasites of life, the Spirit which Nietzsche himself denounced in Christianity as the enemy.

Here, then, is the Source of all the inconsistencies in Nietzsche. In vain did he try to oppose the Will to Power to Christianity, for fundamentally they are akin. In affirming the Will to Power, Nietzsche unwittingly reaffirmed Christianity in disguise. In the ethics of Love, the danger is not in Love, but in the Ethics. Yet, are the ethics of Zarathustra no less ethics for being antichristian? Personality is a parasite of Life, whether it is the personality of man or the Superman. Thus a mistaken psychology leads from contradiction to contradiction. For either we must accept Will as a natural expression of vitality – and then we must affirm what Nietzsche refuses to affirm, moral conscience and ethics – or we must deny, like Klages, that the Will and the Mind are natural to man, and then we can consistently refuse, as he does, to submit to domination of the Christian “Spirit” of Love over life. Fundamentally it is the choice between two concepts of man: man endowed with consciousness and man devoid of it. The position of Vitalism cannot be doubtful: natural man and natural society do not involve the individual consciousness. The reality of man lies in his capacity not to be a person.⁹

Two theories of community can be said to be in accordance with Vitalism. The one is based on Karl Schmitt’s “Enmity” principle: Politics, according to him, is a category based on the phenomenon of enmity. The State being the foremost institution of a political kind, its precondition is the acknowledged necessity of the physical destruction of the enemy. The State is thus synonymous with an instrument of armed struggle. It exists only in so far as this is its hypothetical task. A world-State is a contradiction in terms, for such a State could not be at war for lack of an enemy. Ethical or economic alternatives to war are conceptually excluded from politics.

Schmitt’s theory of politics fits in well with the Tribalism inherent in the social approach of the Vitalist.¹⁰ It is a typical product of that *morale close* which Bergson has shown to be the expression of the instinctive tribal morality of fear. The counterpart to it is the *morale ouverte* of Christianity.

But the enmity theory of politics does not account for the undoubtedly existing content inside human community. Even though the killing of non-nationals be the logical justification of the national State it cannot be denied that there are also elements of harmony in community. Hans Prinzhorn, Klages’s chief disciple, explains this phenomenon thus: The animal instincts of man refer us to an order of things in which perfect harmony reigns. Every animal is certain to end in the belly of another animal. This is the existential background to that pervading feeling of complete assurance which is a feature of all animal life in its natural environment. The principle of a “fixed

sequence of devouring” together with lack of consciousness are the natural preconditions of that state of bliss which is associated with the memory of original community.

This theorem of the nature of human community suggests that Klages was not unsuccessful in his efforts to disinfect Nietzsche of his alleged Christianity. Eventually, he removed from Nietzsche every vestige of Individualism. The vast influence of Nietzsche on modern National-Socialism is due to a considerable extent to the conviction induced by Klages’s life work that Nietzsche’s Vitalism can be – logically, must be – detached from Individualism. Thus it can serve as the other alternative to a society which is not a relationship of persons.

The rediscovery of Bachofen by Klages deserves some notice. It is always a suggestive fact when a line of thought unconsciously takes off at a point that proves to be a crossroad. Bachofen’s work on matriarchy was, apart from Morgan, the main source of the Marxian vision of primitive society. Marx and Engels might have been as much fascinated as Klages himself by its poetic emphasis on the alleged unity of human existence in prehistoric times. But their impulses lie in opposite directions. Nietzsche’s Dionysian principle and Klages’s Body-Soul represent a move backwards to the blissful regions of undeveloped harmony. Marxism represents the move onward towards a higher replica of the primeval harmony of man with his environment. Thus, Socialism and Fascism appear for an instant on the same plane, representing alternative roads, as it were, to the conditions of closer human community. But the reactionary road is illusionist. Regression – but how far back? German Nationalists proposed to go back beyond 1918. Reactionary romantics like Moeller van der Bruck made it 1789. Spann and the German Christians proclaimed a counter-Renaissance, thus extending the recession to half a millennium. The German Faith Movement realised that unless we put back the clock by full two thousand years there is neither safety nor permanence in reaction. It is Klages’s achievement to have shown that the destruction of Christianity is not enough; ten thousand years is nearer the mark!

The revolutionary solution was based on realities. The counter-revolutionary one leads to an endless regression.

Let us return to Vitalism and Totalitarianism. There is no need to regard them as logical alternatives. Yet their striking contrast proves that there is more than a superficial opposition between them; it suggests some measure of polarity. Vitalism is preconscious and prehistoric; Totalitarianism is post-conscious and post-historic. With the one, history has not yet started; with the other, “it has been.”

With the one, there is no necessity of change; with the other, there is no possibility of it. With the one, the “Soul” is the reality, the Mind is a fatal deviation; with the other, the Mind is the reality, and it is the vestiges of the “Soul” that cause the trouble. With the one, the person is not yet born into society; with the other, he has already been absorbed in it. With the one, there is no dialectic, because the “Soul” is undialectical; with the other, there is none because Capitalist society does not lead onward to a higher personality, but back to the unconscious social organism. The one flees from the present into an animal past; the other is an apotheosis of the inhuman present. Indeed, the Vitalist’s vision of a life sapped and destroyed by impersonal entities of the Mind-world is not entirely fictitious; it is that condition of things in a market-society which is seen in Totalitarianism. But in a highly developed society of the machine age there is no alternative to Capitalism but Socialism. Consistent Vitalism is the end of civilisation and culture of any kind whatsoever. Totalitarianism thus signifies the perpetuation of the loss of freedom in self-estrangement and unreality; Vitalism, the return to the fumbling blindness of the cave. If there is one thing which could justify either of them, it is the appalling alternative presented by the other.

7. Racialism and Mysticism

Actual Fascist thought is in continuous oscillation between the two poles of Vitalism and Totalitarianism. Both succeed in establishing that which is the main requirement of Fascist philosophy – the concept of a human society that would not be a relationship of persons. They attain this end by presenting us with a vision of man’s existence which, if accepted, would force our consciousness into a different mould from that which was created by the doctrine of the Brotherhood of Man. Yet, the trend in Fascism is distinctly towards Vitalism. It is in this tendency that the deepest roots of its irreducible enmity to Christianity become apparent.

It is in the German scenery that Fascism reveals its Vitalist bent most consistently. Racialism and mysticism are the corollaries of this development. They enable Vitalism to meet two essential requirements of corporative Capitalism which in itself it fails to satisfy, i.e. technological rationality and nationalism.

It is a curious fact that both Vitalism and Totalitarianism leave in their conceptual structure but scant room for nationalism. Klages claims the discovery of anthropological laws of the general validity;

Spann's method of the Mind Objective cannot stop short of mankind. Indeed, both Nietzsche and Hegel were emotionally anti-nationalist.

However, with the help of a fiction, the idea of the nation can be easily fitted into the materialist pattern of Vitalism. The concept of the race acts as a common denominator to tribal reality and the artificiality of the modern nation. National-Socialist philosophy is Vitalism using the race as a substitute for the nation. The pivotal character of race and nation in Fascist thought will emerge later on.

The need for rationality raises deeper issues. It is its reality, not its concept alone, which must be secured if modern machinery is to be run in corporative Capitalism. In producers of all grades there must be use of the intellect and the Will directed towards achievement, i.e. the organised consciousness of the psychological Ego. But Vitalism is an affirmation of the non-conscious functions of life; it seeks the reality of man in his capacity not to be a person; and it is precisely this principle which singles it out as the philosophy of Fascism. Yet how can rational-consciousness be re-introduced without re-establishing the person? And how can the Ego emerge without a responding Thou? The need for rationality inseparable from technological civilisation endangers the whole fabric of Fascist philosophy.

The problem is obviously a religious one. Indeed, it is the philosophic problem of Fascism in its religious form. It is this: Is it possible to give a meaning to my life without finding it ultimately in that of the other?

The Fascist solution is in pseudo-Mysticism. True Mysticism is a product and proof of faith; not a substitute for it. Without it Mysticism degenerates into a formal state of a mind, which can be filled with almost any aesthetic or religious content. Such a Mysticism does not belong to the sphere of the Spirit but to that of the Soul. Whether it is the orgiastic Mysticism of paganism or the fashionable Mysticism of modern aestheticism, it is psychological, not spiritual. The use of this method in order to assert the reality of the Soul (or even the animal body) against the Spirit is pseudo-Mysticism. From the point of view of religion, which is inherently social, it is a negative phenomenon. For mysticism is the communion of God and Man; thus it is also the separation of man from man by God. Mystic man has God at hand; he is separated by Eternity from his fellow. Mystic experience encompasses the whole Universe except my neighbour; the mystic Ego has no human Thou to correspond. Thus, in reaffirming medieval German mysticism, only this time as an alternative to faith, Fascism uses mysticism as an outlet for religious and aesthetic emotions that is safe against any aberration into ethics. In the mystic state of mind the most exalted valuation of reason and will, a very deification of

the faculties of the soul, is coexistent with a complete dissolution of personality itself. But the rationality and will thus mystified remain essentially unsocial. In Eckehart's Christian faith mysticism was the expression of the yearning of the medieval soul to continue in his seclusion in spite of a new world calling imperatively for contact and wider companionship. In National-Socialism it serves to build an artificial centre of rational consciousness for the individual without establishing him as a social unity. For in the mystic system of Eckehart God Himself is born in the human soul; its laws govern God Himself – no stronger safeguard for the rationality of nature is conceivable. Thus pseudo-Mysticism meets perfectly the requirements of a curiously circumspect irrationalism which combines extreme rationality in the relations of man to nature with a complete lack of rationality in the relations of man to man. Eventually the adoration of the blood and the race provides for this mystic vessel a content closely homogeneous to Vitalist philosophy which is transformed thus into a faith. It is National-Socialist religion in the making.

8. Vitalism Victorious

The tendency of National-Socialism to produce a political religion is manifest in Rosenberg's work. He calls this creating a *mythus*.¹¹ His efforts mirror all the different aspects of Fascist thought with which our analysis has made us familiar: the double dependence upon Vitalism and Totalitarianism; the adaptation of Vitalism to the needs of the machine age; the trend towards vitalist supremacy; and anti-individualism as the final test of adequacy.

Rosenberg tried to define his own philosophical position by rejecting both the systems of Klages and Spann. Yet there is an important difference to be noted: while, in spite of his criticism of Klages, Rosenberg remains himself deeply committed to Vitalism, his rejection of Spann cuts very much deeper.

Rosenberg turns sharply against Klages's "pessimistic outlook on civilisation." "The forces of pre-civilisation cannot be pressed into the service of super-civilisation," he comments. He is fully aware of the hopelessness of the attempt to run modern Capitalism on the basis of a human consciousness fashioned on the pattern of paleolithic man. Neo-Vitalism, he complains, has not improved on Nietzsche by proscribing also the Will to Power as Nietzsche also had done with the Gospel of Love. He is conscious of the debt of gratitude National-Socialist thought owes to Klages's discovery of the original unity of Body and Soul, and of that state of "complete assurance"

in which the human animal enjoys a harmony untroubled by moral conscience. But, apart from Klages's reactionary prejudice against progress, Rosenberg protests against his obnoxious tendency to set up general laws of human development. This is entirely contrary to the basic tenets of racialist philosophy, which holds that nothing is good or bad, but race makes it so. Rosenberg proceeds to recast Klages's anthropology on racialist lines. According to him, both the harmony of the Body and Soul which Klages attributes to primitive man and the radiant qualities of the Mind and Spirit, which in other races are so destructive of that harmony, should be credited to the Nordics. For with them the higher forms of consciousness never degenerate into those pathological excretions of the Mind with which Christianity presents us. These are the outcome of the bad blood of the lower or mixed races such as inhabited Asia Minor, Syria, and the Mediterranean basin in historic times. The mind of the Nordic "is naturally Vitalist"; his religion is Sun-worship – a sound persuasion which never falls a victim to Oriental magic, wizardry and superstition.

However, Rosenberg finds it difficult to suit Klages's anthropology to the needs of Aryan mythology. There is more than a suspicion that the idealised "Soul" of complete natural assurance and harmony was deduced by Klages from the religious, mythological, poetic, and archaeological documents of the peoples of Asia Minor in the pre-Hellenic days, i.e. precisely that "Syrian" race and "Mediterranean medley" so despised by the anti-Semite and anti-Catholic ideology of Rosenberg. Also, Klages happened to believe in Bachofen's theorems on primitive matriarchy. Rosenberg believes in patriarchy for the Nordics; he is adamant on this point.

Rosenberg's own philosophy is essentially Vitalist. "Truth is that which the organic principle of life determines as such." Or: "The highest values in logic and science, in art and poetry, in morals and religion are but the different aspects of the organic truth of the race." His theoretical and practical aims are perhaps best summed up in the phrase that "all true civilisation is but the shaping and moulding of consciousness according to the vegetative and vital characteristics of the race." It is important to note that this concept of the race is not in itself necessarily a biological one. Although as a rule the race is identified with blood, it is just as often regarded as consisting of various different elements, of which ancestry is only one, even if the dominant. Thus, not the Body but the "Soul" is the bearer of the race – an extension of this concept which makes it very much easier to graft Nationalism on the race theory than would otherwise be the case.

But while Klages's system is banned only to triumph as the unconscious basis of Rosenberg's own philosophy, the latter's rejection of Spann is infinitely more downright. Rosenberg turns with hate and scorn against Universalism. The Old Testament and the Jewish mind, the New Testament and the Christian mind, the Roman Church and Marxian Socialism, Pacifism and Humanism, Liberalism and Democracy, Anarchism and Bolshevism are all in turn denounced as Universalist. This series includes almost everything the author despises from the Psalms to the Sermon on the Mount and the *Communist Manifesto*. An understanding of the precise meaning Rosenberg attaches to this term is almost indispensable to a full grasp of that passionate hostility to Christianity which is apparent in the Vitalist line of Fascist thought.

To start with, it has nothing in common with Spann's "Universalism," the general term by which the Vienna philosopher describes his own Totalitarian system. Universalism, in Spann's terminology, denotes a method of logical analysis inspired by the Aristotelian, "The whole is before the parts," or the Hegelian, "The truth is the whole." When Rosenberg describes this system as Universalist, he uses the term in an entirely different sense. Indeed, his meaning roughly corresponds to the accepted use of the term as current, e.g. with the Churches, when they denounce racialism for its implied denial of the Universalism inherent in their Christian mission. Negatively, Universalism is thus more or less synonymous with non-racialism. Its positive meaning, as deduced from the most extensive use Rosenberg makes of it in his *Mythus*, is that of an idea implying the concept of mankind. In other words, it is the claim of an idea to apply to mankind as a whole, i.e. to all individuals or groups of individuals constituting it. In fact it is the strict opposite of the racialist principle which makes the different value of different races axiomatic, and thus implicitly denies both the concept of the equality of individuals and of the unity of mankind alike. In this sense, Universalism and Individualism, far from being opposites, are correlative terms. Accordingly Rosenberg proclaims that the ultimate antagonism in philosophy is that between the racial-national principle on the one hand, the individualist-universalist principle on the other.

This explains Rosenberg's criticism of Spann's Totalitarian philosophy. He arraigns it as being "Individualist because it is Universalist." This may sound astonishing when we remember that Spann made anti-individualism the guiding principle of his system. However, Rosenberg rightly contends that no line of thought which refuses to accept the racial-national principle (as Spann does) can entirely escape the individualist implication of human equality. What Spann refutes

is only the rationalist, materialist Individualism of the nineteenth century, not Individualism as such. Indeed, we used exactly the same argument ourselves when attempting to show that Spann's attack missed its object: the refutation of Christian Individualism.

A clear-cut anti-individualist philosophy must reject the concept of mankind in any but the barest zoological sense. Hence the vehemence with which Fascists of all shades inveigh against its very ideas. The racial-national principle is thus entrusted with the double function of resisting both the individualistic and the universalistic poles of the idea of humanity as a community of persons. The Fascist denial of Internationalism is but the counterpart of its denial of Democracy. Corporative Capitalism is both authoritarian and nationalist; it asserts the inequality of individuals and the inequality of nations alike. "Internationalism and Democracy are inseparable," announced Hitler, in his still insufficiently noticed Düsseldorf speech on the foundations of National-Socialism.

The racial-national opposition to the individualist-universalist principle goes to the heart of the religious problem. The race or the nation is the supreme value in Fascism, whether National-Socialist or otherwise; the individual and mankind are the two poles of the Christian ideology in the sphere of the human world as a whole. Accordingly the consciousness of the inevitability of the oncoming religious conflict was apparent with National-Socialism from the start. If the original programme of the party declared for positive Christianity, events have shown that this plank in its platform was not to be adhered to more strictly than other planks since entirely dropped. Hitler's own philosophy did not only include racialist convictions that were obviously contrary to Christianity, but also an endorsement of the principles of Machiavellian tactics, which allowed him to act upon those convictions, while continuing to do lip service to positive Christianity, without being seriously open to the charge of insincerity on this account. Indeed at a comparatively early date Gottfried Feder's comments on the party programme referred to the eventuality of the emergence of a new religion inside the orbit of the National-Socialist movement. This hint at a possible mental reservation with the authors of the programme was followed by what amounted to a declaration of war on "positive Christianity"¹² in Rosenberg's *Mythus*. He ingeniously termed the Christianity of the Gospels "negative Christianity" – suggesting this simple device to bridge the gulf which divides an undertaking to uphold Christianity from a policy directed towards its deliberate substitution by a new form of paganism. Rosenberg's appointment as "the Führer's Commissioner in matters relating to the philosophy of life" took place at

a time when the *Mythus* had revealed to the whole of Germany the philosophic outlook of its author. It is doubtful whether the existing differences in tone and shade between the public expression of Hitler's and Rosenberg's views are not mainly accounted for by their respective positions and functions. The religious wars of the seventeenth century that turned Germany into a wilderness are, for Hitler, the true analogy to that cleavage of minds and spirits which is the feature of our time; blood and nation, strife and survival are the ultimate realities with the one religion, while the other is their persistent denial in the name of the pernicious delusions of human equality and the unity of mankind. The Commissioner reiterates his conviction that the morbid strain of pacifism and humanitarianism engrained in the European mind is due to the Christian virus. He rightly traces the inveterate internationalism of Russian Communists to that spirit of infinite devotion to the service of mankind which is apparent both in Tolstoi's and Dostoevsky's poetic embodiments of the Christian inspiration. For the Socialist Russian Revolution in Russia is for him but a new eruption of that "spirit of the desert" which has sapped the life-force of the West during the course of its history: a remission into the spiritual plague that has stricken the heathen soul of Teuton Europe – Christianity.

The Churches, in bearing witness to Universalism, stand for the essence of their faith. But so do, also, the German Fascists in denying human equality to the last. The battle is engaged between the representatives of the religion which has discovered the human person and those who have made the determination to abolish the idea of the person the centre of their new religion.

9. The Sociology of Fascism

Fascist philosophy is the self-portrait of Fascism. Its sociology is more in the nature of a photograph. The one presents it as it is mirrored in its own consciousness; the other in objective light of history. How far do the two pictures correspond?

If the philosophy of Fascism is an effort to create a vision of the human world in which society would not be a conscious relationship of persons, its sociology proves it to be an attempt to transform the structure of society in such a manner as to eliminate any tendency of its development towards Socialism. The pragmatic link between the two is found in the political field; it lies in the necessity of the destruction of the institutions of Democracy. For, in the historical experience of the Continent, Democracy leads to Socialism; thus if Socialism is

not to be, Democracy must be abolished. Fascist anti-individualism is the rationalisation of this political conclusion. It is thus essential to Fascist philosophy to regard Individualism, Democracy, and Socialism as correlated ideas deriving from one and the same interpretation of the nature of man and society. We had no difficulty in identifying this interpretation as the Christian one.

However, in this order of things there is not only the sociological nature of the Fascist Movement, but also that of the Fascist System to be considered. Obviously Fascism must aim at more than the mere destruction of Democracy; it must attempt to establish a structure of society which would eliminate the very possibility of its reversion to Democracy. But what is the precise nature of the tasks entailed in such an attempt? And why does it compel Fascism to continue in that attitude of radical anti-individualism which is the necessary ideology of its militant phase? The answer entails at least a cursory view of the nature of the Corporative State.

The mutual incompatibility of Democracy and Capitalism is almost generally accepted to-day as the background of the social crisis of our time. Differences of opinion are confined to formulation and emphasis. Mussolini's *Dottrina*¹³ has it succinctly that Democracy is an anachronism, "for only an authoritative State can deal with the contradictions inherent in Capitalism." In his conviction the time of Democracy has passed, but Capitalism is only at the very beginning of its career. Hitler's Düsseldorf speech, to which we have already referred, proclaims the utter incompatibility of the principle of democratic equality in politics and of the principle of the private property of the means of production in economic life to be the main cause of the present crisis; for "Democracy in politics and Communism in economics are based on analogous principles." Liberals of the Mises school urge that the interference with the price system practised by representative Democracy inevitably diminishes the sum total of goods produced; Fascism is condoned as the safeguard of Liberal economics. It is the common conviction of "Interventionist" and of "Liberal" Fascists that Democracy leads to Socialism. Marxian Socialists may differ from them on the reasons but not on the fact that Capitalism and Democracy have become mutually incompatible; and socialists of all creeds denounce the Fascist onslaught on Democracy as an attempt to save the present economic system by force.

Basically there are two solutions: the extension of the democratic principle from politics to economics, or the abolition of the Democratic "political sphere" altogether.

The extension of the democratic principle to economics implies the abolition of the private property of the means of production, and

hence the disappearance of a separate autonomous economic sphere: the democratic political sphere becomes the whole of society. This, essentially is Socialism.

After abolition of the democratic political sphere only economic life remains; Capitalism as organised in the different branches of industry becomes the whole of society. This is the Fascist solution.

Neither the one nor the other has yet been realised. Russian Socialism is still in the dictatorial phase, although the tendency towards Democracy has become clearly discernible. Fascism proceeds but reluctantly towards the setting up of the Corporative State; both Hitler and Mussolini seem to think that a generation which has known Democracy cannot be trusted to be ripe for corporative citizenship.

Roughly the sociological content of Socialism is the fuller realisation of the dependence of the whole upon individual will and purpose – and a corresponding increase of responsibility of the individual for his share in the whole. The State and its organs work towards an institutional realisation of this end. Encouragement of the initiative of all producers, discussion of plans from every angle, comprehensive overview of the process of industry and of the rôle of the individuals in it, functional and territorial representation, training for political and economic self-government, intensive Democracy in small circles, education for leadership, are the characteristics of a type of organisation which aims at making society an increasingly plastic medium of the conscious and immediate relationship of persons.

The sociological content of Fascism is a structural order of society which rules out the dependence of the whole on the conscious will and purpose of the individuals constituting it. If this is to be achieved, such a will and purpose must not come into being. The objection is not to the form of Democracy, but to its substance. Whether it takes the form of universal suffrage and parliamentary Democracy; of organised public opinion based on Democracy in small groups; of the free expression of thought and judgment in municipal and cultural bodies; of religious and academic freedom guiding society through channels peculiar to this kind of influence; or any combination of these – in Fascism they must equally disappear. In this structural order human beings are considered as producers, and as producers alone. The different branches of industry are legally recognised as corporations, and endowed with the privilege to deal with the economic, financial, industrial, and social problems arising in their sphere; they become the repositories of almost all the legislative, executive, and judicial powers which formerly pertained to the political State. The actual organisation of social life is built on a vocational basis. Representation is accorded to economic function; it is technical and

impersonal. Neither the ideas and values nor the numbers of the human beings involved find expression in it. Such a structural order cannot exist on the basis of human consciousness as it is known to us. The period of transition to another type of consciousness must be necessarily long. Hitler measures its length in terms of generations. The Fascist Party and State work by all means towards an institutional realisation of this change. Unless they succeed in achieving this end, an abrupt transition of society to Socialism is almost inevitable.

A bare outline of the objective nature of Fascism thus tends to support our interpretation of its philosophy. The Fascist system has to carry on persistently the task begun by the Fascist Movement: the destruction of the democratic parties, organisations, and institutions in society. Fascism must then proceed to attempt to change the nature of human consciousness itself. The pragmatic reasons for its clash with Christianity are due to this necessity. For a Corporative State is a condition of things in which there is no conscious will or purpose of the individual concerning the community, nor a corresponding responsibility of the individual for his share in it. But neither such a will nor such a responsibility can pass from our world altogether so long as we continue to conceive of society as a relationship of persons.

The Fascist Virus*

[I]

Fascism is merely the most recent and most virulent outburst of the anti-democratic virus which was inherent in industrial capitalism from the start. Indeed, the antagonism of such an economy to all forms of popular government was already emphasised by the classics. That antagonism was acute during the first century of the Industrial Revolution; subsequently it was latent for a few decades, giving rise to a false sense of security among democrats but only to develop into an all-pervading world-wide tendency in our days. For fascism is no more than the most recent form of the recurrent attack of capitalism to popular forms of government. The ruling classes had good reason to fear the establishment of popular government. They naturally opposed a development, which would eventually lead to an attack on the property system from which they benefited. In Lord Macaulay's words, the middle and the upper classes were convinced that they "never can without absolute danger entrust the superior government of this country to any class which would, to a moral certainty, commit great and systematic inroads on the security of property." This was to acknowledge the fact that to the most numerous strata of society, viz., the working classes, democratic institutions offered a ready

* 'The Fascist Virus', two manuscripts, s. d., approximately 1940, KPA 18–8. Themes and concepts of both manuscripts – [I] and [II] – clearly prelude to *The Great Transformation*. A short outline for a possible book, "The Fascist Transformation," 1934–1935, is also kept in the KPA, 20–8.

access to power, and thereby an occasion for the destruction of a property system of which they were the victims.

The various phases of this long struggle between capitalism and democracy can be hardly understood without taking account of its institutional background. Liberal capitalism had a two-fold effect on the development of popular forces: On the one hand, it urged these forces on to bigger and bigger efforts, in their endeavour to stave off the dangers involved in the market mechanism; on the other, it furnished new arguments to the ruling classes to help them to stem the democratic tide. On the one hand the working class attempted to protect itself against the disastrous effects of the market mechanism upon their lives, and for that reason pressed for political and industrial power, while on the other hand capitalists pointed to that self-same mechanism as a proof of the dangers of popular influences in politics. The political opposition of the property owners to the extension of the franchise was reinforced by the economic argument. The details of this double action of the market mechanism on the development of popular government are significant: market mechanism, modern capitalism could be established only after the customary or legal security of employment and land tenure had been abolished and replaced by the device of a free competitive market in regard to labour and land. Such an institutional mishandling of the elements of human existence, man and his natural environment, could not fail to call forth protective interventions on the part of society as a whole. They usually took the form of factory laws, social insurance, municipal socialism, trade union activities and practices. They were *socially* necessary in order to prevent the destruction of the human substance through the blind action of the automatism of the market, though from the strictly *economic* point of view that mechanism often reacted unfavourably to the intervention. Hypothetically, these bad economic effects of isolated interventions could be avoided through more comprehensive interventions, i.e. a deliberate and planned regulation of markets.

However, such a development, if achieved under the control of the working class, would have been of utmost danger to the privileges of property. Owners would have found themselves deprived of even the semblance of social usefulness and have become ripe for abolishment.

At this point, the market mechanism served as protection to the owners. Isolated interventions, though vital to the survival of society, tended to impair the mechanism of the market. Yet, at the mere hint of a more comprehensive or planned intervention, the market panicked and there was imminent danger of a complete stoppage of the productive apparatus. A 'crisis of confidence' intervened and

the political forces responsible for the messes were promptly made to disappear from the scene. The performance was unflinching a success. In vain did the popular parties attempt to exercise moderation and discipline: in the nature of things, their assurances carried no conviction. The mere possibility of their disregarding the sanctity of titles to property in an emergency, would throw security markets into a panic and governments out of office. Any comprehensive and planned reform of the capitalist system at the hands of the working class was therefore impossible, as long as the market mechanism and its regime of panic ruled the day.

Historically, three phases must be distinguished: The forcible setting up of a competitive national labour market and the refusal of the vote to the people; the period of false security, lasting a few decades; the crisis of democracy and the fascist attack on the political and industrial rights of the working class.

The first period was introduced by the warnings of the classics who insisted on the incompatibility of the new economy and the democratic institutions. After the enactment of the Poor Law Reform the struggle against Chartism dominated the scene. Not before another half century had elapsed after the introduction of a free labour market was the vote – most reluctantly – granted to the workers in this country.

During the second, short, period – from the introduction of universal suffrage to the outbreak of the Great War – capitalism and democracy seemed to flourish side by side. The illusion of harmony was the result of transitory factors, such as the enormous expansion of markets, the sharing of trade unions and labour parties of the benefits of the advance, as well as to the false impression created by the prosperous American scene.

The third period, that of crisis, was introduced by the Great War. Mass unemployment, insecurity of tenure for the producers, and irrational distribution of incomes had reached an unbearable pitch. The system had broken down and its radical reform could no longer be put off. In a number of countries the dilemma of a democracy versus capitalism emerged in the most acute form. The working class was constitutionally unfitted to carry out the reform on the basis of continuity of titles to property; yet it was unprepared to perform it under disregard of that continuity. Fascism was the alternative. The property owners, usually in alliance with the lower middle class, now found themselves able to carry out the reform by revolutionary methods, after having utterly and completely destroyed all democratic institutions while maintaining the continuity of their titles to property, and thereby their ruling position in society.

However, this short run 'solution' of the crisis was bought at the price of a degenerative process in industrial society. Once the market mechanism has been replaced by a system of regulated markets, an indefinite process of reform and reconstruction has become possible.

That most sensitive defence of capitalist property, the free market, has fallen. There is now nothing apart from brute force to prevent the abolishment of the privileges of the property owning classes, if only a democratic movement is in being. That is why every vestige of democracy must be eliminated under a fascist economy. But in order to prevent the re-emergence of any democratic nucleus in society, the individual has to be made incapable of functioning spontaneously as a responsible unit and the unity of mankind must be negated. The fascist virus must be allowed to complete its work.

Anti-fascism is grounded on the conviction that mankind will never allow itself to be destroyed by that virus. But once the poison fails to be totally effective, it must prove entirely ineffective. Post-fascist capitalism cannot hold out against democracy and the advance towards socialism.

[II]

About the turn of the century, some imaginative writers indulged in what were felt to be gloomy forebodings in regard to the future of our civilisation. Their prophecies centred in the fate of the working people which would be enslaved, and deprived of the attributes of common human equality. H. G. Wells's inverted utopias were haunted by the spectre of a labouring population reduced to a sub-human level, and in Jack London's awful visions of the people crushed under the iron heel of big business the crudities of physical torture were combined with abominations of psychological emasculation. A great religious mind had developed the same theme before. Dostoevsky, in a small masterpiece, argued that the demand for an "impossible freedom" of the people might be deflected by spiritual despotism into a condition of permanent immaturity gleefully accepted by the masses.¹

To the contemporaries such predictions seemed fantastic to the point of political irrelevance. To-day we know better. We have come to organise in them the authentic features of that most ghastly social disease of our age, fascism. These were merely poetic anticipations of a cultural disaster.

What we may not realise, is the significant fact that, mostly unknown to these writers themselves, their prophecies were merely

embroidering on a pattern of thought current a century before, i.e. at the time of the Industrial Revolution. These ideas universally accepted by contemporaries, later on fell in oblivion.

The point is of more than historical interest, indeed, it is a short cut to the understanding of fascism itself. The fascist development of our days is, in effect, a recrudescence of the old hostility of capitalism to popular government. Their incompatibility was recognised by capitalists and employers from the first. To the property owning classes it appeared as self-evident that under the factory system the common people could not be allowed to share in political control. Thus from the start the threat of slavery threw its shadow over the destiny of industrial society. True, by a remarkable lapse of the collective memory, the consciousness of the danger faded away during the last quarter of the century. Popular government was then widely introduced and it seemed safe up to the onslaught against its very foundations witnessed by our generation.

We propose to inquire more closely into these past trends of thought. What moved enlightened minds firmly to believe that capitalism does not admit of popular democracy? And what induced, later on, that false sense of security, under the sway of which universal suffrage seemed to harmonise so well with a flourishing market-economy only to be destroyed in great and important countries by a virulent anti-democratic outbreak in our day? The answer might provide us with a clue how to make industrial civilisation immune at last against the fascist virus.

Market Economy is Born

Edmund Burke was the first among modern statesmen to be fascinated by the philosophy of the market. He was quick to discover in it still another argument in favour of his innate conservatism. His politics were anti-democratic also by economic conviction. Briefed by commercial corporations of Liverpool and Manchester he held the laws of the market to be the laws of God. Interference with the market was an unnatural act that would work its own defeat. Compulsory equalisation of incomes would merely produce misery, want, wretchedness and beggary; consequently, there should be allowed no increase in the number of the voters in England. No wonder that the paper currencies of the New England colonies tended to be worthless, having been issued by popular governments. Of Connecticut and Rhode Island he wrote with horror: "By the charters to these colonies the exorbitant power was given in the proprietary governments to

single men, was here vested, and I apprehend much more dangerously, in the whole body of the people. It is to all purpose a mere democracy".² Since poverty of the masses was a law of nature, the people should be denied the deceptive privilege of applying ruinous remedies to their economic ills.

Even devoted friends of the labouring classes believed that the popular vote would destroy the new economy and all its achievements. A Robert Owen opposed the extension of the franchise to the masses. A Godwin declared himself an enemy of revolution. In principle, they agreed with Malthus and Ricardo that not politics but education alone could meet the needs of the situation. Philanthropists and economists differed only in the kind of education they wished to see applied. Godwin and Owen urged the claims of perfectibility, and might have wished to raise the labouring people morally and intellectually above the level of the upper classes of society; Malthus and Ricardo argued the finality of the laws of poverty and population, and wished to see them indelibly impressed even on the humblest mind. For nothing short of a rationally gained certainty of their being doomed to toil in misery would ever make the poor submit willingly to their fate. The Rev. Malthus personally instructed newly wed couples in the economics of population. "The working classes feel," wrote Harriet Martineau in all sincerity, "that while they are at work they ought to be comfortable; and they will not acquiesce while they see that those who work less are more comfortable, *and they are not told why*". She continued: "This is what remains for us to do: to find out *why*, and to make everybody understand it."³ She personally undertook to teach the poor by means of her famous *Illustrations to political economy*. Invariably, the moral of her stories was that while the abolishment of outdoor relief was a cruel but beneficial measure, the extension of the franchise would be both dangerous and futile... Jeremy Bentham, the master mind of the Age of Reform, regarded subjections as the natural state of man, and inequality as his natural condition. Apart from a handful of Jacobins and Democrats, who, incidentally, showed a marked disregard of economics, no one stood for the principles of popular government in this country. France had had a political revolution; England's revolution had been in the industrial field. And it was precisely this economic revolution which banned any step toward the political enfranchisement of the common people.

The practical principles of market-economy and of popular government were published simultaneously. Adam Smith's *Wealth of Nations* appeared in the same year in which Major Cartwright published his democratic credo of manhood suffrage (1776).⁴ Although

no one connected these events at the time, by the end of the century their conflicting implications began to dominate political discussion. Economists were agreed that the whip of hunger was needed to make the wage system workable and to swig the mechanism of a competitive labour market. A simple reference to the irrefragable rules of the market sufficed to justify the condition that Major Cartwright's Democrats, as well as, later on, the Chartists were a public danger. Had not Malthus proved with mathematical precision that only the self-restraint of the poor could make avoidable such harsh checks on the growth of the population as were periodically inflicted through war, pestilence and famine? Did it not follow that poor-relief was a curse in disguise, since it only made the number of poor redundant, and thus condemned them to a cruel death? Did we not have the world of David Ricardo for it that wages could never rise above the bare subsistence level, and that any attempt to raise them higher must result in general destitution? And had not Arthur Young, himself only shortly before an open sympathiser of the French Revolution,⁵ been compelled to concede that riots involved a more dangerous threat than even the failure of resources? Only if the poor bore their lot patiently, would they be safe from starvation, only if they resigned themselves to their misery could they survive at all. They must, therefore, be kept away from the levers of government, which they would otherwise try to use to wreck the property system on which the community, including themselves, depended for their subsistence. The answer of the students of the new economy to the demand for universal suffrage was an irreducible negative. The incompatibility of democracy and capitalism had been established as an axiom.

In the Chartist decade theory was put into practice. Never in all her history had a larger number approached the rulers of this country in the name of a more fervently held creed than those millions of the lower ranks whose signatures were affixed to the ridiculed rolls of parchment. Their petitions were in vain. Robert Peel called the demand for extension of the vote to the people 'nothing more nor less than the impeachment of the Constitution of the country'. In this he was right, for had they been invested with the vote, the Chartist millions would undoubtedly have used it to annihilate the economic order that was torturing them.

Lord John Russell insisted on the danger of combining the economic system founded on private property with political democracy.

As our society is very complicated – he said – and property is very unequally divided, it might come that a parliament issued from universal

suffrage might destroy and shake those institutions (namely, property [K. Polanyi!]) which are often of the utmost value in holding society together.

Lord Macaulay summed up clearer than anybody else the reason why capitalism was thought to be incompatible with popular government. Rejecting the Chartist petition, he said:

I conceive that civilisation rests on the security of property [...] This principle follows: that we never can without absolute danger, entrust the superior government of this country to any class which would, to a moral certainty, commit great and systemic inroads on the security of property.⁶

If Burke referred to Connecticut and Rhode Island as ‘mere democracies’, because they had introduced popular forms of government, Lord Macaulay, levelled the charge of mob-rule against the whole of the United States of America. His much quoted letter to the Hon. H. E. Randall of New York repays careful perusal. Although some of his forecasts were to be strikingly falsified, his basic argument came closer to the inherent logic of fascism, than anything written before or after:

You are surprised to learn – he wrote – that I have not a high opinion of Mr. Jefferson, and I am surprised at your surprise. [...] I have long been convinced that institutionalism purely democratic must sooner or later destroy liberty or civilisation, or both [...] In bad years there is plenty of grumbling here and sometimes a little rioting. But it matters little for here the sufferers are not the rulers. The supreme power is in the hands of a class, numerous indeed, but select, of an educated class, of a class which is, and knows itself to be, deeply interested in the security of property and the maintenance of order. Accordingly, the malcontents are firmly, yet gently, restrained. The bad time is got over without robbing the wealthy to relieve the indigent. The springs of national prosperity soon begin to flow again; work is plentiful, wages rise and all is tranquillity and cheerfulness [...] It is quite plain that your Government will never be able to restrain a distressed and discontented majority. For with you the majority is the government and has the rich, which are always a minority, absolutely at its mercy [...] As I said before, when society has entered on this downward progress, either civilisation or liberty must perish. Either some Caesar or Napoleon will seize the reins of government with a strong hand; or your republic will be as fearfully plundered and laid waste by barbarians in the twentieth century as the Roman Empire was in the fifth; with

this difference, that the Huns and Vandals will have been engendered within your own institutions [...] Thinking this, of course, I cannot reckon Jefferson among the benefactors of mankind.⁷

Macaulay's assumptions, in 1857, were almost identical with those of Burke, in 1757. The laws of market economy prohibit any intervention in economic life in the part of the working people. Unemployment and destitution, which must periodically occur, are overcome by a self-acting mechanism as long as the poor are prevented from interfering with the system. Yet if they have the power to meddle, they will do so. That's why in a country with universal suffrage, in the long run, civilisation can be rescued only by a dictatorship. In modern terms: Fascism alone can save capitalism, once the fatal mistake has been committed of enfranchising the working people.

Man Versus Market

It is easy to get used to the sound of words, and, eventually, forget their meaning. A term the significance of which seems to have been lost on account of its frequent use is that of commodity as applied to human labour. Actually, this usage, which is general today, connotes a state of affairs which has come into being as the result of a unique development.

The normal meaning of commodity is that of goods produced for sale; the distribution of which is therefore controlled by the market, i.e. by supply and demand interacting with price. To say that human labour is a commodity is to assume that it is possible to deal with it as if it were produced for sale, as if its supply depended upon price, as if in the natural course of things human beings were engendered in response to the urge of making profits.

Actually, nothing of the kind is the case. What we call labour has not the slightest resemblance to a commodity. It is simply an aspect of man's life, which is neither detachable from him, nor capable of being hoarded, or transported, or manufactured, or consumed. To be able to speak of its sale, a device must be used: a contract for services must be construed and inferred that the fulfilment of the contract involved the transfer of the invisible and immaterial commodity labour from the seller to the buyer. It is only by means of such a construction that the term commodity can be made to apply to human labour.

However, legal fictions are mere instruments of thought which by themselves do not affect the actual world. The invidious element

which changed the course of civilisation lay in the human implications of that fiction.

For if labour is to be handled as a commodity then, the vast majority of human society, or rather of its adult males, must be at the disposal of the market on which that fictitious commodity is being bartered.

Now, nothing could be more contrary to the traditional organisation of human society than the existence of such a market. We do not mean the occasional hiring of some type of labour, or the fact that some individuals earn their living by selling their labour. This is frequently the case in societies of almost any type, while for the rest economic life is embedded in social relations. It is regulated by a variety of motives none of which bears more than a faint resemblance to profit or gain.

The origins of the labour market proper go back to the end of the eighteenth century. Until then the sixteenth-century organization of labour was prevalent with its public regulation of all relevant aspects of labour. Wages were assessed by the authorities, the term of contract was fixed in not less than one year, hours and other conditions of work were set out by law. Although the Statute of Artificers (1563) protected the labourer, craftsman, 'manufacturer', its main purpose was, of course, to provide agricultural workers for the landlord and set an upper limit to wages. Wage earners had no occasion to higggle and haggle over pay. The unemployed were taken care of by the poor law and the poor house, which offered only a miserably shelter, yet was not meant to be punitive; the apprenticeship classes of the Statute limited the supply of labour; the Act of Settlement made the labourer practically a serf of the landlord but at least ensured his right to relief in his home parish. This established security of employment, of income, of standards. As long as the system was in being, no labour market was possible.

The pressure for the establishment of such a market came from those who had first conceived of the new social mechanism. Lord Mansfield proclaimed from the Bench, in 1767, that labour was a commodity like any other. Burke preconized the laws of commerce as the laws of God, only was consistent in protesting against any interference with market wages. Since the just price of the Middle-Ages was the result of such interference, it was unjust when applied to labour. The employer, he said, had a right to expect a profit when employing labour, consequently the assessment of wages would amount to an unconstitutional 'tax' on the employer, for it deprived him of something that was his by natural right.

The scientist's conclusions were if anything even harsher. Joseph Townsend invented the famous paradigm of the goats and the dogs. The scene was set on the lonely and uninhabited island of Juan Fernandez, in the Pacific Ocean. According to a current story, privateers had kept goats on there who multiplied at a great rate, providing the pirates with food on their occasional visits. The Spanish government, bent to destroy the goats, landed a bitch and a dog. These also multiplied being richly provided with food, in the shape of roaming herds of goats. In the course of time, the goats were decimated by the dogs, and the dogs found their supply of food restricted. Only a definite number of the fastest and sturdiest of both species survived. Hunger, Townsend proclaimed, was the magistrate that kept the balance even. No other authority was needed. This, he argued, was the way of forcing the poor to work without legal compulsion. To this end it sufficed to abolish the Poor Laws which prevented the poor from starving, and the labour market would then see to it that there should be no unemployment. All that was required was the destruction of the traditional organisation of society with its security from starvation.⁸

This tremendous innovation did not prevail without meeting with serious obstruction. The countryside was deeply steeped in tradition. To deprive the settled folk of status meant to destroy the fabric of the rural community. And this at the time when the fires of the French Revolution were lighting up the political horizon and the demand for home-grown food made landowners embark on wholesale enclosures. This left villagers without the use of the pasture, sometimes even without a cottage to live in. At the same time demand for 'manufacturers' in the towns was raising wages above the level the rural employers were able to pay permanently. Depopulation of the countryside threatened to impinge on the reserves of agricultural labour vital to husbandry in Spring and Autumn, that is, the times of peak demand. All this was subversive of the authority of squire and parson, a danger to the largest industry of the country, agriculture, in short an uprooting of the political and economic foundations of rural society. The present was not governed by the future but by the past. Not the needs of yet unborn industrial civilisation, but the known requirements of a hereditary system fashioned the course of development. In vain did the machine cry out for 'hands' and demand a transformation of the common people into soldiers of their 'labour'. The owners of land and the agricultural employers refused to give way. Instead, they erected a barrier to the spread of market-institutions, and above all to the most formidable of them, the labour market. This was the

significance of the famous ‘allowance system’, commonly associated with Speenhamland.

The coming of Speenhamland was unspectacular, but its ending was all the more dramatic. Its introduction dates from 1795, when family allowances based on a sliding scale were first recommended by a group of English magistrates little suspecting the impact of this initiative; it was abolished in 1834, by one of the most deliberate and ruthless acts of social legislation ever put on the Statute book.

The circumstances which surrounded the passing and enforcement of this Act – the notorious Poor Law Reform – evoked the anti-democratic spirit which was to inform all specifically capitalistic policies during the nineteenth century.

Speenhamland was a compromise between the semblance of a market mechanism and the ‘right to live’. The recommendations of the magistrates of Berkshire ran as follows:

When the Gallon Loaf of Second Flour, Weighing 8lb 11oz shall cost 1s.: then every poor and industrious man shall have for his own support 3s. weekly, either produced by his own or his family’s labour, or an allowance from the poor rates, and for the support of his wife and every other of his family, 1s. 6d. When the Gallon Loaf shall cost 1s. 4d. Then every poor and industrious man shall have 4s. weekly for his own, and 1s. and 10d. for the support of every other of his family. And so in proportion, as the price of bread rise or falls (that is to say) 3d. to the man, and 1d. to every other of the family, on every 1d. which the loaf rise above 1s.⁹

Labourers would be ‘selling’ their labour on the market, and higggle and haggle for wages, but actually they would be assured of a minimum income which would not cure them from want but *prevent them from starving*. The amount of the dole was dependent upon the price of bread and supplemented by separate allowances for the wife and every child, allowances also depending for the amount on the bread price; if the ‘wage’ paid by the employer was less than the dole *plus* allowances the labourer would apply to the local vestry administering the poor law and the wages would be supplemented from the rates so as to meet the required scale of family income. From the employer’s point of view this meant that if he chose to pay wages lower than those set by the scale, then he was free to do so and the wage he paid would be supplemented from the rates. From the point of view of the Poor Law authorities, the system could be regarded as easing the burden of the maintenance of the poor by allowing a dole to be paid in wages. Finally, from the point of view of a capitalist

system, formally, it permitted the determining of wages through a labour market, while actually removing the social cutting edge of that mechanism.

But a labour market that does not threaten the unemployed with the sanction of hunger, is a useless organ under capitalism. While Speenhamland was almost universally acclaimed in the beginning, its long run effects were horrible beyond words. In the short run it appeared as a method which satisfied everybody without cost to anybody. The employer could pay as low wages as he liked, the labourer was under no compulsion to exert himself, parents were free of the responsibility for their offspring, the offspring were free of authority of their parents, young people could marry without care for the future, and if they chose not to marry, their bastards were no worse off for it, the squire and the parson's sway over the village was never more complete. Peace and quiet reigned in the countryside. No wonder that it was popular. In the long run labouring populations of districts of England, whether agricultural or manufacturing, were being artificially pauperised. There was no bottom in wages. Even worse, farmers were reluctant to employ such persons who were not on the rates. The effects of economic laws were sharpened by these psychologies; once a pauper, always a pauper was a true saying. Inside of a generation the self-respecting cottagers and labourers were turning loafers and malingerers; a veritable cultural catastrophe engulfed their ancestral civilisation; they resembled more detribalised natives of a modern colonial area dispossessed by hut taxes and debased by gambling and prostitution than the inheritors of an ancient culture. For the decencies of settled life wore off quickly in the promiscuity of the poorhouse, where a man could feel all the more safe the lower he had sunk in the estimation of his fellows. The total effect was one of utter demoralisation. The poor rate had become the public spoil... To obtain their share the brutal bullied the administrators, the profligate exhibited their bastards which must be fed, the idle folded their arms and waited till they got it; ignorant boys and girls married upon it; poachers, thieves and prostitutes exhorted it by intimidation; country justices lavished it for popularity, and Guardians for convenience... Eventually, together with the rising rates the productivity of labour itself deteriorated, thus sapping the strength of this crazy system... Speenhamland meant docile labour and a low level of wages, all round, thus more than compensating the rate payer for his plight. But no capitalist system could prosper on pauper labour. After 1815, high prices and extensive farming came

to an end, and were replaced by low prices and a less wasteful use of labourers.

The pauper who pretended to do his work merely to be entitled to benefits proved a too expensive worker even at very low wages. Eventually, the gliding scale itself was affected and the bread allowance was reduced. By the end of the 1820s the condition of the agricultural labourer in large parts of the countryside had deteriorated further. No wonder that the urban workers could not maintain standards in the face of inexhaustible industrial reserve army represented by the ever increasing number of pauperised labourers of the countryside.

The demand for a genuine labour market was now renewed with a hundredfold emphasis.¹⁰

Owen's description of his workers. Harriet Martineau. Engels and Manchester. The 1833 Report. (Even though exaggerated).

