

Karl Polanyi

The Great Transformation

The Political and
Economic Origins
of Our Time

FOREWORD BY

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INTRODUCTION BY

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*To my beloved wife
Ilona Duczynska
I dedicate this book
which owes all to her help and criticism*

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Man, Nature, and Productive Organization

(*J* "or a century the dynamics of modern society was governed by a

A. double movement: the market expanded continuously but this movement was met by a countermovement checking the expansion in definite directions. Vital though such a countermovement was for the protection of society, in the last analysis it was incompatible with the self-regulation of the market, and thus with the market system itself.

That system developed in leaps and bounds; it engulfed space and time, and by creating bank money it produced a dynamic hitherto unknown. By the time it reached its maximum extent, around 1914, every part of the globe, all its inhabitants and yet unborn generations, physical persons as well as huge fictitious bodies called corporations, were comprised in it. A new way of life spread over the planet with a claim to universality unparalleled since the age when Christianity started out on its career, only this time the movement was on a purely material level.

Yet simultaneously a countermovement was on foot. This was more than the usual defensive behavior of a society faced with change; it was a reaction against a dislocation which attacked the fabric of society, and which would have destroyed the very organization of production that the market had called into being.

Robert Owen's was a true insight: market economy if left to evolve according to its own laws would create great and permanent evils.

Production is interaction of man and nature; if this process is to be organized through a self-regulating mechanism of barter and exchange, then man and nature must be brought into its orbit; they must be subject to supply and demand, that is, be dealt with as commodities, as goods produced for sale.

Such precisely was the arrangement under a market system. Man under the name of labor, nature under the name of land, were made

available for sale; the use of labor power could be universally bought and sold at a price called wages, and the use of land could be negotiated for a price called rent. There was a market in labor as well as in land, and supply and demand in either was regulated by the height of wages and rents, respectively; the fiction that labor and land were produced for sale was consistently upheld. Capital invested in the various combinations of labor and land could thus flow from one branch of production to another, as was required for an automatic levelling of earnings in the various branches.

But, while production could theoretically be organized in this way, the commodity fiction disregarded the fact that leaving the fate of soil and people to the market would be tantamount to annihilating them. Accordingly, the countermove consisted in checking the action of the market in respect to the factors of production, labor, and land. This was the main function of interventionism.

Productive organization also was threatened from the same quarter. The danger was to the single enterprise—industrial, agricultural, or commercial insofar as it was affected by changes in the price level. For under a market system, if prices fell, business was impaired; unless all elements of cost fell proportionately, "going concerns" were forced to liquidate, while the fall in prices might have been due not to a general fall in costs, but merely to the manner in which the monetary system was organized. Actually, as we shall see, such was often the case under a self-regulating market.

Purchasing power is, in principle, here supplied and regulated by the action of the market itself; this is meant when we say that money is a commodity the amount of which is controlled by the supply and demand of the goods which happen to function as money—the well-known classical theory of money. According to this doctrine, money is only another name for a commodity used in exchange more often than another, and which is therefore acquired mainly in order to facilitate exchange. Whether hides, oxen, shells, or gold are used to this end is immaterial; the value of the objects functioning as money is determined as if they were sought only for their usefulness in regard to nutrition, clothing, ornaments, or other purposes. If gold happens to be used as money, its value, amount, and movements are governed by exactly the same laws that apply to other commodities. Any other means of exchange would involve the creating of currency outside the market, the act of its creation—whether by banks or government—con-

stituting an interference with the self-regulation of the market. The crucial point is that goods used as money are not different from other commodities; that their supply and demand is regulated by the market like that of other commodities; and that consequently all notions investing money with any other character than that of a commodity being used as a means of indirect exchange are inherently false. It follows also that if gold is used as money, banknotes, if such exist, must represent gold. It was in accordance with this doctrine that the Ricardian school wished to organize the supply of currency by the Bank of England. Indeed, no other method was conceivable which would keep the monetary system from being "interfered" with by the state, and thus safeguard the self-regulation of the market.

Therefore, in respect to business a very similar situation existed as in respect to the natural and human substance of society. The self-regulating market was a threat to them all, and for essentially similar reasons. And if factory legislation and social laws were required to protect industrial man from the implications of the commodity fiction in regard to labor power, if land laws and agrarian tariffs were called into being by the necessity of protecting natural resources and the culture of the countryside against the implications of the commodity fiction in respect to them, it was equally true that central banking and the management of the monetary system were needed to keep manufactures and other productive enterprises safe from the harm involved in the commodity fiction as applied to money. Paradoxically enough, not human beings and natural resources only but also the organization of capitalistic production itself had to be sheltered from the devastating effects of a self-regulating market.

Let us return to what we have called the double movement. It can be personified as the action of two organizing principles in society, each of them setting itself specific institutional aims, having the support of definite social forces and using its own distinctive methods. The one was the principle of economic liberalism, aiming at the establishment of a self-regulating market, relying on the support of the trading classes, and using largely laissez-faire and free trade as its methods; the other was the principle of social protection aiming at the conservation of man and nature as well as productive organization, relying on the varying support of those most immediately affected by the deleterious action of the market—primarily, but not exclusively, the working and the landed classes—and using protective legislation,

restrictive associations, and other instruments of intervention as its methods.

The emphasis on class is important. The services to society performed by the landed, the middle, and the working classes shaped the whole social history of the nineteenth century. Their part was cut out for them by their availability for the discharge of various functions that derived from the total situation of society. The middle classes were the bearers of the nascent market economy; their business interests ran, on the whole, parallel to the general interest in regard to production and employment; if business was flourishing, there was a chance of jobs for all and of rents for the owners; if markets were expanding, investments could be freely and readily made; if the trading community competed successfully with the foreigner, the currency was safe. On the other hand, the trading classes had no organ to sense the dangers involved in the exploitation of the physical strength of the worker, the destruction of family life, the devastation of neighborhoods, the denudation of forests, the pollution of rivers, the deterioration of craft standards, the disruption of folkways, and the general degradation of existence including housing and arts, as well as the innumerable forms of private and public life that do not affect profits. The middle classes fulfilled their function by developing an all but sacramental belief in the universal beneficence of profits, although this disqualified them as the keepers of other interests as vital to a good life as the furtherance of production. Here lay the chance of those classes which were not engaged in applying expensive, complicated, or specific machines to production. Roughly, to the landed aristocracy and the peasantry fell the task of safeguarding the martial qualities of the nation which continued to depend largely on men and soil, while the laboring people to a smaller or greater extent, became representatives of the common human interests that had become homeless. But at one time or another, each social class stood, even if unconsciously, for interests wider than its own.

By the turn of the nineteenth century—universal suffrage was now fairly general—the working class was an influential factor in the state; the trading classes, on the other hand, whose sway over the legislature went no longer unchallenged, became conscious of the political power involved in their leadership in industry. This peculiar localization of influence and power caused no trouble as long as the market system continued to function without great stress and strain; but

when, for inherent reasons, this was no longer the case, and tensions between the social classes developed, society itself was endangered by the fact that the contending parties were making government and business, state and industry, respectively, their strongholds. Two vital functions of society—the political and the economic—were being used and abused as weapons in a struggle for sectional interests. It was out of such a perilous deadlock that in the twentieth century the fascist crisis sprang.

From these two angles, then, we intend to outline the movement which shaped the social history of the nineteenth century. The one was given by the clash of the organizing principles of economic liberalism and social protection which led to deep-seated institutional strain; the other by the conflict of classes which, interacting with the first, turned crisis into catastrophe.

Birth of