The impossibility of establishing a self-supporting economic class. The truth of the economic argument i.e. that wages would rise...

The Poor Law Reformers argued that humanitarianism must go. Inverted humanitarians. Figures and Facts.

The re-education argument. Abolish the right to live, without establishing the right to work. Consequently compelling the labourer to accept any kind of wages, or voluntarily apply for admission to the Poor House transformed into a workhouse. (Not sent to the workhouse, but admitted to it). Less eligibility principle. At the same time, rationalisation of administration, purification from corruption, creating moral and hygienic standards.

This type of *re-education* of the masses involved something akin to psychological torture. Although of a mild kind, it was nevertheless meant to create unbearable conditions, such as would be preferred only to rank starvation, and not even that unconditionally. Often the genteel poor preferred starvation.

Such re-education involved dictatorial methods. One of the assumptions was: final inferiority of the people. They are altogether subhuman. They are ignorant and deserve to be so. They are powerless and rightly so. Contempt, in institutionalised forms, was the only adequate response. It might have been often deserved – that indeed is our point. But the inhuman situation had to be retained whether deserved or not... The disfranchisement of the pauper followed from this lack of civil status... From here derived the idea that civil institutions should be shaped in such a way as to *educate the poor*. Education would morally endanger him if it were gratuitous etc. etc.

The political disfranchisement followed from this also as a political necessity. How could the tortured be put by their torturers in power, without danger of their removing their torturers? But that would have been the end of the labour market.

Hardly any middle class *Mitläufer* [follower] joined the Chartists.

The anti-working class feeling now hardened into a metaphysical conviction of the moral superiority of the owning classes over the propertyless classes and the corresponding human inferiority of the latter as compared with the former.¹¹

III

On Marx and the Christian Roots of Western Civilization

Fascism and Marxism*

8.1 Fascism and Marxian Terminology

Nothing is cheaper, of course, than to call at the top of your voice for new things. Whether it is new worlds or merely new words one is clamouring for, it is usually because one has failed to master the old.

Yet we must insist on our demand for a new Sociology, of for new Words, at least, which would deliver us from the pressing evil of being utterly unable to describe the most trivial events of our time without implying precisely the opposite of what we intend to convey.

Different Kinds of Revolution

Take the term Revolution. In current Marxian Sociology it is strictly confined to sweeping changes in the economic system. This taboo makes it quite impossible to give anything like an adequate sociological description of an historical earthquake like, *e.g.*, The National Socialist upheaval in Germany. Why?

For the simple reason that it is in the nature of a Fascist convulsion to leave the economic system unchanged. Indeed, it is the very *raison d'être* of Fascism that it keeps the present economic system

* *New Britain* III(57), 20 June 1934: 128–9; *New Britain* III(58), 27 June 1934: 59; and *New Britain* III(59), 4 July: 187–8.

going. Nevertheless, it is the most thoroughgoing and complete break in the social system since the great revolutions of the seventeenth and eighteenth centuries. Even those who regard Fascism as merely “Capitalism without the political smoke-screen of Democracy” ought to be clear in their minds that an economic system without a political *façade* of some kind or other is, to say the least, a startling sociological novelty. But how on earth can one expect clarity regarding the epochal implications of Fascism if one is not even allowed to call it revolution?

Democracy a Smoke Screen?

Then there is the “screen” itself. In pseudo-Marxian sociology Democracy is defined as the appropriate political superstructure of Capitalism. This definition implies that universal suffrage and representative institutions based upon it are the corollaries of the capitalist economic system. Democratic governments, old-fashioned Marxians assert, are thus but the Executive Board of capitalists as a class. Clearly the term Democracy used in this fashion is another stumbling-block in the way to an understanding of the Fascist phenomenon. Why?

The Deadly Tangle

For the simple reason that Fascism is merely the outcome of the mutual incompatibility of Democracy and Capitalism in our times.

If Democracy were really the appropriate political superstructure of Capitalism, Fascism would never have come into existence. But the opposite is the case. At an earlier stage democratic institutions in Politics, in fact, harmonize with capitalist leadership in Economics. But in a fully-developed industrial society a functional deadlock between Politics and Economics must inevitably arise: Democracy becomes an instrument of working-class influence, while Capitalism remains what it was, the domain of production, carried on under the exclusive responsibility of the capitalist. This incompatibility consists not merely in the fact that opposite principles reign in the one and in the other sphere. Ideological contradictions never actually matter unless they affect a vital part of social reality itself. But it is precisely material reality that is emphatically affected by this contradiction. The great majority of the population, which in Economics stands under the command of the property owners, are now

actually or potentially the decisive factor in politics. But the class of the employed can defend themselves against the fateful effects of industrial vicissitudes upon their personal lives only by deliberate political interference with the automatic laws governing in Capitalist markets and currency-systems, interest and wage-rates. They are provoked to this interference as a reaction against the secret capitalist influences trying to pervert the natural functions of political democracy; they are almost invited to do so when, during acute economic depressions, Big Business itself calls on political Democracy to help it in its difficulties; they are literally constrained to do it under fear of destruction, when the actual cessation of industrial activity threatens them with starvation.

Perversion of Functions

Political interference with Economics and economic interference with Politics become the rule. The property-owners endeavour to weaken, to discredit, and to disorganize the political apparatus of Democracy by every means in their power without the faintest regard for the most serious dangers arising for the community as a whole from the paralysis of the functions of regulation and legislation in Politics. Parliaments, consciously or unconsciously, weaken, discredit and disorganize the economic machinery of Capitalism in trying to prevent its self-regulating mechanism from restarting the cycle of production at the cost of hecatombs of human lives. The outcome is a signally defective working of Democracy and a clearly diminished Social Dividend in Capitalism. Their mutual incompatibility results in a very real loss both in terms of political safety and of economic standards for all.

A situation of this sort cannot be long endured by society as a whole. Society reacts against it with a vehemence as great as the peril itself. Nothing short of a total change-over in the basis of the social structure will suffice. The deathly interlocking of Democracy and Capitalism must be resolved if society is to survive. *Fascism is that form of revolutionary solution which keeps Capitalism untouched.*

Socialism is functional

Obviously, there is another solution. It is to retain Democracy and abolish Capitalism. This is the Socialist solution. For, just as Capitalism needs Fascist politics as its complement, so Democracy needs Socialist economics as its extension.

Socialism is democratic or it is nothing. It is functional only because it is democratic. For functionalism is but the highest form of Democracy in society as whole. The economics of a genuinely functional society are, therefore, necessarily Socialist. That functional sociology can also be used for Fascist purposes does not contradict this. Anatomy is no less a science of the whole human body because it can be made use of in the amputation of a leg. Nor is physiology any less a study of our normal functions because it may be used by eugenic fanatics in depriving human beings of some of them.

Sham Reform Possible

But here again we ought not to put up with the terms in use. In saying that Fascism leaves Capitalism untouched, we did not mean to stress the “untouched.” We ought, in fact, not to exclude wholly the possibility of a Capitalism “reformed,” so as to make it comply with some measure of planning in the process of production, and with some measure of security of tenure for those engaged in this process. In the current terminological jargon this would sound like so much unscientific fiction. For planning and security of employment are (and, in a manner, rightly) regarded as “Socialist” features in industry; it would seem almost a contradiction in terms to conceive of them as possible features of Capitalism under any circumstances whatever. But to think this is another dangerous scholastic fallacy.

Inevitable Failure

In Fascism, Democracy goes and Capitalism remains. Planning and security of tenure could be in principle introduced under Fascism by property-owners as a whole, distributing the risks amongst themselves. The same group of persons own here the factories, plan production, and share the costs of equalized employment among themselves, collectively. Fascism is not, in its nature, incompatible with some sham-reform of Capitalism. Indeed, herein lies perhaps its greatest danger. For it can promise and attempt that “reform” only because the abolition of Democracy opens up the way to an absolute and complete centralization of power in the hands of a small self-interested group, collectively. No amount of camouflage by means of *soi-disant* functional representation can do away with the fact that even the partial “reform” of the capitalist system in Fascism merely reveals the intrinsic impossibility of introducing any kind of genuine

functionalism into a form of society which makes private property-owners into a class of demi-gods – above their fellows. No adherent of the Threefold State¹ will doubt for an instant that a human agglomeration in which not only industrial and political but, finally, also intellectual, cultural and spiritual life is short-circuited in a minute group of vested interests is doomed to ruin and ignominy.

But most misleading of all is the terminology under which class-interests and power-issue are often introduced into the discussion of Fascism. With these we will deal next week.²

8.2 Marxism Re-Stated

Last week we tried to define Fascism in a revised Marxian terminology.³ This resulted in the following theses:

Fascism arises out of the mutual incompatibility of Democracy and Capitalism in a fully developed industrial society.

Democracy tends to become the instrument of working-class influence. Capitalism remains the domain in which production is under the sole authority of property-owners. A deadlock is inevitable.

Suddenly society is threatened by a fateful interlocking of its political and its economic functions.

Political interference with Economies, economic interference with Politics becomes the rule. This perversion of functions results in a real loss both of political safety and of economic standards for all.

Either Democracy or Capitalism must go. Fascism is that solution of the deadlock which leaves Capitalism untouched.

The other solution is Socialism. Capitalism goes, Democracy remains.

Socialism is the extension of Democracy to the economic sphere. It is, therefore, essentially functional, Fascism is the opposite. Fascism means the short-circuiting of political, economic, and cultural functions in a minute ruling group of self-interested owners. Such a society cannot in the long run continue to exist.

Orthodox Objections

Current Marxian criticism would, probably, object that this formulation does not do full justice to the theory of class-interests and class-war. Why the fictitious battle between Democracy and Capitalism, since the issue itself is simple and clear? It is not the spectres of Democracy and Capitalism that are fighting each other, but the actual

concrete forces of Capital and Labour, or, to put it quite plainly, the property-owning class and the working class. Capitalists are afraid that the workers will introduce Socialism and so they want to do away with the political power of the workers' parties. The class-war between capitalists and workers is disrupting society. Only one of two solutions is possible. Either the working class rules or the capitalist class. The one means Socialism, the other Capitalism. It is a question of power. Why all this talk about a functional perversion of Democracy and Capitalism, and the establishing of a functional Democracy based on Socialist economics?

Thus the hypothetical Marxian commentator. He might even quote the chapter and verse of Karl Marx himself as a bludgeon. Yet he would be wrong. For his forms of expression indicate a misconstruction of some essential sociological facts and, most probably, also an inadequate understanding of the fundamental philosophic background of Marxism itself.

Hegel in Marx

This philosophical background is well known. It is dialectical. It consists in making use of the thoroughly idealistic Hegelian method in terms of sociological realism. How could this be done? Especially, how in terms of an originally idealistic method could class-war be declared the *central* fact, and material interests the *ultimate* driving force in human history? For Marx had not merely discovered the existence of class-war and class-interest. Linguet, Saint-Simon, Lorenz von Stein, and others had done that before him. What he maintained was something quite different. Of all the innumerable facts in society, he asserted that class-war was the central fact. Of all the warring forces in the historical life of mankind, he declared that class-interest was the decisive factor. And, infinitely more important than these statements, he insisted that the future of human society was bound up with the material interests of the industrial working class. He definitely proclaimed the poorest and least educated stratum of society to be the chosen leaders of mankind. This most astounding assertion is the great contribution of Karl Marx to human thought and philosophy. How could Hegel's dialectical method, outside of which his spirit consistently refused to move, lead to this sociological appraisal of the interests of the working-class men? Emphatically it is the answer to this question which must supply us with the right definition of the full content of the Marxian idea of class war as well as of its intrinsic limitations.

From ideality to reality

Let us re-state the mental background of Marx's social theory in language as little technical as possible.

Human society as a whole stands under the law of development. In this process of development society proceeds to higher and higher forms of its total organization. If society is prevented from following out this law of growth it perishes. But no society actually passes away before it has fully developed all its potentialities. First and foremost amongst these is its faculty of increasing its total production. In production, if anywhere, progress serves the interests of society as a whole. At this point the purely ideal necessity of dialectical progress definitely links up with reality. For the greatest possible development of productive capacity implies the fullest use of the instruments of production actually in existence in society. Every change in the structure of society which either by technical or by organizational methods tend to increase the sum total of the goods produced is, thus, dialectically inevitable. But although "inevitable", how does it actually come to pass? How are the lifeless means of production caused to move towards higher perfection? Here again an essential link in the Marxian system supervenes. The human element enters. Tools are used, handled, and organized by men. It is the "Ruse of History" to make human beings into the conscious or unconscious instruments of the ultimate ends of mankind. It is class war which makes the inevitable actually happen.

Why does the 'inevitable' happen?

Classes are groups of human beings whose position in relation to the productive process is similar. A change in society as a whole will necessarily affect the position of every group. The material standards of each group depending upon their position in production, any change in the system of production will naturally benefit one or another of them. The group, the interests of which are adversely affected by the change, will try to oppose it. But there will be other groups in society whose interests will be served by the change or who have nothing to lose by it. *It is a group of this latter kind which will make the inevitable actually happen.* It makes society move in the direction in which the objective historical situation allows it to move. A fuller use of newly discovered possibilities of organizing production in manufacture, and of organizing distribution for ever-widening markets, made

bourgeois revolutions irresistible in the seventeenth and eighteenth centuries. It was in the general interest of mankind that the owners of machinery should be free to use it just as they wished. Today it is the rationally planned and co-ordinated use of machinery by society as a whole which would most increase production. There is one group in society which has nothing to lose by this change, and that group is the working classes. If the workers wish for this change, their will must prove irresistible. And they must desire it, for society as a whole must decay and perish unless they do so. The human part of the mechanism bringing this about is psychological. When society as a whole suffers, the working class, being under command, must suffer most. They have only their chains to lose; but a world to save. For "The world the proletariat has to win" is but our world saved from destruction.

Self-interest and leadership

Thus, the answer to our question is:

Class struggle is a central fact because the development of the means of production lies in the interests of the whole of society and the mechanism of class war assures this development.

Class interests are the ultimate driving force because they are that part of social reality which make the inevitable actually happen.

Only the working class can lead society actually to Socialism, because they are the only group in the productive process who have nothing to lose by this change.

To anybody who reads these statements carefully, one thing must become plain. That is, that Marx never thought of class war or class interest as the ultimate *realities*. For him the truth of his system depended on the *reasons* making class war a central fact in history, and on the *reasons* owing to which class interests actually become an ultimate driving force. Just as Marx refused to join in the view that the dominant position of the medieval church was merely due to self-interested trickery and to the humbugging of the people by the clergy, he also refused to put down economic class-rule to the fiendish egotism of the persons benefiting by it. There is no magic quality in the interests of a group of persons that would cause masses of other people with opposing interests to follow the lead of that group. To postulate such a quality would imply the utterly unscientific attempt to explain history by a miraculously successful fraud. Neither the interests of the ruling classes nor the interests of those whom they rule have anything of this quality of cheap magic. It is not the force

of their own interests that makes a group successful. Indeed, the secret of success lies rather in the measure in which the groups are able to represent – by including in their own – the interests of *others* than themselves. To achieve this inclusion they will, in effect, often have to adapt their own interest to those of the wider groups which they aspire to lead. This is very greatly facilitated by the fact that the greatest part of society has commonly no “interests” in happenings at all. The mass of the smaller middle class and peasantry are more or less uninterested in whether society is Socialist or Capitalist. The one thing they are, and most emphatically, interested in, is that it should be either one or the other. They are inclined to follow the working class if the working class leads toward Socialism and adapts its own interests to theirs in order actually to be able to lead. But the indifferent masses are also prepared to follow the lead of the capitalists if they feel that there is no other way out of the fatal deadlock.

Then Fascism comes in.

Classes and the crisis

The limitations of the theory of class war in Marx are, therefore, the following:

Class war is not an ultimate *reality*. The ultimate reality is the interest of society as a whole. This interest is served by the maximum development of the means of production. Class interest is effective only in so far as it tends in an objective situation towards a definite solution of the problem of organizing the means of production.

Class interest is a motive power in society only in so far as, in an objective situation, it represents the interests of the whole of society. A class is capable of *leadership* only as far as its own interests coincide, in a concrete situation, with the interests of the whole, or, as far as it is able to adapt its interests so as to include in them the interests of the others to a sufficient degree.

Class war and class interest enter, more or less, into every historic situation by which the whole of society is affected. *But they are only a part or factor of this situation.* The essential thing is to understand how and why they enter into the situation.

The price of leadership

At present the immediate interests of society as a whole are affected thus:

Democracy and Capitalism, *i.e.*, the existing political and economic system, have reached a deadlock, because they have become the instruments of two different classes of opposing interests. But the threat of disruption comes not from these opposing interests. It comes from the deadlock. The distinction is vital. The forces springing into action in order to avoid the deadlock are infinitely stronger than the forces of the opposing interests which cause the deadlock. Incidentally, this accounts for the cataclysmic vehemence of the social upheavals of our times.

Yet beyond and above these limitations of the idea of class interest one thing emerges with the utmost clarity. This is the real meaning of leadership.

Mankind has come to an impasse. Fascism resolves it at the cost of a moral and material retrogression. Socialism is the way out by an advance towards a Functional Democracy.

A great initiative is needed. Failure or success depends upon the recognition of the central truth that it is not by following their own immediate material interests that the working classes can prove their capacity for leadership, but by adapting their own interests to the interests of the indifferent masses in order to be able to lead society as a whole.

The fullest understanding of the nature of the present crisis is of paramount importance. If a revision of Marxism is necessary for this purpose, the task should neither be shirked nor delayed.

Marx on Corporativism*

[*First Fragment*]

It has been widely overlooked that Karl Marx in the early 1840s anticipated some of the most essential features of the fascist movement of our time.

Several reasons for this oversight might be adduced. Marx's posthumous work, to which we are referring, was only published after the Great War, by D. Rjazanoff, in Moscow.¹ It is a commentary, not intended for print, on §§ 261–313 of Hegel's *Philosophy of Law*, i.e., the parts dealing with the State. The beginning of the manuscript (relating to §§ 257–260) appears to be missing; the text itself is of inordinate length and is inevitably somewhat repetitious. Yet it is of exceptional interest; some of its most brilliant passages refute the mystifying application of Hegel's logic with unsurpassed penetration. For all that it might have seemed singularly inappropriate to seek for illumination on a typically modern industrial and political development, such a fascist corporativism, in a philosophical writing produced several generations ago, merely because it discusses guilds or corporations.

Indeed, it might easily appear as if, misled by the identity of the term 'corporation', we were comparing like to unlike. In the century which separated Hegel from Mussolini liberal capitalism ran its course from start to finish. In the Germany of 1841–42 – the presumed date of Marx's voluminous draft – liberal economy had not

* Ms., n.d. (but second half of the 1930s), KPA 19–11.

yet been born, while the corporative experiments of the 1920s and 30s in Italy, Austria and some other countries marked its end. In Hegel's time the *ancien régime* still held sway and guilds had not yet been discarded in favour of a competitive economy; in the era of Mussolini, competitive economy itself was passing away and was being replaced by new guild forms of industry. Eighteenth-century guilds were of course based on traditional handicraft while twentieth-century corporatism was using highly mechanized plant. The revived corporations were now to serve as bastions of the new industrial feudalism which was to hold monopoly of power over a helpless proletariat ... Thus the two kinds of corporations were certainly vastly dissimilar both in regard to technical level and to historical function. Undoubtedly, Marx's critique of corporativism was based on entirely different grounds from those of the modern Marxists' attack on fascist corporations.

Yet in one most important respect the position was analogous. *Now as then corporations formed part of an industrial system hostile to democracy.* Both pre-liberal and post-liberal guilds were a form of industrial organization antagonistic to popular government and well suited to obstruct its development, or to destroy it, if it already existed. Marx in 1841 was inveighing against corporativism in the name of democracy, and liberals as well as socialists are fighting its recrudescence today under the same banner. This circumstance may help to explain the deep insights opened up by Marx into the nature of fascism at a time when this sinister development was still entirely beyond the horizon of the age.

Marx was 23 years old when he penned his notes on Hegel's opinions on the nature of the State. He was at that time not yet a socialist. Politically, he was a Radical, passionately opposed to the reactionary absolutism of the Prussian *régime* which denied a constitution to the people, and detesting almost as much the sham constitutions of some German states with their monarchical prerogatives, paternalistic police state methods, and antiquated Estates. These anachronistic *régimes* were propped up by the influence of no less outmoded guilds. Marx was, therefore, equally emphatic in his advocacy of the popular vote and his denunciation of corporativism. Radical reform in the political sphere called for a similarly radical reform in the economic sphere. No democratic politician could accept the perpetuation of the outworn guild organization in industry.

This takes us straight to the point. The young Marx, though otherwise still wrapped in idealistic philosophy, was already thoroughly 'Marxian' in this respect. He unhesitatingly stood for progress, and preferred capitalism however 'inhuman' to feudalism however

‘humane’. Against Hegel’s romantic “medievalism” he pressed the claims of liberal capitalism in its most undiluted form. Industrial life required free competitive markets, while political life was to rest on free popular democracy.

As Marx recognized, such a development involved a complete separation of the political and the economic sphere in society. Yet, so Marx believed, only if economic individualism was unhindered by corporative rules and regulations, could public life be founded on political individualism and the people succeed in achieving power in the State.

At this point Marx showed an almost prophetic insight. No one before him, and for a long time none after him, had recognized the importance of the institutional separation of the political and economic sphere in society. Such a separation is the true characteristic of liberal capitalism. More than that, Marx did not fail to note that compared with medieval feudal society, this represented an advance since it made the development of political democracy possible. Later, when Marx became a socialist, he realized that political democracy was not enough, but that democracy must be made to compose the whole of society including the economic sphere. It was in respect to the latter that fascism attempted to sidetrack human progress. For instead, far from extending the power of the democratic state to industry, fascism endeavoured to extend the power of an autocratic industry over the State, and thus destroy the very basis of political democracy. Marx’s analysis of the reactionary role of corporativism in his time foreshadowed a vital aspect of the part played by fascist corporativism in our own time.

Hegel made no secret of his desire to justify the existing ‘constitutional’ position in Prussia, though that country actually possessed no constitution at all. It was a system of personal rule of the monarch slightly qualified by the existence of provincial Diets some of which had the right of the purse in respect to traditional taxes. Not even a National Diet was in being in Prussia. The provincial Diets were of the most multifarious character. The Estates combined various forms of representation, from personal participation as in the case of the feudal nobility to delegation by corporations some of which were municipal, the great majority however, were vocational, corresponding to the gild organization of economic life. No suffrage of any kind, no representation of the citizen as such obtained. The cry for constitution raised by Liberals of all shades ranged from the modest demand for a National Diet to the abolition of the Estates altogether and their replacement by a representative assembly elected by the citizens.

Hegel's apologia for the status quo hinged on two contentions. Firstly, he defended the Estates [and] argued that only "representation" through them had an "organic" character and safeguarded the unity of society; secondly he emphasized that the existing craft guilds or corporations offered the only natural basis for a "constitution" (as he insisted on calling the state of affairs in Prussia).

Marx's critical commentary may be summed up as follows:

1) Hegel's medieval ideals are contrary to the reality of modern society. Economic classes and political Estates were identical in the medieval State. Consequently, no separate political and economic sphere existed in society. Under modern conditions the opposite is true. Economic life which is regulated by private interest and all-around competition has become separate and distinct from the political sphere of government. This makes individuals, not classes, the units of society and any organized body claiming to represent the citizens must be elected by them in their capacity as individuals. *Not in the economic, but only in the political sphere can the whole of society be reunited.* This is the true meaning of democracy. Hegel, so Marx says, justly feels that the separation of economic life from political life is an *anomaly*. However, he does not insist on its resolution but puts up with the *semblance of a solution*.

Hegel ought to have called things by their name. In reality he simply preferred a constitution based on *Estates* to a constitution based on *representative* institutions. Yet these latter meant a step in the right direction, because they revealed *openly, consistently, and without camouflage* the condition of affairs in *the modern State*. They have the advantage of *making the anomaly patent*. To Hegel's sham harmonism and organicism Marx opposed the demand for the "*diremption*" of society into a democratic political sphere and an economic sphere, which was essentially non-political. The citizen should take part in the public life *as an individual* not as a unit of economic life. "He is a citizen only *as an individual person*."

2) This also answered effectively Hegel's eulogy of guilds and their right to be represented under a system of Estates. This, of course, was the traditional system. It supplied the Estates with the pretence of being representative and thus side-tracked the demand for genuine representation. It was the opposite of a true separation of politics and economics, as required by liberal capitalism, since it gave political power to the economic institution of the guilds. "*Corporativism*", said Marx, "*is an attempt to establish economic life as the State ...*" A search-light phrase, if ever there was [one]. For in regard to Hegel this meant that to allow the corporations to play a political role

instead of endowing the individual citizen with political rights, prevented the separation of politics and economics and kept the old undemocratic 'constitution' in being. But Marx's phrase was equally applicable to a yet distant future in which the separation of political and economic life had been a long established fact, and fascism tried to uproot political democracy again with the help of corporative methods. Literally, this fascist attempt was directed towards "establishing economic life as the State" – only this time an economic life that was no more confined to simple crafts and mysteries, as a century ago, but comprised vast capitalist establishments, lording it over hosts of propertyless employees ... The principle, however, was the same. For even the most superficial description of fascist corporations shows that they were designed to assume the functions of the State in the enormously expanded field of modern industrial relations. As in Hegel's time, the political role of industrial corporations was a peril to popular democracy.

[*Second Fragment. (The first page of six is missing).*]

[...] for Prussian constitutionalism, i.e. absolutism, thinly camouflaged by the presence of so-called Estates; Marx stood for representative government, the popular vote and the abolition of the antiquated institution of the Estates. The main part of his Notes was an attack on Hegel's attempt to establish Prussian *ancien régime* methods as the apogee of human freedom.

It was at this point that guilds or corporations moved into the picture. Under the *ancien régime*, guilds or *Korporationen* (as they were called in eighteenth-century Germany) formed an important part of the constitution since they were represented in the Estates. In his attack on the Estates, Marx was confronted with Hegel's insistence on the guild organization of industry and on the alleged necessity of allowing the guilds a function in the State.

We can thus clearly see why the role of the guilds was a major preoccupation of Marx, why he was bound to oppose them as props of the *ancien régime*, and why in the fight against corporativism the cause of political democracy was involved.

Now, the corporative State of modern fascism was in a very real sense an attempt to make use of essential features of the traditional guild system under changed circumstances. How different the conditions were both technologically and socially will be seen later on. Yet the decisive analogy with the past lay in the *antidemocratic function of the guild system, now as then*. Marx probed into this

aspect of the matter with an extraordinary penetration and, incidentally, revealed the basic alternative underlying social development in our time.

We are hinting here at Marx's insistence on the tendency of market-economy to destroy the unity of society by establishing a distinct economic sphere in society. For such a development must lead to an institutional separation of the political and the economic sphere, which could only be transitory and necessarily raises the fundamental question on what basis the unity of society shall be restored. Eventually, it was to this issue that socialism and fascism offered opposite and mutually incompatible answers. Marx had indeed hit on a crucial problem, the full importance of which for the future he could not, of course, yet gauge.

These introductory remarks may leave us wondering why the matter had hitherto been overlooked. Whether the corporativism of the Prussia of 1842 and that of the Italy or Austria of the 1930s had really as much in common as we have seem to assume? And how far can it therefore be seriously claimed that Marx's thoughts bore a definite reference to broad problems raised by corporative tendencies in our own time?

The Manuscript

Only comparatively recently has this voluminous manuscript been made available to the Western European public. Up to the end of the Great War it was in the keeping of the German Social Democratic Party. It was first published under the title *Critique of Hegel's Philosophy of the State* by the Marx-Engels Institute of Moscow, under the editorship of D. Rjazanoff in 1927. But only in 1932 was the text reprinted in Germany, by Landshut & Meyer, in a two volume edition of the early works of Marx. This edition also contained an important hitherto entirely unknown manuscript, entitled "Nationalökonomie und Philosophie", which justly attracted great interest.

As to the "Critique of Hegel's Philosophy of the State" which was included in Volume I, Landshut and Meyer themselves did not fail to emphasize its importance, which they saw, however, primarily in the field of philosophy and logic. They pointed to the brilliant critique of Hegel's mystificatory use of the dialectic, which undoubtedly marked a turning point in the development of the young Marx. Feuerbach's naturalism was now coming to his help in his effort to emancipate himself from the spell of idealistic dialectic. To my knowledge, Macmurray commented upon the 'democracy of

unfreedom' passage in 1935, and, later, Adams gave a subtle analysis of its role in the development of Marx's logic. The political content of the "Critique of Hegel's Philosophy of the State" was hardly touched upon.

Gild or 'Korporation'

'Korporation', as we said, was the term in common use in eighteenth-century Prussia for 'gild.' Other terms also were current as 'Innung', 'Zunft' or 'Genossenschaft'. Hegel, who preferred to define terms for his own purposes, used the generic term 'Korporation' as a synonym for 'gild.' In numerous passages he expatiates on the role and function of the 'Korporation' as a monopolistic organization of those professing a craft of industry. Gierke's monumental *Deutsches Genossenschaftsrecht* went into every ramification of German gild organization and followed step by step the development which led by the eighteenth century to the adoption of a term 'Korporation' to denote all forms of industrial guilds in Germany.

The modern term 'corporativism' again is a derivative of the Italian name for gild, namely 'corporazione'. The idea to revive the gild system under the conditions of modern large scale industry was mooted both by socialists and by fascists after the Great War. In gild socialism, as represented by G.D.H. Cole in the 1920s, the producers became the owners of industry, and the gild form of organization was meant to ensure both functional democracy and harmonious cooperation with the State and municipality. In Italian fascism the gild was meant to serve the opposite purpose. Ownership remained with the capitalists, i.e. with the non-producers, the workers unions or syndicates forming merely a section of the gild or corporation. A society thus grounded was the utter denial both of industrial and political democracy. It was first suggested by Rossoni (or Bottai) in 1919, and sponsored by Mussolini in 1920. Next year, Othmar Spann in Vienna produced an elaborate social philosophy, which in somewhat different terms laid out the same general plan, in his *Wahre Staat* (1921). Partly to this inspiration was due the Papal Encyclical *Quadragesimo Anno* of 1931, which was meant to universalise the idea of the Corporative State. Seemingly it made concessions to the democratic idea but in essence maintained the sole rule of the capitalist class over State and industry.

(Incidentally in the Anglo-Saxon world the term 'corporation' took on a number of meanings which are different from that of gild. It may denote the broad medieval conception of organic community or

the more modern issue of a public body incorporated by charter or statute; in the United States its most frequent meaning is simply that of limited company).

Clearly corporations in the Prussia of the early nineteenth century, when Hegel wrote, and corporations in the early twentieth century were very different matters. When the party programmes of the Italian fascists (1922), the German Nazi fascists (1923), and the Austrian Heimwehr fascists of Starhemberg (1929) and Dollfuss (1932), as well as the Papal Encyclical (1931) declared for the corporative idea, liberal capitalism had had its run. In Hegel's time it had not yet started on its course. While in the age of Hegel and the young Marx, market economy was still to come and its full development was inhibited by the medieval survival of the guilds, in the age of Mussolini and Hitler market economy had spent its force and the corporative principle was invoked under entirely different circumstances.

The situation had indeed changed in almost every respect. The guild was a remnant of the pre-machine age, the time when crafts and mysteries were carried on with the help of comparatively simple tools; the new corporativism was designed to apply to highly mechanized plant and mammoth enterprises. The guilds had been formed in an environment of independent craftsmen and artisans, in which the journeyman belonged to the same class as his master or at least was not far removed from it; the fascist corporation was, on the contrary, founded on rigid class distinction of owners and non-owners, of capitalists and proletarians, separated from one another as by the barriers of caste. Thus the two kinds of corporation were certainly vastly dissimilar both in regard to technical equipment and to social function, and it may appear rather artificial to link the one with the other on account of a mere similarity of name.

Their anti-democratic function

Actually there was a striking likeness in the political role of the corporations defended by Hegel and those advocated by almost all fascist movements of our period. Then as now the guild organization of privately owned industry was a powerful enemy of popular government; it was an obstacle to its introduction, and a means of abolishing it, once it had been introduced.

In other words: While under socialism the unity of society is restored through the extension of political democracy to the economic sphere, fascism represents the diametrically opposite effort

to unify society by making an undemocratic industry the master of the State.

In conclusion, let me say that what Marx here called the separation of the political and economic sphere in society has been now for some time recognized as the incompatibility of liberal capitalism and popular democracy. By eliminating the one or the other, the unity of society can be restored. Even before the author of this article had read Marx's comments on Hegel's views of the State, he summed up (in 1934) the position thus²:

Basically there are two solutions: the extension of the democratic principle from politics to economics, or the abolition of the Democratic 'political sphere' altogether.

The extension of the democratic principle to economics implies the abolition of the private property of the means of production, and hence the disappearance of a separate autonomous economic sphere: the democratic political sphere becomes the whole of society. This, essentially, is socialism.

Conversely:

After the abolition of the democratic political sphere only economic life remains: Capitalism as organized in the different branches of industry becomes the whole of society. This is the fascist solution.

Clearly this amounts to hardly more than a paraphrase of Marx's critique of corporativism written in 1841–2.

Community and Society. The Christian Criticism of our Social Order*

Why can the Marxian analysis of society be accepted by the Christian?

Because the Marxian concept of socialism and of society is essentially personal.

The Marxian definition of a Socialist society is that of a “human” society. In this context in the writings of Marx the term “human” means a mode of existence in which distinctively human motives prevail, i.e. relationships are direct, unmediated, personal. They have value for their own sake. (This definition of Socialism is contained in Marx, *Theses on Feuerbach*, 1845.)

The concept of society of Marx is that of the relationship of human beings. In this case the relationship is not, as a rule, personal. As often as not it is impersonal, it is merely factual, like the relationships between persons engaged in a productive process.

There is a relationship between the owner of a mill and the human beings operating the mill, a relationship which has an objective reality whether the persons are conscious of their relative positions or not.

In socialism society fulfils its own nature. The actual relationships of the human beings in it are such that their relationships can be “human”, i.e. personal.

* The Auxiliary Movement, *Notes from Christian Left Training Week-ends*, cyclo-styled sheet, 1937, KPA 21–2.

In religious terms the Marxist position can be expressed thus: the reality of society lies wherever the technological conditions produce a community of persons. Class society is a denial of community.

The limitations of Marxism as a philosophy

The reference of Marxist philosophy is to *society*. It regards community as the reality of society, but at the same time it limits the significance of community by *restricting it to the society*, but the personal field is not limited to society. *Human community is both immanent in, and transcendent of, society*. Society, as such, is irrelevant to the Christian. Communion is sharing of our person, but that which we share is not necessarily dependent on social organisation. The content of personal life is unlimited; art, nature, life, action and contemplation in known and unknown forms belong to its still unfathomed depths. Only in the interval of ages does personal community become linked with the organisation of society as a whole. When this happens, prophets arise to announce the fullness of time. It is with this exceptional period that the Marxist theory of revolution is concerned. From the religious point of view, it is an effort to define the link between historical time and “eternal” time. Its limitation lies in the fact that it knows of no other sphere of the realisation of community than the social and historical. Although “true human history begins with Socialism” there is nothing in Marxist philosophy to guide humanity onward once this stage of true history has been reached.

The Christian criticism of society

The Christian criticism of society refers to society as a whole. Both nationally and internationally, the extension of community is impeded by the actual institutional relationships between human beings under our present economic system. The trouble is not with the parts but with the whole. The denial of community lies in the refusal to change our social system as a whole, although such a change has become, materially, possible. It has become so, because we *could* use our means of producing material goods today communally without impairing the welfare of our fellows, thereby, indeed, probably even increasing it. This simple fact makes that which may have been morally neutral or indifferent, now a denial of common humanity. When liberal capitalism took hold of society, Christians, including

the orthodox, denounced it as patently inhuman. Impressed by the vast increase in production due to the system, they gradually subsided into toleration. Though the needs of material production no longer demand the maintenance of this system, Christians still fail to protest against its continuance, partly because the moral sensibility of the Church has been fatally impaired by the consistent toleration of the intolerable, partly because her material and financial interests have become inextricably interwoven with the present order of things.

Market economy

Liberal capitalism was a unique experiment. Under this system the production and distribution of material goods forms a separate and autonomous sphere within the body social. This sphere embodies the dual principles of competition and the private ownership of the means of production. It stands under the blind rule of the prices which are the result of the market mechanism. Thus all material goods or services come to have prices which are called by many different names, such as interest, rent, commodity price, wages, and so on. As all human and social ends depend for their achievement on material means, ultimately the blind forces which govern the means determine also the ends. Thus by the force of things, the means tend to rule over the ends. Grotesque perversions of common sense take on a semblance of rationality under the sway of what is supposed to be an economic law. A symbolic instance is the treatment of human labour as a commodity to be bought and sold, like cucumbers. That to this commodity a human being is attached is treated as an accidental feature of no substantial relevance. That by disposing of this commodity according to the law of the market a human being may be abused in such a way as to destroy the fabric of society, which is composed of him and his like, is a consideration beyond the scope of the system. The same holds true of all human and social values on which the existence of a society depends. Under liberal capitalism there is no organic means of safeguarding these values; they can only survive in spite of the system. The trouble is with the whole system. In capitalist society the economic system is being developed apart from the rest of society. The reabsorption of this system into society is the next step in the fulfilment of community in society. Liberalism has disintegrated society into separate economic, political, "religious", and other spheres. Their re-integration into a whole is the task of our time. It is this that presses upon us the further task of changing the economic system.

The limits of moral development

The cash nexus is a means of estrangement. The market acts like an invisible boundary isolating all individuals in their day to day activities, as producers and consumers. They produce for the market, they are supplied from the market. Beyond it they cannot reach, however eagerly they may wish to serve their fellows. Any attempt to be helpful on their part is instantly frustrated by the market mechanism. Giving your goods away at less than the market price will benefit somebody for a short time, but it would also drive your neighbour out of business, and finally ruin your own, with consequent loss of employment for those dependent on your factory or enterprise. Doing more than your due as a working man will make the conditions of work for your comrades worse. By refusing to spend on luxuries you will be throwing some people out of work, by refusing to save you will be doing the same to others. As long as you follow the rules of the market, buying at the lowest and selling at the highest price whatever you happen to be dealing in, you are comparatively safe. The damage you are doing to your fellows in order to serve your own interest is, then, unavoidable. The more completely, therefore, one discards the idea of serving one's fellows, the more successfully one can reduce one's responsibility for harm done to others. Under such a system, human beings are not allowed to be good, even though they may wish to be so.

Fetishisation

The market is the source of that unreality of human existence which is the characteristic of life in a capitalist society. Commodity values have a semblance of objective reality. Goods appear on, or disappear from, the market, are hoarded or become unsalable according to the relationship of the market price to their "value". The exchange value of the goods is, however, only a reflection of the relations between the human beings engaged in the production of the goods concerned. The man producing milk and the man producing boots are unconsciously working for one another. The exchange value of their produce is a reflection of the conditions under which they carry on their separate works. Under definite conditions the boots and the milk will exchange in the relation of the hours of labour needed to produce them respectively. The mysterious process which crystallises the personal and subjective relation of the producers into a semblance

of an objective entity as, for example, commodity value, interest rate, capital, and so on, is called by Marx fetishisation. The term is derived from an analogy with a phenomenon in primitive religion. The unconscious process of introjection, by which a worshipper of a stone or a tree invests the dead object with the miraculous qualities of the spirit which is supposed to inhabit that object, presents a close analogy to the way in which useful things are exalted to the rank of commodities in the capitalist system, and are consequently credited with a value residing in the goods themselves, very much as the spirit of the tree or stone is supposed to reside in the fetish.

The Capital fetish

Of all fetishes the fetish of Capital is the most disastrous to the emancipation of mankind. Past labour assumes in the shape of Capital a semblance of independent existence, and poses as the third original factor of production alongside of Man and Nature. Obviously, nothing of the kind is the case. Capital is merely the result of man and nature's inter-action; its amount can be deliberately increased, it can be produced at will. Though it is rightly regarded as one of the important factors of production it is in no way an original factor like man and nature. That under capitalism this derivative factor appears as the main factor on the presence and amount of which the effectiveness of man and nature depend, is the result of a process of fetishisation that is ultimately due to the private ownership of the means of production. But for private ownership of the means of production, Capital would be regarded as what in reality it is, namely, tools, machinery, plant, hoarded goods, the outcome of past labour that is being used by present live labour in the process of producing consumer's goods.

Class society

Private ownership of the means of production implies the responsibility of one set of people (the owners) for the use to which tool and machinery must be put in order to safe-guard productions; at the same time it implies the existence of another set of people (the workers) who neither have, nor can have, any say in the matter and who have, accordingly, no responsibility in it. The justification of such a system can be found in the necessities of a technological situation in which the means of production cannot be used in any other

fashion. At the beginning of the industrial age such a condition of affairs was given. Since that time, however, the position has changed. Machinery can be used today by the community as a whole. The class division has become unjustified, from the point of view of the productive needs of society, and its retention, therefore, turns into a denial of community. As long as unemployment, unequal incomes, inequality of opportunity, were the unavoidable accessories of an economic system which was in other ways justified, they were regarded as the price paid for the progress and the rising material welfare of the community. Since they have become avoidable, they have become indefensible, a stark denial of common humanity. Malnutrition for some amidst the affluence of others, unforced idleness for some amidst the voluntary idleness of the leisured few, lack of opportunity for education and training for some alongside the monopoly of an expensive class education for others, become equivalent to deliberate wrong-doing and crime. It is on account of this denial of community that our society is in process of being destroyed.

The next step

The next step is a transformation of society through a change in the economic system. The private ownership of the means of production must be abolished, and the means of production must be owned by the community. Our society would then cease to be divided into economic classes; its unity would be accomplished. Our society can be saved from destruction in war and civil war *in no other way*. It is easy to show that the international organisation of the life of mankind cannot be accomplished by our national communities which are communities only in name. As long as part only of the people have any responsibility in the productive system, the other part being excluded from such responsibility, the whole must lack the will and power to proceed to the massive economic adjustments needed to make an international community possible today. The ultimate reason for the helpless drift of the world towards destruction is the denial of community within the nations expressed in the retention of the capitalist system.

Marxist economics and the labour theory of value

Marx started from an anthropological concept of the nature of man. Both his philosophy of history and his philosophy of society are

constituent parts of his anthropology. Such an approach was incompatible with the acceptance of sociology as an independent science. What, with Marx, appears as sociology, is but the application of his anthropological principles to the field of society. His main theorem in this sphere of knowledge is the so-called materialistic interpretation of history (so-called because it is not materialistic in the philosophical sense, merely in the sense of allowing full weight to the factor of production in the compass of social phenomena).

Marx's theory of Capitalism was an instance of the application of the materialistic interpretation of history. What he aimed at was not the theory of an economic system, but a key to a society. This key he was convinced he had found in the economic system pertaining to our society. His description of the economic system was first and foremost relevant from this point of view. As a theory of actual economics it does not take us far, as a theory of prices it is insufficient. It is of great scientific value in two other respects.

- 1) The trends and tendencies of Capitalism were forecast by Marx with the most surprising accuracy; viz., the accumulation of capital, centralisation of production, recurrent trade depressions, the contradictions inherent in liberal capitalism, both nationally and internationally.
- 2) The predominant forms of consciousness in our time were shown to be the inevitable results of the private ownership of the means of production under modern conditions (fetishisation, the self-estrangement of man, the pseudo-reality of economic objectifications like commodity value, capital, etc.).

Natural and historical laws

Marx describes the economic process as a process between: 1) Man and Nature; 2) Man and Man. The first is a timeless phenomenon present wherever labour and nature inter-act in order to meet human needs; the latter is a historical phenomenon reflecting the given organisation of society, i.e. the actual relationships of the human beings taking part in production. Accordingly the *natural elements* of economics are labour, raw materials, tools, human needs, and so on. In our present society these take on the *historical* (i.e. transitional) *forms* of wage labour, capital, demand, purchasing power, and so on. While in a Socialist economy the natural elements would still be present, they would be divested of their capitalist form and appear in their true shape appertaining to man and nature. Thus man would rid

himself of the pseudo-realities which limit his life at present, and would enter a state of freedom in which his relationship to his fellows would no longer be falsified by illusory elements.

The role of classes

Marx's theory of the class war is usually misrepresented as contending that the economic interest of classes is the ultimate driving force in history, and that, accordingly, the explanation of historical progress must be found in the sectional interests of economic classes. Obviously such a theory would leave that unexplained which is mainly in need of explanation, i.e. why in some cases some, in other cases another, class succeeds in taking the lead in social transformation. Unless the theory provides us with an answer to this question, there is nothing to connect class interests with progress. In fact the Marxist theory asserts that the interests of society as a whole are the decisive factors in history; that these interests coincide with the best use of the means of production; that, therefore, that class is destined to lead society which can safeguard the best method of production; that in case of change in the methods of production a new class may be fitted to take the lead if a change in the system of production is also in its economic interest: the interests of this class will then represent the direction in which society as a whole must be moving if economic progress is not to be artificially checked.

In other words, not class, but the interest of society as a whole, is the ultimate agent in social history; class is effective only if and when it represents the spearhead of evolution. It was the historical mission of the middle classes to introduce the capitalist method of production under which the productive forces of mankind and the standard of individual freedom and liberty were raised far beyond the feudal level, though the economic organization of society which was involved in this transformation resulted in an almost intolerable deterioration in community life. It is the historical mission of the industrial working classes to lead society on to another transformation. The means of production which forced capitalism on mankind are calling for a socialist organisation of economic life today. The interests of the working class single them out as the group which alone can perform this mission. For of all classes in society their interests alone would not suffer by such a change. When the time comes for the inevitable change, the other classes in society will look towards them for a lead. The communal ownership of the means of production will usher in a classless society. Not on account of the force of its interests or the

strength of its organisation, but on account of the need of mankind as a whole must and will the working classes fulfil their historical mission, and it is on account of this need that others will support them to assure their ultimate victory.

No perfect society

In this as in other cases, Marxist Socialism silently assumes that society can be perfect. Such an assumption is foreign to the Christian. State and Society are by their very nature imperfect. Community transcends society. Not because man is evil, but because society is necessarily imperfect, no society can be the realisation of community. Power and value are inherent in society; political and economic coercion belong to any and every form of human co-operation. It is part of the ineluctable alternative of human existence that we can choose only between different kinds of power, and different uses to which to put it, but we cannot choose *not* to originate power or *not* to influence its use once it has been created. Public opinion, for example, is power yet nobody can exclude himself from participating in it. Whatever one's views may be, there is always a possibility that some one will agree with them. By doing so he will refer to us as a factor in public opinion. Thus, whether we wish it or not, we shall have been originating power. The same necessity holds good in the sphere of *value*. Whatever our needs, we cannot help valuing some goods more than others. By doing so we inevitably depreciate those aspects of life that are dependent on the value of those goods or services. Yet we can only choose between valuing different kinds of things or, eventually, going without them; we cannot choose to refrain from a decision even though it be negative. The ideal society is that which makes fully responsible human existence conceivable by throwing the responsibility of our choice on ourselves and, where no choice is possible, by allowing us to shoulder consciously the inevitable burden of our responsibility for coercing and interfering with the lives of our fellows.

The measure or true freedom is the measure in which we are free to choose where choice is possible. Where and when it is not, to take our share in the common evil. There is no contracting out of society. But where the limits of the socially possible are reached, community unfolds to us its transcending reality. It is to this realm of community beyond society that man yearns to travel.

But personality only begins where recognized debts are discharged. Under capitalism it is impossible to do this; neither the measure nor

the fashion of our indebtedness to others can be seen or understood. Under Socialism, the increasing transparency of society allows us to pay our way. By doing so we pass beyond society; we reach the sphere of the personal. The independent individual of liberal capitalism is independent only because he is unconscious of his dependence; yet he is unconscious of it only for the lack of moral sensibility which allows him to disregard the social effects of his individual actions and omissions. He who wishes to be truly independent must first shoulder the burden of dependence in order to build a society in which it is possible to be really and truly independent. Such independence is not to be achieved by not knowing, or disregarding, our indebtedness to others; it can be achieved only by liberating ourselves from social bondage by paying off debts. He also is misguided, who falsely believes that he can realize perfection by meeting with his fellows in love and fellowship. In doing so he is hiding from the call of true community which is beyond the boundaries of our present society. So-called community for community's sake is a poisonous beverage that makes us dream of the things it prevents us from achieving. Community for universal community's sake is the only fellowship today that is not a denial of fellowship. Both the temptation of the perfect society (in the future) and of the perfect community (in the present) must be resisted for universal community's sake.

Christianity and Economic Life*

Community and society

Christianity is concerned with the relationship of man to God as revealed to us in Jesus. Economic life, roughly, covers that sphere of social existence, in which man's needs are satisfied with the help of material goods. What is the relevance of Christianity to this or, for that matter, to any other sphere of man's social existence?

The answer which we can deduce from the Gospels is peculiar to Christianity. It is also the key to the predominance of ethics in its social philosophy.

The Christian axiom about the essence of society is of the utmost boldness and paradox. It can be put in the simple phrase that society is a personal relationship of individuals. Now, to regard society thus means to disregard altogether the share of institutional life and of other impersonal forces in social existence. In a sense it is the complete denial of the objective existence of society. A tension is created between the phenomenal and the essential aspect of man's social existence – a metaphysical hiatus which in Christianity is bridged by a definite ethical urge. It is our *task* to make society conform to its essence. Christian social philosophy becomes the elaboration of an ethical axiom.

This position is the outcome of the Jewish inheritance of Christianity. Jewish society was a theocracy. Down to the most minute detail

* Ms., 1937, KPA 19–22.

of its structure and functioning it was supposed to conform to the revealed will of God. Jesus accepted this reference of the will of God to society as self-evident. But his vision of society was different from the Jewish. For him society consisted essentially of individual human beings and the will of God was concerned with the relation of these individuals to one another.

The teachings of Jesus as well as the doctrines of the Church are, in this respect, merely reassertions and clarifications of a basic relationship between human individuals. The doctrine of love, of brotherhood, of the fatherhood of God, are parts of a definition of this kind of relationship between human beings which belongs to the essence of society.

No word in the English language seems to designate unambiguously this aspect of social existence. The nearest approach to it is community in the sense of an affirmative personal relationship of human individuals, i.e. of a relationship which is direct, unmediated, significant for its own sake, "a personal response to a demand of persons". Community is, therefore, for us, *not* synonymous with society. Indeed, the dialectic of the relation in which they stand to one another is the key to the social ethics of Christianity.

Two negative assertions seem to follow from this position.

- 1) *Society* as such, as an aggregate of functional institutions conditioned by geophysical, technological and other environmental factors is no concern of the Christian. His concern is with the individual in community, not with society.
- 2) Neither is *history* as such his concern. The wars of races and nations, the pestilences and earthquakes ravaging mankind, the spectacular making and unmaking of the fortunes of individuals and groups of individuals mean in themselves nothing to him. Yet, interwoven with, and embedded in, them is that which is his concern, the fulfilment of community.

On the other hand, according to the Gospel, community between human beings cannot exist apart from actual society. According to the parable of the Good Samaritan, community between persons consists in actual material sharing, not in the mere ideal sharing of common traditions and creeds. According to numerous other parables, community, to be real, must be continuous. It is this continuous actual sharing of life in its entirety which makes the Christian concept of community coextensive with society, i.e. with the permanent form of the material organization of human life. In the same manner, it is

as an obstruction to, or a vehicle of, the fulfilment of community that history alone matters to the Christian.

Incidentally, this explains the Christian paradox. Christianity is indifferent towards society and history as such. But if the claims of community press for change in society, the judgment passed upon society is inexorable. And when history points to the next step in the achievement of universal community, its claim to the allegiance of the Christian is unconditional.

The environmental factor in its relation to community and society

Thus, in order to discover our actual relationship to God we must try to understand the relation of community to society in a given time and place. All knowledge about society derives its relevance to the Christian from the light it sheds on this point.

Community consists in a definite personal relationship of individuals. In the main they are the same for particular groups of person in a particular society, the technologically conditioned relationships, such as the economic being necessarily identical for all members of the group. Indeed these relationships are, to some extent, the same for all members of a given society, whatever their relative positions in it be. To this extent no single individual can escape the responsibility for the continued existence of the particular society of which he is a member.

In a primitive society such as ancient Jewry the position is fairly simple. The old Jewish laws defined the kind of society that God wanted his chosen people to live in. If they disobeyed the laws it was not difficult to see, where and to what extent they had strayed from the path. Even in medieval society it was possible to refer actual human relationships to the will of God working towards the establishment of a universal community; also, here again, as with the Jews, the whole of society was justified by its positive reference to the will of God. It is in our present competitive industrial order that it has become almost impossible to trace individual relations through the indirect channels in society, or to refer the whole society in a final manner to the will of God.

The call for a "Christian Sociology" arises ultimately out of these conditions. Its concern is with the achievement of community in society in terms of human relationships. Is an ordered knowledge of social facts possible in modern civilization which would help us to define actual human relationships in such a manner as to enable us

to judge how far our social organization is meeting the claims of community in a given time and place? This is the question.

The dialectic of the relationship between community and society must necessarily bear reference to the environmental factor, i.e. to the geophysical, technological, psycho-physiological and other accessories of permanent human groupings. Much of the actual structure of society is determined by this factor. It affects man as a physical being subject to the laws of mechanical causation; it affects him also as an animal being subject to the psychological and physiological laws of organic life. The urge towards community must seek expression inside the limits set by these laws, which determine the measure in which social organization can, under given environmental conditions, be based on direct personal relationships as against indirect and functional ones; the manner, in which the love and the fear motive combine in closing the group externally. The abstract ethic of community is transformed into the concrete ethics of a definite time and place.

But, how can we discover whether a move towards community is or is not warranted by man's environment? And is it possible to point out that aspect of social existence which, in a given time and place, represents the immediate obstacle to such a move?

Marxism on community and society

At this point Marxism must be regarded as an outstanding contribution to so-called "Christian Sociology", insofar as it takes its task seriously.

Almost exactly a hundred years ago Karl Marx started on his career as a philosopher with an unpublished work called "Kleanthes" (1836) which he himself described as "A philosophical and dialectical treatise on the nature of Divinity", and its manifestations as pure Idea, as Religion, as Nature, and as History." Although Marx destroyed the manuscript, it can be hardly doubtful that it was the natural starting-point of all his later work. The recently discovered brilliant manuscript of "Nationalökonomie und Philosophie" (another work not deemed worthy of publication by Marx) proves that anthropology was the background of Marxian philosophy. Marx's economics were, in fact, an application of his sociology to a special aspect of capitalist society, while his sociology itself was merely a part of his anthropology.

For the theologian, Marxism is essentially an effort to determine the actual relationship of mankind to God. Its preoccupation is with

the definition of that which Christians call the “fullness of time”. It is an attempt to relate human time to eternal “time”.

According to Marx, the history of human society is a process of the self-realization of the true nature of man. In our present society the urge of our nature towards direct, personal i.e. human relationships is being thwarted. For the means of production are today the property of isolated individuals. In spite of the division of labour obtaining in society, the every day process of material production does not link up the producers in a conscious common activity, but keeps them apart from one another. *Economic life is separated from the rest of life* – it is an autonomous part of social existence, governed by its own automatism. Such a condition of things might have been morally indifferent as long as the material means of production could not be used or developed in any other fashion. But once technological and other environmental changes in the economic sphere permitted the ownership and use of the machines by society as a whole, the environmental precondition of a move towards a fuller realization of community was given and social ethics demanded a change in the property system.

The materialistic interpretation of history is an attempt to relate human time to eternal time, i.e. definite phases of history to the infinity of human evolution. This is achieved through the introduction of the principle of adequacy [or] inadequacy of the social system in relation to the environmental factor. According to Marx a social system is adequate if it safeguards the fullest use of the means of production available, while allowing human beings the highest self-realisation possible.

The immediate obstacle to a fuller realisation of community lies therefore, at the present stage, in the economic sphere.

The implications of this proposition from the Christian point of view cannot, however, be completely understood without some further clarification of Marxist views of the nature of the economic order.

Historical categories in economics

The economic process, according to Marx, has a dual character. It is process between man and Nature, and between man and man.

The main economic process is production. In the course of this process by which mankind secures its material existence in interaction with Nature, definite relationships between man and man i.e. between the individual members of society are established.

Accordingly, the two original factors of production are man and Nature (or: Labour and Land).

- 1) *Labour*. In the process of production man and Nature interact. Labour is the action of man in this process.
- 2) *Nature*. Dependence upon Nature is another permanent feature of human life. Nature determines the physical wants and needs of man; the amount of goods procurable by unarmed labour; the alternative uses to which materials can be put; the rate at which raw materials can be extracted – in a word all that in the production of wealth which is due to the environment in which man's needs arise and press for their satisfaction.

Economic laws and phenomena proper are those deriving from man's relation to Nature. These are, indeed, "natural" and "timeless" in contrast to the merely historical laws and phenomena. The latter are an expression of the definite relations of man to man, i.e. of the actual organisation of economic life in a given time and place.

Thus we arrive at two series of laws and phenomena:

The one: Human labour; human wants and needs; raw materials and goods, tools, plants and machines (or capital). They are economic phenomena proper obtaining at all times and places.

The other: Demand, supply, purchasing power, income, money, wage earning, profits, interest, rent, Capital (with a C) are historical categories characteristic of our present economic system.

The distinction is of general validity. It is of special importance when dealing with the term "capital" in its two different meanings.

Capital proper is only another name for machinery, tools, plant or accumulated resources which are the precondition of production of almost any kind. In this sense capital is a "natural" and "timeless" category of economics.

Capital (with a C) as a fund of money value the ownership of which is a source of income, is a historical phenomenon obtaining only under a definite organization of economic life. Ultimately it is the outcome of the system of private ownership of the tools, plant, machinery and other means of production i.e. *of capital proper*.

In short, capital as a means of production is an economic category proper. Capital as a source of income is a historical category, i.e. it is part of a transient economic order.

But it is precisely as a historical category that capital assumes a dignity which is not its due i.e. that of an *original* factor of production alongside of Man and Nature.

The semblance of the independent existence of capital is not, however, the only semblance of an objective reality that we encounter in our present society in the economic sphere. The objective or exchange value of commodities is an instance. Indeed the very commodity character of goods under our present economic system is only another result of the working of that subtle process for which Marx coined the term of “fetishisation”.

The fetish character of commodities

What exactly did Marx mean by the term fetishisation? And in what manner do the categories of exchange value, Capital and so on result from the workings of this mysterious process?

The theory of the fetish character of commodities is rightly regarded as the key to Marx’s analysis of capitalist society. It is, in fact, another outcome of Marx’s basic distinction between economics as a relation between man and Nature and economics as a relation between man and man.

In dealing with the problem of price, Ricardian economics was brought up against the question of the origin of objective or exchange value in commodities. Commodities are goods produced for sale on the market. Their value seems inseparable from them. They sell at a price more or less determined by their value, they are exchanged for other commodities in proportion to their relative values, they disappear from the market when prices fall below their value, they reappear again when prices rise – in a word, they come and go, change hands, remain on stock, or are consumed, according to their objective or exchange value. Thus the movements of the commodities on the market appear to be governed by a force (their value) which resides in the commodities themselves as if these objects were endowed with a secret life or spirit of their own which makes them act according to its will.

Of course, this is no more than a semblance. Like the stone or tree into which the savage projects his own spirit turning thereby the lifeless object into a superstitiously revered fetish, the goods produced for the market “possess an exchange value” as a result of a similar process of unconscious introjection. What appears to us as the objective exchange value of the goods, is, in reality, merely a reflection of the mutual relationship of the human beings engaged in production

of the goods. Though the producers of boots or milk respectively are unaware of carrying on their production for one another, the relative exchange values of the boots and of the milk are the outcome of their relationship as producers, more especially in reference to the amount expended on producing these goods. Thus, in capitalism producers are determining the prices “behind their own backs”. Unconsciously, they are the originators of a process upon the result of which their own economic existence depends. Commodities are things ruling over their own creators. Still, when and where production for the market is the rule, the fetish character of commodities is inevitable.

What is Capital?

Now let us return to Marx’s inquiry into the nature of Capital.

Under the present economic system, Capital is the dominant factor in economic life. The flow of Capital determines the conditions of the creation of wealth. Labour without the help of Capital is incapable of producing almost anything. The ownership of Capital is a source of income. This income derives obviously from the “productivity” of the Capital owned. Whether Capital takes the form of plant or raw materials or the abstract form of money and securities, it is the principal agency in economic life. Not only Labour but Nature herself seem barren without the Capital necessary to gain access to her treasures and to make them available to the industrial community. It is the scarcity of Capital which prevents potentially rich countries from developing their natural wealth in spite of the abundant labour power at their disposal. If there is one concept firmly established in middle class thinking it is that of Capital as a primary factor of production.

In view of the Marxian analysis of the pseudo-reality of historical economic categories the illusionary character of this concept of Capital is obvious. A glance at society as a whole is enough to destroy the superficial notion of capital as a primary factor of production alongside of nature and human labour. For the tools, raw materials, machines or food supplies called capital (whether conceived of their actual reality or represented by the purchasing power necessary to acquire them) are no more than different combinations of the two actual primary factors, human Labour and Nature – the result of the interaction of these.

The illusion that Capital is a primary factor of production is due to the social organization of economic life under our present order. This point is of the utmost importance. The private ownership of the machines implies that the owners of the machine appropriate the

result of the work done with the help of the machine. Not the worker but the machine appears as the procreator of the wealth produced with the help of the machine. Moreover, the productivity services of the tools are attributed not to the instruments themselves but to their owners, whose willingness to supply them is essential in securing their participation in production. Ultimately, the creation of the product is credited to the owner of the machine. The income derived from the mere ownership of the machine can be thus explained (and justified) as a result of the productive functions of ownership. From here it is only a step to regard money as productive on account of the machine and other means of production that can be procured by its help.

The series of imputations is an outcome of the false perspective created by the distortion of economic phenomena proper in a society where the means of production are owned privately. It is this false perspective which accounts for the common acceptance of the fetish-concept of Capital under our present economic system.

Of all practical conclusions drawn from this fantastic concept of Capital one of the most important is the inference that the solution of the social question lies in the cooperation of Labour and Capital are on equal footing. Such a cooperation is regarded almost as the outcome of a natural law which makes them joint partners in the task of production. Under the wages system this is indeed a truism. For nothing could be more “natural” than that the two parties to a contract should have an equal standing and should collaborate with one another as equals.

From the Christian point of view the notion of parity between Capital and Labour is a fantastic misconception. It means the equation of humanity with a fetish. Labour is human and personal, Capital is Labour, self-estranged. Labour represents an aggregate of human beings; Capital is merely their distorted reflection. Its separate existence is a semblance which derives from the system of private property. Where the means of production are not in private hands, neither does there exist Capital as opposed to Labour – the only valid distinction is between present Labour and past Labour, Labour spent on consumers’ goods and Labour spent on producers’ goods. The equation of Labour and Capital by Christian thinkers is worse than a misunderstanding – it is a proof of the lack of any serious effort on their part to gauge the spiritual nature of modern economics. The persistent reiteration in the resolutions of the various oecumenical conferences of the suggestion of cooperation between Labour and Capital on a basis of parity as the solution of the social problem must be regarded not only as an outstanding example of the failure of representative Christian gatherings to formulate in adequate terms

what is the greatest social problem of our time but also as a symptom of a fateful decline of common religious sensibility.

The abolishment of the private ownership of the means of production

We can appreciate now more accurately the meaning of the Marxian proposition that at present the immediate obstacle to the self-realisation of man in society lies in the economic sphere.

In view of the double dependence of the individual for his material existence on Nature and on his fellows, the important role of the means of production in determining the possible relationships of human beings to one another is apparent. The sharing of material existence is part of human community. The achievement of community cannot, therefore, be independent of the conditions of material existence. These inevitably enter into the determination of the adequacy or inadequacy of the actual organisation of society, whether political or economic proper.

It is this economic organisation of society proper which, according to Marx, forms the immediate obstacle to the fulfilment of community at the present state of development.

The economic organisation of society is based today on the private ownership of the means of production. This has come about by the introduction of machinery into a system of production which was adapted to meet the demand of ever widening markets. Competitive machine production destroyed the imperfect community, the “democracies of unfreedom”, of the Middle ages, but failed to create new community, a democracy of freedom.

[Appendix]

Draft Statement by a Christian Left Group¹

Human consciousness is being reformed in our epoch.

Man's consciousness of self was born out the recognition of death. His consciousness was reformed by the discovery of the true nature of man – that life is personal and free. In our time the form of man's consciousness is being changed by the recognition of society.

Society is inescapable. We cannot help living our lives at the expense of others. Man in society is, though unwittingly, generating power, and is thereby coercing other men. He cannot contract out of

it. Even public opinion is itself a form of power to which each man contributes whether he likes it or not. There is no withdrawal from society except in imagination. Freedom from society is gained at the moral expense of disowning our debts to others. In the very attempt to safeguard personality we lose its content.

Like the knowledge of death, so the knowledge of society is final; by it we grow mature. That freedom which we lose by the recognition of society is illusory; the freedom we gain is valid. In the acceptance of our loss, in the insistence on the fulfilment of our nature in and through society; in the certainty of ultimate attainment, our consciousness is being re-grounded in reality.

The discovery of the personal nature of life and of the ultimate freedom of the individual is linked in the Gospels with the denial of the need for compulsion and coercion. Human beings are there regarded as a community of persons needing neither law nor organisation, and rejecting both for the sake of community; nobody rules; it is a state of ideal anarchy. Community transcends society, which is at best tolerated.

Still, the Gospels insisted on social and economic justice, on the transformation of social institutions. Community, to be real, must both transcend society and transform it. Even the comparatively simple society of the times could not be ignored.

Under a complex division of labour, embracing greater and greater numbers, society is "destiny unshunnable, like death."² The idealist community of the anarchist does not overcome society in reality but merely in imagination.

To the new consciousness the condition of man under capitalism appears for what it is – a state of self-estrangement. By being estranged from other men, man is estranged from himself. The socialist transformation is recognised as the only means by which self-estrangement can be overcome, and personal life re-claimed in a complex society.

In the cataclysm of our time it is Christianity that is destroying this civilization and bringing in a new one. The Christian force in history is asserting its creative nature by annihilating an order of things which is attempting to negate that force. We find ourselves sure of Christianity and not anxious for its future; our sole concern is for the future of the working-class movement, the chief instrument of the transformation.

IV

The Great Transformation, Political Philosophy and Democracy

Jean-Jacques Rousseau, or Is a Free Society Possible?*

1.

Opposite interpretations of the paradox of freedom divide our world in two. They represent the horns of the Rousseauian dilemma – the individualistic and the totalitarian. Traditionally, they are summed up as the two meanings of democracy: liberty and equality.

But Rousseau's proposition was more than a paradox in the treacherous field of political philosophy. There was a substantive content to his system which transcended its formal limitations. This will become apparent through a mere logical analysis of his terms, necessary though this be for a full comprehension. For tacitly underlying all his conceptions was the vision of a new hero whose accession he took for granted not only in the field of politics, but – a thing never before conceived of – also in the realm of life and culture. This hero was the people, validated as the representative of mankind. He acclaimed the people as the bearer of all human values: He pleaded for a popular culture, a civilization expressive of the actual life of the people. He had found in the people the fount of the collective life – its emotional, imaginative and religious mainspring. This also meant with him the rejection of emotional, imaginative and religious values that could not be shared by the people. He set up the people as the measure, and intended it to be as such. A culture apart from the people, a civilization vested in the few was to him a contradiction

* Ms., n.d. (but 1953), KPA 18–24.

in terms. The life which he idealized was to be a life lived by the people.

Though never explicitly stated, this vision was a corollary to the Social Contract. It may yet to be found to lessen the gap between the seemingly incompatible implications of Rousseauian democracy. Within a popular culture – an entity to which we all contribute – liberty and equality may be principles not quite so antagonistic as they must seem in pure logic. To this point we will return in the end.

Admittedly, the modest cantonal scale of the Swiss background allowed Rousseau to borrow solutions from the ancient *polis* that were hardly suitable to the dimensions of the modern world. Here phenomena of mass existence prevail which are replete with *sui generis* perils. Moreover, the conditions of an industrial civilization give rise to unprecedented pressures towards conformity. Helpless millions depend hourly for water, light and peace on a switch in an unknown hand. A nameless and shapeless fear makes them insist on the need for limitless power in society. A voodoo of latent panic causes that they themselves enforce a deadening uniformity of views and opinions as the road to salvation. These anxious questions, the nightmare of our days, were still outside Rousseau's purview of the problem of freedom. Yet the fundamental dilemma has been set out by him in a manner that can not be lightly challenged by any one. We will re-state it in the light of our own time in which a popular culture is actually coming of age. We will do so in slightly modernised terms, plainly identifying the General Will with the survival of the group as such. It will then appear that the manner in which naturalistic factors are combined by him with realistically treated normative ones may point to still unexplored lines of study of the body politic.

The paradox of freedom in society has not been resolved by Rousseau, though he provided modern ethics with the master formula of the autonomy of the personality. But more important than all, he became the prophet of a popular culture, outside of which, in the convictions of the day, no free society is possible.

The totalitarian component of society derives from the naturalistic law of survival. This runs:

Every human society behaves in such a fashion as to ensure its survival, irrespective of the will of the individuals composing it.

The individualistic component of society derives from the normative principle of natural law. This runs:

Every free or legitimate society bases its behaviour on the wills of the persons constituting it.

This poses a basic problem of political science: Is a free or legitimate society possible?

Neither of the two postulates can be invalidated. The first is borrowed from the general science of society. It is universally regarded as the starting point for the understanding of the behaviour of social bodies or groups as such. The second postulate is one that political science must incorporate; in relinquishing it, it would give up its claim to deal with the principles of political right and the sources of political obligation.

The question was first raised by the Greek philosophers. Their answer was the theory of the *polis*. But by admitting slavery and by depriving menial occupations of equal status the polis avoided the crux of the problem.

After the great intermezzo of the Church world which knew neither city nor state outside of the Christian Commonwealth, Rousseau was the first to put again the problem of the polis, this time in the fullness of its import. For the Church world had disappeared as an actuality and had become no more than a literary recollection; and Rousseau was not, like Plato and Aristotle, a member of a slave society, when he asked himself the question. Therefore he was confronted by the two postulates in all their rigour: the principle of survival and the principle of freedom.

His answer echoes the realism of the ancients. The form of government in the state must conform to the geographical and other objectively given conditions. Unless it does, the community can not survive. The customs and habits, the manners and morals of the population must be correspondingly adjusted. Unless they are, individuals can not be expected to will that which makes the community survive.

If there is, then, no "best form of government"; no spontaneous spontaneity, no natural freedom which can make a society survive. Human society is an artifact, though of an art natural to man. Freedom is possible only if the dispositions of the people are such that they will spontaneously work their institutions in such a way as to allow society to survive. This demands that education can be provided by the community, and that all the moral and psychological influences emanating from the community should tend to evoke such a disposition in the people.

With this answer Rousseau reached the highest point yet attained by political science. Or rather, with these theses he may have anticipated still unattained levels of its development.

2.

First among the moral problems of free society stands that of the double quality of every individual in society.

In a free society, by definition, the people are the sovereign. They are the ruler. That which serves the survival of the people is right. Every member of the community is part of that ruling body. As a member of that ruling body – in modern times: as a voter – no other will is possible to any person than to will the survival of the community. This defines one aspect of the individual's situation.

At the same time every individual is also ruled; he is subject to the law. As subject to the law, it is he who will have to work, say, serve, fight. This is the other aspect of his position. How shall he vote?

He votes as a member of the ruling body, the body that lays down the law; he does not vote as a private individual, subject to the law. Once he has understood this fact, he has grasped the meaning of the question he is expected to answer. Assuming the issue to be war or peace, the question is, whether he as a ruler believes war or peace to be preferable in the interest of the country. It is not whether he as a particular person wishes to take part in war. His physical survival, in some cases even the integrity of this moral personality would require that he do not. Yet as long as he himself believes that war would serve the common good better at this juncture, he would lie if he cast his vote against war. For the voter there is no dilemma, the moral problem is resolved.

The will to survive Rousseau calls the General Will (which, of course, it is); the particular wills of the individuals he calls the Will of All. If the voters are well informed on the issue they will be found to will very nearly the same and proclaim the General Will, whether it be peace or war.

We have reached the conclusion that as long as the individuals express their own particular will, and are informed, in a free society the Will of All must come fairly close to the General Will.

In Rousseau's words (Book II, Ch.3),

If, when the people, being furnished with the adequate information, held its deliberations, the citizens had no communication with one another, the grand total of the small differences would always give the general will, and the decision always be good.

3.

Obviously, an important problem arises. The Will of All will often not coincide with the General Will. A minority will vote differently from the majority. How does this affect political obligations?

Rousseau's answer is consistent. Only if every individual votes as an isolated independent person, will it be true that the common denominator of their particular wishes will tend to eliminate small differences and produce the General Will. Chance divergences will cancel out and the common interest will prevail. But if the persons have coagulated into factions, groups, parties, "interests", then they are not voting any more as isolated individuals. Instead, they have developed group loyalties. They have small General Will of their own group. The number of voters is now really only as great as the number of the factions of groups. There is no reason any more to suppose that the differences will cancel out, and the Will of All approximate the General Will. Rousseau, therefore, deprecates the forming of pressure groups in a free society. Fathering it on him, the French Revolution, in 1789 dissolved all corporations; in 1791 membership in trade unions was made punishable by law.

4.

However, even in the absence of pressure groups which represent sectional interests, views need not agree. Unanimity is not the rule, even if informed individuals vote each for themselves, as isolated persons. Actually, Rousseau argues merely, that the vote will *demonstrate* the General Will, the will of the majority serving as an indicator. Those who have voted for the law are only conforming to what they themselves decreed and are, therefore, free. But in what sense is the member of the community free who has not voted for the law?

The answer is supplied by a fundamental consideration based on the meaning of freedom implied above. The opposite of freedom is slavery, the condition of being forced or compelled by an alien will. He who obeys a law which he has himself ordained, is free. In following the rules of the game of baseball, in following the rules of a college we have joined, in following the laws of our country to which we adhere, in following the principles which we embodied in our personality we are free. This is the meaning of moral liberty, as Kant deduced from Rousseau, and as no sound person would doubt. He

who imagines that he is free, when he is free only to do “what he likes”, has never yet wished to do what is worth while, else he would know that he can not, then, do as he likes.

I have digressed into a discussion of personal morality, where after all freedom can be defined on different levels like physical freedom or financial independence. In regard to society no other freedom than moral freedom is meaningful. Neither the liberty of the wild ass in the desert, nor the liberty of the freebooter on the high seas, nor the liberty of the small or big racketeer in the interstices of society has anything to do with freedom in society. They are free from the law, which is either absent, or is not such as to hinder or hamper them; they are not free under the law. They are free because they are outside society, not free through society; they have liberty apart from society not in society. They may have a romantic, a psychological, or commercial appeal to an immature imagination; morally their freedom is of no value: it is irrelevant.

Even the problem of private enterprise has nothing to do with moral freedom. John Stuart Mill in his essay *On Liberty* – the *locus classicus* of liberalism – laid it down that however strongly one may believe (as he himself did at that time) in free enterprise on its merits, one should not confuse free enterprise with a free society; it has no bearing on freedom, what form of trading a people believe in. And trade – as Mill used the term here – emphatically included the organization of industry.

Now let us return to our question: In what ways is an individual free in obeying a law he has not voted for?

The answer is provided by the device of the social life. Every member of the state is a member of the Sovereign people, and also a member of the subject body. He is ruler and ruled; he is governor and governed. This is meant by the social tie which is the source of all political obligation. “Each of us puts his person and all his power in common under the supreme direction of the general will, and, in our cooperative capacity, we receive each member as an indivisible part of the whole” (Book I, Ch. 6).

In concrete terms: If the slightest part of the territory of our country is attacked, if the most modest man’s property is threatened by enemy action, all the people of the country will in all their might rush to the support of that single man.

The social tie is the formula which describes the double role of each adult citizen, as pledging his everything to the support of all, and receiving the same pledge from all, in exchange. To talk about a social Contract or Compact from which that tie originated does not mean that human beings ever actually existed outside society,

and that society was founded by their coming together one day and deciding out of the plenitude of their wills that such a thing as society should exist. Of such naiveté Rousseau was innocent. He used the construct Social Compact or Social Contract as any scientist would use a hypothesis – and said so – merely in order to explain the facts. What the Social Compact device does for us is not to explain how society was created – Rousseau confesses he does not know – but what it is actually like. It does not show the origins of the thing, but he describes it as it is. It answers the chief question, in what situation does a person in a free society find himself? The device of the Social Compact serves that purpose perfectly.

The chief characteristic of the social tie is its comprehensiveness: it is total. Man who was a concrete and whole person before he entered the contract, enters society completely and wholly. First, because otherwise he could not expect others to do alike. Why should every one else work their lives for his sake, if he himself, overtly or covertly, made reservations to the pact? This would be contrary to reason. Secondly, if reservations were made, they would disrupt society, for nobody would know how far anybody was committed. The members of society would be looking to some third power to decide between them and the others what the true limits of their obligations were. Such a condition of affairs would foil the whole purpose of the tie and be, therefore, contrary to reason. As Rousseau puts it (Book II, Ch. 6): “If the individuals retained certain rights, as there would be no common superior to decide between them and the public, each, being on one point his own judge, would ask to be so on all; the state of nature would thus continue, the association would necessarily become inoperative or tyrannical.”

This being so, the social tie as a source of political obligation, would be contrary to reason unless each insisted on mutuality, i.e., on everybody equally, “putting his person and all his power in common under the supreme direction of the General Will [...] [But] “as each gives himself absolutely, the conditions are the same for all; and, this being so, no one has any interest in making them burdensome to all.”

But how burdensome exactly will they make them? In giving ourselves up to society, must we expect society to swallow us up altogether? What about the “natural rights” of men which are at the basis of Rousseau’s system? What about the private person whose life and liberty, in Rousseau’s phrase, “are naturally independent” of the public person, the all powerful Sovereign, the people? Again, in more modern terms: how is the totalitarian element in democracy to be prevented from extinguishing the individual altogether?

With Rousseau society is conceived of in the dual terms symbolized as survival and freedom. Survival stands here for the principles of nature; freedom, for those of right, morality and justice. Rousseau declared: "In this inquiry I shall endeavour always to unite what Right sanctions with what is prescribed by Interest, in order that Justice and Utility may in no case be divided." A theory of society which can not stand the test of these dual terms has failed. In producing a system that stands the test – imperfect though it otherwise be – Rousseau established political science as distinct from sociology and anthropology which deal with society in other terms than those of moral law.

In recognizing political society as real, i.e., subject to laws of nature and morality, independent of our whims and wishes, Rousseau set limits to illusions and wishful thinking. It is an illusion to believe that freedom is a principle on which society can be safely based and that individuals will spontaneously conform to all demands.

The conditions which Rousseau established for a free society are indeed, comprehensive:

The institutions themselves must be adjusted to conditions. Small and large, populous and un-populous, tropical and non-tropical, poor and rich countries demand different institutions, different forms of government; only small and poor countries, e.g., can have an ideal – simple and direct – democracy.

Men must be educated, trained and inured to the kind of life their forms of government require; the notion that any wish, whim, fashion, mood, spontaneity, emotional pattern can find its vent in a "free society" is an illusion.

Even so, a free society can exist only if its citizens are public spirited, disinterested, given to civic virtues and prepared to sacrifice all and everything in the service of their country and its free institutions.

In the last resort, the individual must be *forced to be free*.

It must be admitted that on the purely normative level the paradox of freedom in society remains unresolved.

Indeed nothing might have ever been heard of Rousseau as a political scientist outside of a circle of scholars and students, but for that other side of his *oeuvre* which was not concept, not thought, but intuitive discovery of a unique kind. He had a vision which no one had before. He identified himself with something no one else cared to touch. He had become the germ of a movement of surpassing importance. I have of course in mind Rousseau's discovery of the people: not as a political term meaning the multitude; not as an economic term, meaning the poor; but the people as the repository of culture. Implicit in this was the conviction almost generally

accepted today that a culture not shared by the people was no true culture.

The *Contrat Social* proclaimed the sovereignty of the people. Now just as the *Contrat Social* itself was an old idea, so was the sovereignty of the people. If you will, Hobbes – counterpole to Rousseau and defender of despotism – had stood for both. But such constructions meant very little. The simple reason being, that whatever the political regime would be, nobody thought of the human race in any other terms than those of a hierarchy, the best being at the top, the weakest and most numerous at the bottom. That did not mean that the people had been overlooked. The Church undertook to care for their soul, and, occasionally, one of their ranks might even become a pope. The schoolmen might think of educating them and one or another might rise to be prince among scholars. The manufacturers might make productive use of them and once again they might become rich men themselves. But they were invariably thought of as *materiel* out of which something different from themselves should be made; a level from which to elevate; a darkness which was to be illuminated; maybe a rough diamond to be polished. But as for what they were, namely the common people, they were to Voltaire “the source of all fanaticism and suspicion”, “the canaille”, to Holbach the “stupid populace”, to Diderot, “the most dense and vicious of all human beings”; to “unpeople” the people, he said, “or to improve them, is one and the same thing ...”. Thus the leaders of the Enlightenment.

Rousseau’s was a breathtaking recognition: What the people felt, thought and did; the way they worked and lived; their traditions, their loyalties were valid and sound. Their faiths and beliefs were deep and inspired; their native vigour and moral sense, their patriotism and natural religion made them the stuff of God’s creation. In its positive aspect it was a discovery of the people’s creative role in human culture. In its negative aspect it induced later generations to reject a culture that did not comprise the mass of the people.

Rousseau’s political philosophy, together with his discovery of the people in the flesh, is transforming the history of the race. Implicitly, it was through this ideal that the French Revolution, the American Revolution, the Russian Revolution, Socialist Britain, were made possible. For what democracy means to the world at large, is essentially a way of life in which the people themselves and not their betters or superiors set the measure.

When all is said, Jean Jacques Rousseau indissolubly linked the concept of a free society with the idea of a popular culture. The contradiction between freedom and equality which the *polis* had only partially resolved was bound to come to a head in any community

larger than “Our Town.” England, America, France, Russia, China and India mean by democracy very different ways of life. But what separates them equally from the *ancien régime* and its aristocratic outlook is the fact that they take the ideal of popular culture for granted. The shape and mould of their particular cultures is far from evoking outbursts of mutual admiration. Yet fundamentally common to them all is the postulate of universality to be approximated in their ways of life. In the abstract realm of normativity democracy’s endeavour to fulfil itself must ever be doomed to frustration owing to the inherent antagonism between the ideals of freedom and equality in society. It is in the concrete medium of cultures, however much they differ, that liberty and equality may coexist and should seek simultaneous fulfilment.

Common Man's Masterplan*

[*Manuscript 1*]

This book is addressed to the general reader and discusses the urgent problems of our time from the point of view of the common man.

While the various shades of anti-democrats each have their own story of the world catastrophe – the democrat has yet to produce his own.

This story should tell in simple language how it all started; where responsibility lay for past mistakes; what was unavoidable and should not be a subject for recrimination; and what were avoidable failures, whether they sprang from moral, intellectual or political weakness.

This story should be *ruthlessly frank*. It should discard the illusions concerning the nature of international peace systems, such as were fostered by hosts of wishful thinkers entrenched in the pacifistic and economic camps. The all too simple view which assumes war to be merely due to a ramp of international financiers or big armament makers should be discounted. Only then is it possible to propose methods which can be seriously expected to reduce the probability of wars, to restrict the scope of those that occur, and to ensure that if they occur the aggressor be the loser.

This story should be *consistent*. There was not an independent observer in the 1920s but agreed that Europe had too many sovereign

* Two manuscripts, n.d. (but between 1941 and 1943), the most complete among several drafts on the same subject, KPA 20-4.

potentates; that there were too many political frontiers; and that the *liberum veto* of the Lilliputs was at its best a nuisance, at its worst a dangerous breeder of anarchy. It is emerging how many tend to forget this today. The consistent democrat must staunchly oppose reactionary insistence on antiquated boundaries, while rigidly maintaining the right to cultural freedom – a right much too frequently trodden under foot by the self-same governments who insist on inflated territorial acquisitions and hypertrophical sovereignties.

The story should be *intelligent*. We should recognize progress even where the forces of evil are using it as their vehicle. If Germany's masters have opened the path to a united Europe, to regulated economies and to the displacement of the gold standard, we should not rush back thoughtlessly into the past, only because the doors of the future were thrown open by those who wanted to dominate that future for their own criminal advancement.

The story should be *true*. We must at last face the facts – *all the facts*. We must not shirk those facts which seem to contradict our ideals, but take a straight look at them and redraw the outlines of our ideals, where they conformed only loosely to the facts. Do not let us squeamishly hide ourselves behind complacent references to past formulations. These may have admirably fitted other situations, but would betray today the essential faith of their authors, if one attempted to wangle the formulations instead of submitting to the facts and restating the truth in their light.

This story should be *complete*. Not in the sense of the pedant or the antiquarian, who imagines that he who has all the facts has all the truth. He may have merely collected all the words of a dead language. But complete in the sense that it should envisage the scene of man's collective life in all its breadth and depth, and that it should formulate the task all-round, for democracy is either a form of life or it is nothing. But life is the fullness of all actions and meanings, the pervasive substance which acts and reacts upon all things. So let us range over the whole field of communal existence – the political, cultural, and social, the economic, financial and technological, the military, educational and artistic, the scientific, philosophical and religious. Man's life is not this or that, not the one or the other; society lives by and through each; democracy is kindred to them all.

This story should be *practical*. Not in the sense of suggesting popular solutions for supposedly burning issues while evading essential ones for fear of being called academic. But in the responsible sense which implies that no one should advocate beliefs to which he does not feel able to live up himself. Demands however high-minded, which by their very nature can not be realised, are not idealistic but

meaningless; and he who obstructs in the name of such ideals the achievement of the possible is not an idealist but merely a social nuisance. The idealist is he whose values correspond to the nature of human society, and who is bent on achievement even when there is nothing thrilling about the details he is hammering out. Yet such realism should not be permitted to become an excuse for the complacent acceptance of avoidable ills, for society allows the fulfilment of the best in man, and it is only the unselfish realist who can be trusted to aim at the best.

This story should be the story of the *common man*. If Jesus exalted the poor, he did not do so because he [thought] the poor better than others, but because the poor man was the common man of the time. A society can consist of working and labouring people alone; but no society can consist of rich people alone. The rich man is not any worse than the working man, but he should put up with the fact that he is not the common man, and it is to the needs of the latter that society should be adapted. A human society is one in which the common man feels at home; the wealthy should be content with his wealth and not expect public esteem merely on account of his wealth. The expert should serve the common man, and not attempt to make him serve the expert. On the fundamental questions of government there can be no specialists. Questions like these can concur the value of human life itself, and there is no expert in the matter of life and death. Whether a community should or should not risk the lives of its members; whether it should turn to one or the other chief task of existence; whether it should accept one or another ultimate rule of conduct is for the common man to decide. All he needs is such information as the government is in duty bound to provide him with. It has been confirmed by statistical proof that the common man is a safer judge of the essentials of a vital issue than the so-called educated person (while on unessential and non-vital issues the latter may be more reliable). The anti-democratic argument of the alleged educational and cultural handicaps of the common man derives from mere prejudice. Education is no safeguard against social superstition as witnessed by the vicious untruths sponsored and spread by the intellectuals of the 1920s who served as the hotbed of fascism. The miasma of cultural degeneration thrived in academic circles and it was the common man who was least susceptible to that emotional epidemic.

This story should be about the *unsolved problems of our time*. What we need is not so much a clarification of intentions as of the situation we find ourselves in – not of values but of facts. Complacency results in intellectual failure to comprehend the meaning of the

events. So we of the democracies alone remained in the dark about the problems, the dangers and the tasks of the age. These unsolved problems cause the catastrophe, shaped the course of events, and still dominate the situation. On a complete understanding of these problems, the common man must base his masterplan if he is to become the conscious ruler of his own world.

The story of the unresolved problems should drive home the following recognitions:

That post war reconstruction is not about "What to do with Germany" but what to do with the unsolved problems of the world. No conceivable treatment of Germany will resolve them.

That these unsolved problems led to World War I and were only partly resolved by the destruction of the feudal empires of the Hohenzollern, the Habsburg, the Romanov and the Sultan-Khalifs; that the between-wars period was entirely dominated by them, including the rise of Hitlerism, British appeasement, the Russian bogey, the collapse of France, the gay twenties, and the wasted thirties in America.

That these unsolved problems centered around the antiquated international system of absolute sovereignties and an automatic gold-standard on the one hand, of a national life based on unregulated economies on the other. Between them they corroded the civilization with unemployment and unrest, deflations and super-wars.

That the Hitlerism crime wave could be successful only because it benefited from these unsolved problems which were bursting the world wide open; in the Hitlerian venture some of the most obstructive features of the old world perished including nuisance sovereignties, the gold standard fetish as well as chaotic markets. But if Hitlerian barbarism was thus "hitch-hiking on the great transformation", it was only because it could pretend to offer an ultimate solution even though it was that of slavery for all under the heel of the Nordics of the Munich beer garden.

That the survival of democratic methods depends upon the measure of their success in tackling the global tasks of the time. If freedom fails (a) to restrict the scope of wars, (b) to secure a medium of exchange between increasingly large areas of the planet, then the war-waging slave empire will triumph and ensure peace and division of labour within its confines of death.

That the greatest single step towards division of labour and the enlargement of the peace area is represented by essentially autarchic and essentially peaceful empires the co-operation of which is institutionally safeguarded, empires such as the U.S.A., Latin America, Great Britain, the U.S.S.R. and a similarly peaceful federation of a German Central Europe, China, India, and some other regions.

That the will to cooperation between the empires must be positive and institutionalized. It is the new form of the peace interest which the nineteenth century produced, and which we should retain and develop. All but the predatory empires are eligible under the new dispensation. The tame empire is no more a utopia.

That the nineteenth century was peacefully imperialistic since under the gold standard the leading powers insisted on spreading their business pattern to all countries and forced them to accept their institutions, without which trade was then not possible. We should model ourselves on China which is and was based on the tolerance of other people's ways of life.

That self-sufficient empires can regulate their economic life in the way that they please and live at peace with others. The helpless method of free trade must be superseded by direct responsibility of the governments for economic and financial relations with other governments.

That internally we must have regulated markets which remove labour land and money from the scope of anarchy. The inevitable increase in centralization that is involved must be met by the positive will to freedom for all minorities – racial, religious, regional or otherwise – made effective with a single-mindedness modelled on England's achievement.

[*Manuscript 2*; the first page is missing]

First – [...] that the masses have no political judgement of their own: As against that you have the evidence of the facts, hard statistical facts, of the greatest exactitude, the Gallup polls prove that the masses in this country have been consistently ahead of their leaders. Now mind you that does not prove right, they may have just been ahead of the mistakes made later by their leaders.

But that isn't the point. The point is whether the masses have or have not an opinion of their own, or whether it is made for them. In this respect the evidence is absolutely *conclusive*.

Second – Listen to people's arguments and political discussions. The issue may be anything: war and peace, free trade versus protection, prohibition versus anti-prohibition, or anything you please. The *blues* and the *buffs* will argue anything and everything / deny the other sides contention *whatever it be*. Listening to the arguments it is difficult not to get convinced that you are listening to a pair of fools, for the argument has obviously nothing whatever to do with the issues involved. They are arguing the rights and wrongs of incidents

which propaganda has dumped into the issue, shoals of red herrings are started and each herring is chased to some subterfuge where he is hiding until some fresh herring attracts attention and the game of confusing the issue starts all over again.

But I cannot help conceding that this is true. The fallacy of the argument is simply shown: The arguments adduced in discussion and the actual arguments on which people make up their minds are two entirely different sets of arguments. The arguments adduced are numerous and foolish, the arguments which are actually objective are few and to the point.

It is not very different from private life. One makes up one's mind about a matter in business or family life, rightly or wrongly, on one or two rarely three arguments. But once one has made up one's mind and taken up a position in consequence, one is prepared to defend it against any on-comer, and the arguments *then* used may be simply repartees, to what the other man or woman says, with very little, indeed, mostly with no connection at all with the original, and relevant points of argument.

Let me put it this way. There comes a point in every public discussion – and the more heated and the more confused it is, the more likely is this to happen – when a man comes home tired and disgusted, utterly fed up, and in undressing he delivers himself in a kind of pondered and sententious way of what he, John Doe, personally reckons is at the bottom “of all this bother”. Now, watch: What he is now going to say will usually be rather cynical, at least he intends it to be so. It will have hardly any reference to the heated discussions of the day; and – it will be very simple. John Doe now believes himself to be very clever; he believes himself to be at his best; he will not be bamboozled. That is why he tries to be cynical. And what he now delivers himself of – that's my point – is itself thoroughly reasonable. It is not necessarily true; but it bears reference to the things he believes are really important: and – here's my second contention – *he cannot be far wrong*.

For a very simple reason: the things he believes are really important are the few things which actually matter: To him I would list them crudely as follows (and contend that he cannot be far wrong about either of them): (a) his income, (b) what he can get for his income (c) the security of his existence job life and otherwise, (d) whether he on the whole feels happy or basically fed up with things. That is all he cares for – and jolly well right he is; and it takes something to say that anybody was a better judge of his long run money wages, his long run real wages, his long run security of job or limb, his long run feel about life and its liveability than John Doe himself.

But – it is interjected – here's the trouble. For he does *not* judge the matter from the long run view, but from the short run view. [The conventional view assumes that] He will go in for inflation, if that gives him higher income; he will go in for rationing if that gives him cheaper prices; he will stand for free competition or for planning, which ever gives him more security in his job, and every time he will disregard the long term effects of his desires – the ruin of the currency, the increase in cut-throat competition, the growth of bureaucracy, and so on.

Against this I appeal to the facts. For it is precisely on big decisions or ultimate issues that the average man is apt to be sound – that is what the poll shows. And every time he is credited with taking the short view, he actually takes the long view. This was true on the question of aero-craft; on the war issue; on rationing; on taxation, on working hours; on man power; on every other issue.

The explanation is again quite simple: the ultimate issues are simply the long run issues. On definite short run issues, the man is much more apt to be mistaken, but these are the *comparatively unimportant* issues. They are technical, they can be and perhaps should be dealt with by the expert. But the basic issue is by its very nature outside the competency of the expert, because the only person who really knows the rights and wrongs of these issues is the person whom they must ultimately affect and that is again the common man.

Take capital issues: like war and peace. I maintain that there is no expert on the question of life and death. We all come in to life once and move out once; nobody has more experience or less on this point. Now the question of war and peace is precisely on this: Whether a life is as it is not worth living, and what risks we should reasonably take to change in order to make it liveable.

Nothing is more ridiculous than the call for the expert who is supposedly an authority on whether I should prefer to live or die. And this is precisely the true long run question – and yet who but the common man should be able to pronounce upon it.

But in the same way there is no expert on the value of liberty; no expert on the various sides and shades and aspects of liberty; there is no expert on the value of security in life; or whether adventure or security are both worth more under the given conditions; there is no expert on the types of happiness we are consistently gambling against one another; there is no expert on the question whether I prefer stable money and restricted jobs to less stable money with more certainty of jobs. All the experts series one usually know is that which is entirely unessential to the common man, because experts series No.

2 have long since discovered any fallacy in the arguments of experts series one.

I may now of course be in danger of having proved too much, for if I have my way, then, it seems, the common man would always be right, and it would be entirely inexplicable why there are still differences of opinion, seeing that only one view can be right at a time.

Now I don't argue anything of the kind. I restrict my view to ultimate issues in critical situations, and exclude all the issues which are not basic, i.e. do not decide the fate of the community in some essential respect. Now, quite naturally, views will differ according to the experiences and interests of the various strata, and if they vote accordingly, this merely proves that they have voted according to their interests. But still reasonably, and – that is all I contend.

Now I come to a *second* fallacy on the masses and on democracy, and it is that democracy is simply a matter of education.

Against that I should like to put up a counter thesis which is that although education is not only a good thing, but one of the things which make individual and community life worth living – it has very little to do with democracy.

The reason again is simple. Democracy is a way of life and as a method of decision it is about the contents of life. Now these are not matters about which there is any set knowledge. One man's knowledge is as good as another's. And it is a simple fact that the way of life of democracy was not developed by so-called educated people nor was it practiced by them nor was it even preferred by them, but it was practiced by communities of simple people like those of the History of the Apostles, the Quaker communities, pioneering villages of the early frontier or the pilgrim father's land on board the Mayflower. None of these communities can boast to have been especially educated. Poor fishermen at the best; small obscure people who had fled from Northern England in Elizabethan times; poor ill educated frontiersmen – there were the inventors of the idea and technique [of democracy]. The notion that education is needed to understand democracy or to practice it, is a misunderstanding which deserves to be cleared up, because it obscures the general human import and the general human validity of the democratic idea.

The truth is that common human experience is at the back of democracy, and where that experience includes tolerance, patience with the views of dissenting minorities, there democracy itself will be tolerant and not enforce more uniformity than necessary to give effect to the decisions of the majority.

The *third change* in the nature of politics is the passing of the conviction that politics is merely about power and interest, a mere

jungle of blind chance and interests, human passions and irrational ambitions. As against that I want to set the growing conviction of the basic rationality of man and of politics.

Chance cannot of course be eliminated from politics. A war that was certain to break out may be averted by the sudden death of the chief actors; an inevitable fall in prices and consequent unemployment may be averted by the chance discovery of large gold fields as actually happened in the middle of the century both in California and Australia. But this only means that some measure of risk is inevitably linked with any political prediction or forecast; that we cannot be safe from the action of chance however prudently we have mapped our course.

But that does not mean at all, that politics is not rational.

Take, again, our private life and existence. Who would argue that our life is not largely under the sway of rational plans, decisions, attitudes, moral purposes and the promptings of duty and affection on the one hand, passion and ill considered emotion on the other. The fact of chance which may deflect the rational course of things in life does not prevent us from thinking about moral life as ruled by reason and the laws of reason. In other words, all we do is to account for chance by facing risk – an entirely usual happening.

The same is the case in politics. Barring chance, human situations leave only simple alternatives, this is the law of private life. But precisely the same is also the law of public life, or politics. Barring chance, political situations leave simple alternatives, and these alternatives are as inevitable as those which govern private life. There are situations which allow of no other solution than fight; other situations allow also the solution of compromise; but in every situation the number of basic alternatives is limited, and therefore the forecast of the future is possible, as long as we restrict ourselves to these alternatives. I agree that this is most unsatisfactory. When it is certain that one of the two partners must win and the other lose one is only able to say that either the one or the other will win. This almost sounds like a bad joke. But if one looks at it more closely, the matter is not quite as bad. Although I may be burning to know which will win, I may yet be interested to know for certain which two events I can expect to happen – alternatively, i.e. *either the one or the other*.

Something similar happens, after all, in private life. How often the warning of a friend may take on the form: mind, once you put yourself into this situation, there will be only the choice for you to stay or quit; or: to go in for the venture or cut it out; to stand up for your views and take the consequences or back out of these views too late. And so on. Are such views entirely worthless? Surely not: They in

effect help us to make up our minds, since they clarify the situations we are in by objectifying the situation we would get into by taking one or another decision. And although they are not able to foretell *what* will happen, they help us by telling us for certain that one of the two things must happen.

This, I submit is the nature of political forecast. And if we do not expect more from it, we will hardly ever be cheated. I repeat – barring chance, the political situation allows only a very few alternatives, and with the certainty of a geometrical proposition we can foretell that one of them is bound to happen. True, nobody knows for certain which will happen, since that precisely is the matter still under decision. But that is far from saying that the student of politics cannot offer a view which has more chance of being right than he, who has not studied the nature of the alternatives. With one important qualification; that on the really decisive issues, the common man's view is worth as much as his [of the expert]; on less important ones however, he has more chance to be right than the common man.

Democracy is well grounded in the rationality of man.

The Meaning of Parliamentary Democracy*

The term “democracy” has many different meanings and the future of peace has come greatly to depend upon its right interpretation. Parliamentary democracy is one of these meanings. Its highest embodiment is British democracy.¹ What then is the meaning of French or American democracy? What of Russian? Or what for Russian? For Russia also claims to be a democracy? And how much reality should we attach to the clash of ideals in the threatening conflict on the international scene? Especially, how far does commitment to the ideals of British democracy involve insistence on a similar interpretation of democratic ideals in other countries? Let us *first* investigate into the *meaning of democracy* and *then* into its relation to the *international scene*.

The Historical Meanings of Democracy

How did Democracy come to have so different meanings? Modern democracy was everywhere the result of a revolt against *royal absolutism*. In England, the event happened in the seventeenth-century revolutions, in France in the revolution of 1789, in Russia in the revolution of 1917. American democracy also was the outcome of a struggle for constitutional freedom against royal prerogative. The Declaration of Independence of 1776 was directed against the semi-absolutism of George III.

* Ms., 1944 or later, KPA 19-08

1. England. The main differences between the various types of democracy are readily accounted for by the conditions under which the constitutional struggle occurred. In England, Parliament established its ascendancy in a long civil war. But the social forces, which carried the day, were all represented in Parliament: the merchants of London, the Puritan squires and yeomanry whose alliance was embodied in the Long Parliament. Consequently, there was no need to extend the franchises and Cromwell made no concessions to the political demands of the Levellers. Socially, his régime was fairly conservative; the Levellers', and even more, the Diggers' movement was easily dealt with. So backward were, in effect, the labouring classes of the time, that the Levellers themselves were opposed to universal suffrage, being afraid that the poor in the countryside would use their vote to back up their royalist masters. (In modern terms: that universal suffrage would lead to a fascist regime). *Constitutionalism in England was secured without the help of yet non-enfranchised strata* and no provision had to be made for a democratic extension of representative institutions. Nothing of the kind was contemplated at the time of the Grand Remonstrance (1641), nor, indeed, for another 190 years. (1832).

Yet this change from royal to parliamentary government was accompanied in England by a *great shift in the social balance of power*. The royalist forces represented an overwhelming part of the older aristocracy and the Church supported the more backward rural strata, especially in the North and West. Capitalist development in agriculture – in the form of enclosures – was threatening the poor, and the Crown sided with the rural poverty against the wealthy graziers who, mostly belonged to the new aristocracy of merchants and county potentates. In Parliament, which now became sovereign, the City together with the new capitalism of the countryside held sway. No wonder that a long civil war, the domination of Parliament by one faction, the violent expulsion of the majority of members, the execution of the King, and dictatorship of the Army accompanies the course of the Revolution. Counter-Revolution, after 1660, produced an uneasy balance between the new classes and the old, until – only a quarter of a century later – in the Glorious Revolution, the principles of the Commonwealth prevailed. The ascendancy of the new capitalist classes in alliances with the Whig aristocracy was now firmly established. The Bill of Rights (1689) and a dozen years later the Act of Settlement established the Protestant Succession and completed the victory of the movement by the trading classes and the financial and commercial oligarchy.

Altogether the English revolutionary period lasted some 40 to 50 years, and not before that were the rules evolved under which England constitutionalism continued to function for another 140 years, *without any further development towards popular democracy*. Indeed, it was in the *interim* between the two revolutions that the two parties, or rather aristocratic cliques, of the Whigs and Tories, came into existence, the alternation of which in power became the fundamental rule of British constitutional government.

2. France. In France royal absolutism was overthrown in a revolution which started in 1789 and lasted altogether 25 years. The shift of the social balance in this case *was even greater*, for almost complete disestablishment of the landed aristocracy was involved and its replacement by the middle class, the *Tiers État*, which came to power through the Revolution, as it did later in England in 1832. The extension of the franchise to the middle classes in France under the new constitutions meant an enormous step in the direction of popular democracy and the introduction of an equalitarian principle into the constitution. For a long time the new balance was not consolidated. A bloody civil war continued to rage in which the King and Queen lost their lives and the balance swung far to the left. Robespierre called a halt to the further movement towards the Left, but was himself ousted by the Moderates who wished for a swing back to the Right. Many such swings from right to left and back occurred. As a rule this was accompanied by restrictions and extensions of the popular vote. Democracy, in France, had come to mean *equality*, while in England it meant *liberty*. In England no extension of the vote followed upon the overthrow of absolute government for almost another two centuries, and *even then* the franchise was completely denied to the working-class; in France, the fight for the ascendancy of the middle classes supported by the working class took the form of the establishment of popular democracy. In brief, the struggle for the abolition of absolutism which in seventeenth-century England led to a libertarian constitution under an aristocratic *régime*, led in eighteenth-century France to an equalitarian constitution under a popular regime.

3. America. At the same time, approximately, the American people also made a bid for ridding themselves of royal absolutism. For English government, fairly constitutional at home, was absolute in respect to the colonies. As in France, to achieve the necessary shift in the domestic balance of power the common people had to be brought into the constitution. Actually, within a few decades of the revolution popular regimes were established in all North American states. In Paris, as in Washington, democracy meant equality.

4. Russia. In Russia absolutism was overthrown in 1917. Tsar Nicholas II and his children were shot almost 270 years after Charles I was executed and 125 years after Louis XVI of France and Queen Marie Antoinette were guillotined. In Russia the shift in the social balance was very much greater than it had been in France, perhaps almost as much as the French Revolution had been more sanguinary and more dramatic than the English a century and a half before. For in Russia power passed from the hands of a feudal aristocracy under an absolute monarch of divine right and an ossified Orthodox Church into the hands of a small group of workers in modern large scale industry in an uneasy alliance with millions of peasants. Russia possessed no developed bourgeoisie, no wealthy commercial middle class or rural capitalists like the England of the seventeenth and France of the eighteenth centuries. Like the rural poverty of seventeenth-century England, the semi-servile peasantry was unenlightened and tended to side with their feudal superiors. Once Tsarism was abolished, no social balance was possible in Russia short of a complete change-over from the old social rule to a new social rule, by which power would be wrested from the former landowners and the reactionary bureaucracy to be handed to an entirely different strata, which would prevent the restoration of Tsarism and feudal landlordism. As in England and France civil war and dictatorship accompanied the change from divine right sovereignty to popular sovereignty. As in France a vast agrarian revolution swept the country, the old landowning class and the Church were expropriated. A long period of semi-anarchy ensued in which the industrial working class alone showed capacity for leadership and rule, and prevented the return of Tsarism and the victory of the Tsarist generals and landowners. Incidentally, here lie most probably the roots of the eventual turn of the Russian revolution towards socialism. But for the expropriation of the heavy industries and large manufacturing establishments as well as the banking system, the old owning class would have quickly starved the revolutionary government into submission and restored the Tsar. As in England and France, the new constitution could rely for its solidarity only on the stability of a new domestic balance of power, which could be established only in prolonged fierce civil struggles.

The inspiration of the Russian revolution was the same as that of the English, French, and American revolutions. As Parliament in Westminster fought the royal prerogative; as the French "states general" claimed to represent the nation against the King, and the American Declaration of Independence appealed to the inborn "rights of man"

against foreign rule, the Russian revolution also sprang from the urge for self-determination. But revolutions are a lengthy and paradoxical process. In England, civil war passed into dictatorial forms of government only to lead to the restoration of the former rulers, who had to be ousted a second time in a second rising. In France, also liberty had to be defended in civil wars and foreign wars against military coalition of monarchs whose thrones were threatened and who banded together under the lead of French aristocratic *émigrés*. The French Convention ruled with an iron hand, and for a long time no shred of liberty emerged from the great battle for equality. Not before 1688, in England, and not before 1830, in France, was the social balance sufficiently consolidated to allow freedom to be based on rules freely observed. The reason for this is simple. At any period before that, freedom would have meant freedom for the counter-revolution to restore its lost power.

There is thus a striking *similarity* of general outline between all four great Revolutions of Western Europe: they were all directed against absolutism and divine right, and vindicated to varying extent the ideas of popular sovereignty; they all led to long and violent struggles in which dictatorial forms of government played a role and the former sovereign was put to death by the public authorities; they were all based on a great shifts in the balance of power as between social classes and everywhere the rule of law became possible only after the eventual establishment of the new balance on solid foundations. In Russia, however, this stage has not yet been reached.

Yet there is also a striking *difference* in the meanings attached to democracy. The English revolution was libertarian, and allowed no room to the concept of equality; the French revolution was equalitarian, and stressed ideals of individual liberty much less than the English; the American revolution was also equalitarian like the French, but liberty with the Americans meant liberal capitalism; the Russian revolution was essentially different, in that the revolution referred not to votes and civic liberties but to the forms of the daily life of the working people in town and country. It centered rather on the practice of co-operation and the ideal of human fraternity than on liberty and equality. Liberty, therefore, meant here socialism, not capitalism; and equality meant all-around opportunities for the labouring people; fraternity, its leading concept, demanded co-operation in everyday work and labour.

Apart from these differences of outlook there is the important difference that the Russian revolution has not yet reached the stage at which the new social balance is secure, so that the new condition of affairs could safely rest and develop.

In brief, not only is the meaning of democracy as understood by the Russians different from our own interpretation, but the Russians are moreover in a different phase of their revolution. They are still at a stage, when the Revolution is far from having reached final fruition, and the new balance of forces cannot be relied upon to permit government by freely followed formal rules. Most of our present difficulties with the Russian interpretation of democracy result from this fact.

This leads on to the international scene.

The International Scene

All the great revolutions were accompanied by international wars. The *English* Puritan revolution had to contend with the powerful counter-revolutionary forces headed by Catholic France. The restoration period especially the later years of Charles II and the reign of James II, were overshadowed by the danger from France. The *French* Revolution fought a long and embittered struggle against numerous foes, amongst whom Britain was outstanding. The *American* Revolution was born in an international struggle which was in the nature of a precursor of the subsequent Franco-British wars. The *Russian* Revolution was the target of a series of interventions, and even today its course may be complicated by international conflict.

This takes us right to the present. The tension between Great Britain and the USSR, as well as between the USA and the USSR, is unsettling the cooperation of the Great Powers. Into this tension of an international character, at the centres of which it is easy to discern grave issues of security and power, a clash of ideologies is being injected. The different interpretations of democracy and the different *régimes* set up by Russia and the Western Powers intensify the antagonism between the two groups. The question is what should be credited to a clash of national interests, what to ideological divergences?

In every case the true source of the discord lay in the national sphere, where safety and security are prime considerations, and whence they cannot be removed under a system of sovereign states. The ancient rivalry of Britain and France was brought to a head in the seventeenth century, when the decline of Spain raised France to the position of a key power on the continent. The Thirty Years' War left Spain a secondary power, and made France supreme. For many generations France remained England's chief competitor. The Wars of the Austria Succession, of the Spanish Succession, the Seven

Years' Wars, the colonial wars, merged into the Napoleonic Wars. In this conflict of nations England fought to prevent the Channel coast from falling into the hands of another power, France. In the seventeenth-century phase of the struggle, the Puritan revolution was endangered by Catholic fifth columnists greatly reinforced by threats of French military intervention. In the eighteenth-century phase, the French revolution upset the balance much before Napoleon's inordinate ambitions fired the Paris government to imperial exploits. Originally, the French were attacked by the Austrian and Prussian forces instigated by French *émigrés*. In this early phase of the war (1792) France was clearly on the defensive. By 1793 France was holding her own; the new mass armies of the Revolution were getting the better of the enemy. France counter-attacked, invaded the Low Countries and thereby threatened British security interests, namely the safety of Channel ports. *This happened before France had developed an aggressive policy.* In other words the French Revolution had become a threat to British security even before France started out on a policy of national aggrandizement, Napoleon, of course, later launched out on a policy of imperial conquest and national domination. It was at this stage that the ideological conflict was injected from both sides into the struggle for national power between Britain and France. England denounced the French Revolution for its tyrannous and bloody acts as mere despotism. Yet at the same time French ideas of freedom and equality permeated the Continent and helped many backward people to gain their liberty from feudal lords, patrimonial dynasties and a bigoted Church. The ideas of the Revolution thus worked out as a political and even military asset for France while Britain relied on the political opponents of the Revolution everywhere for support in her military struggle against France as a Power.

Britain was victorious. Nelson defeated the French fleet at Trafalgar; Wellington defeated Napoleon himself at Waterloo. No doubt the freedom of many nations had been menaced by Napoleon's plans of Empire. On the other hand, the ideological warfare had cost England a high price in terms of domestic welfare. English historians are practically unanimous in deploring the effects of the so-called years of Repression on England's social and cultural development. England, in spite of her traditional classes, had been one nation; now it became two nations, one of the rich and another of the poor. The persecution of the friends of progress and reform during and after the Napoleonic Wars left its indelible stamp on national culture during the Victorian Age. The denial of the vote, the denial of the right to form Trade Unions, the denial of public education, the denial of the possibility of purchasing newspapers or pamphlets stunted the

mental and moral development of the people and created permanent evils. Economic egotism gave support to national anxieties and allowed class-selfishness to pose as patriotism. But for this fateful conjunction of the inevitable French wars with panicky reaction against French ideas, England's national standards might have been greatly improved. The slums of the industrial towns, low standards in respect to culture, amusements, general interests and literary were due, above all, to the injection of an ideological struggle into what otherwise was merely a problem of national safety and security to be solved on the level of foreign policy.

Let us return to the present and especially, to Russia. As England in the seventeenth century was threatened by Catholic France which made use of religious and ideological difference to foment civil war in England; as France, in the eighteenth century, her national conflicts with England made use of her ideological influence in many countries, while England organized everywhere the counter-revolutionary forces in support of her own national policy; in the same manner today the serious conflict of interest with Russia is being complicated by the injection of ideological elements.

In the *17th century*, the ideological differences were mainly religious. England was Protestant, Spain and France were Catholic. Both sides took advantage of the others' divisions. In the 18th century, the ideological differences were political. France proclaimed equalitarian and revolutionary principles while England represented evolution and liberty; in the 20th century the clash of ideologies centres on the institutions and methods of democracy.

The Russians are using the term democracy in support of two different systems: *First*, their own Soviet system of socialism which implies much more fraternity and cooperation than freedom or equality; freedom and equality both gain a social and economic connotation, different from ours, and even much more from that of the Americans. Parliamentary democracy is unknown in Russia; their political system is totally different. This refers to Russia herself. But, *secondly*, the term democracy is also applied by the Russians to the very different system supported by them outside their own frontiers as in the liberated countries of Poland, Czechoslovakia or Yugoslavia, or in a defeated country like Germany. This system does *not* comprise economic socialism, although it goes far in the direction of nationalisation; and it does *not* represent a Soviet system, but, on the contrary, it is a form of representative government based on political parties. Yet there is an important difference. A strong moral and even political pressure is exerted to induce the parties to form coalition governments; there is a tendency to avoid numerous small parties, and no

opposition parties are allowed which are aimed at the undermining of democratic institutions. Clearly, such a system is nothing but a means of bringing about the social balance of power on which popular democracy can be based. Perhaps the main reason for this is that the western revolutions of the seventeenth and eighteenth centuries jumped to Russia in the twentieth century, without first passing through Central Europe. The feudal character of the social system in Prussia, Poland, or in Hungary remained untouched. The Russian revolution in spreading to the West is actually bringing the social changes of the French Revolution with it. In this way, the Western revolutions are reaching these countries today from the East! Most of the measures taken by the Russians are merely the continuation of civil war in an attenuated form.

Thus the following overall picture emerges: The Americans fervently believe that freedom and liberty are identical with capitalism; in making the world safe for democracy Woodrow Wilson assumed that this involved private trading and the gold standard. Bretton Woods proclaimed the same principles; in insisting on the abolition of preferences in Empire trade the Americans are only consistent; they equally strongly insist on the restoration of liberal capitalism in Germany and on unplanned trade along the Danube. The Americans are everywhere equating *democracy* with capitalism. The Russians would obviously prefer to equate democracy with *socialism of the Russian type*. In fighting for the social balance required for this, they employ the outward forms of representative democracy mainly as a means of securing the foundations of their revolution, against fascist counter-revolution. Britain has not yet made up her mind, whether to support democratic socialism or American type capitalism; it is certainly not going to support socialism of a Russian type.

The international struggle is today as in the past the chief theme; the various interpretations of democracy are subordinating to it. The Russians are everywhere deliberately using the forms of cast iron democracy to secure their own influence; the British government is making no secret of its determination to support only governments which show no predilection for Russia. Inevitably, details of policy tend to become self-contradictory, as when the Russians show friendliness to the Argentine on account of its opposition to the USA, while Britain supports an unrepresentative government in Athens, while insisting on the inclusion of all opposition parties in the governments in Bucharest or Sophia.

An important consideration emerges. Whether it would not be preferable to openly accept the serious difficulties with Russia on the level of national safety and security, and desist from injecting

ideological warfare into the matter? The advantage might be twofold: *First*, we could be sure that no chance of a reasonable settlement is missed merely on account of unnecessary ideological complications; *secondly*, we would not be in the danger of cramping Britain's own development at home, as this happened during the Napoleonic Wars, a hundred and forty years ago. Then England for a long time lost her chance of becoming a democratic country; today she might lose the chance of becoming a socialist country.

Nothing that I said should weaken our determination to uphold the way of life of this country; indeed, I believe that the national interest is mainly contained in that way of life. British Parliamentary democracy has proven its worth in this war so that even the blind must see; it is proving its worth in the peaceful transformation which the industrial and social system is undergoing at present. But the greatest of all British institutions in the political field and of all contributions this country ever made to the world of political thought, is the idea of *tolerance*. Above all, let us be tolerant; do not let us think that the British ideal of democracy must be forced upon all other countries. Parliamentary democracy is at its best when it is an embodiment of liberty and tolerance. Perhaps the world can be yet saved from its most dire perils, if British democracy proves itself not only the freest but also the *most tolerant of all democracies!*

Our Obsolete Market Mentality. Civilization Must Find a New Thought Pattern*

The first century of the Machine Age is drawing to a close amid fear and trepidation. Its fabulous material success was due to the willing, indeed the enthusiastic, subordination of man to the needs of the machine.

Liberal capitalism was in effect man's initial response to the challenge of the Industrial Revolution. In order to allow scope to the use of elaborate, powerful machinery, we transferred human economy into the self-adjusting system of markets, and cast our thoughts and values in the mold of this unique innovation.

Today, we begin to doubt the truth of some of these thoughts and the validity of some of these values. Outside the United States, liberal capitalism can hardly be said to exist any more. How to organize human life in a machine society is a question that confronts us anew. Behind the fading fabric of competitive capitalism there looms the portent of an industrial civilization, with its paralyzing division of labor, standardization of life, supremacy of mechanism over organism, and organization over spontaneity. Science itself is haunted by insanity. This is the abiding concern.

No mere reversion to the ideals of a past century can show us the way. We must brave the future, though this may involve us in an attempt to shift the place of industry in society so that the extraneous fact of the machine can be absorbed. The search for industrial democracy is not merely the search for a solution to the problems of

* *Commentary* 3(2), 1947, pp. 109-17.

capitalism, as most people imagine. It is a search for an answer to industry itself. Here lies the concrete problem of our civilization.

Such a new dispensation requires an inner freedom for which we are but ill equipped. We find ourselves stultified by the legacy of a market-economy which bequeathed us oversimplified views of the function and role of the economic system in society. If the crisis is to be overcome, we must recapture a more realistic vision of the human world and shape our common purpose in the light of that recognition.

Industrialism is a precariously grafted scion upon man's age-long existence. The outcome of the experiment is still hanging in the balance. But man is not a simple being and can die in more than one way. The question of individual freedom, so passionately raised in our generation, is only one aspect of this anxious problem. In truth, it forms part of a much wider and deeper need – the need for a new response to the total challenge of the machine.

The Fundamental Heresy

Our condition can be described in these terms:

Industrial civilization may yet undo man. But since the venture of a progressively artificial environment cannot, will not, and indeed, should not, be voluntarily discarded, the task of adapting life *in such a surrounding* to the requirements of human existence must be resolved if man is to continue on earth. No one can foretell whether such an adjustment is possible, or whether man must perish in the attempt. Hence the dark undertone of concern.

Meanwhile, the first phase of the Machine Age has run its course. It involved an organization of society that derived its name from its central institution, the market. This system is on the downgrade. Yet our practical philosophy was overwhelmingly shaped by this spectacular episode. Novel notions about man and society became current and gained the status of axioms. Here they are:

As regards *man*, we were made to accept the heresy that his motives can be described as “material” and “ideal,” and that the incentives on which everyday life is organized spring from the “material” motives. Both utilitarian liberalism and popular Marxism favored such views.

As regards *society*, the kindred doctrine was propounded that its institutions were “determined” by the economic system. This opinion was even more popular with Marxists than with liberals.

Under a market-economy both assertions were, of course, true. *But only under such an economy.* In regard to the past, such a view

was no more than an anachronism. In regard to the future, it was a mere prejudice. Yet under the influence of current schools of thought, reinforced by the authority of science and religion, politics and business, these strictly time-bound phenomena came to be regarded as timeless, as transcending the age of the market.

To overcome such doctrines, which constrict our minds and souls and greatly enhance the difficulty to the life-saving adjustment, may require no less than a reform of our consciousness.

The Market Trauma

The birth of *laissez faire* administered a shock to civilized man's view of himself, from the effects of which he never quite recovered. Only very gradually we are realizing what happened to us as recently as a century ago.

Liberal economy, this primary reaction of man to the machine, was a violent break with the conditions that preceded it. A chain-reaction was started – what before was merely isolated markets was transmuted into a self-regulating *system* of markets. And with the new economy, a new society sprang into being.

The crucial step was this: labor and land were made into commodities, that is, they were treated as *if* produced for sale. Of course, they were not actually commodities, since they were either not produced at all (as land) or, if so, not for sale (as labor).

Yet no more thoroughly effective fiction was ever devised. By buying and selling labor and land freely, the mechanism of the market was made to apply to them. There was now supply of labor, and demand for it; there was supply of land and demand for it. Accordingly, there was a market price for the use of labor power, called wages, and a market price for the use of land, called rent. Labor and land were provided with markets of their own, similar to the commodities proper that were produced with their help.

The true scope of such a step can be gauged if we remember that labor is only another name for man, and land for nature. The commodity fiction handed over the fate of man and nature to the play of an automaton running in its own grooves and governed by its own laws.

Nothing similar had ever been witnessed before. Under the mercantile regime, though it deliberately pressed for the creation of markets, the converse principle still operated. Labor and land were not entrusted to the market; they formed part of the organic structure of society. Where land was marketable, only the determination

of price was, as a rule, left to the parties; where labor was subject to contract, wages themselves were usually assessed by public authority. Land stood under the custom of manor, monastery, and township, under common-law limitations concerning right of real property; labor was regulated by laws against beggary and vagrancy, statutes of laborers and artifices, poor laws, guild and municipal ordinances. In effect, all societies known to anthropologists and historians restricted markets to commodities in the proper sense of the term.

Market-economy thus created a new type of society. The economic or productive system was here entrusted to a self-acting device. An institutional mechanism controlled human beings in their everyday activities as well as the resources of nature.

This instrument of material welfare was under the sole control of the incentives of hunger and gain – or, more precisely, fear of going without the necessities of life, and expectation of profit. So long as no propertyless person could satisfy his craving for food without first selling his labor in the market, and so long as no propertied person was prevented from buying in the cheapest market and selling in the dearest, the blind mill would turn out ever-increasing amount of commodities for the benefit of the human race. Fear of starvation with the worker, lure of profit with the employer, would keep the vast establishment running.

In this way an “economic sphere” came into existence that was sharply delimited from other institutions in society. Since no human aggregation can survive without a functioning productive apparatus, its embodiment in a distinct and separate sphere had the effect of making the “rest” of society dependent upon that sphere. This autonomous zone, again, was regulated by a mechanism that controlled its functioning. As a result, the market mechanism became determinative for the life of the body social. No wonder that the emergent human aggregation was an “economic” society to a degree previously never approximated. “Economic motives” reigned supreme in a world of their own, and the individual was made to act on them under pain of being trodden under foot by the juggernaut market.

Such a forced conversion to a utilitarian outlook fatefully warped Western man’s understanding of himself.

Hunger and Gain Enthroned

This new world of “economic motives” was based on a fallacy. Intrinsicly, hunger and gain are no more “economic” than love or

hate, pride or prejudice. No human motive is *per se* economic. There is no such thing as a *sui generis* economic experience in the sense in which man may have a religious, aesthetic, or sexual experience. These latter give rise to motives that broadly aim at evoking similar experiences. In regard to material production these terms lack self-evident meaning.

The economic factor, which underlines all social life, no more gives rise to definite incentives than the equally universal law of gravitation. Assuredly, if we do not eat, we must perish, as much as if we were crushed under the weight of a falling rock. But the pangs of hunger are not automatically translated into an incentive to produce. Production is not an individual, but a collective affair. If an individual is hungry, there is nothing definite for him to do. Made desperate, he might rob or steal, but such an action can hardly be called productive. With man, the political animal, everything is given not by natural, but by social circumstance. What made the nineteenth century think of hunger and gain as “economic” was simply the organization of production under a market economy.

Hunger and gain are here linked with production through the need of “earning an income.” For under such a system, man, if he is to keep alive, is compelled to buy goods on the market with the help of an income derived from selling other goods on the market. The name of these incomes – wages, rent, interest – varies accordingly to what is offered for sale: use of labor power, of land, or of money; the income called profit – the remuneration of the entrepreneur – derives from the sale of goods that fetch a higher price than the goods that go into the production of them. Thus all income derives from sales, and all sales – directly or indirectly – contribute to production. The latter is, in effect, *incidental to the earning of an income*. So long as an individual is “earning an income,” he is, automatically, contributing to production.

Obviously, the system works only so long as individuals have a reason to indulge in the activity of “earning an income.” The motives of hunger and gain – separately and conjointly – provide them with such a reason. These two motives are thus geared to production and, accordingly, are termed “economic.” The semblance is compelling that hunger and gain are *the* incentives on which any economic system must rest.

This assumption is baseless. Ranging over human societies, we find hunger and gain not appealed to as incentives to production, and where so appealed to, they are fused with other powerful motives.

Aristotle was right: man is not an economic, but a social being. He does not aim at safeguarding his individual interest in the acquisition

of material possession, but rather at ensuring social good-will, social status, social assets. He values possessions primarily as a means to that end. His incentives are of that “mixed” character which we associate with the endeavor to gain social approval – productive efforts are no more than incidental to this. *Man’s economy is, as a rule, submerged in his social relations.* The change from this to a society which was, on the contrary, submerged in the economic system was an entirely novel development.

Facts

The evidence of facts, I feel, should at this point be adduced.

First, there are the discoveries of primitive economics. Two names are outstanding: Bronislaw Malinowski and Richard Thurnwald. They and some other research workers revolutionized our conceptions in this field and, by so doing, founded a new discipline. The myth of the individualistic savage had been exploded long ago. Neither the crude egotism, nor the apocryphal propensity to barter, truck, and exchange, nor even the tendency to cater to one’s self was in evidence. But equally discredited was the legend of the communistic psychology of the savage, his supposed lack of appreciation for his own personal interests. (Roughly, it appeared that man was very much the same all through the ages. Taking his institutions not in isolation, but in their interrelation, he was mostly found to be behaving in a manner broadly comprehensible to us.) What appeared as “communism” was the fact that the productive or economic system was usually arranged in such a fashion as not to threaten any individual with starvation. His place at the camp fire, his share in the common resources, was secure to him, whatever part he happened to have played in hunt, pasture, tillage, or gardening.

Here are a few instances: Under the *kraal-Land* system of the Kaffirs, “destitution is impossible: whosoever needs assistance receives it unquestionably” (L.P. Mair, *An African People in the Twentieth Century*, 1934). No Kwakiutl “ever ran the least risk of going hungry” (E.M. Loeb, *The Distribution and Function of Money in Early Society*, 1936). “There is no starvation in societies living on the substance margin” (M. J. Herskovits, *The Economic Life of Primitive People*, 1940). In effect, the individual is not in danger of starving unless the community as a whole is in a like predicament. It is this absence of the menace of individual destitution that makes primitive society, in a sense, more humane than nineteenth-century society, and at the same time *less “economic”*.

The same applies to the stimulus of individual gain. Again, a few quotations: “The characteristic feature of primitive economics is the absence of any desire to make profits from production and exchange” (R. Thurnwald, *Economics in Primitive Communities*, 1932). “Gain, which if often the stimulus for work in more civilized communities, never acts as an impulse to work under the original native conditions” (B. Malinowski, *Argonauts of the Western Pacific*, 1930). If so-called economic motives were natural to man, we would have to judge all early and primitive societies as thoroughly unnatural.

Secondly, there is no difference between primitive and civilized society in this regard. Whether we turn to ancient city-state, despotic empire, feudalism, thirteenth-century urban life, sixteenth-century mercantile regime, or eighteenth-century regulationism – invariably the economic system is found to be merged in the social. Incentives spring from a large variety of sources, such as custom and tradition, public duty and primitive commitment, religious observance and political allegiance, judicial obligation and administrative regulation as established by prince, municipality, or guild. Rank and status, compulsion of law and threat of punishment, public praise and private reputation, insure that the individual contributes his share of production.

Fear of privation or love of profit need not be altogether absent. Markets occur in all kinds of societies, and the figure of the merchant is familiar to many types of civilization. But isolated markets do not link up into an economy. The motive of gain was specific to merchants, as was valor to the knight, piety to the priest, and pride to the craftsman. The notion of making the motive of gain universal never entered the heads of our ancestors. At no time prior to the second quarter of the nineteenth century were markets more than a subordinate feature in society.

Thirdly, there was the startling abruptness of the change. Predominance of markets emerged not as a matter of degree, but of kind. Markets through which otherwise self-sufficient householders get rid of their surplus neither direct production nor provide the producer with his income. This is only the case in a market-economy where *all* incomes derive from sales, and commodities are obtainable exclusively by purchase. A free market for labor was born in England only about a century ago. The ill-famed Poor Law Reform (1834) abolished the rough-and-ready provisions made for the paupers by patriarchal governments. The poorhouse was transformed from a refuge of the destitute into an abode of shame and mental torture to which even hunger and misery were preferable. Starvation or work was the alternative left to the poor. Thus was a competitive national market for labor created. Within a decade, the Bank Act (1844) established

the principle of the gold standard; the making of money was removed from the hands of the government regardless of the effect upon the level of employment. Simultaneously, reform of land laws mobilized the land, and repeal of the Corn Laws (1846) created a world pool of grain, thereby making the unprotected Continental peasant-farmer subject to the whims of the market.

Thus were established the three tenets of economic liberalism, the principle on which market economy was organized: that labor should find its price on the market; that money should find its price on the market; that commodities should be free to flow from country to country irrespective of the consequences – in brief, a labor market, the gold standard, and free trade. A self-inflamatory process was induced, as a result of which the formerly harmless market pattern expanded into a sociological enormity.

Birth of a Delusion

These facts roughly outline the genealogy of an “economic” society. Under such conditions the human world must appear as determined by “economic” motives. It is easy to see why.

Single out whatever motive you please, and organize production in such a manner as to make that motive the individual’s incentive to produce, and you will have induced a picture of man as altogether absorbed by that particular motive. Let that motive be religious, political, or aesthetic; let it be pride, prejudice, love, or envy; and man will appear as essentially religious, political, aesthetic, proud, prejudiced, engrossed in love or envy. Other motives, in contrast, will appear distant and shadowy since they cannot be relied upon to operate in the vital business of production. The particular motive selected will represent “real” man.

As a matter of fact, human beings will labor for a large variety of reasons as long as things are arranged accordingly. Monks traded for religious reasons, and monasteries became the largest trading establishments in Europe. The Kula trade of the Trobriand Islanders, one of the most intricate barter arrangements known to man, is mainly an aesthetic pursuit. Feudal economy was run on customary lines. With the Kwakiutl, the chief aim of industry seems to be to satisfy a point of honor. Under mercantile despotism, industry was often planned so as to serve power and glory. Accordingly, we tend to think of monks or villeins, western Melanesians, the Kwakiutl, or seventeenth-century statesmen, as ruled by religion, aesthetics, custom, honor, or politics, respectively.

Under capitalism, every individual has to earn an income. If he is a worker, he has to sell his labor at current prices; if he is an owner, he has to make as high a profit as he can, for his standing with his fellows will depend upon the level of income. Hunger and gain – even if vicariously – make them plough and sow, spin and weave, mine coal, and pilot planes. Consequently, members of such a society will think of themselves as governed by these twin motives.

In an actual fact, man was never as selfish as the theory demanded. Though the market mechanism brought his dependence upon material foods to the fore, “economic” motives never formed with him the sole incentive to work. In vain was he exhorted by economists and utilitarian moralists alike to discount in business all other motives than “material” ones. On closer investigation, he was still found to be acting on remarkably “mixed” motives, not excluding those of duty towards himself and others – and maybe, secretly, even enjoying work for its own sake.

However, we are not here concerned with actual, but with assumed motives, not with the psychology, but with the ideology of business. *Not on the former, but on the latter, are views of man's nature based.* For once society expects a definite behavior on the part of its members, and prevailing institutions become roughly capable of enforcing that behavior, opinions on human nature will tend to mirror the ideal whether it resembles actuality or not.

Accordingly, hunger and gain were defined as “economic” motives, and man was supposed to be acting on them in everyday life, while his other motives appeared more ethereal and removed from humdrum existence. Honor and pride, civic obligation and moral duty, even self-respect and common decency, were now deemed irrelevant to production, and were significantly summed up in the word “ideal.” Hence man was believed to consist of two components, one more akin to hunger and gain, the other to honor and power. The one was “material,” the other “ideal”; the one “economic,” the other “non-economic”; the one “rational,” the other “non-rational.” The Utilitarians went so far as to identify the two sets of terms, thus endowing the “economic” side of man's character with the aura of rationality. He who would have refused to imagine that he was acting for gain alone was thus considered not only immoral, but also mad.

Economic Determinism

The market mechanism moreover created the delusion of economic determinism as a general law for all human society.

Under a market-economy, of course, this law holds good. Indeed, the working of the economic system here not only “influences” the rest of society, but determines it – as in a triangle the sides not merely influence, but determine, the angles.

Take the stratification of classes. Supply and demand in the labor market were *identical* with the classes of workers and employers, respectively. The social classes of capitalists, landowners, tenants, brokers, merchants, professionals, and so on, were delimited by the respective markets for land, money, and capital and their uses, or for various services. The income of these social classes was fixed by the market, their rank and position by their income.

This was a complete reversal of the secular practice. In Maine’s famous phrase, “contractus” replaced “status”; or, as Tönnies preferred to put it, “society” superseded “community”; or, in terms of the present article, *instead of the economic system being embedded in social relationships, these relationships were now embedded in the economic system.*

While social classes were directly, other institutions were indirectly determined by the market mechanism. State and government, marriage and the rearing of children, the organization of science and education, of religion and the arts, the choice of profession, the forms of habitation, the shape of settlements, the very aesthetics of private life – everything had to comply with the utilitarian pattern, or at least not interfere with the working of the market mechanism. But since few human activities can be carried on in the void, even a saint needing his pillar, the indirect effect of the market system came very near to determining the whole of society. It was almost impossible to avoid the erroneous conclusion that as “economic” man was “real” man, so the economic system was “really” society.

Sex and Hunger

Let it would be truer to say that the basic human institutions abhor unmixed motives. Just as the provisioning of the individual and his family does not commonly rely on the motive of hunger, so the institution of the family is not based on the sexual motive.

Sex, like hunger, is one of the most powerful of incentives when released from the control of other incentives. That is probably why the family in all its variety of forms is never allowed to center on the sexual instinct, with its intermittences and vagaries, but on the combination of a number of effective motives that prevent sex from destroying an institution on which so much of man’s happiness depends. Sex in itself

will never produce anything better than a brothel, and even then it might have to draw on some incentives of the market mechanism. An economic system actually relying for its mainspring on hunger would be almost as perverse as a family system based on the bare urge of sex.

To attempt to apply economic determinism to all human societies is little short of fantastic. Nothing is more obvious to the student of social anthropology than the variety of institutions found to be compatible with practically identical instruments of production. Only since the market was permitted to grind the human fabric into the featureless uniformity of selenic erosion has man's institutional creativeness been in abeyance. No wonder that his social imagination shows signs of fatigue. It may come to a point where he will no longer be able to recover the elasticity, the imaginative wealth and power, of his savage endowment.

No protest of mine, I realize, will save me from being taken for an "idealist." For he who decries the importance of "material" motives must, it seems, be relying on the strength of "ideal" ones. Yet no worse misunderstanding is possible. Hunger and gain have nothing specifically "material" about them. Pride, honor, and power, on the other hand, are not necessarily "higher" motives than hunger and gain.

The dichotomy itself, we assert, is arbitrary. Let us once more adduce the analogy of sex. Assuredly, a significant distinction between "higher" and "lower" motives can here be drawn. Yet, whether hunger or sex, it is pernicious to *institutionalize* the separation of the "material" and "ideal" components of man's being. As regards sex, this truth, so vital to man's essential wholeness, has been recognized all along; it is at the basis of the institution of marriage. But in the equally strategic field of economy, it has been neglected. This latter field has been "separated out" of society as the realm of hunger and gain. Our animal dependence upon food has been bared and the naked fear of starvation permitted to run loose. Our humiliating enslavement to the "material," which all human culture is designed to mitigate, was deliberately made more rigorous. This is at the root of the "sickness of an acquisition society" that Tawney warned of. And Robert Owen's genius was at its best when, a century before, he described the profit motive as "a principle entirely unfavorable to individual and public happiness."

The Reality of Society

I plead for the restoration of that unity of motives which should inform man in his everyday activity as a producer, for the re-absorption of

the economic system in society, for the creative adaptation of our ways of life to an industrial environment.

On all of these counts, laissez-faire philosophy, with its corollary of a marketing society, falls to the ground. It is responsible for the splitting up of man's vital unity into "real" man, bent on material values, and his "ideal" better self. It is paralyzing our social imagination by more or less unconsciously fostering the prejudice of "economic determinism."

It has done its service in that phase of industrial civilization which is behind us. At the price of impoverishing the individual, it enriched society. Today, we are faced with the vital task of restoring the fullness of life to the person, even though this may mean a technologically less efficient society. In different countries in different ways, classical liberalism is being discarded. On Right and Left and Middle, new avenues are being explored. British Social-Democrats, American New Dealers, and also European fascists and American anti-New Dealers of the various "managerialist" brands, reject the liberal utopia. Nor should the present political mood of rejection of everything Russian blind us to the achievement of the Russians in creative adjustment to some of the fundamental aspects of an industrial environment.

On general grounds, the Communist's expectation of the "withering away of the State" seems to me to combine elements of liberal utopianism with practical indifference to institutional freedom. As regards the withering State, it is impossible to deny that industrial society is complex society, and no complex society can exist without organized power at the center. Yet, again, this fact is no excuse for the Communist's slurring over the question of concrete institutional freedoms.

It is on this level of realism that the problem of individual freedom should be met. No human society is possible in which power and compulsion are absent, nor is a world in which force has no function. Liberal philosophy gave a false direction to our ideals in seeming to promise the fulfilment of such intrinsically utopian expectations.

But under the market system, society as a whole remained invisible. Anybody could imagine himself free from responsibility for those acts of compulsion on the part of the state which he, personally, repudiated, or for unemployment and destitution from which he, personally, did not benefit. Personally, he remained unentangled in the evils of power and economic value. In good conscience, he could deny their reality in the name of his imaginary freedom.

Power and economic value are, indeed, a paradigm of social reality. Neither power nor economic value spring from human volition;

non-cooperation is impossible in regard to them. The function of power is to insure that measures of conformity which is needed for the survival of the group: as David Hume showed, its ultimate source is opinion – and who could help holding opinions of some sort or other? Economic value, in any society, insures the usefulness of the goods produced; it is a seal set on the division of labor. Its source is human wants – and how could we be expected not to prefer one thing to another? Any opinion or desire, no matter what society we live in, will make us participants in the creation of power and the constituting of value. No freedom to do otherwise is conceivable. An ideal that would ban power and compulsion from society is intrinsically invalid. By ignoring this limitation on man's meaningful wishes, the marketing view of society reveals its essential immaturity.

The Problem of Freedom

The breakdown of market-economy imperils two kinds of freedoms: some good, some bad.

That the freedom to exploit one's fellows, or the freedom to make inordinate gains without commensurable service to the community, the freedom to keep technological inventions from being used for the public benefit, or the freedom to profit from public calamities secretly engineered for private advantage, may disappear, together with the free market, is all to the good.

But the market-economy under which these freedoms thrived also produced freedoms that we prized highly. Freedom of conscience, freedom of speech, freedom of meeting, freedom of association, freedom to choose one's job – we cherish them for their own sake. Yet to a large extent they were by-products of the same economy that was also responsible for the evil freedoms.

The existence of a separate economic sphere in society created, as it were, a gap between politics and economics, between government and industry, that was in the nature of a no man's land. As division of sovereignty between pope and emperor left medieval princes in a condition of freedom sometimes bordering on anarchy, so division of sovereignty between government and industry in the nineteenth century allowed even the poor man to enjoy freedom that partly compensated for his wretched status.

Current skepticism in regard to the future of freedom largely rests on this. There are those who argue, like Hayek, that since free institutions were a product of market-economy, they must give place

to serfdom once that economy disappears. There are others, like Burnham, who asserts the inevitability of some new form of serfdom called "managerialism."

Arguments like these merely prove to what extent economic prejudice is still rampant. For such determinism, as we have seen, is only another name for the market-mechanism. It is hardly logical to argue the effects of its absence on the strength of an economic necessity which derives from its presence. And it is certainly contrary to Anglo-Saxon experience. Neither the freezing of labor nor selective service abrogated the essential freedoms of the American people, as anybody can witness who spent the crucial year 1940–3 in these states. Great Britain during the war introduced an all-around planned economy and did away with that separation of government and industry from which nineteenth-century freedom sprang, yet never were public liberties more securely entrenched than at the height of the emergency. In truth, we will have just as much freedom as we will desire to create and to safeguard. There is no *one* determinant in human society. Institutional guarantees of personal freedom are compatible with any economic system. In market society alone did the economic mechanism lay down the law.

Man Vs. Industry

What appears to our generation as the problem of capitalism is, in reality, the far greater problem of an industrial civilization. The economic liberal is blind to this fact. In defending capitalism as an economic system, he ignores the challenges of the Machine Age. Yet the dangers that make the bravest quake today transcend economy. The idyllic concerns of trust-busting and Taylorization have been superseded by Hiroshima. Scientific barbarism is dogging our footsteps. The Germans were planning a contrivance to make the sun emanate death rays. We, in fact, produced a burst of death rays that blotted out the sun. Yet the Germans had an evil philosophy, and we had a humane philosophy. In this we should learn to see the symbol of our peril.

Among those in America who are aware of the dimensions of the problem, two tendencies are discernible: some believe in elites and aristocracies, in managerialism and the corporation. They feel that the whole of society should be more intimately adjusted to the economic system, which they would wish to maintain unchanged. This is the ideal of the Brave New World, where the individual is conditioned to support an order that has been designed for him by such as are

wiser than he. Others, on the contrary, believe that in a truly democratic society, the problem of industry would resolve itself through the planned intervention of the producers and consumers themselves. Such conscious and responsible action is, indeed, one of the embodiments of freedom in a complex society. But, as the contents of this article suggests, such an endeavor cannot be successful unless it is disciplined by a total view of man and society very different from that which we inherited from market-economy.

V

Alignments on the
International Stage

Why Make Russia Run Amok?*

1.

There is one deadly mistake America is insured against – appeasement. So much Munich has done for her. Neville Chamberlain has driven home to Americans how obtuse such a policy was, and what ignorance of the revolutionary nature of Hitlerism it implied.

What America is not yet insured against is Chamberlain's equally fatal mistake regarding Russia. Yet this error too would be unpardonable. For Britain's blunder, which almost lost her freedom and independence, was only partly about Germany; to the same extent it was about Russia. America cannot afford to repeat it.

Unfortunately it is law in politics that only *one* truth goes down at a time. In the case of Munich that truth was that Hitlerism was not a policy but a revolution; and that appeasement was as useless as trying to rub an earthquake the right way. The other truth, which failed to go down with the American public, though it was as patent as the first, was that Britain had underrated the constructive possibilities of Russian policy. And yet this error was as vital as appeasement itself in producing the colossal blunder.

For years America was warned not to follow Chamberlain's suicidal example with Germany; ultimately the warning was heeded, and America refused to appease Hitler. It is time to sound a similar note of warning in regard to her policy toward Russia. Though the

* *Harper's Magazine* 186, March 1943, pp. 404–10.

danger now is different, it is no less real. The point which deserves to be pondered by Americans is that Britain's errors regarding Germany and regarding Russia were only two sides of one and the same radically fallacious policy.

The popular notion held both inside and outside of America – that postwar England had no policy and was merely drifting – is mistaken. The contrary will be shown to be true. From the day Hitler was made Chancellor of the Reich in January, 1933, to that other day on which Winston Churchill became Prime Minister, in May, 1940, England not only had a policy but stuck to it doggedly. Whether it was good or bad when it was launched does not stand to discussion here. Later on – this is the point – it led to appeasement and Munich. This line became known as the Four Power Pact idea. Though little talked about, it was almost everywhere taken for granted.

Its birth is still shrouded in mystery. Publicly it was first mooted by Mussolini on March 17, 1933. Significantly the British Prime Minister, Ramsay MacDonald, as well as Sir John Simon, flew to Rome and at once signed a joint declaration in support of the plan (which probably originated with Sir John Simon). It implied no less than the establishment of a Concert of Europe by the four Western Powers, England, France, Italy, and Germany, to replace the League of Nations and rule the Continent, solving incidental problems at the cost of territories east of Germany.

The Four Great Powers of Europe, all of them armed, would keep one another in check and boss the rest, including the small states and Russia. Europe would be back to the old order, so-called. Euphemistically this was termed the Four Power Pact plan. It would not be idealistic but at least it might work.

Thus from the start the exclusion of Russia was absolutely essential to the Four Power Pact idea. It implied that Russian interests should be regarded as a common fund out of which partners of the pact could compensate one another if their deals did not work out smoothly. If Hitler was bent on carving up Russia nobody would stay him. The whole scheme was enormously facilitated by the Soviet's traditional policy, which had been frankly revolutionary, or even worse, not quite frankly but no less definitely so.

2.

There was then an unbreakable link between the Four Power Pact point of view and "anti-Russia." That is why it is vital for Americans to recognize that in the critical seven years, *i.e.*, until Winston

Churchill took the helm and dropped appeasement, England never had any other directive line in foreign affairs than the Four Power Pact idea. Ramsay MacDonald, as well as Baldwin, Simon Hoare, and Neville Chamberlain, and even Lord Lothian and the Cliveden set,¹ were all – under various denominations – equally staunch adherents of that idea. They did not even stop to consider whether Russia might not after all be amenable to a positive and constructive policy, for she simply did not fit into the preconceived pattern.

It may seem surprising that the Four Power Pact idea should have been elastic enough to survive the vicissitudes of changing situations over such a long stretch of time. Formal pacts are rightly judged brittle instruments, and the less adaptable the more Powers they comprise.

But the new Concert was to be more a factual organization of the Continent than a legal institution based on a pact or treaty. This accounts for the extreme tenacity with which the plan survived. What railroaded Chamberlain to Munich was the Four Power Pact idea. He, like the other blind leaders of the City of London, was convinced that if only England were willing to make sacrifices in all directions, Hitler could be appeased and the Four Power Pact idea put into effect. Too late did he discover that Hitlerism was an elemental event, dominated not by reason but by ungovernable forces. But even when, standing by his pledge to Poland, he decided for war, he never for a moment relinquished the Four Power Pact idea. The Concert of the four Western European Powers remained the aim. The only difference was that Germany, which could not be induced into such a Concert by virtue of appeasement, should now be made to enter it under the pressure of superior force.

Looking backward, we can easily see that Chamberlain was either trying to bluff others or deluding himself. His policy implied threatening Hitler with an Anglo-Franco-Russian alliance which was a mere bluff, since he could not go all the way with Russia if his ultimate aim remained, as it did, the achievement of a Four Power Pact. Though such a pact, as far as Britain was concerned, was not deliberately hostile towards Russia, it inevitably threatened her – under the given circumstances – with destruction at Hitler's hands. The event proved that Chamberlain was deluding himself. Russia could not consent to be used against Germany unless she could feel assured that, once Germany was beaten and cowed, the war would not be switched at some juncture so as to end after all in a Four Power Pact, leaving Russia out in the cold.

Appeasement, in other words, was only one half of the formula, the other half of which was "anti-Russia," and the whole of which

read: Four Power Pact. So simple are, necessarily, the broad ideas which govern the secular policies of the great empires. Less simple ones would not be sufficiently adaptable. But the simpler they are the greater the misfortune should they turn out to be false.

This, precisely, was what happened. Chamberlain's mistake was both about Germany and about Russia. The only revolution the City of London had ever understood was the French Revolution of 1789. Since the German Revolution of 1933 did not resemble it a bit, the City was reassured that it was not a revolution. On the other hand, the Russian Revolution of 1917 not only resembled the French, but was in many details a veritable copy of it. Who but a fool could doubt which of the two was the enemy?

At this point, one can see, old-fashioned gentlemanly ignorance stepped in. It had already played its part in the misappraisal of Germany, but was destined to play an equally fatal role in the misjudging of Russia. Sir Neville Henderson's² tolerance of the Nazis sprang from a restricted imagination to which he had been trained. The English public school was designed to create a national leadership immune to the virus of the French Revolution. Now there was nothing about the German Revolution to warn him that it also was a revolution, and he did not study it carefully enough to discern that, even though it did not start by dispossessing the rich, it might nevertheless end that way. On the other hand, the Russian Revolution, though obviously enough a revolution, contained constructive elements which were not apparent in the short run. It was lack of right judgment on this vital point which ultimately turned Britain's mistaken policy almost into an act of national suicide.

A brief statement should clear out of the way the usual hocus-pocus which mars discussion of Russian policies. In the first place it should be stated that the Communist Parties in the various countries of the world were – if only for organizational reasons – nothing less than representatives of the foreign interests of Russia. But while in the first years of the Revolution these interests were practically identical with the furtherance of “world revolution,” this simple connection ceased later on. Communist parties, however, continued to be active supporters of Russia's day-to-day policies, whether these happened to be for or against revolution. They argued that to a socialist no higher interest was conceivable than the maintenance and the safety of socialist Russia. In what follows we can, therefore, discount the Communist International altogether *as a separate factor* beside the foreign policy of the U.S.S.R.

We can do so all the more safely – in the second place – since the foreign policy of Russia, like that of any other country, is primarily

determined by self-interest. In this respect alliances and Leagues on the one hand, subversions and fifth columns on the other, must be regarded as instruments of foreign policy. Consequently we should never quite exclude any of them when considering her external activities.

Lastly, we should not forget the exceptional character of great revolutions; here even the interests of safety and security may temporarily take second place against other interests, whether those be rooted in social, national, racial, or religious ideologies. Such tempestuous events transcend normal state policy and stand under laws of their own. Nothing indeed is more important than to gage rightly how far the U.S.S.R. is still – or perhaps again – a world-revolutionary Power.

3.

I return to Britain's mistaken policy regarding Russia. Manchuria, Ethiopia, and Spain paved the way for Munich. In each case for one fatal instant British policy was determined by the "anti-Russian" component of the Four Power Pact line – the settled determination not to allow her to emerge from her isolation. Instead of accepting Russian assistance to solve a given difficulty, Chamberlain, Simon, and Hoare deliberately rejected her help for the sake of Four Power Pact hopes, thus further lessening Britain's bargaining power.

Manchuria. Sir John Simon never even considered encouraging Russia to slow down Japanese aggression. Yet had he done so Japan might be still occupied today in negotiating terms for the Eastern China Railway, or, for that matter, in pacifying Korean malcontents.

Ethiopia. When the sanctions police were set on the track of the Italian aggressor it suddenly became apparent how powerful a force the U.S.S.R. represented in the Near East. Notably Kemalist Turkey held tightly to the Russian connection; Turkey alone possessed the airports that could make the British fleet in the eastern Mediterranean safe from Italian bombers, with the help of land-based aircraft. But Great Britain had to reject Russia's friendly intervention with Turkey – which might have protected the fleet, saved the League, and averted a war. Four Power Pact policy allowed no other course. After this the League fell into a twilight from which it never awoke.

Spain. – the decisive instance – gets us a long way nearer to the issue of this analysis. There is no need to argue the importance of that fascist victory which broke the moral backbone of republican France. When Franco marched into Madrid, Paris became a suburb

of Berlin. Politics, as Plato said, is a geometrical science. If the oldest military power of Europe and her foremost republic did not dare any longer to succor a neighbour sister republic threatened by unconstitutional rebellion, how could the people of France be expected to believe in themselves and the ideas of their free institutions? And yet, France gone, Britain would have to fight alone. When the Spanish Loyalists were left to capitulate to the German Luftwaffe in mufti, it was the British army on the sand of Dunkirk that was robbed of its defenses. But the Four Power Pact was no more than ever Britain's policy – and the Loyalists had Russian support. This alone would doom their cause with Chamberlain and Simon. They decided that the Spanish Loyalists must perish and thereby almost sealed Britain's own fate.

What was Russia's policy in Spain taken by Neville Chamberlain to be? And what was it in fact?

The connection of course was that, while Germany and Italy intervened in Spain to increase their national power, Russia intervened to spread the world revolution. If the Communists were getting hold of every government official in Loyalist Spain (which was a fact) and had their grip on the army (which also was true), who could expect them to keep the constitutional methods or to refrain from broadcasting Bolshevik doctrines and turning the internal battles of Spain into a training ground for world revolution?

The facts, which were never officially acknowledged by any government – even the Russian – must be pieced together from sources which for varied reasons happen to be reliable. The picture they reveal is this: The Spanish Communist Party as such had, as usual, not the slightest say in the determination of working-class policy. Everything was controlled by Russian Communists, who were directly subordinated to their home governments in Moscow. That government took the line that there was no revolution in Spain – not a communist, nor a socialist, not even a democratic one. To acknowledge the existence of any revolution was declared contrary to the interest of Russian foreign policy, and therefore a counterrevolutionary act. Anybody caught fomenting revolution in Spain, whether Communist or non-Communist, was given short shrift. Although Russian, German, and other Communists fought stoutly for Spain, they kept to the last to the position that no other cause than that of constitutionalism and legality was involved. It is known how bitterly the Communists were attacked by their own left-wingers, the Trotskyites, for this alleged treachery to the cause of the world revolution. Altogether it must have been an extremely awkward line to hold, in view of the many shades of radicalism endemic in Spain. Yet there is

no room for doubt that the Russians, even under the greatest stress, held to their non-revolutionary line.

Had the British government been better informed, had the constructive possibilities of Russian policy been more fully comprehended, maybe not even the Four Power Pact line would have induced the Foreign Office gratuitously to sacrifice in Spain vastly important diplomatic and strategic positions, including even the might of the French army.

After Manchuria, Ethiopia, Spain – *Munich*. After the preliminaries, the capitulation itself. Alighting at Heston Aerodrome from the plane which flew him back from his last interview with Hitler, Neville Chamberlain waved a piece of paper which contained an empty formula over Hitler's signature and his own. This document, the British Prime Minister triumphantly announced to the waiting crowd, signified "Peace in our time." There can be little doubt that he believed what he said; for what he held in his hand was no other than the long-sought treasure. The document told its own story. Germany was "appeased" and Russia was kept from the council table. True, the price was no less than the vivisection of Czechoslovakia with the approval of Chamberlain's own envoy, Runciman; and France had dishonoured her solemn pledge to the victim, thus fatally giving away her weakness. But against this Chamberlain and Simon set the one supreme fact that England, France, Italy, and Germany had established a new Concert of Europe to replace the League of Nations and would rule the Continent in the future, without Russia. The phantom pact for which they had striven so long was at last in their grasp. Munich to them was the price of the Four Power Pact formula.

Within less than a year Great Britain was at war. Germany, not yet appeased, prepared to fling herself on another victim, Poland; and Russia, fearful of being isolated, and unwilling to be any longer minimized by Chamberlain, with icy realism turned the green light on Germany. Another six months later, England herself was in peril, and her danger waxed until its name was Dunkirk. Thus two years after Munich only Winston Churchill and the peerless heroes of the Royal Air Force averted from England the fate of Czechoslovakia. Another year passed, and now Russia herself was gripped by the vampire, her armies retreating before the unappeased monster until the miracle of Moscow stopped its gluttonous career. But by this time the word Munich had become the pillory not only for self-deluding appeasement, but also for the intellectual complacency which had topped ignorance on Germany with no less complete ignorance on Russia.

4.

I revert to America. Munich had made her safe from appeasement. But what about Russia? Is the State Department immune from the fallacies which deprived Britain of the ally she needed until Hitler all but succeeded in finishing them off separately? Has Washington proved better informed on the Russian force of resistance than London was? Or has it not shown itself as sadly misinformed about Russia as Chamberlain himself in the heyday of Munich? And yes the dangers involved in an error regarding Russia – this must be emphatically stated – are, if possible, even greater to-day than four years ago, *though they may take a quite different shape*. Russia, which was pushed by the Foreign Office into co-operation with Hitler, may be goaded by the State Department into another just as desperate course.

Bluntly, that Russia's only course in the future is "world revolution" is obviously untrue. But so would be the opposite contention that she has now become a power psychologically incapable of using the instrument of revolution. The simple truth is that ultimately she will, like other countries, shape her policy according to interest and circumstances. That is why the State Department's consistent policy on Russia, so far as it is now visible to outside observers, bears comparison only with Chamberlain's and Simon's Four Power Pact adventure.

After the launching of the Five Year Plans in 1929 the evidence was that Russia was centering on her own affairs. Hence the Trotskyite split, which came precisely on the issue of the "world revolution"; for a Russia that had committed her resources to the long-term job of industrialization could no longer afford to engage in a revolutionary foreign policy. After the rise of Hitler, in 1933, she felt threatened by a power which was definitely revolutionary, and the economy of which thrived on war, while her own was endangered by it. Thereupon she swung determinedly toward a peace policy. Her discipline in the Popular Front Years, especially during the supreme test of Spain – as well as in the field of collective security and sanctions – proved that she was following a constructive line even in the face of consistent disappointment. In effect no country tried harder in the years preceding Munich to strengthen the League and the international peace mechanism than Russia. That her ceaseless solicitations were discounted as insincere by the addicts of the Four Power Pact idea will not carry too much weight. True, in joining Hitler in the fall of 1939 she released the floodgates of

war, and even attacked Finland. But this, it should be recalled, was *after Munich*.

But – Munich or not – what the Stalin–Hitler episode finally proved was that the Russian Revolution was past the stage of ideological effervescence. It proved precisely that Russia was now prepared to subordinate each and every consideration to the one supreme interest of safety and security; that as an alternative to isolation she would prefer to side with her worst ideological enemy. The interests of the Russian *State* of one hundred and eighty millions, not those of the Bolshevik *Party*, which forms a fraction of it, turned the rudder toward Berlin when London and Paris obdurately refused to accept her help. Thus the treaty with Hitler and the Finnish war – these acts of pure power policy – bring our arrangement to a head: Russia if isolated will follow exactly that line of policy which she deemed necessary, whether she likes the policy or not. There is ample proof that she wants to avoid being forced into a “world revolution” line. Yet the short-lived Hitler–Stalin treaty revealed that she will not hesitate to turn to any, even the most desperate expedient, if she is left no alternative. To try to isolate Russia, to refuse to co-operate with her, to insinuate that she is *the* enemy, means simply to force her into a world-revolutionary strategy against her will, contrary to all reason and common sense – a feat comparable only to Chamberlain’s resounding error.

To constrain Russia to revert to long-discarded revolutionary slogans would obviously amount to catastrophe. And yet the compulsion upon her may become overwhelming if the State Department persists in a policy which in all logic can have no other outcome.

The temptation to Russia might lie in the lead she would gain almost without effort. Her Slavonic relations in central eastern Europe – and they are numerous – would follow her standard. The tortured social minorities in that region of hopelessly intermingled settlements would look to her as their liberators from national oppressions. The nebulous formula of revolution would stir the natural urge for revenge into a blind passion and fan the flames of justified agrarian unrest into a devastating fire.

And yet it can be expected in all reason that such a line of extremism would be taken by Russia only as a policy of despair – despair not necessarily of her own existence, but rather of the future of her relationships to Western democracy. What indeed could embitter Russia’s leaders more than to find Americans *after* Manchuria, Ethiopia, Spain and Munich still obdurately adhering to policies suggested to the world by Hitler a decade ago? In those ten years Russia changed from the burnt-out hull of a revolution into one

of the foremost industrial countries in the world, from a center of ultimately ineffective propaganda into the military bastion of the Eurasian continent. For she is not only holding Hitler at home; her support to Turkey kept Suez from Hitler after the fall of Crete, and her assistance to China prevented Japan from forming that vast empire into an impregnable fortress from which to lord the Pacific. Apart from her own lost territories sliced off her borders by German in 1918, she never in those ten years showed any sign of wishing to extend her frontiers – such is the make-up of this self-contained country which, like America, needs nothing but peace to be prosperous. And yet she has two formidable dangers to cope with: the Nazi peril in Europe, the Nipponese peril in the Pacific. Her alliance with Great Britain should take care of the first; but the second must loom large. Indeed, if ever the logic of geography linked two neighbours in a harmony of external interests, it is the two continental powers whose boundaries meet in the Polar regions of the Pacific, America and Russia.

Russia seems anxious that America should understand. She is soliciting her friendship. She is keen to offer the U.S.A. what she persistently but in vain offered Chamberlain's Britain: her permanent collaboration.

Washington, however, does not seem to care whether or not the Atlantic Charter is interpreted as another Four Power Pact plan; for it seems to disregard the obvious implications of its apparent acts of commission and omission on Russia. These are numerous. There is the startling absence of contact on the subject of punishment of war criminals; the amazing episodes of Otto Hapsburg; the apparent absence of contact with Russia on the accord with Darlan, who professed to represent Vichy – a government hostile to Russia; the exclusion of Russia from the talks of Allied general staffs; the silence on Stalin's suggested basis for permanent "Anglo-Soviet-American" co-operation. And so on – with not a single convincing proof to the contrary.

Occasional contacts and even material exchanges form no such proof. Eden visited Moscow in 1934, and France went to the length of signing a treaty of amity with Russia in 1935; yet these acts meant no break in the Four Power Pact policies of the British and French governments. Such contact may mean much or little according to the scheme into which they are fitted. This scheme, as far as the State Department is concerned, appears to be much the same to-day as that which Chamberlain and Simon followed in their time. Washington of course applauds Russia's success against the Nazis, but appears to try otherwise to have as little to do with her as possible.

Not on a single postwar issue has cooperation with Russia apparently been sought, and on a number of inevitable postwar issues she is already being flouted. Everybody knows that when victory is won Russia's interests must necessarily include conditions in, and plans for, Finland, Esthonia, Latvia, Lithuania, Poland, Czechoslovakia, Rumania, Bulgaria, Albania, Yugoslavia, and Hungary – to say the least. All the published acts of the State Department indicate that in respect to none of these questions is agreement with Russia attempted. Yet the fate of the world may hang on a reasonable degree of co-operation between Great Britain, the United States, and Russia in building up the core of a development in which national civilizations can survive.

After fruitless years of shame and suffering the Four Power Pact, that master plan of a false realism, proved a will o' the wisp. To-day it can be forecast with absolute certainty that any policy in Europe which deliberately disregards Russia must lead to chaos and disaster. If Hitlerism is to go, another order must come. No power in the world can restore the old. Yet Russia may well turn out to be a constructive force among the welter of small peoples of central eastern Europe; she may well prove to be sufficiently mature to conserve that which is worth conserving (of which, in the conviction of the writer of this article, there is a lot). On the other hand, she may revert under stress to the rabid fevers of her beginnings. Why make her run amok?

British Labour and American New Dealers*

There are lessons to be learnt from the Labour Party rebellion.¹ If they are rightly understood, something like the co-operation of progressive forces on the two sides of the Atlantic may yet emerge.

The “rebellion” in the House of Commons was a healthy reaction against the mis-integration of the two countries by Winston Churchill. But it was, at the same time, also a promise of a new solidarity of British Labour and American New Deal.

Nothing came so much as a shock to the British public as the realization of the extent to which Britain had been already committed to America, or, more precisely, to Republican big business. True, in apparent contradiction to this, Wallace complained of American dependence upon British “imperialism.” But there is no contradiction. For what caused alarm, both here and there, was the degree to which there was “ganging up.” The danger was precisely this clandestine co-operation, which has to shun the light of day.

Fulton Speech²

Churchill’s plan, which he tried to accomplish *via facti*, was to join England to America. Not by virtue of declarations, to which neither party would have assented, but through the creation, even before the war was quite over, of a joint army, a joint

* *The Leeds Weekly Citizen*, 10 January 1947, p. 5.

global strategy, joint finance, a joint trusteeship system, and a joint foreign policy.

He never intended to put this up to considered vote of the English. At Fulton he even made a rhetorical attempt to prejudge the verdict of the American people.

Yet, as seen from the British angle, Churchill largely achieved his aim. His plans were well laid. The war had not only "mixed up" the Allied armies, but also unmixing atomic affairs, leaving the bomb altogether in American hands. Lend-lease³ was bound to end soon, and since Churchill's government made no provision to meet the emergency, Britain would have to ask for American help and thus land herself both in financial and in military dependence from the United States.

Churchill's foreign policy, it should be noted, was, by and large, in harmony with his domestic policy. There was no contradiction in linking a still capitalist Britain to a still more capitalist America. Indeed, he may well have believed that no change of government in Great Britain would ever be capable of reversing the *fait accompli*. However, he forgot the remedy of "secession." The Westminster Revolt against Wall Street rule of England was a faint counterpart of 1776. An evening paper reported that when Attlee rose to answer Grossman, many Labour members went to have their tea and deliberately missed the historical division. It was the Boston Tea Party, in reverse. Though it will not be followed by a war, it might easily undo what Churchill believed had already been secured by him as the result of the Second World War, namely the erecting of a world bastion of Anglo-Saxon capitalism.

Before we drop the whimsical analogy, we should stress the prominence of the trade factor in 1776 as in 1946. Then America was being deprived by a tyrannical England of the means of protecting herself against the sweep of the mother country's superior trade. This was one of the economic causes of the American Revolution. Yet the stranglehold of English trade on the Colonies in the eighteenth century was no more cruel than American free trade imperialism threatens to be to a rejuvenated England, in the twentieth. Here lies the key to the lessons of the revolt.

In brief, the earthquake in Britain policies was caused by the fact that decontrol in the United States made the implications of the American connection pattern. Labour Rebellion was by Republican Victory out of Bretton Woods. This accounts for its deep roots in the masses and its vital impact on foreign policy.

The people of England could never be persuaded to overcome their suspicion to the American Loan, coupled, as it was, with Bretton

Woods. To the political *routinier* nothing could have been more surprising. The alternative to the loan – this was patent – was a condition of chronic undernourishment, and a lack of elementary comforts. Bretton Woods, on the other hand, was declared by almost every group and party, every practical and theoretical authority in the country, to be politically harmless and economically sound, besides being financially unavoidable. The Communists defended Bretton Woods and denounced the handful of brave men who warned of the consequences. Yet, the masses of the people remained unconvinced.

In effect, the loan would have been rejected, but for the fact that the Coalition government had forced the hand of its successor. The Churchillian view prevailed, that, after all, there was no harm in dependence upon America.

Costly help

But Britain had now a socialist government. And how long would the United States be ruled in the spirit of the New Deal? Could Britain afford to take the help? An industrialized island could not plan its domestic existence, unless it controlled its foreign economy. The point was crucial. The common man grasped the implications and remained irreducibly hostile to Bretton Woods, which under the cloak of free trade demagoguery declared war on controlled foreign economies.

At this juncture John Maynard Keynes destroyed his life's work by defending what Wall Street firmly intended to be a return to an international gold standard. But the man in the street had not forgotten the lessons of the 'Twenties: – that free trade meant unstable trade, and that stable exchanges meant unstable employment. To this he held stubbornly, and when talked into acquiescence, he did not cease to wonder.

His eyes were ever since fixed on the American scene. From there the great freeing of business was to take its departure, with the decontrol which would follow VJ Day. But while Tory England was spellbound by the wonders of overflowing Fifth Avenue shops windows, the Labour voters' feelings were divided between anxious envy and a wistful doubt of this kind of prosperity.

He was not surprised, when the American landscape was transformed into what appeared to him a fair sample of Bedlam, and Truman caved in. The United States was in the grip of a social epidemic with all its unattractive concomitants. When the President fired Wallace,⁴ British trade unionists may have experienced a premonition of peril. Yet, even though the pestilence was now apparently getting

out of control, the man in the London street may still have felt separated from it by the Atlantic.

Fear of contagion

The increasing certainty of a Republican victory made the difference. The strength of the opposition at the Brighton conference of the Trade Unions indicated a rising tide of concern. And when the Republicans gained hold of Congress, fear of contagion strode the ocean, and panic was loose.

The dilemma of the American connection was once more upon us. Why, why indeed, had the British people been made to accept Bretton Woods, if despite the loan, it might spell ruin to them? Not only to their hopes of the future, but also to their prospects for the present?

Yes, the present. At the time of Bretton Woods “dollars” were the bottleneck in British economy. Meanwhile a more basic shortage was revealed, that of manpower. It is the common denominator of the needs of a larger army, the speeding up of the export drive, the cry for more houses, the demand for a forty-hour week, the craving for consumers’ goods. As a result of full employment England learnt to think in terms not of “dollars,” but of manpower.

Only steady, purposeful planning can overcome this bottleneck. A decontrolled United States exporting unemployment and spreading international anarchy, is an immediate danger. But the first requirement of self-protection against it, is a controlled foreign economy. Thus, Bretton Woods, wielded by ruthless Republican hands, waxes into a peril to the common people of Britain.

The Kraken

Why, then, had they built their new home on the back of the Kraken⁵ – the living island which might submerge and leave its inhabitants floundering in the deep? Was the ultimate reason economic, as was generally assumed, or was it not rather political? Did Britain have financially no other choice, then to accept such a position of dependence on the United States, or did she, on the contrary, accept the dependence in order not to risk America’s political support against the Soviet Union? Behind the financial and trade agreements there loomed the spectre of Churchillian anti-bolshevism. Since the American elections were back to seemingly forgotten Bretton Woods – only this time it was split out in terms of foreign policy.

British must stand for an independent foreign policy, and support U.N.O. in full independence. Neither the adherents of a one-sided Russian orientation, nor the no less one-sided promoters of anti-sovietism, played any appreciable part in the formulation of "rebels." To decry it as anti-American would be as mischievous as it is ludicrous.⁶

The future will unfold the significance of the Westminster "Revolt." But very much must depend on the response of American New Dealers. It will need an effort on their part to realise the importance, which a controlled foreign economy holds for British socialism. Britain must remain free to manage her currency, she must be free *to plan her foreign trade, and free to co-operate industrially with any other country.* Wall Street is determined to cut these life lines of a socialist Britain. If new Dealers will help to *fend off Republican free trade imperialism*, then the people of Britain may be able, not only to establish democratic socialism at home, but also to carry its principles into all dealings of the Commonwealth.

Universal Capitalism or Regional Planning?*

1.

Of all the great changes witnessed by our generation, none may prove more incisive than that which is transforming the organisation of international life. Behind the routine of power politics which either serve or, more often, are served by ideologies, we can catch a glimpse of far-flung and meaningful policies which may, albeit incidentally, fulfil the deeply rooted aspirations of the common man. It is probable that the chances of democratic socialism (which most people, even quite recently, would have pronounced to be nil) are greatly improved, although by unexpected paths. But whatever may be the fate of domestic affairs, the political system of the world as a whole has undoubtedly reached a turning point, and, as a consequence of this, Great Britain is now standing at the cross-roads. The event is still too close, and too vast, to be clearly discernible, but the sooner we take our bearings the better.

One comes to realise this when making the attempt to describe more precisely the tendencies underlying the foreign policies of Great Britain, Russia and America; for here it is quite certain that the traditional pattern is not enough. What is at issue between the powers is not so much their place in a given pattern of power, *as the pattern itself*. Broadly speaking, the United States fits into one pattern, that of nineteenth-century society, while all other powers, including Britain

* *The London Quarterly of World Affairs* 10(3), 1945, pp. 86–91.

herself, belong to another, which is in course of transition to a new form. Each side will, or at least, in reason, should, favour that pattern which tends to keep its side of the balance secure. Obviously, it is of paramount importance to read the meaning of these patterns aright.

The tremendous event of our age is the simultaneous downfall of liberal capitalism, world-revolutionary socialism and racial domination – the three competing forms of universalist societies. Their sudden exit followed upon drastic, unheard of changes in human affairs, and the beginning of a new era in international politics. World-revolutionary socialism was overcome by ‘regional’ socialism in the sufferings and glories of the Five Year Plans, the tribulations of the Trials, and the triumph of Stalingrad; liberal capitalism came to an end in the collapse of the gold standard, which left millions of unemployed and unparalleled social deprivation in its wake; Hitler’s principle of domination is being crushed on a battlefield co-extensive with the planet he attempted to conquer; and out of the great mutation various forms of inherently limited existence emerge – new forms of socialism, of capitalism, of planned and semi-planned economies – each of them, by their very nature, *regional*.

This process was an almost exact replica of the establishment of the European states-system about the end of the fifteenth century. In both cases the change sprang from the collapse of the universal society of the period. In the Middle Ages that society was primarily religious, while in our time it was economic. It is obvious that the break-down of the nineteenth-century system of world economy inevitably resulted in the immediate emergence of economic units of limited extent. In terms of the gold standard, that true symbol of universalist economy, this is self-evident since its passing forced every country to look after its own “foreign economy”, which had formerly “looked after itself.”¹ New organs had to be developed, new institutions had to be set up to cope with the situation. The peoples of the world are now living under these new conditions, which are compelling them to evolve a new way of life. Their “foreign economy” is the governments’ concern; their currency is managed; their foreign trade and foreign loans are controlled. Their domestic institutions may differ widely, but the institutions with the help of which they deal with their “foreign economy” are practically identical. The new permanent pattern of world affairs is one of regional systems co-existing side by side.

There is one notable exception. The United States has remained the home of liberal capitalism and is powerful enough to pursue alone

the Utopian line of policy involved in such a fateful dispensation – a Utopian line since, ultimately, the attempt to restore the pre-1914 world-order, together with its gold standard and manifold sovereignties is inherently impossible. But the United States has no alternative. Americans almost unanimously identify their way of life with private enterprise and business competition – though not altogether with classical *laissez-faire*. This is what democracy means to them, rich and poor alike, involving, as it does, social equality for the vast majority of the population. The Great Depression of the early thirties left this predilection unimpaired, and merely dimmed the aura of adulation which surrounded *laissez-faire* economics. Except for a few socialists, mainly of the world revolutionary type, and perhaps a somewhat greater number of conscious fascists, the stupendous achievements of liberal capitalism appear to Americans as the central fact in the realm of organized society. Factory legislation, social insurance, tariffs, trade unions, and experiments in public services, even on the scale of the T.V.A., have affected the position of liberal capitalism as little as similar departures towards interventionism and socialism had done in Europe up to 1914. The New Deal may well prove the starting point of an independent – American – solution of the problem of an industrial society, and a real way out of the social impasse that destroyed the major part of Europe. That time, however, has not yet come.

With a free supply of land, unskilled labour and paper money, a liberal economy functioned in the United States, at least until the period beginning in 1890, without producing the lethal dangers to the fabric of society, to man and soil, which are otherwise inseparable from “self-adjusting” capitalism. That is why Americans still believe in a way of life no longer supported by the common people in the rest of the world, but which nevertheless implies a universality which commits those who believe in it to re-conquer the globe on its behalf. On the crucial issue of foreign economy, America stands for the nineteenth century.

It follows that, potentially at least, Great Britain and the Soviet Union, together with other countries, conform to one pattern, the United States to another. The British Commonwealth and the U.S.S.R. form part of a new system of regional powers, while the United States insists on a universalist conception of world affairs which tallies with her antiquated liberal economy. But reactionaries still hope that it is not yet too late for Britain’s own system of foreign economy to be changed back so that it may fall in line with that of America. This is the real issue to-day.

2.

It is from the regionalism to which she is committed that Russia draws her greatest strength. The victory of Stalinism over Trotskyism meant a change in her foreign policy from a rigid universalism, relying on the hope of a world revolution, to a regionalism bordering on isolationism. Trotsky, in fact, followed the traditional line of revolutionary policy, while Stalin was a daring innovator. But denying these facts, Communists caused hopeless confusion and made it unnecessarily difficult for us to realise the startling novelty of Stalin's policy.

To begin with, there is an entirely new attitude towards the uses of social change. The victorious Russian empire takes its independence for granted, and its dominating interest is durable peace. (Given this, the U.S.S.R. might, by half a dozen Five Year Plans, reach the American level of industrial efficiency and standard of life, and, indeed, surpass it.) As it has excluded universalist solutions on the model of the League of Nations or of World Federation, peace depends merely on the foreign policies of its neighbours. The Russians are determined to have only friendly states on their western borders, but they are loth to extend their frontiers so as to include those neighbours. The new constitutional changes are designed to assist Russia in this endeavour, since they allow smaller neighbours to harmonize their policies with their own immediate neighbours inside the U.S.S.R., without necessarily having to carry on negotiations with the colossus itself. The U.S.S.R. offers them Slavonic solidarity against German aggression, and assumes that nothing but class interest would induce their rulers to side with Germany against herself. She wants, therefore, to destroy the political influence of the feudal class and "heavy" industrialists in these countries, and intends to use socio-economic means for this purpose, but for this purpose only. In other words, she wishes to put economic radicalism to the service of limited political ends. Such basic reforms as she advocates, in Poland, for example, would not mean socialist revolutions in the usual sense – where socialism is an end in itself – but merely popular upheavals aimed at the destruction of the political power of the feudal classes, while eschewing any general transformation of the property system. Such revolutions are far safer than the traditional, unlimited socialist ones which, at least in Eastern Europe, would either provoke a fascist counter-revolution, or else could maintain themselves only with the help of Russian bayonets, which Russia has no intention of providing.

Nothing could be less appealing to the conventional revolutionary than such a prospect. It is no exaggeration to say that he could not

approve of it without mental reservations, and might find it difficult even to comprehend. Traditionally, he regards political action as a means of achieving socio-economic ends and to reserve this sequence by using socio-economic means, such as nationalization or agrarian reform, for political ends appears almost unnatural to him. In effect, the Russians themselves justly refuse to call these methods socialist since they are merely designed to safeguard their own security. For all that, they may achieve a democratic socialist transformation more effectively than anything world-revolutionary socialists ever attempted.

From the ideological stratosphere socialism thus parachutes to earth. Our generation has learnt how overwhelmingly the people rally behind policies designed to protect the community from external danger. The Russians promise their neighbours a secure national existence on condition that they rid themselves of incurably reactionary classes and it is to this end that they suggest expropriations and eventually confiscations. No one ought to be surprised if such methods, unpopular elsewhere, should find strong support in communities which see in them the means to national security. It should be remembered that once the Reformation began to involve the secularization of Church property, its scene swiftly changed from the cells of monasteries to the council rooms of the Princes. Similarly, the people may decide with alacrity for socialist measures which deliver the political goods.

It follows that it is precisely the regional character of this socialism which ensures its success and prevents it from becoming a mere introduction to further wars and revolutions. These would necessarily result from the attempt to spread socialism, for its own sake, to neighbouring countries. Socialisation of the new kind is emphatically not an article for export. It is a foundation of national existence.

In Eastern Europe regionalism is also the cure for at least three endemic political diseases – intolerant nationalism, petty sovereignties and economic non-co-operation. All three are inevitable by-products of a market-economy in a region of racially mixed settlements. The virulent nationalism of the nineteenth century was unknown outside the confines of such economies and its geographical extension towards Central Europe, Eastern Europe and Asia coincided with the territories brought under control of a credit system by autochthonous middle classes. In multinational areas, like the basins of the Vistula and the Danube, this resulted in hysterically chauvinistic states, who, unable to bring order into political chaos, merely infected others with their anarchy. Moreover, to the amazement of the utilitarian free-trader, with his naive outlook bounded by economics, the unresolved

racial issues prevented the smooth functioning of markets across the disputed frontiers. The Bolsheviks must soon have found out that this type of nationalism was merely the result of nineteenth-century economics in multi-national areas. Indeed, their experience, both within and without their frontiers, taught them that whenever market methods were discarded for planned trading, intractable chauvinisms lost their viciousness, national sovereignty became less maniacal, and economic co-operation was regarded again as being of mutual help instead of being feared as a threat to the prosperity of the state. In effect, as soon as the credit system is based no longer on 'confidence' but on administration, finance, which rules by panic, is deposed, and sanity can prevail. It must be admitted that any type of economic regionalism – whether socialist or not – any planning – whether democratic or not – might have a similar effect in the racial jig-saw puzzle of the Danube, the Vistula, the Vardar and the Struma. But, as it happened, history offered the chance to the Russians, who naturally took what was proffered to them.

Regionalism is not a panacea. Many old, and perhaps many new, troubles will not yield to its treatment. Nevertheless, it is a remedy for many of the ills of Eastern Europe: and this accounts for the superiority of Russian policies in this region. If the Atlantic Charter really committed us to restore free markets where they have disappeared, we might thereby be opening the door to the reintroduction of a crazy nationalism into regions from which it has disappeared. We should not only be importing unemployment and starvation into the liberated regions simply by 'liberating' the local markets; we should also be burdening ourselves with the responsibility of having thrown back the people into the anarchy out of which, by their own exertions, they had just emerged. Marshal Tito's partisans bid fair to solve the problem of Balkan hatreds simply because they start from the assumption of a system no longer market-ridden and no longer managed by the middle class. This is the key to the Macedonian miracle. To-morrow Europe as a whole may yearn for the Balkan cure, and regionalism will be supreme.

3.

Thus it becomes apparent that liberal capitalism is not to-day primarily a domestic issue. First and foremost it is a matter of foreign policies, since it is in the international field that the methods of private enterprise have broken down – as shown by the failure of the gold standard; and it is in that field that adherence to such methods

constitutes a direct obstacle to practical solutions. Liberal capitalism is based on one simple tenet: foreign buying and selling, lending and borrowing, and the exchange of foreign currencies are carried on between *individuals*, as if they were members of one and the same country. "Foreign economy" is thus an affair of private persons, and the market-mechanism is credited with the almost miraculous power of 'balancing 'the foreign economies of all countries *automatically*, – that is, without the intervention of their governments. This Utopian conception failed in practice, as it was bound to do; and the gold standard was destroyed by the unemployment that it caused. In fact, the new methods of "foreign economy" which have superseded the gold standard are incomparably more effective for the purposes of international co-operation. With their help we are able to solve problems which were formerly intractable. Among these are the distribution of raw materials, the stabilizing of prices, and even the ensuring of full employment in all countries. Each of these problems was a permanent source of anarchy under the market system. Whether an even more universal system of marketing might not, after all, have been successful, will never be put to the test, since it would involve the impossible task of first restoring the market system throughout the world. Yet to this task the United States stands self-committed, and she may not realise for a long time that her attempt is doomed to failure. The alternative to the reactionary Utopia of Wall Street is the deliberate development of the new instruments and organs of foreign trading, lending and paying, which constitute the essence of regional planning.

Here lies Britain's chance. "Foreign economy" must necessarily be the pivot of the policies of an island empire dependent upon imports for maintaining a civilized standard of life, and on free co-operation with overseas dominions for the survival of the Commonwealth. Neither full employment, nor a flexible currency, nor continuous imports, are possible for such a country without a planned foreign economy. With its help, however, Britain would be able to reap the huge economic and political advantages of the new regional organization of the world. She took a decisive step in 1931, when she went off gold, introduced a capital embargo and turned to paper money; another step was taken at Ottawa; still another lay in the establishment of national governments as semi-permanent institutions; and an avalanche of even more incisive changes followed during the war. Great Britain is no longer a free-trading country; she is not on the gold standard; she has been interfering at home with private enterprise in every conceivable manner; she is entirely capable of organising the whole of her external economy on a controlled basis – whoever

is eventually put in charge of the controls; and all this has happened without any infringement of vital liberties or of the freedom to shape public opinion. Indeed, public opinion has never been more supreme over government.

Far from being cramped in her national life or frustrated in her imperial existence by breaking the taboo of non-interference with industry, Great Britain has become more healthily united with every year that has passed since she left the atmosphere of liberal capitalism, free competition, the gold standard, and all the other names under which a market-society is hallowed. There is nothing to prevent her from using the new methods of regional economics to abolish unemployment, periodically to adjust currencies, to organise bulk imports, to direct her foreign investments, to arrange for large-scale barter, to finance heavy industrial exports, to conclude long-term contracts of industrial collaboration with other governments and thus to co-ordinate domestic employment and living standards with her own trade, shipping, financial and currency policies in such a way as to secure for herself the advantages which accrue in the modern world from a deliberately-established and purposefully-managed national system. Precisely because foreign economy is more liable to control – and more in need of it – than domestic trade, the British Isles in spite of their rigid class-structure, had the good luck to be ahead of the young American continent in adjusting themselves to the requirements of the new economy.

This advantage is now in jeopardy. The freedom which Great Britain purchased at so high a cost in the critical weeks of 1931, when her banks threatened to fail and were saved only at the price of the gold standard, would be endangered by a lop-sided policy of Anglo-American co-operation. Instead of securing for Britain the unique advantages of a regionalism, which would enable her to co-operate equally with the U.S.S.R. and the U.S.A. – a co-operation particularly essential in dealing with their sub-continent – it would deprive her of those organs of external trade which she needs for her survival. She would become merely a helpless partner in the old-fashioned system suited to the continental economy of the U.S.A., in which foreign trade plays only a very small part. For the sake of this doubtful privilege she is invited to forego the prospect of a close industrial co-operation on the European Continent with the U.S.S.R., which would secure for her freedom of action, a rising standard of life, and the adventures of a constructive peace for a long time to come.

The great symbol of universalism is the gold standard. It may be objected that the pre-1914 gold standard neither will nor can be re-introduced, and that to spread alarm about America's intention of

restoring it, is to tilt at windmills. But this is a mere quibble. The *old* standard is, of course, as dead as a doornail; and no one will dream of resuscitating it, even though, till recently, the experts of the League of Nations declared that it was *the* condition of future prosperity. But, unfortunately, what America is striving for is not the mere shadow or the empty name, but the substance of the gold standard; and this – as well-informed people should know by now – is no other than the balancing of “foreign economy” through automatic movements of trade, i.e., through the undirected trade of private individuals and firms. The battle over the gold standard, which superficially appears to be a mere wrangle about financial technicalities, is in reality a battle for and against regional planning. There was a grim irony in some Russian statements favouring American plans of restoring the gold standard. For as to Russia, since she has no private trading, the question does not concern her. She is a mere onlooker who might be secretly amused by the antics of U.S.A. and Great Britain enmeshed in the toils of the gold standard.

Britain will, therefore, have to define her policy with regard to the gold standard, whatever form it may take. AMGOT, UNRRA, UFEA, and the others – the letters F and E stand for Foreign Economy – are instruments, mainly American, for re-establishing market methods in the liberated countries. The fact that, under the given condition of scarcity, the use of such methods must tend to produce starvation and unemployment does not seem to have struck some interpreters of the Atlantic Charter. Even the alleged predilection of these organs of relief and rehabilitation for monarchists and clericals may be doubtful: for what makes them invariably side with the *ancien régime* against the popular forces is not so much their reactionary views as their determination to restore the practices of the free market – and to this determination any popular representative body would necessarily be opposed. It will be interesting to watch the reactions of the ordinary Englishman when he begins to realise that at the heart of world politics there is a universalist conspiracy to make the world safe for the gold standard.

There is indeed grave danger that Britain may miss her chance. An industrially stagnant ruling class is less swayed by economic considerations than by the advantages of birth and education. Whole-hearted co-operation with Russia on the Continent, enormously profitable as a business proposition, might involve the peril of a new equalitarian impulse radiating this time from a Continent which was turned into a home of popular government by Russian influence. Not as if the U.S.S.R. was feared any more as the mother of Soviets; yet she may still prove herself a true daughter of the French Revolution. The

cloud on the horizon is not yet bigger than a man's hand. But what if it started to grow and, eventually, in some dire crisis or in some great adventure of progress, fresh forces should spring up and fuse Disraeli's Two Nations into one? Such a consummation is dreaded by those who look more to the past than to the future for their title to leadership. They will hold on to social privilege even at the expense of financial loss. Contrary to national interest, they might attempt to restore universal capitalism, instead of striking out boldly on the paths of regional planning.

VI

Towards a Comparative Study of Economic Institutions

On Belief in Economic Determinism*

My main thesis is

- (a) that economic determinism was pre-eminently a nineteenth-century phenomenon, which has now ceased to operate in the greater part of the world; it was effective only under a market-system, which is rapidly disappearing in Europe;
- (b) that the market system violently distorted our view on man and society;
- (c) these distorted views are proving one of the main obstacles to the solution of the problems of our civilization.

Definition of the present phase of our civilization

An historian should find no difficulty in defining the stage at which we have arrived. The tour is called industrial civilization. The first stage of the tour is over, and we are embarking on the second. The machine age, or industrial civilization, which started sometime in the eighteenth century, is still far from being over. Its first phase has been called by many names, such as liberal capitalism, or market-economy; the next phase will be called by some other name, we can not yet be certain by what. The point is to distinguish between the *technological* aspect which comprises the whole of the machine age or industrial

* *The Sociological Review* 39(2), 1947.

civilization, and the sociological, which differentiates the phase which is already behind us from the phase which is still to come.

The present condition of man can be described in simple terms. The Industrial Revolution, some 150 years ago, introduced a civilization of a technological type. Mankind may not survive the departure; the machine may yet destroy man; no-one is able to gauge whether, in the long run, man and the machine are compatible. But since industrial civilization cannot and will not be willingly discarded, the task of adapting it to the requirements of human existence *must* be solved, if mankind shall continue on earth.

Such, in common sense terms, is the bird's eye view of our troubles. Meanwhile the first phase of the new civilization is, as we saw, already behind us. It involved a peculiar social organization, which derived its name from the central institution, the market. In greater part of the world this market-economy is disappearing in our days. But the outlook on man and society, which it bequeathed to us, persists, and obstructs our attempts to incorporate the machine into the fabric of a stable human existence.

Industrial civilization unhinged the elements of man's being. The machine interfered with the intimate balance which obtained between man, nature and work. Whether our distant ancestors were tree-climbing creatures or whether they squatted in the undergrowth, the ominous fact remains that not until a few generations ago was our habitation physically severed from nature. Though Adam's curse made labour sometimes irksome, it did not threaten to reduce our waking hours to meaningless jerks alongside a moving belt. Even war, for all its horrors, was a means of decision in the service of the continuance of life, not a universal death-trap. It is not possible to foretell whether such a civilization can successfully be adjusted to the abiding needs of man, or whether man must perish in the attempt.

However, as we saw, man's present condition is set by a further fact, not of a technological, but of a social order. For his prime difficulty in grappling with the problem of an industrial civilization arises from the intellectual and emotional legacy of market-economy, that nineteenth-century phase of machine civilization which is rapidly fading away on the major part of the planet. Its baneful inheritance is the belief in economic determination.

Our situation is thus peculiar to the utmost. In the nineteenth century, the machine forced an unprecedented form of social organization, a market-economy, upon us, which proved to be no more than an episode. Yet so incisive was this experience, that our current notions are almost entirely derived from this short period. In my opinion, the views of man and society induced by nineteenth-century

conditions were fantastic; they were the outcome of a moral trauma as violent in its impact on the mind and soul as the machine itself was foreign to nature. These views were broadly based on the conviction that human incentive can be classed as “material” and “ideal”, and that in everyday life man mainly acts on the former.

Such a proposition was, of course, true in respect to a market-economy. *But only in respect to such an economy.* If the term “economic” is used as synonymous with “concerning production” we maintain that there do not exist any human motives which are intrinsically “economic”; and as to the so-called “economic” motives it should be said that economic systems are usually not based on them.

This may sound paradoxical. Yet the contrary view was, as we said, merely a reflection of the peculiar conditions which existed during the nineteenth century.

The illusion of ‘economic’ motives

I will now, most reluctantly, have to intrude upon your intellectual delicacy and proceed to discuss economics. However, I will restrict myself to drawing your attention to the crude outlines of the economic system of the nineteenth century, called market-economy. Under such a system we can not exist unless we buy commodities on the market with the help of incomes which we derive from selling other commodities on the market. The name of the income varies according to what we are offering for sale: the price of the use of labour power is called wages; the price of the use of land is called rent; the price of the use of capital is called interest; the income called profit derives from the sale of commodities which fetch a higher price than the commodities needed to produce it, thus leaving over a margin which forms the income of the *entrepreneur*. Thus sales produce incomes and all incomes derive from sales. Incidentally, production is being taken care of and the consumers’ goods produced during the course of the year are distributed amongst the members of the community with the help of the incomes they have earned. Such a system can not fail to work as long as every member of the community has a valid motive which induces him to earn an income. Such a motive actually exists under the system: it is hunger, or the fear of it, which those who sell the use of their labour power, and gain with those who sell the use of capital, or land, or make profits on the sale of other commodities. Very roughly, the one motive attaches to the employed class, the other to the employers’ class. Since these two motives ensure the production of material goods we are used to calling them “economic” motives.

Let us stop and consider. Is there anything intrinsically economic about these motives in the sense in which we speak of religious or aesthetic motives being based on religious or aesthetic experiences? Is there anything about hunger or, for that matter, about gain or gambling which may have their attractions, but again that attraction is not intrinsically "economic"? In other words, the connection between these sensations and the activity of production is nothing inherent in these sensations but is contingent upon social organization. Under the market organization, as we saw, such a connection most definitely exists: hunger and gain are linked here, by virtue of that organization, with production. That explains why, under a market-system, we call these motives "economic". But what about other social organizations, apart from the market-economy? Do we find here also hunger and gain linked with the productive activities without which society could not exist? The answer is decidedly in the negative. We find, as a rule, that the organization of production in human society is such that the motives of hunger and gain are not appealed to; indeed, where the motive of hunger is connected with productive activities, we find that motive merged with other strong motives. Such a mixture of motives is what we mean when we speak of *social* motives, the kind of incentives which make us conform with approved behaviour. Scanning the history of human civilization we do not find a man acting so as to safeguard his individual interest in the acquisition of material goods, but rather so as to ensure his social standing, his social claims, his social assets. He values material goods primarily as means to this end. Man's economy, as a rule, is submerged in his social relationship. Some of you might have been wondering on what facts I was basing these assertions.

First, there are the fundamental results brought to light by research done by social anthropologists in the field of primitive economics. Two names are outstanding, Bronislaw Malinowski and Richard Thurnwald. Together with some other scholars they made fundamental discoveries on the place of the productive or economic system in society. The legend of the individualistic psychology of primitive man is exploded. Neither crude egotism, nor a propensity to barter or exchange, nor a tendency to cater chiefly for himself is in evidence. Equally discredited is the legend of the communist psychology of the "savage", his supposed lack of appreciation of his separate personal interest and so on. The truth is that man has been very much the same all through the course of history. Taking institutions not separately but inter-relatedly, we find him behaving in a manner comprehensible to us. Yet as a rule the productive, or economic system is arranged in such a manner that no individual is moved by hunger (or

the fear of it) to participate in production. His share in the common food resources is secured to him independently of his part in the productive efforts of the community. Here are some brief quotations. Under the Kraal-land system of the Kaffirs "destitution is impossible: whosoever needs assistance receives it unquestioningly" (Mair, L.P., *An African People in the Twentieth Century*, 1934). No Kwakiutl "ever ran the least risk of going hungry" (Loeb, E.M., *The Distribution and Function of Money in Early Society*, 1936). Or this – "There is no starvation in societies living on the subsistence margin" (Herskovits, H.J., *The Economic Life of Primitive Peoples*, 1940). As a rule, the individual in primitive society is not threatened by starvation unless the community as a whole is in a like predicament. It is the absence of the threat of individual starvation which makes primitive society, in a sense, more humane than nineteenth-century society, and at the same time less economic. The same is true of the stimulus of individual gain. "The characteristic feature of primitive economics is the absence of any desire to make profits from production of exchange" (Thurnwald, R., *Economics in Primitive Communities*, 1932). "Gain, which is often the stimulus for work in more civilized communities, never acts as an impulse to work under the original native conditions" (Malinowski, B., *Argonauts of the Western Pacific*, 1930). "Nowhere in uninfluenced primitive society do we find labour associated with the idea of payment" (Lowie, "Social Organisation", *The Encyclopedia of the Social Sciences*, vol. xiv)).

There is, secondly, unbroken continuity of primitive society with civilized types of society. Whether ancient despotic civilization, feudal society, city state, medieval urban society, mercantile society or regulative system of the eighteenth-century Western Europe, everywhere we find the economic system embedded in the social system. Whether the actual motives fall under the heading of civic custom or tradition, duty or commitment, religious observance, political allegiance, legal obligation or administrative regulation, issued by state, municipality or guild, makes no difference. Not hunger nor gain but pride and prestige, rank and status, public praise and private reputation provide the incentives for individual participation in production. Fear of having to forego material necessities, the incentive of gain of profit need not be absent. Markets are widely spread under all types of human civilization and the occupation of the merchant also is fairly general. Yet, markets are sites of trading and merchants are in the nature of the things expected to act on the motive of gain. But the markets are mere isolated patches which do not link up into an economy. Never before the nineteenth century did they become dominant in society.

Thirdly, there is the suddenness with which the transformation occurred. This is not a matter of degree but of kind. A chain-reaction was induced, and the harmless institution of the market flashed into a sociological explosion. By making labour and land into commodities, man and nature had been subjected to the supply-demand-price mechanism. This meant the subordinating of the whole of society to the institution of the market. Instead of the economic system being embedded in social relationships, social relationships were now embedded in the economic system. Instead of incomes being determined by rank and position, rank and position were determined by incomes. The relationship of status and contractus was reversed – the latter took everywhere the place of the former. To speak merely of an “influence” exerted by the economic factor on social stratification was a grave understatement. The sides of a triangle do not rightly speaking “influence” the angles, they determine them. The working of a capitalist society was not merely “influenced” by the market mechanism, it was determined by it. The social classes were now identical with “supply” and “demand” on the market for labour, land, capital, and so on. Moreover, since no human community can exist without a functioning productive apparatus, all institutions in society must conform to the requirements of that apparatus. Marriage and the rearing of children, the organization of science and education, of religion and arts, the choice of profession, the forms of habitation, the shape of settlements down even to the aesthetics of everyday life, must be moulded according to the needs of the system. Here was “economic society”! Here it could truly be said that society was determined by economics. Most significant of all, our views of man and society were violently adjusted to this most artificial of all social settings. Within an almost incredibly short time fantastic views of the human condition became current and gained the status of axioms. Let me explain.

The every day activities of men and women are, in the nature of things, to a large extent related to production of material goods. Since, in principle, the exclusive motive of all these activities was now either the fear of starvation or the lure of profit, these motives, now described as “economic”, were singled out from among all other motives and considered to be the normal incentives of man in his everyday activities. All other incentives, such as honour, pride, solidarity, civic obligation, moral duty or simply a sense of common decency were regarded as being motives not related to everyday life, but a rare and more esoteric nature, fatefully summed up in the word “ideal”. Man was supposed to consist of two components: those akin to hunger and gain, and those akin to piety, duty and honour. The

first were regarded as “material”, the latter as “ideal.” Productive activities were once and for all linked with the material. Man being strictly dependent upon means of subsistence, this amounted to a materialistic morality. All attempts to correct it in practice were bound to fail, since they now took the form of arguing for an equally unreal “idealistic” morality. This is the source of that fatal divorce of the material and the ideal which is the crux of all our practical anthropology: instead of the “mixed motives” in which man is at one with himself, his division into an alleged “material” and “ideal”, man was hypostasised. The Paulinian dualism of flesh and spirit was merely a proposition of theological anthropology. It had very little to do with materialism. Under market-economy human society itself was organized on dualistic lines, everyday life being handed over to the material, with Sundays reserved for the ideal.

Now, if this definition of man were true, every human society would have to possess a separate economic system, based on “economic motives,” such as existed in nineteenth-century society. That’s why the marketing view of man is also a marketing view of society. Under the influence of nineteenth-century conditions it seemed obvious that separate economic institutions must exist in every society. Actually the characteristic of human societies is precisely the absence of such separate and distinct economic institutions. That the economic system is “embedded” in the social relations means precisely this.

This explains the current belief in economic determinism. Where there is a separate economic system the requirements of that system determine all other institutions in society. No other alternative is possible, since man’s dependence upon material goods allows of none other. That economic determination was the characteristic feature of the nineteenth-century society was exactly because in that society the economic system was separate and distinct from the rest of society, being based on a separate set of motives – hunger and gain.

Let me proceed to some conclusions.

The task of adjusting the organization of life to the actuality of an industrial civilization is still with us. Our relations to men, work, and nature have to be re-shaped. The atom bomb has made the problem merely more urgent.

The civilization we are seeking is an industrial civilization on which the basic requirements of human life are fulfilled. The market-organization of society has broken down. Some other organization is developing. It is a tremendous task to integrate society in a new way. It is the problem of a new civilization.

But do not let us be intimidated by the bogey of economic determinism. Do not let us be misled into a notion of the nature of

man which is poor and unreal – the dualistic fallacy – according to which the incentives on which communal effort, good citizens and high political achievement is organized derive from a different set of motives.

Do not imagine that the economic system must limit our achievement of our ideals in society. Only the society which is embedded in the market is determined by the economic system. No other society is.

Take the problem of freedom. Much of the freedom we cherish – the civic liberties, the freedom of speech and so on, were by-products of capitalism. Need they disappear with capitalism? Not at all. To imagine this is simply an illusion of economic determinism – which is *valid only in a market society*. Hayek's fear of serfdom is the illogic application of economic determinism of a non-market economy. We can have more civic liberties – indeed extend civic liberties into the industrial sphere.

Mr. Burnham has also prophesied a great deal, on supposedly Marxian lines, about what class is to rule, etc. – all on lines of economic determinism. Yet he assumes the end of the market-economy, in which alone such determinism applies.

The *Lasciate ogni speranza*¹ of economic determinism is left behind us. Together with freedom from enslavement to the market, man also gains a more important freedom; his imagination is free again to create and shape his society, confident that he can possess the fullness of the freedom which he is prepared to plan for, to organise and safeguard.

The Livelihood of Man, Introduction*

This work is an economic historian's contribution to world affairs in a period of perilous transformation. Its aim is simple: to enlarge our freedom of creative adjustment, and thereby improve our chances of survival, the problem of man's material livelihood should be subjected to total reconsideration.

No more than a beginning can be made in this book. An attempt will be made, however, to remove some deeply rooted misconceptions that underlie the social philosophy of our time concerning the place occupied by the economy in society. This effort will center on the study of trade, money, and market institutions so familiar to our age and yet, perhaps for that very reason, sources of a grievously incomplete understanding of the nature of the human economy.

If occasionally a personal note has intruded into the analysis of the cold facts, it is because the historian can no longer remain aloof from the needs of the age. True, by responding to their call he may introduce unwonted tensions into the traditional fabric of an academic discipline. Still, the perspective of the undertaking does not spring from an individually held view. The nature of the dangers cited can be gauged objectively, and the briefest survey of the present reveals some of the permanent factors in the oncoming period of history. Nevertheless, the approach to the task may well be deemed personal. Perforce there are subjective sources to the belief that even so academic and peripheral a figure as the student of economic history

* *The Livelihood of Man*, ed. by H. W. Pearson, New York: Academic Press, 1977, pp. xliii–lv.

should be able to discover a definite use for himself in this secular process. That, for instance, he may help to disencumber our minds of obsolete notions and, to the extent to which he rightly discerns the ills of the age, he might even venture to offer a view of how to judge long-run policy problems.

The bare facts of the situation in which we find ourselves are, indeed, seen to be alike by many. About a generation ago, the demise of the system of world economy became apparent. After World War I, the international gold standard, world markets for commodities and raw materials, and the universal distribution of credits and investments were engulfed by changes, some sudden, some more gradual. At the same time, the political organization of the peoples of the planet started to disintegrate. The balance of power that had prevented major wars for a century ceased to work. New dictatorial forms of government arose and passed again. New organizations of the economy were tried, with varying success. Following World War II, the continents of Asia and North Africa became fluid at their borders. For a time, World War III seemed imminent. Despite the odds, however, the chances of life appear to be winning over the chances of death. But whatever the outcome, one conclusion can already be drawn with certainty: that further readjustments in the institutional setting of national and international life are inevitable. This may sound trite, for history never stands still. Actually, it is meant in this context to forecast changes affecting vital aspects of our collective existence even if, as now seems possible, no spectacular events like those of the decade from which we have just emerged break in upon us. For the crucial circumstance that needs to be emphasized, since it is easily overlooked, is precisely the obvious one that the contending political and ideological forces that have already entered the international scene will of necessity either clash destructively or harmonize constructively or, perhaps, both; yet such is the institutional nature of these forces that, even for nothing dramatic to happen, important step-by-step adaptation will have to occur. Of this we may be sure, therefore: that whatever else be in store, at least some degree of creative adjustment to these new permanent features of the human environment is inevitable. Mere coexistence, if it is to operate at all, logically requires as much.

But beyond the institutional devices that mere coexistence must involve, another kind of unspectacular change in the human world is possible, more comprehensive, in its undramatic way, than imagination has hitherto encompassed. Nuclear energy, once released, will never cease to haunt us. Those dominant concerns in which we have our being may alter their direction, changing from their present economic

axis to one that may best be called the moral and political. No longer economic progress and welfare, but peace and freedom become man's supreme aims. Fear, that architect of power, is already quietly producing totalitarian tendencies of a magnitude hitherto unknown. For better or worse, the very framework of change is changing.

Change and economic history

As for the hope of contributing his mite an economic historian may secretly nourish, it must be, as it were, esoteric. Indeed, to select the timeless question of man's livelihood and urge its reconsideration in the light of practical necessities must appear as a strange objective. The place occupied by various economies in different societies is a forbidding subject at best. Although an economy of some kind or other is essential to every society, it may be linked with the rest of that society in very different ways. Under the same technology, such far-reaching changes in economic organization may be encountered as transitions from capitalism to socialism. Again, the same organization of the economy seems compatible with sharp changes in the political system, e.g., when a market-organized society changes from a liberal democracy to fascism or vice versa. This phenomenon is all the more likely if change has been induced by an external force such as conquest, a common occurrence in world history. Under pressure from outside, or in the wake of acculturation, any major sphere of life – whether political religious, or cultural, so it seems – may gain ascendancy over the other spheres and retain it over a stretch too long to be called merely temporary. Yet even though the economy may take only second or third place, it can never fail to complicate the issues in unforeseeable ways.

If, nevertheless, the unwieldy subject of the livelihood of man was elected for inquiry here, it was done in the conviction that it is not beyond the scope of intellectual effort to eliminate at least some of the most intractable biases under which the problem of the economy presents itself to the men of our century.

This belief, amounting almost to a personal engagement, stems from a compelling insight of many years' standing. It is my conviction that the largely unconscious weakness under which Western civilization labors springs precisely from the peculiar conditions under which it is shaping its economic fate. In all its singularity, this argument can be set out as follows.

Our social thinking, focused as it is on the economic sphere, is for that very reason ill equipped to deal with the economic requirements

of this age of adjustment. A market-centered society such as ours must find it hard, if not impossible, justly to gauge the limitations of the significance of the economic. For once man's everyday activities have been organized through markets of various kinds, based on profit motives, determined by competitive attitudes, and governed by a utilitarian value scale, his society becomes an organism that is, in all essential regards, subservient to gainful purposes. Having thus absolutized the motive of economic gain in practice, he loses the capacity of mentally relativizing it again. His imagination is bounded by stultifying limits. The very word *economy* evokes in him not the picture of man's livelihood and the technology that helps to secure it, but recalls instead a set of particular motives, peculiar attitudes, and highly specific purposes, all of which he is used to calling *economic*, even though they are mere accessories to the actual economy, owing their existence to an ephemeral interplay of cultural traits. Not the permanent and abiding features of all human economies but the merely transitory and contingent ones appear to him as the essentials. He is bound to create difficulties for himself where otherwise there are none and stumble over easily avoided obstacles whose very existence is unknown to him. In his ignorance, he can grasp neither the true preconditions of survival nor the less obvious ways of attaining the possible. This obsolete market-mentality is, as I see it, the chief impediment to a realistic approach to the economic problems of the oncoming era.

On the face of it, such a proposition must appear almost self-contradictory. It may seem to imply that very overestimation of the importance of the economy against which it ostensibly wishes to forewarn. However, this is by no means the case. To assert that market-centered habits tend to be accompanied by a certain kind of economic rationale is entirely compatible with an outright rejection of the fallacious view of a timeless predominance of the economic factor in human affairs. The nineteenth century, which universalized the market, would naturally experience economic determinism in its daily life and incline to assume that such determinism was timeless and general. Its materialistic dogmatism in regard to men and society simply mirrored the institutions that happened to shape the environment. And to assert that such obsessive economy-centered notions, reflecting time-bound conditions, must prove a hindrance to the solution of wider problems, including those of the adjustment of the economy to new social surroundings, is merely to point out the obvious.

It is, then, precisely on account of the disproportionate influence exerted by the market system on the society of our own personal

experience that we must find it difficult to understand the limited and subordinate character of the economy as it presents itself outside such a system. But hence also the reasonable expectation that, once our deep seated bias has been recognized for what it is, it should not be beyond our capacity to rid ourselves of its deleterious effects. A wider knowledge of fact is the corrective to restrictive prejudice. To reduce to their true proportions the emergent questions of economic adjustment we must learn to see with the eyes of the historian.

Slogvanized versions of history, however, would prove as fatal to our generation as a false map to a general on the eve of battle. First of all, world history is emphatically *not* economic history. The physical existence of a group, its safety of life and limb, the totality of its way of life transcend anything that can be reasonably presented as an economic interest. But to stress the opposite also has its danger. Whoever can offer economic solutions will always be at an advantage in the pure power game over one who cannot. Again, mere business practices, however fondly cherished, cannot present themselves as the only embodiments of such transcendent values as personality and freedom. This would be to substitute credit for creed, and fatefully to underestimate the impetus of a secular religion that happens not to put its faith in bank accounts. Nor should technological progress be made into an idol to which morality and human happiness are blindly sacrificed. Yet again, to elevate primitivism to a morality and seek shelter from the machine age in the Neolithic cave is a counsel of despair that ignores the irreversibility of progress.

Discordant generalizations such as these need not leave us in an agnostic mood. The varied, vivid experiences concerning man's livelihood will naturally carry false emphasis as their epigraph. Rather let us beware of the abstract generalizations in things economic that tend to obscure and oversimplify the intricacies of actual situations, for these actualities alone are our concern. Our task is to divest them of generalities and grasp them in their concrete aspect. No lengthy regression in time is needed to find the historical origin of our present entanglements.

The nineteenth century gave birth to two sets of events of a very different order of magnitude: the machine age, a development of millennial range; and the market system, an initial adjustment to that development.

In the machine age we see the beginning of one of those rare mutations that mark the lifetime of the human race in terms of which the history of man since the Old Stone Age counts no more than three periods: first, the Neolithic; second, the period of plough agriculture in which almost all history happened; third, the brand-new machine

age. All along, technology provided the criterion. Neolithic man never passed much beyond the stage of food gathering and hoe agriculture. The growing of grain required a plough with a large beast to pull it; and its introduction started civilization some seven or eight thousand years ago. The use of machines powered by strength other than that of man or beast is of quite recent occurrence. It launched us on a new sea. By all counts, this new civilization that has already doubled the population of the globe should be expected to continue over a long period. It has come to stay. It is our fate. We must learn to live with it, if we are to live at all.

Economics and the machine age

The fundamental fact is, then, that the machine created a new civilization. If plough agriculture is credited with giving rise to the first civilization, the machine gave rise to the second, the industrial. It spread over the planet, creating the perspective of the ages to come. Such an event transcends by far the economic field; only time will unfold its powers and perils and spell out its implications for the existence of man. Machine civilization has invested the frail frame of man with the effectiveness of lightning and earthquake; it has moved the center of his being from the internal to the external; it has added hitherto unknown dimensions to the scope, structure, and frequency of communication; it has changed the feel of our contacts with nature; and, more important than all else, it has created novel interpersonal relations reflecting forces, physical and mental, that still may cause the self-destruction of the human race.

The beginnings were unspectacular. At the end of the eighteenth century (a few rare spirits apart), no one suspected as yet that a new civilization was about to begin. Not many machines had yet been invented, and of those invented some, like the power loom, were still not in use. Nevertheless, by privilege of first sight a few recognized the signs and anticipated changes of unimaginable depth, subtlety, and pervasiveness. Some of their notions caused much merriment; yet, as we have since learned to see, not the tough realists but the childlike prophets were closer to the truth. Indeed, the grim questions of our day, as well as the hopes of centuries to come, are mere derivatives of that inconspicuous mechanical start.

Robert Owen was the first to perceive that a new world was engulfing the old. The machine would demand alterations in the details of everyday life, as in communal existence. He sensed not only the boon inherent in an explosive growth of the capacity to produce but also

its potential to become an invidious gift unless the shock of a machine-made life was absorbed by new patterns of settlement and habitation, new sites of work, new relations between the sexes, new forms of relaxation and even attire – to all of which he devoted his attention. He advocated a root-and-branch reform of Christianity. Almost as an afterthought he referred to the economy, advocating a reformed currency and cooperative forms of economic life (no concept of capitalism yet existed). In France, Fourier's grotesque imagination engendered blueprints of *phalanstères* where the industrial division of labor would be geared, by virtue of psychological gadgets, to the spontaneity of men, women, and children. Saint-Simon proclaimed that his New Christianity would bring salvation to an "industrial society." Thus did the "utopian socialists" anticipate the menace of a cultural development which a century later became familiar to all the world as the fragmentation of man, the standardization of effort, the supremacy of mechanism over organism and of organization over spontaneity. Even the threat to personality and freedom was there from the start. By the close of the century, Henry Adams foretold the very date of the atom bomb.¹

However, for a long time those early fears of what would follow in the wake of the machine remained latent. They were eclipsed by the manifest changes in economic organization proper urgently required to allow play for the technological miracles of the day. Adam Smith had discovered the answer in the market. The factory system, which at first seemed to involve little more than some additional overseas trading stations of the usual kind, soon induced a process of institutional change of a very different magnitude. The outcome was the approximation of a self-regulating system of markets that revolutionized Western society in the early decades of the nineteenth century.

As we now know, this was only a first vigorous attempt at adjustment. Tremendously successful as the initiative proved, in spite of the bitter sufferings that it brought to a whole generation, the adaptation to the machine was neither complete nor final. The more comprehensive the market system became, the more it revealed its incapacity to satisfy the requirements of a stable society. Millions experienced recurrent unemployment and the employed suffered permanent uncertainty of tenure – scourges unknown to former societies – while continued dislocations provided a harassing accompaniment, all of which made the process of industrialization a burden almost too great to be borne. Socialist movements at home and a worldwide growth of tariffs on imports were manifestations of a societal tendency toward self-protection set in motion by the ravages of uncontrolled market forces.

Thus in our own days another phase of economic change set in. It followed logically from the earlier one, yet it pointed in a quite different direction. The breakdown of the most ambitious of all market institutions, the international gold standard, only half a century after its establishment ushered in the end of the market utopia. Roughly analogous economic reforms were now introduced under politically different regimes in all advanced countries of the West. Regular employment for all, regulated trading abroad, planned development of national resources at home were the postulates. Even in countries where the market system largely continued in the traditional way, there was a significant turn in the everyday motives of economic life. Social security and a more just taxation diluted the incentives of profit for the owner and fear of destitution for the worker, replacing them with the mixed motives of status, security of income, teamwork, and a creative role in industry.

The strains and stresses that accompany this second adaptation of the economy to the machine are strangely different from those of the technology that imperilled civilized life in the wake of the Industrial Revolution. If a century ago the inexorable working of interlinked markets for labor, land, and capital had to be countered so that the human shape of life could continue, the dangers now come from an unexpected quarter. They are, however, by no means less formidable. And the new threat forms as much a part of an industrial civilization as the unhealthy factory, the mushroom town, or the scientific cruelty of the poorhouse did in nineteenth-century England, its birthplace. But today the underlying concern is not for equality, justice, charity, and a humane life for the laborer, but rather for the freedom and survival of all. Industrial technology is showing itself wholly capable of generating suicidal tendencies that strike at the roots of liberty and life itself. Outside Europe there is fear of foreign domination and a determined insistence on independence and autarchy as means of controlling a process of industrialization that is universally both desired and dreaded. The apparent contradiction should not be surprising. Industrialism was an uneasy compromise between man and machine in which man lost out and the machine had its way. At the beginning of the nineteenth century, the market system may well have been the only means of employing expensive, elaborate machinery for the purposes of production. When machines were invented, neither the readiness and the capacity for risk bearing nor the knowledge of products and consumers was available except in that merchant class which for generations had been "putting-out" raw materials for finishing by home industry. The self-protection of society, partly by means of factory laws but mainly through the trade

union movement, for a long time lagged far behind the impact of the machine. In the present spread of industrialization, the order is reversed. Asians, Latin Americans, and Africans have learned the lesson. The new economic organization puts the safety of society above the requirement of maximum technological efficiency. The emphasis has shifted from machine to man.

Economy and society: trade, money, and markets

So great a shift in the place of the economy in society must divest the economy of its traditional associations. Gain, competition, and utilitarian advantage are no longer the points of reference. The more familiar we are with the picture of the world as it presented itself in the nineteenth century, the less well will we be prepared for the realities of the twentieth. For an orientation in the emerging new conditions, a different map is required.

For an up-to-date frame of reference, a strategic point is required. The earlier and later maps contrast perhaps most sharply in the position assigned on them to the institutions of trade, money, and market. Under the dominance of the market, trade is no more than a function of the market, and money merely a means of facilitating trade, both appearing as adjuncts of the market. Actually, some forms of trade and various uses of money gain great importance in economic life independent of, and precedent to, markets; and even where market elements are present, they do not necessarily involve the existence of a supply-demand-price mechanism. Prices are originally set by tradition or authority, and their alternation, when it occurs, is again brought about by institutional, not by market methods. Contrary to all current assumptions, the origin of fluctuating prices, not of fixed prices, is the problem for the historian of antiquity.

The notion that individual acts of exchange were at the root of trade, money, and even of market institutions, is hardly tenable. Foreign trade, as a rule, preceded domestic trade, the exchange use of money originated in the foreign trade sphere, and organized markets were developed first in external trade; in all three cases, action was more of the collective than of the individual kind. In the light of these recognitions, it stands to question how, in the absence of price-making markets, trade, money, and market elements were integrated into the economy.

Such problems were left outside the scope of inquiry by the traditional assumption of the inseparable unity of trade, money, and markets. Where trade was seen, markets were assumed; and where

money was in evidence, trade was assumed, and therefore markets. In point of fact, over the greater part of economic history trade, the various money uses, and market elements should be regarded as separate occurrences. But how does an economy function unless trade becomes market trade and money becomes exchange money? How, for instance, can money objects be in use for payment and other money objects be in use as a “standard” while no appreciable amount of exchange is carried on? Even more searching questions arise in regard to the large-scale functioning of trade and money in so-called primitive, marketless economies – questions which could, of course, not even have been formulated so long as the existence of such conditions was ignored, or their significance denied, in the name of a dogmatic notion of progress. We were thus apt to misjudge the general character of economic development in regard to both the sequence of facts and the facts themselves.

Discontinuities and change

It is mere prejudice to assume that in every development the smaller-sized specimen was necessarily anterior to the larger-sized. To postulate such a sequence in history is no more than an uncritical extension of the law of organic evolution. Trade over the longest distances generally preceded that over shorter distances, just as the farthest colonies were usually founded first, and vast empires arose earlier in history than smaller kingdoms. A similar mistake is to regard phenomena such as credit and finance as “late” developments only because, in the short perspective of the last few centuries, they happen to have come into prominence again following the emergence of the modern market system. This particular fallacy was epitomized in one of the more popular “stages” theories, which insisted upon the sequence, “natural economy, money economy, credit economy,” as a supposed law of development. As a matter of fact, debts and obligations are primitive phenomena that antedate the existence of markets, and the storage economies of antiquity practised large-scale financial planning and accountancy long before the use of money as a means of exchange gained importance.

The predilection for continuity from which nineteenth-century historiography suffered often made us misread not only the sequence of the facts but also the facts themselves. The continuity taken to be implied in organic processes is only one mode of happening, alongside of which run the inherent discontinuities of development (the total process being a combination of the two). Besides continuous

growth from small beginnings, there is also a very different pattern, that of discontinuous development from previously unconnected elements. The "field," in which such sudden change as the emergence of a new, complex whole occurs, is the social group under definite conditions. These discontinuities broadly determine both what ideas and concepts gain currency with the members of a group and at what rate. But once disseminated, these ideas and concepts permit change at an enormously accelerated rate, since the patterns of individual behavior can now simply fall into line with the patterns of individual behavior preformed by those ideas and concepts. Formerly unconnected elements of behavior thus link directly up in a new, complex whole, without any transition. In this light, the so-called idealistic and materialistic approaches to history appear not so much as opposites but rather as outcomes of two different phases in the total process. The idealist expresses, although in a mystificatory form, the fact that human thoughts and ideas play a decisive part in the emergence of institutions and the turns of history. The materialist stresses that objective factors condition the spread of those thoughts and ideas, which are not therefore, as the Hegelian idealists assumed, born of an abstract dialectic.

The history of mankind and the place of the economy in it, is not, as the evolutionists would have it, an account of unconscious growth and organic continuity. Such an approach would necessarily obscure some aspects of economic development vital to men in the present phase of transition. For the dogma of organic continuity must, in the last resort, weaken man's power of shaping his own history. Discounting the role of deliberate change in human institutions must enfeeble his reliance on the forces of the mind and spirit just as a mystic belief in the wisdom of unconscious growth must sap his confidence in his powers to re-embody the ideals of justice, law, and freedom in his changing institutions.

The scholar's endeavor must be, first to give clarity and precision to our concepts, so that we be enabled to formulate the problems of livelihood in terms fitted as closely as possible to the actual features of the situation in which we operate; and second to widen the range of principles and policies at our disposal through a study of the shifting place of the economy in human society and the methods by which civilizations of the past successfully engineered their great transitions.

Accordingly, the theoretical task is to establish the study of man's livelihood on broad institutional and historical foundations. The method to be used is given by the interdependence of thought and experience. Terms and definitions constructed without reference to

data are hollow, while a mere collecting of facts without a readjustment of our perspective is barren. To break this vicious circle, conceptual and empirical research must be carried forward *pari passu*. Our efforts shall be sustained by the awareness that there are no short cuts on this trail of inquiry.

To contribute to such an approach to the questions of the human economy is the aim of this book.

The Economistic Fallacy*

Endeavors to attain a more realistic view of the general problem posed to our generation by man's livelihood meet from the outset with a formidable obstacle – an ingrained habit of thought peculiar to conditions of life under the type of economy the nineteenth century created throughout all industrialized societies. This mentality is personified in the marketing mind.

Our task in this chapter is to point out, in a preliminary way, the fallacies to which the marketing mind has given currency and, incidentally, to expound some of the reasons why these fallacies have influenced public thinking so pervasively.

First we will define the nature of this conceptual anachronism, then describe the institutional development from which it sprang, and enlarge on its influence on our whole moral and philosophic outlook. We will trace the reflections of this attitude of mind in the organized fields of knowledge, such as economic theory, economic history, anthropology, sociology, psychology, and epistemology, that make up the social sciences.

Such a survey should leave no doubt about the impact of economistic thinking on almost every aspect of the questions that confront us, notably the nature of economic institutions, policies, and principles as they are revealed in the forms of organization of livelihood in the past.

* *The Livelihood of Man*, ed. by H. W. Pearson, New York: Academic Press, 1977, pp. 5-17.

To sum up the central illusion of an age in terms of a logical error is rarely to the point; yet conceptually the economic fallacy, in the nature of things, cannot be described otherwise. The logical error was of a common and harmless kind: a broad, generic phenomenon was somehow taken to be identical with a species with which we happen to be familiar. In such terms, the error was in equating the human economy in general with its market form (a mistake that may have been facilitated by the basic ambiguity of the term *economic*, to which we will return later). The fallacy itself is patent: the physical aspect of man's needs is part of the human condition; no society can exist that does not possess some kind of substantive economy. The supply-demand-price mechanism, on the other hand (which we popularly call the market), is a comparatively modern institution of specific structure, which is easy neither to establish nor to keep going. To narrow the sphere of the genus *economic* specifically to market phenomena is to eliminate the greatest part of man's history from the scene. On the other hand, to stretch the concept of the market until it embraces all economic phenomena is artificially to invest all things economic with the peculiar characteristics that accompany the phenomenon of the market. Inevitably, clarity of thought is impaired.

Realistic thinkers vainly spelled out the distinction between the economy in general and its market forms; time and again the distinction was obliterated by the economic *Zeitgeist*. These thinkers emphasized the substantive meaning of *economic*. They identified the economy with industry rather than business; with technology rather than ceremonialism; with means of production rather than titles to property; with productive capital rather than finance; with capital goods rather than capital – in short, with the economic substance rather than its marketing form and terminology. But circumstances were stronger than logic, and overwhelming forces of history were at work to weld the disparate concepts into one.

The economy and the market

The concept of the economy was born with the French physiocrats simultaneously with the emergence of the institution of the market as a supply-demand-price mechanism. The new phenomenon, never witnessed before, was an interdependence of fluctuating prices which directly affected multitudes of men. This nascent world of prices was the result of the comparatively recent spread of trade – an institution much older than, and independent of, markets – into the articulations of everyday life.

Prices, of course, existed before but in no way did they constitute a system of their own. Their sphere was, in the nature of things, restricted to trade and finance, since only merchants and bankers used money regularly, a much greater part of the economy being rural and practically tradeless – a thin trickle of goods in the vast, inert mass of neighbourhood life on the manor and in the household. True, urban markets knew money and prices, but the rationale of controlling these prices was to keep them stable. Not their occasional fluctuation but their predominant stability made them an increasingly important factor in the determination of profits from trade, since these profits were derived from relatively stable price differentials between distant points rather than from anomalous price fluctuations in local markets.

But the mere infiltration of trade into everyday life need not of itself have created an economy, in the new and distinctive sense of the term, but for a number of further institutional developments. First among these stood the penetration of foreign trade into markets, gradually transforming them from strictly controlled local markets into price-making markets with more or less freely fluctuating prices. This was, in the course of time, followed by the revolutionary innovation of markets with fluctuating prices for the factors of production, labor and land. This change was the most radical of all in its nature and consequence. Yet not before it had proceeded for some time did the different prices, which now included wages, food prices, and rent, show any noticeable interdependence and thus produce the conditions that made men accept the presence of a hitherto unrecognized substantive reality. This emergent field of experience, however, was the economy, and its discovery – one of the emotional and intellectual experiences that formed our modern world – came to the Physiocrats as an illumination and constituted them a philosophical sect. Adam Smith learned from them of the “hidden hand”, but he did not follow Quesnay on the path to mysticism. While his French master had noticed merely the interdependence of some revenues and their general dependence on corn prices, his greatest pupil, living in the less feudal and more monetarized economy of England, was able to include wages and rent in the group of “prices” and thus, for the first time, glimpse a vision of the wealth of nations as an integration of the varied manifestations of an underlying system of markets. Adam Smith became the founder of political economy because he recognized, however dimly, the tendency towards interdependence of these different kinds of prices insofar as they resulted from competitive markets.

Although thus spelling out the economy in terms of the market was originally nothing else than a common-sense way of relating new

concepts to new facts, it may be difficult for us to understand why it took generations for the realization to occur that what Quesnay and Smith had really discovered was a field of phenomena essentially interdependent of the market institution in which it manifested itself at the time. But neither Quesnay nor Smith aimed at the establishment of the economy as a sphere of social existence that transcends market, money, or price – and insofar as they did, they failed in their aim. They reached not so much toward the universality of the economy as toward the specificity of the market. Indeed, the traditional unity of all human affairs that still informed their thinking made them averse to the notion of a separate economic sphere in society, although it did not prevent them from investing the economy with the characteristics of the market. Adam Smith introduced business methods into the haunts of primeval man, projecting his famous propensity to truck, barter, and exchange even to the back yard of Paradise. Quesnay's approach to the economy was not less catalactic. His was an economics of the *produit net*, a realistic quantity in terms of the landlord's accountancy but a mere phantom in the process between man and nature of which the economy is an aspect. The alleged "surplus" whose creation he attributed to the soil and the forces of nature was no more than a transference to the "Order of Nature" of the disparity selling price is expected to show against cost. Agriculture happened to occupy the center of the scene because the revenues of the feudal ruling class were at issue, but forever after the notion of surplus haunted the writings of classical economists. The *produit net* was the parent of Marx's surplus value and its derivatives. Thus was the economy impregnated with a notion foreign to the total process of which it forms part, a process that knows neither cost nor profit and is not a series of surplus-producing actions. Nor are physiological and psychological forces directed by the urge to secure a surplus over themselves. Neither the lilies of the field, nor the birds in the air, nor men in pastures, fields, or factories – tending cattle, raising crops, or releasing planes from a conveyor belt – produce a surplus over their own existence. Labor, like leisure and repose, is a phase in the self-sufficient course of man through life. The construct of a surplus was merely the projection of the market pattern on a broad aspect of that existence – the economy.¹

If from the outset the logically fallacious identification of "economic phenomena" and "market phenomena" was understandable, it later became almost a practical requirement with the new society and its way of life which emerged from the throes of the Industrial Revolution. The supply-demand-price mechanism whose first

appearance produced the prophetic concept of “economic law,” grew swiftly into one of the most powerful forces ever to enter the human scene. Within a generation – say, 1815 to 1845, Harriet Martineau’s “Thirty Years’ Peace” – the price-making market, which previously existed only in samples in various ports of trade and stock exchanges, showed its staggering capacity for organizing human beings as if they were mere chunks of raw material and combining them, together with the surface of mother earth, which could now be freely marketed, into industrial units under the command of private persons mainly engaged in buying and selling for profits. Within an extremely brief period, the commodity fiction, as applied to labor and land, transformed the very substance of human society. Here was the identification of economy and market *in practice*. Man’s ultimate dependence on nature and his fellows for the means of his survival was put under the control of that new-fangled institutional creation of superlative power, the market, which developed overnight from lowly beginnings. This institutional gadget, which became the dominant force in the economy – now justly described as a *market economy* – then gave rise to yet another, even more extreme development, namely a whole society embedded in the mechanism of its own economy – a *market society*.

From this vantage point, it is not difficult to discern that what we have here called the economistic fallacy was an error mainly from the theoretical angle. For all practical purposes, the economy *did* now consist of markets, and the market *did* envelop society.

From this line of argument, it should also be clear that the significance of the economistic outlook lay precisely in its capacity for giving birth to a unity of motivations and valuations that would bring about in practice what it preconized as an ideal, mainly the identity of market and society. For only if a way of life is organized in all relevant aspects, including pictures of the inner man and the nature of society – a philosophy of everyday life comprising criteria of common sense behavior, of reasonable risks, and of a workable morality – are we offered that compendium of theoretical and practical doctrines which alone can produce a society or, what amounts to the same thing, transform a given society within the lifetime of a generation or two. And such a transformation was achieved, for better or for worse, by the pioneers of economism. This is to say no less than the marketing mind contained the seeds of a whole culture – with all its possibilities and limitations – and the picture of inner man and society induced by life in a market economy necessarily followed from the essential structure of a human community organized through the market.

The economic transformation

This structure represented a violent break with the conditions that preceded it. What before was merely a thin spread of isolated markets was now transmuted into a self-regulating *system* of markets.

The crucial step was that labor and land were made into commodities; that is, they were treated *as if* they had been produced for sale. Of course, they were not actually commodities, since they were either not produced at all (like land) or, if so, not for sale (like labor).

Yet no more thoroughly effective fiction was ever devised. Because labor and land were freely bought and sold, the mechanism of the market was made to apply to them. There was now a supply of labor and demand for it; there was a supply of land and demand for it. Accordingly, there was a market price for the use of labor power, called wages, and a market price for the use of land, called rent. Labor and land were provided with markets of their own, similar to those of the proper commodities produced with their help.

The true scope of such a step can be gauged if we remember that labor is only another name for man, and land for nature. The commodity fiction handed over the fate of man and nature to the play of the automaton that ran in its own grooves and was governed by its own laws. This instrument of material welfare was controlled solely by the incentives of hunger and gain – or, more precisely, either fear of going without the necessities of life or the expectation of profit. So long as no propertyless person could satisfy his need for food without first selling his labor in the market and so long as no propertied person could be prevented from buying in the cheapest market and selling in the dearest, the blind mill would turn out ever increasing amounts of commodities for the benefit of the human race. Fear of starvation with the worker, lure of profit with the employer would keep the vast mechanism running.

Such an enforced utilitarian practice fatefully warped Western man's understanding of himself and his society.

As regards *man*, we were made to accept the view that his motives can be described as either "material" or "ideal" and that the incentives on which everyday life is organized necessarily spring from the material motives. It is easy to see that under such conditions the human world must indeed appear to be determined by material motives. If, for example, you single out whatever motive you please and organize production in such a manner as to make that motive the individual's incentive *to produce*, you will have induced a picture of man as altogether absorbed by that motive. Let the motive be

religious, political, or aesthetic; let it be pride, prejudice, love, or envy; and man will appear essentially religious, political, aesthetic, proud, prejudiced, engrossed in love or envy. Other motives, in contrast, will appear distant and shadowy – ideal – since they cannot be relied upon to operate in the vital business of production. The motive selected will represent “real” man.

In fact, human beings will labor for a large variety of reasons so long as they form part of a definite social group. Monks traded for religious reasons, and monasteries became the largest trading establishments in Europe. The *kula* trade of the Trobriand Islanders, one of the most intricate barter arrangements known to man, is mainly an aesthetic pursuit. Feudal economy depended largely on custom or tradition. With the Kwakiutl, the chief aim of industry seems to be to satisfy a point of honor. Under mercantile despotism, industry was often planned so as to serve power and glory. Accordingly, we tend to think of monks, Western Melanesians, villains, the Kwakiutl, or seventeenth-century statesmen as ruled by religion, aesthetics, custom, honor, or power politics, respectively. Nineteenth-century society was organized in such a fashion as to make hunger or gain alone into effective motives for the individual to participate in economic life. The resulting picture of man ruled only by materialistic incentives was entirely arbitrary.

As regards *society*, the kindred doctrine was propounded that its institutions were “determined” by the economic system. The market mechanism thereby created a delusion of economic determinism as a general law for all human society. Under a market economy, of course, this law holds good. Indeed, the working of the economic system here not only “influences” the rest of society but actually determines it – as in a triangle the sides not merely influence but determine the angles.

In the stratification of classes, supply and demand in the labor market were *identical* with the classes of workers and employers, respectively. The social class of capitalists, landowners, tenants, brokers, merchants, professionals, and so on was delimited by the respective markets for land, money, and capital and their uses, or for various services. The income of these social classes was fixed by the market, their rank and position by their income.

While social classes were directly determined, other institutions were indirectly affected by the market mechanism. State and government, marriage and the rearing of children, the organization of science and education and religion and the arts, the choice of profession, the forms of habitation, the shape of settlements, the very aesthetics of private life – everything had either to comply with the

utilitarian pattern or at least not interfere with the working of the market mechanism. But, since very few human activities can be carried on in the void (even a saint needing his pillar), the indirect effects of the market system came very near to determining the whole of society. It was almost impossible to avoid the erroneous conclusion that, as “economic” man was “real” man, so the economic system was “really” society.

Economic rationalism

On the face of it, the economic *Weltanschauung* may have seemed to contain in its twin postulates of rationalism and atomism all that was needed to lay the foundations of a market society. The operative term was rationalism. For what else could such a society be other than an agglomeration of human atoms behaving according to the rules of a definite kind of rationality? Rational action, as such, is the relating of ends to means; economic rationality, specifically, assumes means to be scarce. But human society involves more than that. What should be the end of man, and how should he choose his means? Economic rationalism, in the strict sense, has no answer to these questions, for they imply motivations and valuations of a moral and practical order to go beyond the logically irresistible, but otherwise empty, exhortation to be “economical.” Thus hollowness was camouflaged by ambiguous philosophical colloquialism.

To maintain the unity of the façade, two further meanings of *rational* were brought in. With regards to the ends, a utilitarian value scale was postulated as rational; and with regard to the means, the testing scale for efficacy was applied by science. The first scale made rationality the antithesis of the aesthetic, the ethical, or the philosophical; the second made it the antithesis of magic, superstition, or plain ignorance. In the first case, it is rational to prefer bread and butter to heroic ideals; in the second, it appears rational for a sick man to consult his doctor in preference to a crystal-ball gazer. Neither meaning of *rational* is relevant to the principle of rationalism, though per se one may be more valid than the other. While stark utilitarianism, with its pseudo-philosophic balance of pain and pleasure, has lost its sway over the minds of the educated, the scientific value scale remains supreme within its limits. Thus utilitarianism, still the opiate of the commercialized masses, has been dethroned as an ethic, while scientific method justly holds its own.

Nevertheless, so long as *rational* is used, not as a fashionable term of praise but in the strict sense of pertaining to reason, the

validation of the scientific test of means as rational is no less arbitrary than the attempted justification of utilitarian ends. To sum up: the economic variant of rationalism introduces the scarcity element into all means-ends relations; moreover it posits as rational, in regard to the ends and the means themselves, two different value scales that happen to be peculiarly adapted to market situations but otherwise have no universal claim to be called rational. In this way, the choice of ends and the choice of means are claimed to lie under the supreme authority of rationality. Economic rationalism appears to achieve both the systematic limitation of reason to scarcity situations and its systematic extension to all human ends and means, thus validating an economistic culture with all the appearances of irresistible logic.

The social philosophy erected on such foundations was as radical as it was fantastic. To atomize society and make every individual atom behave according to the principles of economic rationalism would, in a sense, place the whole of human existence, with all its depth and wealth, in the frame of reference of the market. This, of course, would not really do – individuals have personalities and society has a history. Personality thrives on experience and education; action implies passion and risk; life demands faith and belief; history is struggle and defeat, victory and redemption. To bridge the gap, economic rationalism introduced harmony and conflict as the *modi* of the individual's relations. The conflicts and alliances of such self-interested atoms, which formed nations and classes, now accounted for social and universal history.

No single author ever propounded the complete doctrine. Bentham still believed in government and was unsure of economics; Spencer anathematized state and government but knew only little of economics; and von Mises, an economist, lacked the encyclopaedic knowledge of the other two. Among them they nevertheless created a myth that was the daydream of the educated multitude during the Hundred Years' Peace, from 1815 to World War I, and even after, up to Hitler's war. Intellectually, this myth represented the triumph of economic rationalism and, inevitably, an eclipse of political thought.

The economic rationalism of the nineteenth century was the direct descendent of the political rationalism of the eighteenth. It was as unrealistic as its predecessor, if not more so. As to the facts of history and the nature of political institutions, they were equally foreign to both brands of rationalism. The political utopians ignored the economy, while the utopians of the market took no note of politics. On balance, if the thinkers of the Enlightenment were notoriously unheeding of some of the economic facts, their nineteenth-century

successors were totally blind to the sphere of state, nation, and power, to the point of doubting their existence.

Economic solipsism

Such economic solipsism, as it might well be called, was indeed an outstanding feature of the market mentality. Economic action, it was deemed, was “natural” to men and was, therefore, self-explanatory. Men would barter unless they were prohibited to do so, and markets would thus come into being unless something was done to prevent it. Trade would begin to flow, as if induced by the force of gravity, and would create pools of goods, organized in markets, unless governments conspired to stop the flow and drain the pool. As barter quickened, money would make its appearance and all things would be drawn into the whirl of exchanges, unless some archaic moralists raised an outcry against lucre or unenlightened tyrants depreciated the currency.

This eclipse of political thinking was the intellectual deficiency of the age. It originated in the economic sphere, yet eventually it destroyed any objective approach to the economy itself, insofar as the economy possessed an institutional background other than a supply-demand-price mechanism. Economists felt so safe within the confines of such a purely theoretical market system that they only grudgingly conceded to nations more than a nuisance value. An English political writer of the 1910s was deemed to have clinched the case against the necessity for wars by proving that as a business proposition war did not pay; and in Geneva, the League of Nations to its last hour remained blind to the political facts that made the gold standard an anachronism. The discounting of politics spread from Cobden’s and Bright’s free-trading illusions to Spencer’s fashionable sociology of “industrial vs. military systems.” By the 1930s, almost nothing was left among the educated of the political culture of David Hume or Adam Smith.

The eclipse of politics had a most confusing effect on the moral aspects of the philosophy of history. Economics stepped into the vacuum, and a hypercritical attitude towards the moral vindication of political actions set in. This resulted in a radical discounting of all forces but the economic in the field of historiography. The marketing psychology, which regards only “material” motives as real, while relegating “ideal” motives to the limbo of ineffectuality, was extended not only to nonmarket societies but to all past history as well. Most of early history now appeared as a jumble of slogans about justice

and law bandied about by pharaohs and god-kings for the sole purpose of misleading their helpless subjects who groveled under the knout. The whole attitude was self-contradictory. Why cajole a population of bond slaves? And if cajoling there must be, could it be done through promises that meant nothing to the cajoled? But if the promises meant something, justice and law must have been more than mere words. That a population of actual bond slaves need not be cajoled and that justice and freedom must have been recognized as valid ideals by all before they could be employed as a bait by the few, escaped the critical apparatus of a hypercritical public. Under the sway of modern mass-democracy, slogans became a kind of political organizing force that they could never have been in ancient Egypt or Babylon. On the other hand, justice and law, which were embodied in the institutional structure of earlier societies, had worn thin under the market organizations of society. A man's property, his revenue and income, the price of his wares were now "just" only if they were formed in the market; and as to law, no law really mattered except that which referred to property and contract. The varied property institutions of the past and the substantive laws that made up the constitution of the ideal *polis* had now no substance to work upon.

Economic solipsism generated that unsubstantial concept of justice, law, and freedom in the name of which modern historiography refused all credence to the numberless ancient texts in which the establishment of righteousness, insistence on the law, the maintenance of a central economy without bureaucratic oppression was declared to be the aim of the ancient state.

The true condition of affairs is so different from what is congenial to market mentality that it is not easy to convey in simple words. Actually, justice, law, and freedom, as institutionalized values, first made their appearance in the economic sphere as a result of state action. Under tribal conditions, solidarity is safeguarded by custom and tradition; economic life is embedded in the social and political organization of society; no economic transactions take place; and random acts of barter are discouraged as a peril to tribal solidarity. When territorial rule emerges, the god-king supplies that center of communal life of which the loosening of the clan threatens to deprive the group. At the same time, an enormous economic advance becomes possible, and is actually made, with the help of the state: economic transactions, formerly banned as gainful and antisocial, are made gainless, and hence just and lawful, through the action of the god-king, who is the fount of justice. This justice is institutionalized in equivalencies, proclaimed in statutes, and practiced in tens of thousands of cases by those organs of palace and temple who handle the

taxational and redistributive apparatus of the territorial state. The rule of law is institutionalized in economic life through the administrative provisions that regulate the behaviour of guild members in their trade dealings. Freedom comes to them through law; there is no master whom they must obey; and, so long as they keep their oath to the godhead and their loyalty to the guild, they are free to act according to their business interests, responsible to no superior. Each of these steps towards man's introduction into a realm of justice, law, and freedom originally resulted from the organizing action of the state in the economic field. But such recognitions of the early role of the state were barred by economic solipsism. Thus did the mentality of the market hold sway. The absorption of the economy by marketing concepts was so complete that none of the social disciplines could escape its effects. Unwittingly, they were turned into strongholds of economic modes of thought.

The Two Meanings of *Economic**

The formal and substantive definitions

On simple recognition, from which all attempts at clarification of the place of the economy in society must start, it is a fact that the term *economic*, as commonly used to describe a type of human activity, is a compound of two meanings. These have separate roots, independent of one another. It is not difficult to identify them, even though a number of broadly synonymous words are available for each. The first meaning, the formal, springs from the logical character of the means-ends relationship, as in *economizing* or *economical*; from this meaning springs the scarcity definition of *economic*. The second, the substantive meaning, points to the elemental fact that human beings, like all other living things, cannot exist for any length of time without a physical environment that sustains them; this is the origin of the substantive definition of *economic*. The two meanings, the formal and the substantive, have nothing in common.

The current concept of *economic* is, then, a compound of two meanings. While hardly anyone would seriously deny this fact, its implications for the social sciences (always excepting economics) are rarely touched upon. Whenever sociology, anthropology, or history deals with matters pertaining to human livelihood, the term *economic* is taken for granted. It is employed loosely, relying for a

* *The Livelihood of Man*, ed. by H. W. Pearson, New York: Academic Press, 1977, pp. 19–34.

frame of reference now on its scarcity connotation, now on its substantive connotation, thus oscillating between two unrelated poles of meaning.

The substantive meaning stems, in brief, from man's patent dependence for his livelihood upon nature and his fellows. He survives by virtue of an institutionalized interaction between himself and his natural surroundings. That process is the economy, which supplies him with the means of satisfying his material wants. This phrase should not be taken to signify that the wants to be satisfied are exclusively bodily needs, such as food and shelter, however essential these may be for his survival, for such a restriction would absurdly restrict the realm of the economy. The means, not the wants, are material. Whether the useful objects are required to avert starvation or are needed for educational, military, or religious purposes is irrelevant. So long as the wants depend for their fulfillment on material objects, the reference is economic. *Economic* here denotes nothing else than "bearing reference to the process of satisfying material wants." To study human livelihood is to study the economy in this substantive sense of the term, and this is the sense in which *economic* is used throughout this book.

The formal meaning has an entirely different origin. Stemming from the means-ends relationship, it is a universal whose referents are not restricted to any one field of human interest. Logical or mathematical terms of this sort are called *formal* in contrast to the specific areas to which they are applied. Such a meaning underlies the verb *maximizing*, more popularly *economizing* or – less technically, yet perhaps most precisely of all – "making the best of one's means."

A merger of two meanings into a unified concept is, of course, unexceptionable, so long as one remains conscious of the limitations of the concept thus constituted. To link the satisfaction of material wants with scarcity plus economizing and weld them into one concept may be both justified and reasonable under a market system, when and where it prevails. However, to accept the compound concept of "scarce material means and economizing" as a generally valid one must greatly increase the difficulty of dislodging the economic fallacy from the strategic position it still holds in our thinking.

The reasons for this are obvious. The economic fallacy, as we called it, consists in a tendency to equate the human economy with its market form. Accordingly, to eliminate this bias, a radical clarification of the meaning of the word *economic* is required. Again, this cannot be achieved unless all ambiguity is removed and the formal and substantive meanings are separately established. Telescoping

them into a term of common usage, as in the compound concept, must buttress the double meaning and render that fallacy almost impregnable.

How solidly the two meanings were joined can be inferred from the ironic fate of that most controversial of modern mythological figures – economic man. The postulates underlying this creation of scientific lore were contested on all conceivable grounds – psychological, moral, and methodological, yet the meaning of the attribute *economic* was never seriously doubted. Arguments clashed on the concept *man*, not on the term *economic*. No question was raised as to which of the two series of attributes the epithet was meant to convey – those of an entity of nature, dependent for its existence on the favor of environmental conditions as are plant and beast, or those of an entity of the mind, subject to the norm of maximum results at minimum expense, as are angels or devils, infants or philosophers, insofar as they are credited with reason. Rather, it was taken for granted that economic man, that authentic representative of nineteenth-century rationalism, dwelt in a world of discourse where brute existence and the principle of maximization were mystically compounded. Our hero was both attacked and defended as a symbol of an ideal – material unity which, *on those grounds*, would be upheld or discarded, as the case might be. At no time was the secular debate deflected to even a passing consideration of which of the two meanings of economic, the formal or the substantive, economic man was supposed to represent.

The distinction in neoclassical economics

Recognition of the twofold roots of the term economic is, of course, by no means new. It may be said that neoclassical economic theory was formed, in about 1870, out of the distinction between the scarcity and the substantive definitions of *economic*. Neoclassical economics was established on Carl Menger's premise (*Grundsätze [Principles]*, 1871) that the appropriate concern of economics was the allocation of insufficient means to provide for man's livelihood. This was the first statement of the postulate of scarcity or maximization. As a succinct formulation of the logic of rational action with reference to the economy, this statement ranks high among the achievements of the human mind. Its importance was enhanced by a superb relevance to the actual operation of the market institutions which, because of their maximizing effects in day-to-day activities, were by their very nature amenable to such an approach.

Later, Menger wished to supplement his *Principles* so as not to appear to ignore the primitive, archaic, or other early societies that were beginning to be studied by the social sciences. Cultural anthropology revealed a variety of non-gainful motivations that induced man to take part in production; sociology refuted the myth of an all-pervading utilitarian bias; ancient history told of high cultures of great wealth that had no market systems. Menger himself seems to have held that economizing attitudes are restricted to utilitarian value scales in a sense that we should regard today as setting an undue limitation on the logic of the ends-means relationship. This may have been one of the reasons why he hesitated to embark on theorizing about other than “advanced” countries, where such value scales can be assumed.

Menger became anxious to limit the strict application of his *Principles* to the modern exchange economy (*Verkehrswirtschaft*). He refused to permit either a reprint or a translation of the first edition, which he deemed in need of completion. He resigned his chair at the University of Vienna in order to devote himself exclusively to that task. After an effort of fifty years, during which he seems to have again and again reverted to the task, he left a revised manuscript behind him which was published posthumously in Vienna in 1923. This second edition abounds with references to the distinction between the exchange or market economy for which the *Principles* was designed, on the one hand, and nonmarket or “backward” economies, on the other. Menger uses several words to designate those “backward” economies: *zurückgeblieben*, *unzivilisiert*, *unentwickelt*.

The posthumous edition of the *Grundsätze* included four fully completed new chapters. At least one of these is of prime theoretical importance for the problems of definition and method that exercise the minds of contemporary scholars in this field. As Menger explained it, the economy has *two* “elemental directions,” *one* of which was the economizing direction stemming from the insufficiency of means, while the *other* was the “technoeconomic” direction, as he called it, derived from physical requirements of production regardless of the sufficiency or insufficiency of means:

I shall designate the two directions in which the human economy may point – the technical and the economizing – as elemental, for this reason. Although in the actual economy these two directions as presented in the two previous sections occur *as a rule* [my italics] together, and indeed *almost* [my italics] never found separately, they nevertheless spring from *essentially different and mutually independent sources*

[Menger's italics]. In some fields of economic activity the two occur, in fact, separately, and in some not inconceivable types of economies either of them may in fact regularly appear without the other. [...] The two directions in which the human economy may point are not mutually dependent upon one another; both are primary and elemental. Their regular joint occurrence in the actual economy results merely from the circumstance that the causative factors that give rise to each of them *almost* [my italics] without exception happen to coincide.¹

Menger's discussion of these elementary facts has, however, been forgotten. The posthumous edition, where the distinction between the two directions of the economy was made, has never been translated into English. No presentation of neoclassical economics (including Lionel Robbins' *Essay*, 1935)² deals with the "two directions." The London School of Economics edition of the *Principles* in its rare book series (1933) chose the first edition (1871). F. A. Hayek, in a preface to this "replica" edition, helped to remove the posthumous Menger from the consciousness of economists by passing over the manuscript as "fragmentary and disordered." "For the present, at any rate," Professor Hayek concluded, "The results of the work of Menger's later years must be regarded as lost." Some seventeen years later, when the *Principles*, with F. H. Knight's preface was translated into English (1950), the first edition – half the size of the second – was once more selected. Moreover, throughout the book, the translation rendered the term *wirtschaftend* (literally: engaged in economic activity) as *economizing*.³ Yet, according to Menger himself, *economizing* was the equivalent not of *wirtschaftend*, but of *sparend*, a term he expressly introduced in the posthumous edition in order to distinguish the allocation of insufficient means from another direction of the economy that does not necessarily imply insufficiency.

Because of the brilliant and formidable achievements of price theory opened up by Menger, the new *economizing* or formal meaning of economic became *the* meaning, and the more traditional, but seemingly pedestrian, meaning of *materiality*, which was not necessarily scarcity-bound, lost academic status and was eventually forgotten. Neoclassical economics was founded on the new meaning, while at the same time the old, material or substantive meaning faded from consciousness and lost its identity for economic thought.

The fallacy of relative choice and scarcity

The stress on theoretical analysis thus brought in its wake a complete disregard for the requirements of other economic disciplines, such as

the sociology of economic institutions, primitive economics, or economic history, that were also engaged in the study of human livelihood. No sooner had the irreducible distinction between the two meanings been discovered than the substantive meaning was discarded in favor of the formal, thus producing the economic analysts' insistence, at least by implication, that all disciplines dealing with the economy have for their true subject not some aspect of the satisfaction of material wants, but the choices among the uses of scarce means. The compound concept was admitted on sufferance, on the assumption that its substantive ingredients could safely be forgotten, thus reducing the concept to the formal elements of choice and scarcity which alone were supposed to matter.

The difficulty of our task now becomes apparent. A clarification of the way the compound concept harbors two independent meanings is not enough, for as soon as we are within striking distance of that aim, showing the ambiguity of the compound concept so readily employed by layman and scholar alike, it turns out to be merely a screen for the scarcity definition, while the substantive aspect of the economy, on which we had wished to focus, is disdainfully relegated to oblivion.

Let us survey then the *prima facie* grounds on which a semantic monopoly of the term *economic* is so confidently claimed for the scarcity definition. An attempt to develop the substantive definition will follow. We will start from a formulation of the scarcity definition that is as broad as possible, yet sufficiently articulated in its applicability to be subjected to operational testing.

To make the best of one's means, which logically is the norm implied in the formal meaning of economic, refers to situations where *choice* is induced by an *insufficiency* of means, a condition of affairs which is justly described as a *scarcity* situation. The terms *choice*, *insufficiency* and *scarcity* as they occur in this context should be carefully viewed in their mutual relationship, for economic analysts' claims take on varied forms. We are told sometimes that economics has for its subject acts of choice, sometimes that choice involves insufficiency of means, at other times that insufficiency of means involves choice, at still other times that insufficient means are scarce means, and even that scarce means are economic ones.

Such assertions appear to establish the range of the formal meaning as compromising the economy in all its manifestations. For the economy, however instituted, would then consist of scarce means under conditions that induce acts of choice among the different uses of the insufficient means and, consequently, be capable of description

in the formal terms of the scarcity definition. It could then be rightly claimed that the substantive definition of *economic* was superfluous, or at least of negligible importance, since all conceivable economies would fall under the scarcity definition. However, strictly speaking, none of these claims is valid.

To start with the broadest term, choice, it may occur whether means are sufficient or not. Moral choice is indicated by the intent of the agent to do what is right; such a crossroads of good and evil is the subject of ethics. A purely operational crossroads, on the other hand, would be this: a man, travelling along a road, reaches the foot of a mountain when two paths branch off, both leading by different ways to his destination. Assuming there is nothing to choose between them – same length, same amenities, same steepness – he is still called upon to decide upon either one or the other of the paths or else relinquish his aim altogether. At neither the moral nor the operational crossroads, it appears, is an insufficiency of means postulated. Indeed, ample means may make it rather more difficult, though no less necessary, to choose. If it is often awkward, sometimes even painful, to make a choice, this may be caused as much by an abundance of means as by their insufficiency.

Choice, then, does not necessarily imply insufficiency of means. But neither does insufficiency of means imply either choice or scarcity. To begin with the latter case: for a scarcity situation to arise, not only an insufficiency of means but also choice induced by that insufficiency must exist. Now, insufficiency of means does not induce choice unless at least two fundamental conditions are given: more than one use for the means, otherwise there would be nothing to choose *from*; and more than one end, with an indication of which of them is preferred, otherwise there would be nothing to choose *by*. For a scarcity situation to arise, then, a number of conditions must be given, over and above the insufficiency of the means.

Yet – the point is vital – even if these conditions were satisfied, there would be still no more than an accidental connection between a scarcity situation and the economy. The rules of choice, as we saw, apply to all fields of means–ends relationships, factual and conventional, actual or imaginary. For means are anything that is serviceable, whether by virtue of natural qualities, like coal for heating, or by virtue of the conventional rules, like dollar bills to pay debts. It is also unimportant whether the grades of preference in regard to ends are based on technological, moral, scientific, superstitious, or purely arbitrary scales.

Thus the task of attaining the greatest satisfaction through the rational use of insufficient means is in no way restricted to the human

economy. It is set whether a general is disposing his troops for battle, a chess player is scheming to sacrifice a pawn, a lawyer is marshalling evidence to defend a client, an artist is husbanding his effects, a believer is earmarking prayers and good works to attain the best grade of salvation in his reach, or, to come closer to the point, a thrifty housewife is planning the week's purchases. Whether troops, pawns, evidence, artistic highlights, pious acts, or week's pay, the insufficient means can be employed in different ways, but once used in one way, they cannot be employed in another; also the choosers have more than one end in view and are required to employ the means so as to attain those most preferred.

Examples could be multiplied indefinitely, but the more instances are adduced, the more apparent it becomes that scarcity situations exist in any number of fields, and that the formal meaning of *economic* bears in fact only an accidental reference to the substantive meaning. The "material" character of the want satisfaction is given whether there is maximizing or not; and maximizing is given whether the means and ends are material or not.

As to the rules of behavior, they are of equally universal validity. There are altogether two. The one, "Relate means to ends", covers the whole range of the logic of rational action. The second rule sums up formal economics, i.e., that part of the logic of rational action which is concerned with scarcity situations. It runs: "Allocate scarce means in such a way that no end with a lower order of rank on the preference scale is provided for while an end with a higher rank remains unprovided for." In plain English, "Do not act like a fool." Still, formal economics has for its content no more than exactly that.

Thus the two root meanings of *economic* are worlds apart; the formal meaning can in no way substitute for the substantive meaning. *Economical* or *economizing* refers to choice between the alternative uses of insufficient means. The substantive meaning, on the other hand, implies neither choice nor insufficiency. Man's livelihood may or may not involve the need for a choice. Custom and tradition, as a rule, eliminate choice, and if choice there be, it need not be induced by limiting effects of any "scarcity" of means. Some of the most important natural and social conditions of life, such as the availability of air and water or a loving mother's devotion to her infant, are not, as a rule, so limiting. The cogency at play in the one case, in the other differs as the power of syllogism differs from the force of gravitation. The laws of the first are those of nature, the laws of the other are those of the mind.

Scarcity and insufficiency

But how then does formal economics apply to empirical situations at all? If means are not inherently insufficient, how can their insufficiency be tested? And, since “scarcity” was shown to be distinct from insufficiency of means, how in turn can the presence of scarcity be ascertained?

Means are insufficient if the following test is negative. Lay out the ends in a sequence and cover each of the ends in that sequence with a unit of the means; if the means are exhausted before the last end is reached, the means are insufficient. Should the performance of the test be inconvenient or physically impossible, “earmarking” will do – perform this same operation in thought and “allocate” each unit of the means to an end. If you run out of means before the last end is reached, the means are insufficient.

To speak in this instance of scarce means, instead of merely insufficient ones – a general practice today – lacks precision and only creates confusion. Means that have been found insufficient can be allocated only in the same way they would have been allocated if found sufficient, namely, to the given end. To call them scarce would imply that a choice had been induced by the insufficiency of the means, which is not so. To ignore this operational criterion is to lose the point of the definition of scarcity altogether – to create the illusion that there exists some distinctive way of allocating insufficient means, “a more economical one”, so to speak. But insufficiency of means does not in itself create a scarcity situation. If you have not got enough, you must go without. For a choice to be set, the means, besides being insufficient, must also have an alternative use; and there must be more than one end, as well as a scale of preferences attached to them.

Each of these conditions – insufficiency of means, alternativity of means, multiplicity of ends, scales of preference – is subject to empirical testing. Whether in a given instance the term “scarce” applies to the means or not, is therefore a question of fact. It sets the limit to the applicability of the formal or scarcity definition of *economic* in any field – including the economy.

The current compound concept of economics, in fusing the satisfaction of material wants with scarcity, postulates no less than the insufficiency of all things material. The first pronouncement was that of Hobbes in the *Leviathan*. He deduced the need for absolute power in the state in order to prevent humans from tearing one another

to pieces like a pack of famished wolves. Actually, his aim was to prevent religious wars through the strong arm of secular government. Yet that metaphor may have reflected a world in which the medieval commonwealth was giving way to the forces released by the Commercial Revolution and predatory competition among the engrossing wealthy was devouring chunks of the communal village lands. A century later the market began to organize the economy in a framework that actually operated through scarcity situations, and Hume echoed the Hobbesian adage. An omnipresent necessity for choice arose from the insufficiency of the means universally employed – money. Whether the things money could buy were insufficient was not here being tested. Undeniably, given each individual's culturally determined needs and the scope of money, these means were insufficient to satisfy all the needs. Actually, this situation was no more than an organizational feature of our economy.

Now, the universal belief that of no thing is there enough to go around was urged, sometimes as common-sense proposition about the limited nature of the supply, sometimes as a philosophically reckless postulate of the unlimited nature of individual wants and needs. Yet in either case, while the statement claimed to be empirical, it was no more than a dogmatic assertion covering up an arbitrary definition and a specific historical circumstance. Once a human being was circumscribed as an "individual in the market," the proposition, as we hinted, was easy to substantiate. Of his wants and needs, only those mattered that money could satisfy through the purchase of things offered in markets; the wants and needs themselves were restricted to those of isolated individuals. Therefore, by definition, no wants and needs other than those supplied in the market were to be recognized, and no person other than the individual in isolation was to be accepted as a human being. It is easy to see that what was being tested here was not the nature of human wants and needs but only the description of a market situation as a scarcity situation. In other words, since market situations do not, in principle, know wants and needs other than those expressed by individuals, and wants and needs are here restricted to things that can be supplied in a market, any discussion of the nature of human wants and needs in general was without substance. In terms of wants and needs, only utilitarian value scales of isolated individuals operating in markets were considered.

Once before we have encountered a famed discussion which, at closer view, revealed itself as a mere verbalization of undefined issues: Was economic man real man? But the meaning of *economic* was taken for granted, which excluded the possibility of any relevant answer.

Yet at the very dawn of formulated thought on the subject, Aristotle rejected the scarcity definition. Some of his argument, such as his views on the sources of trading profits, seems misplaced or distorted by the context; at other points, as on slavery, his thinking is out of tune with present convictions. All the more astounding is his penetration of a problem which up to our days has baffled the mind.

Aristotle starts his *Politics* by denying that man's livelihood as such raises a problem of scarcity. Solon's verse proclaimed falsely of the urge for riches, "there is no limit set among men." On the contrary, wrote Aristotle, the true riches of the household, or of a state, are the necessities of life that can be stored and will keep. And they are nothing more than means to an end, and like all means they are intrinsically limited and determined by their ends. In the household, they are means to life; in the *polis*, they are means to the good life. Human wants and needs are therefore not boundless, as Solon's saying implied. This fallacy is Aristotle's main target. Do not animals, from their birth, find their natural sustenance waiting for them in their environment? And do not men, too, find sustenance in their mother's milk and, eventually, in their environment, whether they be hunters, herdsman, or tillers of the soil? Even trade fits into this natural pattern, so long as it is practiced as exchange in kind. No need is considered natural save that for sustenance. Insofar as scarcity seems to spring "from the demand side," Aristotle puts this down to a misconceived notion of the good life, twisted into a desire for more and more physical goods and enjoyments. The elixir of the good life – the thrill and elevation of day-long theatre, mass jury service, electioneering and holding office, and great festivals, but also of battles and naval combats – can be neither hoarded nor physically possessed. True, the good life requires, "this is generally admitted," that the citizen have leisure in order to devote himself to the service of the *polis*. As we saw, meeting this requirement entails in part slavery and in part the payment of citizens for the performance of their public duties (or otherwise not admitting artisans to citizenship at all). But, for yet another reason, the problem of scarcity does not arise for Aristotle. The economy – in the first place a matter of the domestic household – concerns the relationship of the *persons* who make up such institutions as the household or other "natural" units like the *polis*. His concept of the economy then, denotes an institutionalized process through which sustenance is ensured. He could, therefore, put down the misconception of unlimited human wants and needs to two circumstances: the first, the acquisition of foodstuffs by commercial traders which thus linked

the unlimited activity of moneymaking to the otherwise limited requirements of family and *polis*; the second, the misinterpretation of the good life in the novel notion of a utilitarian accumulation of physical pleasure. Given the right institutions, such as *oikos* and *polis*, and the traditional understanding of the good life, Aristotle saw no room for the scarcity factor in the human economy. He did not himself fail to connect this fact with the institutions of slavery and infanticide and his own violent aversion to the comfort of life. But for this realistic fact, his negation of scarcity might have been as dogmatic and as unfavourable to empirical research as to the economic formalism of our times. As it is, the first of realist thinkers was also the first to recognize that an inquiry into the role of scarcity in the human economy presupposes an adherence to the substantive meaning of *economic*.⁴

The substantive economy: interaction and institutions

The claim of the scarcity definition to be the sole legitimate representative of the meaning of *economic* does not stand scrutiny. It leaves the sociologist, the anthropologist, the economic historian helpless in confronting the task of penetrating the economy of any time or place. For the accomplishment of that task, the social sciences must turn to the substantive meaning of economic.

The economy as an instituted process of interaction serving the satisfaction of material wants forms a vital part of every human community. Without an economy in this sense, no society could exist for any length of time.

The substantive economy must be understood as being constituted on two levels: one is the interaction between man and his surroundings; the other is the institutionalization of that process. In actuality, the two are inseparable; we will, however, treat of them separately.

Interaction accounts for the material result in terms of survival. It can be broken down into two kinds of changes, locational and appropriational, which may go together or not. The first consists in a change of place; the second in a change of "hands."

In a locational movement, as the term implies, things move spatially; in an appropriational movement either the person (or persons) at whose disposal things are, or the extent to which they have rights of disposal over them, changes. The locational movement is most clearly illustrated by transportation and production; the appropriational by transactions and dispositions.

Human beings play a prime part: they expend effort in labor; they themselves move about and they dispose of their possessions and activities in a process that eventually serves the end of their survival. Production represents what is perhaps the most spectacular economic feat, namely, the ordered advance of all material means towards the consumption stage of livelihood. Together the two kinds of movement complete the economy as a process.

Locational movements comprise hunts, expeditions and raids, hewing wood and drawing water, the international system of shipping, railroads, and air transportation. Carrying may, in early times, loom larger than production; and even later it plays a preponderant part in production itself. It has been asserted before that production can be reduced to locational movements of objects, large and small, from the biggest to the minutest particles of matter. The growth of grain from seed is a movement of matter through space, as is the upsurge of skyscraper in a boom. However, as we will see, the economic character of production is derived from the fact that the locational movement involves labor combined in a specific way with other goods. Of this later on.

Appropriation was turned into a broad factual term by Max Weber.⁵ Its original meaning, that of legal acquisition of property, was extended to include *de facto* disposal over anything worth possessing, wholly or partly, whether physical object, right, prestige, or the mere chance of exploiting advantageous situations. Appropriational change may take place as between "hands," where "hand" denotes any person or group of persons capable of possessing. This forcibly brings out the shifts in the property sphere that accompany the interactional process. Things and persons pass partly or totally from one appropriational sphere to another. Management and administration, circulation of goods, distribution of income, tribute and taxation, all are equally fields of appropriation. That which changes "hands" need not be an object as a whole, it may be no more than its partial use.

Appropriational movements differ not only in regard to what is moved but also in the character of the movement. Transactional movements are two-sided and occur as between "hands"; dispositional movements are one-sided actions of a "hand" to which custom or law attaches definite legal effects. In the past, the distinction could be mostly related to the type of "hand" in question: private persons or firms were deemed to be making appropriational changes through transactions, while the public "hand" was credited with making dispositions. This distinction tends to be ignored in our day by corporations and government

alike. The state buys and sells, while private corporations administer and dispose.

Combination of goods seems an odd term to employ for that part of the interaction commonly called production. Yet it is a basic fact of the substantive economy that things are useful because they serve a need either directly or indirectly through their combinations. This distinction between goods of a “lower” and a “higher” order, introduced by Carl Menger, is at the root of production.⁶ Even in a state of general scarcity, no production ensues in the absence of goods of a “higher” order, foremostly labor. On the other hand, if “labor” is given, production will take place, whether labor is in an abundance or not, so long as no goods of a “lower” order are available that can satisfy the needs. It is therefore misleading, as was made manifest in Menger’s posthumous work, to attribute the phenomenon of production to some general scarcity of goods; rather, production stems from the difference between the goods of a “lower” order and those of “higher” order – a technological fact of the substantive economy. In this line of thought, the pre-eminence of labor as a factor of production is due to the circumstance that labor is the most general agent among all goods of the “higher order.”

On an interactional level then, the economy comprises man as a collector, grower, carrier, and maker of useful things, as well as nature as the silent obstructor and furtherer; also their interpenetration in a sequence of physical, chemical, physiological, psychological, and social events occurring from the smallest to the largest scale. The process is empirical, its parts are capable of operational definition and direct observation.

Yet such a process has no separate existence. The thread of interaction may branch off, interlock, form a web; but whether the mesh of cause and effect is simple or complex, it can no more be physically detached from the ecological, technological, and societal tissue which forms its background than can the life process from the animal organism.

In order to achieve the manifold coherence of the actual economy, the bare process of interaction must acquire a further set of properties, without which the economy could hardly be said to exist. If the material survival of man were the result of a mere fleeting chain causation – possessing neither definite location in time or space (that is, unity and stability), nor permanent points of reference (that is, structure), nor definite modes of action in regard to the whole (that is, function), nor ways of being influenced by societal goals (that is, policy relevance) – it could never have attained the dignity and

importance of the human economy. The properties of unity and stability, structure and function, history and policy accrue to the economy through its institutional vestment.

This lays down the foundation for the concept of the human economy as an institutionalized process of interaction which functions to provide material means in society.

The Economy Embedded in Society*

Introduction

It was characteristic of the economic system of the nineteenth century that it was institutionally distinct from the rest of society. In a market economy, the production and distribution of material goods is carried on through a self-regulating system of markets, governed by laws of its own, the so-called laws of supply and demand, motivated in the last resort by two simple incentives, fear of hunger and hope of gain. This institutional arrangement is thus separate from the noneconomic institutions of society: its kinship organization and its political and religious systems. Neither the blood tie, nor legal compulsion, nor religious obligation, nor fealty, nor magic created the sociologically defined situations that insured the participation of individuals in the system. They were, rather, the creation of institutions like private property in the means of production and the wage system operating on purely economic incentives.

With this state of affairs we are, of course, fairly conversant – livelihood is secured primarily by economic institutions that are activated through economic motives and governed by economic laws. Institutions, motives, and laws are specifically economic. The whole system can be imagined as working without the conscious intervention of human authority, state, or government. No motives other than those

* *The Livelihood of Man*, ed. by H. W. Pearson, New York: Academic Press, 1977, pp. 47–56.

of preservation from hunger and of legitimate gain need be invoked, no legal requirement other than protection of property and enforcement of contract is necessary; yet, given the distribution of resources and purchasing power, as well as the individual scale of preferences, the result is assumed to be an optimum of want satisfaction. This is the case of “separateness” established in the nineteenth century. Now let us proceed to the less familiar alternative of “embeddedness” where we meet a number of questions that need clarification.

We will give a brief history of the problem, first in terms of status and *contractus*, then in the more recent terms of cultural anthropology.

Status and *contractus*

We begin with the discovery revealed by Sir Henry Sumner Maine in his *Ancient Law* (1861) that many institutions of modern society were built on contract, whereas ancient society rested on status. Status, which is set by birth – by position of and in the family – determines the rights and duties of the person, which, in turn, are derived from kinship (or adoption), totem, and other sources. This status system persists under feudalism and, with some qualifications, right up to the age of equal citizenship as established in the nineteenth century. It was gradually replaced by *contractus*, i.e., by rights and duties fixed through consensual transactions, or contracts. The facts themselves were first noted by Maine in his investigation of Roman law and developed in his work on village communities in East India, to whose nonmarket economies Marx also pointed.

Maine’s influence on the continent was sustained by Ferdinand Toennies, a German sociologist whose conception was epitomized in the title of his work, *Community and Society* (*Gemeinschaft und Gesellschaft*, 1888). The terminology may appear at first confusing, but basically it is not. Community corresponded to “status society,” society to “contract society.”

Maine, Toennies, and Marx exerted a deep influence on Continental sociology through Max Weber, who consistently used the terms *Gemeinschaft* and *Gesellschaft* in the Toenniesian sense, *Gesellschaft* for contract-type society, *Gemeinschaft* for status-type society.

Between Maine and Toennies the emotional connotation of status or community, on the one hand, and *contractus* or society, on the other, were very different. Maine thought of the precontractus condition of mankind as the dark ages of tribalism; the introduction of the contract, he felt, emancipated the individual from bondage to

the tribe. Toennies' sympathies, on the contrary, were rather with the warmth of the community against the impersonal business ties of society. He idealized "community" as a condition where human beings are linked together by the tissue of common experience, while 'society' was never far removed from the impersonality of the market and the "cash nexus," as Thomas Carlyle dubbed the relationship of persons connected only by market ties.

Toennies' ideal was the restoration of community – not, however, by returning to the preindustrial stage of society, but by advancing to a higher form of community that would follow upon our present civilization. He thought of it as a kind of cooperative phase of civilization that would retain the advantages of technological progress and individual freedom while restoring the wholeness of life. His position resembled, to some extent, that of Robert Owen or, among modern thinkers, that of Lewis Mumford. In Walt Whitman's *Democratic Vistas* (1871) one may discover prophetic analogies to this outlook.

Maine's and Toennies' insights into the evolution of human civilization have been broadly accepted by many scholars as keys to the history of modern society. However, for a long time no advance was made along the trails they blazed. Maine dealt with the subject as one of the history of law, including its communal forms of surviving in the ancient villages of India. Toennies reconstructed the outlines of ancient and medieval civilization with the help of the "community-society" dichotomy. Neither of them attempted to apply the distinction to the actual history of economic institutions such as trade, money, and markets.

The contribution of anthropology

The first important signs of theoretical development along these lines are found in the discoveries made in the contiguous field of anthropology by Franz Boas, Bronislaw Malinowski, and Richard Thurnwald. Their insights implied a critique of the so-called "economic man" of classical theory and led to the establishment of the discipline of primitive economics as a branch of cultural anthropology.

By a freak of history, during World War I, a trained anthropologist was marooned in his own "field." Bronislaw Malinowski was an Austrian subject, and thus technically an enemy alien, among the savages off the southwestern tip of New Guinea. For two years, the British authorities refused him permission to leave, and Malinowski ultimately returned from the Trobriand Islands with the material for "The Primitive Economics of the Trobriand Islanders" (1921), *The*

Argonauts of the Western Pacific (1922), *Crime and Custom in Savage Society* (1926), *The Sexual Life of Savages* (1929), and *Coral Gardens and Their Magic* (1935). He died in the United States in 1942. His works have affected not only the study of anthropology but also the viewpoints and methods of economic history. Richard Thurnwald of Berlin, whose field was New Guinea, published his account of the Banaro in 1916 in the *American Anthropologist*. His influence was felt in the Anglo-Saxon world chiefly through its impact upon Malinowski. (Thurnwald himself, though praised as an anthropologist, was a pupil of Max Weber.)

Malinowski's account left the reader with the conviction that members of preliterate communities behaved, on the whole, understandably to us. Their seemingly exotic behavior could be explained in terms of institutions that stimulated motives different from those we usually act upon but not foreign to us in other ways. In regard to subsistence, there was a widespread practice of reciprocity, i.e., members of a group behaved toward members of another group as the members of that group, or a third group, were expected to behave, in turn, toward them. A man from a village subclan, for instance, provided his sister's family with garden produce, though the sister would usually dwell in her husband's village, sometimes at quite a distance from her brother's habitation – an arrangement that resulted in a great deal of uneconomical hiking on the part of a diligent brother. Of course, if the brother happened to be married, a similar service would be rendered to his family by his wife's brothers. Apart from this substantial contribution to matrilineal relatives' households, a system of reciprocal gifts and countergifts was generated that appealed to economic self-interest only indirectly, the controlling motives being noneconomic, e.g., price in public recognition of civic virtues as a brother or gardener. The mechanism of reciprocity, effective in regard to the comparatively simple matter of food supplies, also accounted for the highly complex institution of the *Kula*, an esthetic variant of international trade. *Kula* transactions between inhabitants of the archipelago covered a number of years, dozens of miles of unsafe seas, and thousands of individual objects exchanged as gifts between individual partners living on distant islands. The whole institution acted to minimize rivalry and conflict and maximize the joy of giving and receiving gifts.

None of these facts recorded by Malinowski was especially new. Similar ones had been observed time and again in other spots. Although contrasting in tone and coloring with the *potlatch* of the Kwakiutl Indians, the *Kula* was no more peculiar than that hyperbolic display of wilful destruction, discovered and exhaustively

described by the great American anthropologist, Franz Boas, in *The Social Organization of the Secret Societies of the Kwakiutl* "Potlatch" (1895).

Yet, Malinowski's brilliant attack on the concept of "economic man" that unconsciously underlay the traditional approach of ethnographers and anthropologists created, in primitive economics, a new branch of social anthropology of the greatest interest to economic historians.

The mystical "individualistic savage" was now dead and buried, as was his antipode, the "communitistic savage." It appeared that not so much the mind as the institutions of the savage differed from our own. Even widespread communal ownership turned out, under the anthropologist's microscope, to be different from what it was supposed to be. Although land did indeed belong to the tribe or sib, a network of individual rights was also found to exist that deprived the term "communal property" of most of its content. Margaret Mead has described this as the man "belonging" to the piece of land rather than the land to the man. Behavior is ruled not so much by rights of disposal vested in individuals as by commitments of individuals to cultivate definite plots of land. To speak of either individual or communal property in land, where the very notion of property is inapplicable, appears hardly meaningful. Among the Trobrianders themselves, distributors happened largely through gifts and counter-gifts.

As a general conclusion, it can be stated that the production and distribution of material goods was embedded in social relations of a noneconomic kind. No institutionally separate economic system – no network of economic institutions – could be said to exist. Neither labor nor the disposal of objects nor their distribution was carried on for economic motives, i.e., for the sake of gain or payment or for fear of otherwise going hungry as an individual. If we take *economic system* to mean the aggregate of behavior traits inspired by the individual motives of hunger and gain, there was no economic system in existence at all. If, however, as we should, we take that term to comprise the behavior traits relating to the production and distribution of material goods – the only meaning relevant to economic history – then we find that while there was, of course, an economic system in being, it was not institutionally separate. In effect, it was simply a by-product of the working of others, noneconomic institutions.

We might understand such a state of affairs more easily if we concentrate on the role of basic social organization in channeling individual motives. In studying the kinship system of the Banaro of New Guinea, Richard Thurnwald found a complicated system

of exchange marriage. No fewer than four different couples had to be united in marriage at the same occasion – each partner standing in a definite relationship to some other person of the reciprocating group. For such a system to work, grouping had to be already in existence, splitting the sib artificially into subsibs. To this purpose, the goblin-hall (or men's house) was habitually divided; those squatting on the right (*Bon*) and those squatting on the left (*Tan*) formed subsections for the purpose of the exchange marriage system. Thurnwald wrote:

The symmetry in the arrangement of the ghost-hall is the expression of the principle of reciprocity – the principle of giving “like for like” – *retaliation* or *requital*. This seems to be the result of what is psychologically known as “adequate reaction,” which is deeply rooted in man. In fact, this principle pervades the thinking of primitive people and often finds its expression in social organization.¹

This remark was taken by Malinowski in *Crime and Custom in Savage Society*. He suggested that symmetrical subdivisions in society, such as those Thurnwald had found in the goblin-hall, would be discovered to exist everywhere as the basis of reciprocity among savage peoples. Reciprocity, as a form of integration, and symmetrical organization went together. This may be the true explanation of the famous duality in social organizations. Indeed, we may ask in regard to preliterate society – ignorant of bookkeeping – how could reciprocity be practiced over long stretches of time by large numbers of peoples in the most varied positions unless social organization met the need halfway by providing ready-made, symmetrical groups, members of which could behave towards one another similarly? The suggestion carried important implications for the study of social organization. It explains, among other things, the role of the intricate kinship relations often found in savage societies where they function as the bearers of social organizations.

Since there is no separate economic organization and, instead, the economic system is embedded in social relations, there has to be an elaborate social organization to take care of such aspects of economic life as the division of labor, disposal of land, organization of work, inheritance, and so on. Kinship relations tend to be complicated because they have to provide the groundwork of a social organization that substitutes for a separate economic organization. (Incidentally, Thurnwald remarked that kinship relations tend to become simple as soon as separate political-economic organizations develop, since “there is no need for complicated kinship relations any more.”)²

We have an institutionally separate economic system in our society, and an important integrating concept in our economy is that of an aggregate of interchangeable economic units. Hence the quantitative aspect of economic life. If we possess ten dollars, we do not as a rule think of them as ten individual dollars with separate names but as units that can be substituted one for another. Without such a quantitative concept, the notion of an economy is hardly meaningful.

It is important to recognize that such quantitative concepts are not generally applicable to primitive societies. The Trobriand economy, for example, is organized on a continuous give-and-take basis; yet there is no possibility of setting up a balance or using the concept of a fund. The multifarious "transactions" cannot be grouped from the economic point of view, i.e., the manner in which they affect the satisfaction of material wants. Although the economic significance of the "transactions" may be great, there is no way of assessing their importance quantitatively.

To have shown this conclusively is another of the theoretical achievements of Malinowski. First, he listed the different kinds of economically significant give and take, from free gifts (as we would describe them) at the one extreme, to plain commercial barter (again, as we would describe it) at the other. Second, he grouped the sociologically defined relationships in which all of the different give-and-take relationships occur. He then related all the different types of gifts, payments, and transactions to those relationships.³

The category of "free gifts" Malinowski found to be altogether exceptional or, rather, anomalous. Charity is neither necessary nor encouraged, and the notion of gifts is invariably associated with that of counter-gift. Consequently, even obviously "free" gifts are usually construed as counter-gifts for some service rendered by the recipient. Most important, he found that "the natives would undoubtedly not think of free gifts as forming one class, as being all of the same nature."⁴ Clearly, such an attitude would make it impossible for an individual to form the notion of such gifts comprising an economic sphere of activity in the sense of maintaining or increasing a fund.

In the group of transactions where the gift must be returned in equivalent form, Malinowski encountered a surprising fact. Obviously, this is the group which, according to our notions, comes nearest to the exchange of equivalents and should be practically indistinguishable from trade. Far from it! Quite often the same object is exchanged back and forth between partners, thus depriving the transactions of any conceivable economic sense or meaning. Actually this simple device, equivalence, far from representing a step in the direction of economic rationality, becomes a safeguard against the

intrusion of utilitarian elements into the transaction. The purpose of the exchange is to draw relationships closer and strengthen the ties between the partners. This purpose would obviously *not* be served by anything even approximating haggling over food between blood relatives.

Actual barter and trade among the Trobrianders is distinct from any other type of gift giving. Whereas in the ceremonial exchange of fish and yams a mutual sense of equivalence prevails between the two sides, in barter of fish for yams there is haggling. Such barter of useful articles is characterized by the absence of ceremonial forms and special exchange partners. In regard to manufactured goods, barter is restricted to new objects, second-hand goods, which may have personal value, being excluded.

In general, in all the forms of exchange excepting barter, the amounts and kinds of things given and taken in return are specifically related to the type of social relationship involved, whether that of family, clan, subclan, village community, district, or tribe. Each is distinct and separate in both terminology and native thought. Under such conditions, the aggregate concepts of fund or balance, of loss and gain, were obviously inapplicable.

The result of all these characteristics of primitive societies is the impossibility of organizing the economy, even in thought, as an entity distinct from the social relations in which its elements are embedded. There is, however, no need to organize it either, since the social relationships integrated in the noneconomic institutions of society automatically take care of the economic system. In tribal society the economic process is embedded in the kinship relations that formalize the situations out of which organized economic activities spring. What there is of production and distribution of goods, as well as organization of productive services, is therefore found instituted in terms of kinship. Various groups dispose of the grounds for hunting, fishing, trapping, and collecting and of pasture and arable land. Hoarding staples forms part of the corporate activities of the kin, whether engaged in hostilities or in ceremonial feasts. Treasure circulates by virtue of status or of religious or military requirements. Partial appropriation of the same physical units of land, trees, or timber to various strata of relatives fragmentizes the notion of property. Utilitarian needs often depend for their satisfaction not on the possession of things but rather on the claim to solicited services. In the absence of prices, acts of exchange lack the operational features essential to a quantitative approach; instead, the qualitative and prestige impact of the "valuables" steals the show. As a result, a man's practical orientation would be hampered rather than helped by an

“economic” focus in a way of life that has its points of reference outside the economic sphere.

The solidarity of the tribe was cemented by an organization of the economy that acted to neutralize the disruptive effect of hunger and gain while exploiting to the full the socializing forces inherent in a common economic destiny. The social relations in which the economy was embedded sheltered the disposal over land and labor from the corrosive effects of antagonistic emotions. Thus the integration of man and nature into the economy was largely left to the working of the basic organization of society, which took care almost incidentally of the economic needs of the group, such as they were.

All this, of course, concerns only a subjective awareness of the economy. The objective process, as it actually unrolls, is given apart from any conceptual awareness on the part of the participants, for the causal sequence to which we owe the availability of the necessities of life is present no matter how men conceptualize their existence. The seasons bring around the harvest time with its strain and its relaxation; warlike trade has both the rhythm of preparation and foregathering and the concluding solemnity of the return of the ventures; all kinds of artifacts, whether canoes or ornaments, are produced and eventually used by various groups of persons; every day of the week, food is prepared at the family hearth. Yet, for all this, the unity and coherence of the economic activities may remain unconscious in the minds of the participants. For the accompanying series of interactions between men and their natural surroundings, whether centering on the physical moving of objects or on appropriational changes will, as a rule, carry meanings and reflect dependencies, of which the economic is only one. And even if the economic happens to stand out, there may be counteracting forces at work to prevent the institutionalized movements from forming a coherent whole. In effect, such counteracting forces are largely responsible for the absence of a concept of the economic in primitive society.

Postscript

Hamlet*

A brief reminiscence at the outset will serve a twofold purpose. It should reduce to the vanishing point the literary claims of this piece of amateur writing, while adding a note of authenticity to the author's reasons for putting off publication for almost a life-time.

Nearly forty years ago I was serving as an officer in the old Austro-Hungarian Army. The Russian winter and the blackish steppe made me feel sick at heart. It happened that at the time my personal life had taken a turn towards darkness; daylight seemed bounded in a narrowing disk that grew dimmer and dimmer. At one time, I remember, the cold was so intense that when my horse stumbled and fell I was too apathetic to get out of the saddle. Fortunately – though I may not have thought so then – the gaunt stiff creature, a yellow Cossack mare that we had picked up, jerked herself onto her long legs and I was saved, for had she rolled over I might have been crushed to death. For companionship I had nothing but a volume of Shakespeare's plays; in my desolation I found myself reading and rereading one: "The Tragedy of Hamlet, Prince of Denmark." Altogether, I must have read it through well over a score of times. My soul was numbed and fell under the spell of a recurrent daydream. I read my "Hamlet," and every word, phrase, and intonation of the hero's ravings came through to me, simple and clear.

For many years the memory of those bleak months haunted me. I could not rid myself of the idea that by some weird chance I had

* "Hamlet", *Yale Review* 43(3), 1954, pp. 336–50. Polanyi made some changes by hand in the printed text. These changes are taken into account.

possessed myself of Hamlet's secret. I knew why he did not kill the King. I knew what it was he feared. I knew why he so swiftly ran Polonius through the body when he mistook him for the King, pretending he was only after a rat. I knew what his confused words to Ophelia meant. But even while I still felt I knew, I was already fast forgetting. My days were clearing up and, as light broke in, knowledge passed into shadowy recollection. This, in its turn, faded into a mere intellectual understanding. I was now happy again and could only faintly remember what once had formed part of my being: Hamlet's inhuman sufferings.

Yet something in me insisted my theories on Hamlet's indecision and forced antics were not merely the morbid offspring of my late malady. I saw proof of this in my excessive reaction to the opinions of the great A. C. Bradley, whose insights into Hamlet's character, as I chanced to come across them, struck me by their resemblance to my own. But Bradley, who was on the right track, had stopped just short of the solution. By a slight inconsistency, he failed to recognize the obvious.

Hamlet's inaction, so he thought, was to be explained by the influence of a profound melancholy. He is shocked by his mother's gross sensuality into utter disgust of life. It is in this state that the revelation of his father's murder and the command of revenge reach him. His mind is poisoned and paralyzed, hence his endless procrastinations. The other inner obstacles to action – his moral sensibility, intellectual genius, temperamental instability – are either the causes or the effects of this pervasive melancholy. It alone accounts for the course of the play, together with the periods of normal behavior during which his "healthy impulses," remnants of a virile personality, break through.

In this picture I recognized my Hamlet. At the same time I knew that Bradley had not penetrated the twin secret of Hamlet the person and "Hamlet" the play. For the key, which I firmly believed I possessed, had to fit both locks. At the heart of the matter, to be sure, there is the inaction which the hero can neither justify nor account for; but there is also the enigma of how so exciting a show could ever have been staged about inaction. Let me try to make myself clearer.

At first glance, Hamlet's melancholy explains both his dilatory behavior and his lack of comprehension of himself. In his utter dejection he is averse to any kind of action. He indulges in mechanical puns, in trivial backchat, repeating sometimes the speaker's words without irony or wit, like a man too benumbed to hear what he himself is saying. Yet, this selfsame emotionally shocked and mentally absent person as the critic Edward Dowden remarked, "suddenly conceives of the possibility of unmasking the King's guilt on the

accidental arrival of the players, and proceeds without delay to put the matter to the test, suddenly overwhelms Ophelia with his reproaches of womanhood, suddenly stabs the eavesdropper behind the arras, suddenly, as if under some irresistible inspiration, sends his companions on shipboard to their deaths, suddenly boards the pirates, suddenly grapples with Laertes in the grave, suddenly does execution on the guilty King, plucks the poison from Horatio's hands, and gives his dying voice to a successor to the throne." But why then do those "healthy impulses" arise so frequently as to make Hamlet into a person of almost terrible ruthlessness, yet prevent him from doing the deed which he has sworn to the spirit of his father to do? Having caused without remorse the deaths of at least four persons in the King's entourage, why does he still seem to have come no nearer to the performance of his supreme duty? Why does the "veil of melancholy" never lift when he has an opportunity to take his revenge on the King? The spectators must feel that this is no mere coincidence, otherwise they would lose interest. There must be some hidden cause for Hamlet's reluctance to perform the required act, a reason which Hamlet himself cannot fathom, and which, maybe, only his death will reveal. The audience remains expectant.

On looking closer, it struck me that Hamlet often does one thing instead of another. His spurts of action are not mere freaks of a temperament that alternates between feverish exploits and slothful lethargy. He not only refrains from slaughtering the King in the prayer scene, but immediately afterwards slays Polonius, mistaking him for the King and coldbloodedly shouting "a rat." Yet he cannot be too melancholy to make a thrust at the King, but sufficiently healthy to stab Polonius; his "healthy impulses" cannot intervene too late to make him act rightly, yet in time to make him act wrongly. An ebbing of will power should not prevent a man from pressing for action in one way, while leaving him uninhibited to act eagerly in another. Eventually, Hamlet, having made no preparations to destroy the King, kills him on the instant. He thus performs with zest a series of actions except the one required of him, and then unexpectedly does the deed without any sign of reluctance. The mysterious delay in killing the King still stares us in the face.

Bradley's solution missed the mark by a hair's breadth. He listed instances of Hamlet's proneness to action and added that he acts in these cases since it is not *the* one hateful action on which his morbid self-feeling had centered. Bradley meant, of course, the revenge on Claudius. Unfortunately, he did not follow up the clue.

The simple truth is that Hamlet does not kill his uncle because by force of circumstances and by reason of his character his aversion

to living has become focused on this “one hateful action.” He is unable to decide to live. He can exist only as long as he is not forced to resolve to do so. If challenged to choose between life and death, he would be undone, because he cannot deliberately choose life. This, in terms of human existence, is the purport of Hamlet’s melancholy.

We should not take Hamlet’s professions of wanting to die literally; they are no more than the rhetoric of an ambiguous mood. Oh no, he does not wish to die; he merely hates to live. A hero who stubbornly insisted on dying would be insupportable. There would be no conflict to follow, no play to watch, since there would be no one to obstruct him in having his way. Hamlet’s elaborations on the theme “I wish I were dead” mean no more than that he would refuse to settle down to the job of living, should he perchance be forced to make such a choice. But why of all living creatures should he alone be compelled to do so? The rest of us need not decide to live, and yet we go on living as long as we can. Hamlet, too, is prepared to defend his life, and maybe all the more bravely because he does not set it at a pin’s fee.

Here, I felt, lay the roots of the delay.

Hamlet has turned away from life, but it is only the appearance of the Ghost that starts the tragedy. He merely wished to withdraw from the Court and retire to Wittenberg, though at his mother’s entreaties (and perhaps for Ophelia’s sake) he postponed his departure, when his father’s disembodied spirit appears on the battlements of Elsinore and orders him to kill the King. Events themselves are pushing him towards a decision. To obey his father’s behest would involve all that living involves. He is to become King, perhaps with Ophelia, for his Queen, the princely ruler of the Court of Elsinore, a radiant sun amongst a host of Rosencrantz and Guildenstern. He knows in his bones that he will never comply. His refusal to set the world aright springs from his dread of becoming part of a world he has learned to detest with all his being. The Ghost has uttered his death sentence. He will perish before he fulfils that injunction and knows it. But in the humiliating interim he will be like the rest of us, stretching out the number of his days.

The killing of the King, O cursed spite, now stands for compulsion to live. He cannot perform this action on which his morbid self-feeling centers, not as a physical act of execution – that is indifferent – but as a deed of filial duty enjoined upon him by his father’s tearful command, as a step involving him in a fatal sequence of obligations, as a gesture of obeisance that will plunge him into the maelstrom of life. Hamlet could instantly kill the King as it were by

accident, off the record, under cover of mistaken identity, through a disowned thrust, by means of any emphatically unsymbolic act; or, at the opposite end, when he himself was doomed to die, solemnly assured of his impending departure. Never, never as a deliberate act that would commit him to live. This, in a sense, is Hamlet's most personal secret.

Actually, he attempts both: to do it, pretending it to be unintentional, and to do it, when this can no more affect his own fate. He stabs Polonius in a trice, mistaking him for his better, while denying in the very act any real purpose. And, even more decisively at the end, when poisoned by Laertes' foil, he almost exultantly repeats his "I am dead," and the skeptical dreamer turns in a twinkle into Voltaire's butcher boy, whose slaughterings are no more than mechanical acts committing him to nothing, since he, Hamlet, is now securely dead.

I suspect that in my malady Hamlet's pretended madness was for me the vortex of attraction. I must have sensed that those antics would eventually prove the vehicle of self-destruction.

However genuine at first, Hamlet's excited doings after the encounter with the Ghost soon turn into a mere feint of his melancholy. He was moving away with all his being from the Court, from convention, from all that *seems*, when fate arrested his flight and hurled him back into the center of damnation. The apparition all but makes him lose his senses. But as the fit wears off – and he recovers quickly – a definite concern overmasters him and henceforth determines the use he will make of the discovery of his bent for "seeming." That new anxiety springs from the fear of being pushed to action against his will. He turns secretive in order to remain free. This is no mere act of political caution. Of that there is no need; by confiding the secret of his "antic disposition" to his friends he proves that he trusts them implicitly. But should they as much as suspect what passed between him and the Ghost, the dread decision could not be deferred. Only as long as he alone – and later may be Horatio, his alter ego – knows of the awful revelation is he, Hamlet, safe. In delaying the decision, Hamlet is fighting for his life. The feigned madness was his most personal response to an unexpected situation. Unhinged by horror and fear, Hamlet, the passionate lover of sincerity, has espoused insincerity as his weapon and armor. The mechanism of the plot and the rhythm of the tragedy are set by this fact.

It has been noted that towards the end of the play Hamlet's gloom lifts and the assumed derangement fades away. For some unaccountable reason – one would rather expect the opposite – he now appears

placid and composed. This anticlimax is one of the subtle beauties of the play. Yet, could it be otherwise? Hamlet, who imagined that he wished to die, is now ready for death. He makes no preparations to kill the King and yet appears certain, that the hour of revenge is approaching. Again, how could it be otherwise? He now welcomes death, no longer from a confusion of moods that denies the meaning of life, but from a recognition of that meaning. When he strikes down the King, he proclaims himself "dead," and death comes to him when he is ripe for it. The apparent accidents that control the course of the play are revealed as no more than a semblance; its progress is as plain as Calvary. Indeed, the figure of Hamlet has been interpreted as that of a saint. No worse misunderstanding is possible. What we are witnessing is tragedy, the story of guilt and expiation. And it is his put-on madness, that self-elected device of hovering between just revenge and unjustifiable evasion, that involves him deeper and deeper in guilt.

Hamlet, with a grim sense of humor, stages his antics with precision. The "dumb scene" sends the crying Ophelia straight into the arms of her father; who rushes with his discovery to the King, who on the spot decides to set a trap with Ophelia herself as the bait. Hamlet now excels in feats of romantic irony. He sets the "lawful espials" a riddle: what is the cause of his own supposed madness. He makes each guess true to character. Polonius, the pompous vacuity, displays all the self-assurance of his wordy cynicism: Hamlet thwarted in seducing Ophelia has gone mad. The Queen, nearer the truth, is made to feel the guilt of her overhasty marriage. Claudius alone is on a par with the challenger and refuses to be duped by his foiled lover's frenzies. He sends for Rosencrantz and Guildenstern, arranges for the trap, orders Hamlet to be put under guard, dispatches him to England, sets Laertes on his trail, and concocts the murder plot. Except for Claudius, they are so many puppets in the hands of Hamlet. He enjoys his cruel superiority: the chastisement of those fawning gigglers, Rosencrantz and Guildenstern, even the anguish of the King caused by Hamlet's ominous conversational flashes. Eventually, Hamlet, playing the madman, stages a play within the play, the effects of which on the King send him into transports of delight. And yet, all the time his helpless self is more and more entangled in guilt. In spite of his glamorous antics he knows, in his most sensitive heart, that he has lost his way.

Hamlet's tragedy is enmeshed in his love for Ophelia, whom he has sacrificed. "I loved Ophelia," he cries at her grave when suddenly he is faced by the truth. It is the turning point of Hamlet's personal

drama. Up to that time external events have failed to penetrate the shroud of his melancholy; in his isolation he has hardly known himself. Now Laertes' high-pitched sorrow strikes his ear. In a flash of inhuman pain light breaks through to him. This is his horrible awakening:

What is he whose grief
 Bears such an emphasis? Whose phrase of sorrow
 Conjures the wandering stars and makes them stand
 Like wonder-wounded hearers? This is I
 Hamlet the Dane.

His love for Ophelia is pure and ardent. Hamlet is driven to the point of platonic frenzy by his mother's sexual debasement, which has tarred Ophelia with the same brush. But not even his mother is beyond redemption, terribly though she has sinned; how much less so the innocent Ophelia who, he must feel, is merely a victim of his own delusions. His love for her lies like a chasm between him and the others. He knows the putrid atmosphere of the Court. He knows his Laertes, the youthful lecher, who is depraving his own sister's mind. He knows his smutty Polonius, who instils vile suspicions into her confiding soul. He knows his Rosencrantz and Guildenstern, whose horizon is bounded by lasciviousness. He knows his King and Queen, who set their hopes on Ophelia's physical charms to seduce him to become untrue to his mission. He abhors them for their calumny of all that is most truly noble. Not one but has debased Ophelia's love for him and his love for her into a political counter, speculating on what there is of frailty in either.

He detests and despises them, yet of all men he, Hamlet, has the least right to do so. For who first conceived the idea of using Ophelia's pure feelings for political ends? Who fooled her in the garb of the distracted lover, so grossly conventional in his disordered attire, that the mere recounting of the scene called forth from the Prime Minister a hackneyed "Mad for thy love"? Who fed Polonius' suspicions, harping on his daughter at every turn of their ambiguous dialogue? Who confirmed these aspersions in the nunnery scene by his insults? Who indeed heaped these awful deeds on an innocent victim? Who but he, Hamlet the Dane?

At every turn of the screw Hamlet's sufferings feed on the effects of his own actions. Does he not slander Ophelia to her own father, tainting himself with the virus he loathes, dragging her through the

mire of Court intrigue, prompting the King to make her a decoy in the eavesdropping scene, in which he takes unjust revenge on Ophelia for playing the very role he himself had devised for her? Yet it is in this scene that she is most true to him. Hamlet arraigns her for prostituting herself, a worthy ally of his debauched mother, while all the time he knows only too well that he alone is to blame; for even what seems to bear out his accusations is in truth of his own doing, and no better than a crime against this pure and beloved child against whom he is bearing false witness.

Ophelia has been promised by the Queen that she shall marry Prince Hamlet if she restores him to his normal self. Beauty and honor, love and marriage, are for once in concord. She loves Hamlet and knows not of the danger that threatens him. He never confided his burden to her. Her task, she is told by his own mother, is to charm him back to life and happiness, to exorcise the demons that are darkening his spirit. What role could be more appropriate to her selfless devotion?

In the presence of her own father and of the King himself, the Queen says to Ophelia:

And for your part, Ophelia, I do wish;
That your good beauties be the happy cause
Of Hamlet's wildness; so shall I hope your virtues
Will bring him to his wonted way again,
to both your honours.

To which Ophelia replies:

Madam, I wish it may.

And later, at Ophelia's grave, the Queen laments, ignorant of Hamlet's presence:

I hop'd thou shouldst have been my Hamlet's wife;
I thought thy bride-bed to have deck'd, sweet maid,
And not have strew'd thy grave.

In the nunnery scene Ophelia, who knows nothing, is met by Hamlet, who knows everything. He winces at the thought that Ophelia has been "loosed" to tempt him from the allegiance to his dead father and sway him from the course of honor and honesty. His words are as much to the point as they are unjust to Ophelia:

Hamlet: Ha, ha! are you honest?

Ophelia: My lord?

Hamlet: Are you fair?

Ophelia: What means your lordship?

Hamlet: That if you be honest and fair, your honesty should admit no discourse to your beauty.

Ophelia: Could beauty, my lord, have better commerce than with honesty?

Hamlet: Ay, truly, for the power of beauty will sooner transform honesty from what it is to a bawd than the force of honesty can translate beauty into his likeness: this was sometime a paradox, but now the time gives it proof.

Hamlet knows that his turning back from the path of duty for Ophelia's sake would dishonor them both. True, resentful at the role cast for Ophelia, and desirous of revenge for Polonius' and Laertes' innuendoes, he gives an insane twist to his words. On the matter itself, he is clear and concise. If Ophelia (who is offering to return his tokens) were to try to make him marry her, she would be depraving him; yet should she attempt to follow him in the path of honor, she would have to divest herself of the power of beauty, instead of tempting him by her charms. She should go to a nunnery – also slang for brothel – that is where she belongs. Has she not given proof of it by offering herself in the treacherous presence of an adulterous murderer and a parental bawd?

Yet all that is of Hamlet's doing. Presently he will insult her in front of the Court and use her as a smoke screen in his hunt for the murderer. Eventually, he will kill her father, whom she adores. By the time Ophelia drowns herself, Hamlet has deserved more than one death. Within, he must have died a hundred.

But why does the mere delaying of revenge or, maybe, the quest for certainty, for a public proof of the King's guilt, involve him in such monstrous deeds? The answer is clear (and the producer should convey it to the audience): the use to which he puts his antic disposition is the accursed root of all the evils that befall. Born of hatred of life and a wish to put off the doing of his filial duty, it breeds guilt. It tempts him into employing not only his enemies but even his friends as unconscious tools; it traps him into evasions and elevates insincerity to a noble obligation. Inevitably, it confuses him and makes him a riddle unto himself.

But after that public confession of his love for Ophelia, he plays the fool no more. He is preparing for the end. There is but a short "interim" before the King must learn of the death of his agents in England. Hamlet's composure in this last part of the play is of supreme beauty. Reconciled to his own death he need no longer hesitate to kill the King. He now utters no wish to die. This shows the difference between the Hamlet of the first and the last act. Then he only imagined that he longed for death and made it his favorite theme; now he is longing to die and keeps silent. The readiness is all. It is the King whose hours are numbered.

Thus far the play seems to have no other subject than the refusal to live. But that precisely is why its theatrical success is an enigma. Longing for death is the only passion that is undramatic. And yet "Hamlet," if anything, is a good play. Where should we look for an answer?

Everybody knows the history of the purloined letter which was left in the rack in full view where one would least think of searching for it. So it is here. The very words and the scene that resolve the puzzle are almost too patent to hold a secret. I still remember the day, I was then a young man, when it first struck me:

To be, or not to be; that is the question:
 Whether 'tis nobler in the mind to suffer
 The slings and arrows of outrageous fortune,
 Or to take arms against a sea of troubles,
 And by opposing end them. To die – to sleep –
 No more...

Much has been written about this monologue. Some of it is amazing. "In this soliloquy," Bradley said, "Hamlet is not thinking of the duty laid upon him at all. He is debating the question of suicide." Hamlet, he thought, had by this time forgotten his sacred promise. "What can be more significant than the fact that he is sunk in these reflections [on suicide] on the very day which is to determine for him the truthfulness of the Ghost?" Bradley, like some others before him, had come to the conclusion that the great soliloquy was of no dramatic importance.

Millions of people have listened to those lines and have not felt so. Nor have the hosts of actors who have spoken them. They have been convinced that the very heart of the play is throbbing there.

They have not been mistaken. Piece the parallelism together, and those five lines give away the mechanism of "Hamlet," the play. "To be or not to be; that is the question." A clear-cut alternative stated by the hero at a moment of high dramatic tension. Consequently, the hero must be weighing the alternative on which the play hinges: to kill the King or not?

Yet nothing could seem more paradoxical than the way in which Hamlet rephrases the question. What is nobler in the mind, "to be" and "suffer," or "not to be" and "take arms"? Clearly, it ought to run the other way. Yet the implications of the paradox are plain. Hamlet can think of life only in terms of passivity, even if the suffering of life and its duties happens to involve a number of so-called actions, such as killing the King, marrying Ophelia, ruling the country, and so on. For the one and only true action falls under the heading "not to be." One could, perform it with a bare bodkin, were it not that

... conscience does make cowards of us all;
 And thus the native hue of resolution
 Is sicklied o'er with the pale cast of thought,
 And enterprises of great pith and moment
 With this regard their currents turn awry
 And lose the name of action.

With the thought of action the soliloquy opens and ends. Yet it deals solely with suicide. In this apparent confusion we have the dramatic truth of the play. The alternative is killing the King or killing himself.

All through the play the inner and the outer scene of action run parallel and are coordinated by Hamlet's visionary gifts. He sees his father's figure "in his mind's eye" even before he is told of the appearance of the Ghost; he doubts "some foul play" before the Ghost reveals it to him; his prophetic soul suspects his uncle's guilt; he foresees Ophelia's report to her father; he is conscious of the eavesdroppers in the nunnery scene; he is on the track of the spying courtiers; he guesses their mission; he justly appraises the purpose of the fencing match; he correctly instructs the players, and with the sole exception of Polonius behind the arras, whom he mistakes for the King, he is as a person endowed with second sight.

Until the very end his premonitions are translated into actuality:

- Hamlet: ... I shall win at the odds. But thou wouldst not think how ill all's here about my heart; but it is no matter.
- Horatio: Nay, good my lord.
- Hamlet: Hamlet is but foolery; but it is such a kind of gain giving as would perhaps trouble a woman.
- Horatio: If your mind dislike anything, obey it; I will forestall their repair hither and say you are not fit.
- Hamlet: Not a whit. We defy augury; there's a special providence in the fall of a sparrow. If it be now, 'tis not to come; if it be not to come, it will be now; if it be not now, yet it will come; the readiness is all. Since no man knows aught of what he leaves, what is't to leave betimes?

Hamlet parts willingly from life; he commits suicide, not in despair, but in fulfillment. His readiness to die is readiness, to accept life in its true meaning. He is murdered and the certainty of his own death releases him to do his duty. The innerward stage and the outward stage reflect each other to the end.

As in "Lear," "Othello," or "Macbeth," by the end of the first act the tragedy is set. Lear in his vanity and folly has thrown himself on the generosity of his heartless daughters; in the rest of the play he fulfils his fate. The Moor's conquest of Desdemona is a triumph of spirit over disparity of age and race, which will never stand the test of brute passion; Othello goes to his doom. In "Macbeth" the witches draw the circle of tragedy around the hero and his uxorious ambitions; the end follows as by geometrical necessity. So in "Hamlet": the opening act contains the tragedy *in nuce*. When his father's command reaches him, Hamlet's fate is sealed. Before the curtain rises on the second act, it has been decreed that Hamlet, playing the madman, will lose his life while delaying action.

We need not go far to understand why "Hamlet" is popular. The hero's innermost conflict, his self-defeating shadow play on the confines of life and death, is translated into external events, into sharply accentuated drama. The play is about suicide in terms of killing an enemy; it is about endless delay in terms of incessant action.

The plot is extremely clever. But for his simulated madness, Hamlet could never have put off his decision without a clash with his friends and supporters. His own inner conflict thus dragged to light would have been artistically fatal. A Hamlet who refused to obey the behest of the Ghost or hesitated to act when pressed by devoted friends would lose our sympathy, just as he would jeopardize our admiration

if he were defeated in his quest for revenge by external obstacles. Throughout, Hamlet himself is the only obstacle both to the decision to take revenge and to the carrying out of that decision. Thus is utmost universality reached in terms of inner life, while the event is spelt out on the stage in blood, fire, and brimstone.

Personally, in the blind alley of a mood that almost lost me my life, I may or may not have glimpsed a facet of that which moved the poet. The finished work needs no interpreter; the audience comprehends.

“Hamlet” is about the human condition. We all live, insofar as we refuse to die. But we are not resolved to live in all the essential respects in which life invites us. We are postponing happiness, because we hesitate to commit ourselves to live. This is what makes Hamlet’s delay so symbolic. Life is man’s missed opportunity. Yet in the end our beloved hero retrieves some of life’s fulfillment. The curtain leaves us not only reconciled, but with an unaccountable sense of gratitude towards him, as if his sufferings had not been quite in vain.

Notes

N.B. *All notes between square brackets are by the editors or the translators.*

Introduction

1. Cf. K. Polanyi, 'Our Obsolete Market Mentality', in this volume. N.B.: wherever this Introduction mentions a text by Polanyi with no other reference than its title, it is included in the present collection.
2. 'Our Obsolete Market Mentality'.
3. For a deeper and illuminating analysis centred around Polanyi's thought, see Kari Polanyi Levitt, *From the Great Transformation to the Great Financialization*, Halifax & Winnipeg: Fernwood Publishing, London & New York: Zed Books, 2013.
4. K. Polanyi, *The Great Transformation*, Boston: Beacon Press, 2001, pp. 76–7.
5. K. Polanyi, *For a New West*, ed. G. Resta and M. Catanzariti, Cambridge: Polity, 2014; K. Polanyi, *The Hungarian Writings*, ed. G. Dale, Manchester: Manchester University Press, 2016.
6. K. Polanyi, *Karl Polanyi's Vision of a Socialist Transformation*, ed. M. Brie and C. Thomasberger, Montreal: Black Rose Books, 2018; M. Brie, *Karl Polanyi in Dialogue: A Socialist Thinker for our Time*, Montreal: Black Rose Books, 2017.
7. I. Duczynska-Polanyi, 'I first met Karl Polanyi in 1920 ...', in K. McRobbie and K. Polanyi Levitt (eds), *Karl Polanyi in Vienna*, Montreal: Black Rose Books, 2000, p. 313.
8. K. Polanyi, 'Letter to a friend 1925', in *Karl Polanyi in Vienna*, op. cit., p. 317; italics by Polanyi.

9. K. Polanyi, *Europe To-Day*, London: WETUC (Workers' Educational Trade Union Committee), 1937, p. 29.
10. L. Congdon, *Exile and Social Thought*, Princeton: Princeton University Press, 1991, pp. 218–19.
11. In the article 'The Historical Background of the Social Revolutionaries' (1922) (in K. Polanyi, *The Hungarian Writings*, op. cit., pp. 121–6), Polanyi also comments on the ongoing events by referring to the sentencing of Bakunin by the First International and his idea of building social organization 'from below'.
12. K. Polanyi, 'Sozialistische Rechnungslegung', *Archiv für Sozialwissenschaft und Sozialpolitik* 49, 1922: 377–420. An English translation has recently been published: J. Bockman, A. Fischer and D. Woodruff, '“Socialist Accounting” by Karl Polanyi', *Theory and Society* 45, 2016: 385–427.
13. In this debate, Polanyi referred to the following articles of Mises: L. Mises, 'Die Wirtschaftsrechnung im sozialistischen Gemeinwesen', *Archiv für Sozialwissenschaft und Sozialpolitik* 47, 1920: 86–121 ('Economic Calculation in the Socialist Commonwealth', English translation in F. A. Hayek (ed.), *Collectivist Economic Planning*, London: Routledge & Kegan Paul, 1935, pp. 87–120); and L. Mises, 'Neue Beiträge zum Problem der sozialistischen Wirtschaftsrechnung', *Archiv für Sozialwissenschaft und Sozialpolitik* 51(2), 1923: 488–500 ('New Contributions to the Problem of Socialist Economic Calculation'). An excerpt of this article including Mises's answer to Polanyi's counterproposals was added as an appendix to L. Mises, *Socialism*, trans. J. Kahane, New Haven: Yale University Press, 1951, pp. 516–21).
14. K. Polanyi, 'The Trend toward an Integrated Society', in *For a New West*, op. cit., p. 217.
15. K. Polanyi, *The Great Transformation*, op. cit., p. 244.
16. *Europe To-Day*, op. cit.
17. The contract between Polanyi and Farrar & Rinehart (agreed in April 1943) reveals that the original plan was to publish two books titled *The Liberal Utopia* and *Common Man's Masterplan*, to be delivered to the publishers in June 1943 and respectively in December of the same year. Obviously, later Polanyi decided to merge both projects into what was finally published as *The Great Transformation*.
18. This thesis was central in Polanyi's project for the journal *Co-Existence*, whose first issue was published shortly after his death. Cf. Kari Polanyi-Levitt, 'Karl Polanyi and *Co-Existence*', *Co-Existence*, Nov. 1964, republished in K. Polanyi-Levitt (ed.), *The Life and Work of Karl Polanyi*, Montreal/New York: Black Rose Books, 1990, pp. 253–63.
19. We do not include these essays in our collection because they are available in K. Polanyi, C. M. Arensberg and H. W. Pearson (eds), *Trade and Market in the Early Empires*, Glencoe, IL: The Free Press, 1957, and (the first two of them) also in K. Polanyi, *Primitive, Archaic and Modern Economies*, ed. G. Dalton, New York: Doubleday & Co., 1968.

Chapter 1 On Freedom

1. [The German term *Schein* is translated as *semblance*. The translation follows the English edition of Marx's *Capital* (*Capital. A Critique of Political Economy*, Vol. I, *Collected Works*, Vol. 35, New York: International Publishers, 1996, p. 167 f.).]
2. [Polanyi indicates that Appendix 1 is to be incorporated at this point.]
3. [The beginning of the following paragraph is struck through in pencil, which suggests that Polanyi wanted to reformulate this in the context of a revision.]
4. [From an allusion of Polanyi's as well as the page numbering it is evident that Appendix 2 was to be incorporated in the following pages. In addition, several pages of the no longer legible manuscript addenda were glued to the manuscript page here.]
5. [The beginning of the question is missing. Simple pencil strokes covering the whole page in the manuscript indicate that Polanyi wanted to reformulate this passage (up to 'as the immediate expression of living human will'). Since this did not occur, we have left the existing passage in the text.]
6. [This 'philosopheme' goes back to François-René de Chateaubriand (1768–1848), who reconverted to Christianity in post-revolutionary France and was the founder of its literary Romanticism as well as an avowed Royalist. In 1802, in *The Genius of Christianity*, he wrote: 'Conscience! Is it possible that thou canst be but a phantom of the imagination, or the fear of the punishment of men? I ask my own heart, I put to myself this question: "If thou couldst by a mere wish kill a fellow-creature in China, and inherit his fortune in Europe, with the supernatural conviction that the fact would never be known, wouldst thou consent to form such a wish?"' (F.-R. Chateaubriand, *The Genius of Christianity; or the Spirit and Beauty of the Christian Religion*, Baltimore: J. Murphy, 1871, pp. 187–8; on the philosophical-historical background, see C. Ginzburg, 'Killing a Chinese Mandarin: The Moral Implications of Distance', *Critical Inquiry* 21, 1994: 46–60). This 'philosopheme' found its way into literature with Honoré de Balzac, in whose novel *Father Goriot* we find the following dialogue, which plays simultaneously on the superficial education of the protagonist and the conventional reference to Rousseau as the intellectual father of the Revolution, of Sentimentalism, and at the same time of the Terror (see F. Falaky, 'Reverse Revolution: The Paradox of Rousseau's Authorship', in M. Thorup and H. R. Lauritsen (eds), *Rousseau and Revolution*. London and New York: Continuum, 2011)].
7. [The German term *Aufhebung* in the tradition of Hegel implies both the abolition (negation) of an old form or institution and the conservation (of the 'positive' or 'functional' aspects) of what has been negated in a new form.]
8. [Polanyi uses this heading in the main text to refer to this section.]

Chapter 2 Some Reflections Concerning Our Theory and Practice

1. [*Übersicht*, a crucial term in this essay, will be given as ‘overview’ but in what follows we try to avoid ungainly derivatives (such as ‘overviewable’ or ‘overvisibility’) by substituting ‘transparency’. Uses of ‘oversee’ also pertain to this same concept.]
2. [*Arbeitsleid*, literally ‘labour suffering’, was a term also current in marginalist economic discourse referring to the psychological cost or disagreeableness of labour. It will ordinarily be given as ‘labour hardship’, ‘labour’s hardships’, or ‘the hardships of labour’ hereafter. We will translate *Arbeitsmühe* (literally, labour effort or the toil of labour) with the same term, while occasionally using more literal translations for both for variety’s sake when doing so does not risk clarity.]

Chapter 3 The Functionalist Theory of Society and the Problem of Socialist Economic Accounting

1. Polanyi, ‘Sozialistische Rechnungslegung’, *Archiv für Sozialwissenschaft und Sozialpolitik* 49(2), 1922: 377–420. [An English translation has been recently published: J. Bockman, A. Fischer and D. Woodruff, ‘“Socialist Accounting” by Karl Polanyi’, *Theory and Society* 45, 2016: 385–427].
2. Cf. L. Mises, ‘Neue Beiträge zum Problem der Sozialistischen Wirtschaftsrechnung’, *Archiv für Sozialwissenschaft und Sozialpolitik* 51(2), 1924: 410 ff; O. Leichter, ‘Die Wirtschaftsrechnung in der Sozialistischen Gesellschaft’, *Marx-Studien* 5(1), 1923: 23, 77–9; F. Weil, ‘Gildensozialistische Rechnungslegung. Kritische Bemerkungen zu Karl Polanyi’s Sozialistischer Rechnungslegung’, *Archiv für Sozialwissenschaft und Sozialpolitik* 52(1).
3. Weil is alone in his contention that in a socialist economy this problem is either non-existent (p. 197) or of marginal significance (p. 205). He invokes Marx in evidence. But he is wrong in so doing, as shown by the following passage: ‘After the abolition of the capitalist mode of production, but still retaining social production, *the determination of value continues to prevail* in the sense that the regulation of labour time and the distribution of social labour among the various production groups, ultimately the *bookkeeping* encompassing all this, become *more essential than ever*’ [K. Marx, *Capital. A Critique of Political Economy*, Vol. III, *Collected Works*, Vol. 37, New York: International Publishers, 1998, p. 838, emphasis added by Polanyi]. The statement that the problem of accounting constitutes the keystone of the socialist economic problem is, incidentally, attributable to Lenin. It is well known that in 1920 Lenin carried out extensive personal propaganda on this subject in Soviet Russia.

4. Among the critics of our work, Mises represents the first group, Weil the latter.
5. J. Marschak, 1923/4, 'Wirtschaftsrechnung und Gemeinwirtschaft' referring to Mises's 'These von der Unmöglichkeit sozialistischer Gemeinwirtschaft', *Archiv für Sozialwissenschaft und Sozialpolitik* 51(2):501ff. Cf. also the interesting book of E. Heimann, *Mehrwert und Gemeinwirtschaft. Kritische und Positive Beiträge zur Theorie des Sozialismus*, Berlin, 1922, pp. 120, 140, 164 and *passim*. The work of the English functionalists was not available to Heimann in original form (note 384), which no doubt explains why Heimann misunderstood the essence of those social theories. (Compare note 338 to G. D. H. Cole's *Guild Socialism Re-Stated*, London, 1920, and particularly *Social Theory*, London, 1920.) Functionalist foundations support establishment of the 'equilibrium of organized interest groups', which Heimann justifiably criticizes for a situation of 'full socialization of individual economic sectors', since here consumers and producers *as a whole* would confront one another. For this set of circumstances, Oppenheimer's law about the relative strength of 'buyer' and 'seller' motives is obviously not valid. However, our position in a general sense departs from Heimann's in so far as we do not interpret the 'fully communal economy' ['vollkommene Gemeinwirtschaft'] (p. 163) as a 'substantive order of systematically oriented want satisfaction' in the sense of Max Weber [cf. Max Weber, *Economy and Society*, Berkeley: University of California Press, 1978, p. 109], but in the functionalist sense as the free interaction of self-organized functional associations. Cf. Heimann, 'Über gemeinwirtschaftliche Preisbildung', *Köln. Vierteljahresch* 1(2): 71.
6. Cf. Polanyi, 'Sozialistische Rechnungslegung', 1922, pp. 380–2 ['Socialist Accounting', 2016, pp. 399–401].
7. Compare with Weil's definition: 'By socialism we understand the social order towards which (according to Marx and Engels) development is progressing' (note 9).
8. Cf. Webb's 'Policy of the National Minimum', *A Constitution for the Socialist Commonwealth of Great Britain*, London: Longmans, Green & Co., 1920, p. 10.
9. Weil imagines that this resembles Dühring's 'distribution value' [*Verteilungswert*]. This is erroneous. Dühring's distribution value represents a *monopoly price*, based on the power of ownership, as in the case of Dühring's landlord (*Grossgrundbesitz*). Weil in any event fails to offer evidence of his assertion.
10. S. and B. Webb, definitely opponents of guild socialism (op cit., pp. 48, 50) claim that British socialism already rests on a functional basis (p. xvii and p. 107). The work of the Webbs was inevitably unsuccessful in reconciling their collectivist tendencies with the functionalist principle.
11. K. Polanyi, 'Sozialistische Rechnungslegung', pp. 413–20 ['Socialist Accounting', pp. 421–4].
12. [In 'Sozialistische Rechnungslegung', 403n17, as translated in 'Socialist Accounting', 414n51, Polanyi explains these two terms as follows:

“Commune” serves as a general expression for political community, local association, functional state, democratic territorial offices, power of the councils of the worker delegates, socialist state and so on – “Producer association” stands likewise as a general term for productive cooperative, guild, “self-managed factory”, “business partnership (*sozi-etäre Geschäftsform*)”, “social workshop”, “autonomous enterprise”, producing trade union, industrial union or producers’ general labour association, One Great Union (in English in the original), and so on. Since the commune understood in this way functions simultaneously as a consumer organization, we also specifically mention the “consumer cooperative” as a second consumer organization, alongside the commune’.]

13. [K. Polanyi, ‘Sozialistische Rechnungslegung’, p. 404, as translated in ‘Socialist Accounting’, 414n54.]
14. Mises has also found our following formulation lacking in clarity: ‘The commune is considered to be the owner of the means of production. A direct right of disposition over the means of production, however, is not tied to this ownership. This right rests with the production associations ...’ [K. Polanyi, ‘Sozialistische Rechnungslegung’, p. 403, as translated in ‘Socialist Accounting’, p. 414.] Mises claims that the central question, ‘socialism or syndicalism’, is here evaded. Mises’s position is then: ‘property is the right to dispose. If that right is accorded to the production associations and not to the commune, then the producers are the effective owners and we have a syndicalist model’ (p. 49). But ownership is not only the right to dispose, it is also the right to appropriate (*Aneignungsrecht*). In so far as the commune is the owner of the means of production, this signifies it has both the right to appropriate the product, and the indirect right to dispose of the means of production. Both of these are exercised via social law, the legal framework of the economic order.
15. Weil 1924, note 29.
16. Weil 1924, p. 213.
17. Weil 1924, p. 212.
18. Weil 1924, p. 212.
19. Clearest in Weil, ‘Festsetzung’ or ‘Vereinbarung von Preisen’, 1924, pp. 210, 215 and 201, footnote 29 and Part IIIB and Weil’s critique.
20. Weil equates functional with guild socialism (pp. 201, 202, 212 and *passim*). It is sufficient to note that the founders of the guild movement, such as A. J. Penty and A. R. Orage, did not accept functionalist social theory. Similarly, although less definitively, the guild socialists W. Mellor and S. Taylor have been considered adherents of functional theory by opponents of guild socialism. ‘Functionalist’ and ‘guild socialist’, moreover, are concepts of different sorts. Weil appears to have confused ‘function’ with ‘profession’ and has interpreted functional associations as ‘professional associations’, i.e. trade unions! Thus he refers at one point (footnote 15) to trade unions as *the* ‘functional’ organs in Russia, in *contradistinction* to the Soviets

whom he considers as ‘central administrators’. To refer to *one* functional association in a society is as wrong as to maintain that *one* half of a symmetrical body is symmetric while the other half is not. See also Weil’s discourse on ‘the properly understood functional economy’ (p. 203), where Weil suggests that consumers are served ‘by the “Trust” to which they belong as producers’ and are ‘represented’ by the same ‘Trust’. This would, of course, be the exact opposite of functional representation.

21. In part IIIB, Weil renders our assumptions as follows: ‘The agreement (Übereinkunft) between the two main associations determines “prices”, i.e. the majority prescribed by the business order determines the figures (*Ziffern*) for each and every type of product.’ That, on the contrary, the main associations determine *only* basic wages and select raw material prices, while for *all other products* prices are freely negotiated between consumers and producers, Weil has failed to comprehend. And so on.
22. [Omitted: describes a minor editing error and a misprint in the original.]
23. Weil reveals his lack of familiarity with the functionalist model in so far as he credits us with the creation of the term ‘commune’ whereas even a passing acquaintance with Cole’s *Guild Socialism Re-Stated* would have sufficed to save him from this error.
24. Cf. Weil 1924, p. 209. [In Polanyi’s 1922 article, quasi-social costs are those ‘supplemental costs’ that arise when the commune, acting in the name of social justice, issues ‘directives regarding place of manufacture, specialization, or manner of manufacture that are technologically relatively unproductive’ (‘Sozialistische Rechnungslegung’, p. 409; ‘Socialist Accounting’, p. 418).]
25. Cf. Polanyi 1922 [‘Sozialistische Rechnungslegung’], footnote 24.
26. Cf. Weil 1924, pp. 209, 210. The arithmetical calculation of ‘natural’ and ‘social’ costs does not constitute a problem for us, in so far as we adhered to the cost principle and left the value principle (in the sense of the subjective school) to the operation of the functionally organized ‘market’. Weil charges us with failure to deal with the problem of additivity of elements of costs, whereas we believe we have addressed ourselves to this problem in a strict manner from the start, and in any case extensively discussed it. Weil, for his part, brushes aside this problem, and the equally important analysis of the concept of productivity, with a joke or a meaningless insinuation.

Chapter 5 The Mechanism of the World Economic Crisis

1. F. Somary, ‘Kapitalüberschuß und Kapitalzuschußgebiete, Mechanismus und Wirkungen der internationalen Kapitalübertragungen’, in *Kapital und Kapitalismus*, Berlin: Hobbing, 1931, p. 483. Compare also articles written before the collapse of the Credit-Anstalt by W. Federn in Nos 8, 9, 10, 16, 17, 19 and 20 of *Der Österreichische Volkswirt*, 22 and

- 29 November 1930, and Nos 3, 17 and 24, 7 January and 14 February 1931.
2. J. B. Condliffe (*The World Economic Survey* 48, 1931/2) explained these capital exports as ‘essentially normal mechanisms of the pre-war international economic order’.
 3. ‘Nothing is more significant for the consequences of the war than the coexistence of an unusually long economic upswing in the United States with an unusually long depression in England. The return of the pound at pre-war parity – which distinguished England from all other major European powers – together with heavy indebtedness to the allies are the two fundamental reasons for the Depression’ (F. Somary, *Wandlungen der Weltwirtschaft seit dem Kriege*, Tübingen: J. C. B. Mohr (Paul Siebeck), 1929, p. 11).
 4. This journal did not join the critics. See W. Federn, ‘Die Sterilisierung des Goldes’, Nos 16 and 17, 17 and 24 January 1931.
 5. J. B. Condliffe, *The World Economic Survey*, 1931/2, 48.
 6. Institute for International Affairs, *Monetary Policy and the Depression* 8, Oxford, 1933.
 7. Prof. Ohlin in ‘Le Cours et la Phase de la Depression’, *Situation Economique Mondiale*, Geneva, 1931, p. 110.
 8. Condliffe in *World Economic Survey* 1931/2, p. 43; and in *Situation Economique Mondiale* 1932/3, p. 171; Prof. Ohlin 1931, p. 211.
 9. Professor J. B. Condliffe, editor of the last two Economic Yearbooks of the League of Nations, lent support to our view in the most recent Yearbook for 1932/3. ‘The real difficulties did not manifest themselves as long as the currencies of most of the debtor states were independent of each other; exchange rates were flexible, and inter-governmental debts unregulated. But as currencies returned to the gold standard, exchange rates were fixed, and debt payments were officially negotiated, tensions in the newly reconstructed international financial mechanisms increased. For a few years from 1925 to 1929 debt service was effected without radical adjustment of national economies by means of large flows of new capital to the debtor states, principally from the United States. From 1928 and continuing in 1929, capital flows diminished, and as a consequence pressures on debtor states’ balance of payments increased and drove prices downward, credit expansion was checked, and the difficulties of international adjustment precipitated the collapse of the whole structure of international payments’ (*Situation Economique Mondiale* 1932/3, p. 277).

Chapter 6 The Essence of Fascism

1. ‘Moral decay in Liberalism, cultural paralysis through Democracy, and final degradation by Socialism’ are then inevitable. [This quotation and that following in the text are presumably drawn from O. Spann, *Der wahre Staat*, Leipzig: Quelle & Meyer, 1921].

2. The meaning of this term for Spann has nothing in common with its accepted use as current in Christian churches today.
3. The term ‘universalism’ is generic; the specific term given by Spann to his philosophy is ‘totalitarianism’ (*Ganzheitslehre*).
4. [Glaubensbewegung Deutsche Christen, established in 1932. About one-third of German pastors were members of it.]
5. Wilhelm Stapel, in his ‘Theology of Nationalism’ (as the subtitle of *Der Christliche Staatsmann* runs), proves an almost injudiciously frank despiser of ethics, which, as he propounds, ‘are indebted for their existence merely to the sentimentality of those who are not yet capable of surrendering illusions’. Even Ernst Krieck contends, in his handbook on *Education*, that ‘we cannot allow any imperative ethics to lay down for us the values and laws upon which we should act’. [W. Stapel, *Der christliche Staatsmann: eine Theologie des Nationalismus*, Hamburg: Hanseatische Verlagsanstalt, 1932; E. Krieck, *Grundzüge der vergleichenden Erziehungswissenschaft*, Leipzig: Quelle & Meyer, 1925.]
6. Partly, indeed, prior to the actual publication of *Zarathustra* itself.
7. Titanic individualism derives the value of personality from the assertion that there is no God. It is not to be confused with the individualism of Luther or Calvin or Rousseau, the individualism prescribed under its different aspects in the rise of capitalism. It is the atheist individualism of Kierkegaard’s Seducer, of Stirner’s Only One, of Nietzsche’s Superman, the philosophy of a short transition period in which liberal capitalism was triumphant.
8. D. H. Lawrence, *Pansies* [London: Secker, 1929].
9. The formation of images by the still uncorrupted ‘Soul’ is a central part of this anthropology. It is part of a theory of the Eros which is presented as an emotional ecstasy of a universal and essentially non-possessive nature, only superficially related to sexuality.
10. We do not wish to imply that Karl Schmitt himself belongs to the Vitalist school.
11. [A. Rosenberg, *Der Mythos des 20. Jahrhunderts: eine Wertung der seelisch-geistigen Gestaltenkämpfe unserer Zeit*, Munich: Hoheneichen, 1932.]
12. [Cf. the 24th Point of *Das 25-Punkte-Programm der Nationalsozialistischen Deutschen Arbeiterpartei*, 1920.]
13. [B. Mussolini, *La dottrina del fascismo*, Milano: Treves-Treccani-Tuminelli, 1932.]

Chapter 7 The Fascist Virus

1. [Cf. the legend of ‘The Grand Inquisitor’ in Fyodor Dostoevsky, *The Brothers Karamazov* (1879–1880).]
2. [Edmund Burke, *An Account on the European Settlements in America*, in *Works of Edmund Burke*, Boston: Charles C. Little & James Brown,

- 1939, p. 411 (London: J. Dodsley, 1770). Burke refers here to the autonomy conceded by British sovereign to the states of Massachusetts, Connecticut and Rhode Island. Previously, in the ‘charter’ (or ‘proprietary’) colonies government powers belonged to a few individuals or to companies holding privileges granted by the mother country, which continued to hold crucial powers.]
3. [Harriet Martineau and Charles Knight, *History of the Peace: Pictorial History of England during the Thirty Years’ Peace, 1816–1846*, London and Edinburgh, 1858, pp. 748–9. Emphasis by Polanyi.]
 4. [John Cartwright, *Take Your Choice!* London: J. Almon, 1776.]
 5. [Arthur Young, *Travels, during the years 1787, 1788, and 1789*. [...] [in] *the Kingdom of France*, Bury St Edmund’s: J. Rackham, 1792.]
 6. [Both the speech by Lord Macaulay and that by Lord Russell, from which are respectively drawn this quotation and the preceding, were the most important, in the House of Commons, against the petition that the Chartists presented on 2 May 1842, with more than 3,300,000 signatures. Cf. Hansard’s *Parliamentary Debates*, 1842, vol. 62, p. 1374 ff.]
 7. [Thomas Babington Macaulay, ‘Letter to Henry Stephens Randall’, May 23, 1857, in *The Letters of Thomas Babington Macaulay*, ed. Thomas Pinney, Cambridge University Press, 1981 and 2008, Vol. 6, p. 96.]
 8. [Joseph Townsend, *A Dissertation on the Poor Laws*, 1786 (Berkeley and Los Angeles: University of California Press, 1971.)]
 9. [*The Reading Mercury*, 11 May 1795; quoted in J. F. C. Harrison (ed.), *Society and Politics in England, 1780–1960*, New York: Harper & Row, 1965, p. 44. This extract is slightly modified in Polanyi’s manuscript.]
 10. [From this point on, the section continues in the form of notes for further development.]
 11. Here the manuscript breaks off. It ends with the title of a third section, ‘The Fascist Virus’, and one sentence: ‘Nineteenth-century thought was market minded and feared the people.’

Chapter 8 Fascism and Marxism

1. [A state reorganised on the basis of three different functional representations for economy, politics and culture. This idea, originated by Rudolf Steiner, was supported by the New Britain Movement (1932–1935), launched by Dimitrije Mitrović. Polanyi wrote in 1934 a series of articles for the Movement’s weekly *New Britain*; his purpose was to show that various forms of corporative and functional organization – between the two poles of socialism and fascism – could be an instrument for building democracy as well as for its abolishment. The editorial board added a note to Polanyi’s first article (‘What Three-Fold State?’, 14 March 1934) declaring that the author did not belong to the New Britain Movement.]
2. [See next chapter.]
3. [See the preceding chapter.]

Chapter 9 Marx on Corporativism

1. It was made available in Germany only in 1932 by Landshut and Meyer [in Karl Marx, *Der historische Materialismus: die Frühschriften*, ed. S. Landshut and J. P. Mayer, Leipzig: Kröner, 1932 (*Economic-Philosophical Manuscripts of 1844*, ed. and trans. M. Milligan, Mineola, NY: Dover Publications, 2007).]
2. [See ‘The Essence of Fascism’, §9.]

Chapter 11 Christianity and Economic Life

1. [This is the final and most comprehensive version of the Statement elaborated by the Christian Left Group during the second half of 1937 and the first half of 1938. There are several typed versions, with corrections by pen. The first version seems to have been written by Polanyi, but it was progressively modified with the contribution of other members of the Group and Polanyi himself. Though being the fruit of a collective reflection, the Statement shows basic correspondences with Polanyi’s articles and manuscripts of those years (cf. ‘Introductory Notes to Karl Marx’ Political Economy and Philosophy’, ‘Marx on Self-Estrangement’ (1937), and the preceding writings of this section). Besides, there is a clear connection with the final pages of *The Great Transformation*. A shorter version of the Statement was finally published in the *Bulletin no. 1*, 1937–8, a cyclostyled sheet diffused by the Group.]
2. [W. Shakespeare, *Othello*, Act III, Sc. 3.]

Chapter 14 The Meaning of Parliamentary Democracy

1. [On the back of the page Polanyi added in longhand the note: ‘I do not expect anyone will disagree, if I say that the people of this society are strongly attached to their way of life and are determined to uphold it.’]

Chapter 16 Why Make Russia Run Amok?

1. [The ‘Cliveden set’ was an aristocratic circle in which important persons of British 1930s politics participated. It functioned as a right-wing and Germanophile think tank.]
2. [British Ambassador to Germany, 1937–1939.]

Chapter 17 British Labour and American New Dealers

1. [On Nov. 18, 1946 Richard Crossman, a Labour MP, proposed an amendment to the Address in reply to the King’s Speech. The amendment,

- approved by 58 MPs, criticised the foreign policy followed by the Government (in particular by Clement Attlee, Prime Minister, and Ernest Bevin, Foreign Secretary) as too adherent to the position of the United States and the Conservative Party, of Winston Churchill in particular, and prejudicially hostile to the USSR. An international cooperation was instead recommended, in view of a socialist democratic alternative and a global governance for the control of resources and peace keeping (cf. *Parliamentary Debates*, House of Commons, Vol. 430, Nov. 18, 1946). In general, the left-wing Labour minority supported a non-alignment policy.]
2. [‘The Sinews of Peace’ – Churchill’s speech of March 5, 1946 at Fulton, Missouri – launched, in reality, the Cold War.]
 3. [The programme under which the United States supplied the Allied nations with food, oil and material from March 1941 to August 1945.]
 4. [Henry A. Wallace was succeeded by Harry S. Truman in the office of Vice-President on January 20, 1945. Secretary of Agriculture from 1933 to 1940, he was an important protagonist of the New Deal.]
 5. [A legendary sea monster, generally represented as an enormous octopus. Polanyi, however, alludes to the myth of the island whale, a sea animal so big as to look like an island.]
 6. [The following sentence was here added in a previous draft of the article: ‘Since Bevin chose to raise his voice when Molotov spoke, but not object to what Byrnes [US Secretary of State] would say, the declaration of an independent socialist policy had of necessity to criticize American policy, if it wanted to emphasise neutrality.’]

Chapter 18 Universal Capitalism or Regional Planning?

1. By ‘foreign economy’, we simply mean the movement of goods, loans and payments across the borders of a country.

Chapter 19 On Belief in Economic Determinism

1. [‘Abandon all hope’, as it is announced at the Hell’s entrance in Dante Alighieri, *La Divina Commedia* (1320).]

Chapter 20 *The Livelihood of Man*, Introduction

1. I believe the reference here is to a letter Adams wrote to Henry Osborn Taylor on 17 January 1905. In it he said, ‘[...] it will not need another century to tip thought upside down [...] Explosives would then reach cosmic violence. Disintegration would overcome integration’. See H. D. Cater (ed.), *Henry Adams and His Friends*, New York: Houghton Mifflin, 1947, pp. 558–9. [This note, like all others of chapters 20–3, are by H. W. Pearson, editor of Polanyi’s *The Livelihood of Man*, from which these chapters are drawn.]

Chapter 21 The Economistic Fallacy

1. See H. W. Pearson, 'The Economy Has No Surplus: Critique of a Theory of Development', in K. Polanyi, C. Arensberg, and H. Pearson (eds), *Trade and Market in the Early Empires*, Glencoe, IL: Free Press and Falcon's Wing Press, 1957.

Chapter 22 The Two Meanings of *Economic*

1. C. Menger, *Grundsätze der Volkswirtschaftslehre*, ed. K. Menger, Vienna: Hölder-Pichler-Tempsky, 1923, p. 77.
2. L. Robbins, *An Essay on the Nature and Significance of Economic Science*, 2nd edn, London: Macmillan, 1935.
3. C. Menger, *Principles of Economics*, trans. and ed. by J. Dingwall and B. F. Hoselitz, with an introduction by Frank H. Knight, Glencoe, IL: The Free Press, 1950. Cf. K. Polanyi, 'Carl Menger's Two Meanings of "Economic"', in G. Dalton (ed.), *Studies in Economic Anthropology*, Washington, DC: American Anthropological Association, 1971.
4. Cf. M. I. Finley, 'Aristotle and Economic Analysis', *Past and Present* 47, May 1970: 3–25.
5. M. Weber, *Wirtschaft und Gesellschaft*, Tübingen, 1922, p. 73 ff.; *The Theory of Social and Economic Organization*, trans. A. M. Henderson and T. Parsons, ed. T. Parsons, New York: The Free Press, 1947, p. 139 ff.
6. C. Menger, *Principles of Economics*, pp. 58–9.

Chapter 23 The Economy Embedded in Society

1. R. Thurnwald, 1916, *Bánaro Society. Social Organization and Kinship System of a Tribe in the Interior of New Guinea*, Lancaster: The New Era Printing Company (for the American Anthropological Association).
2. Thurnwald 1916.
3. B. Malinowski, *Argonauts of the Western Pacific*, New York: E. P. Dutton, 1961, p. 176 ff.
4. Malinowski 1961, p. 178.

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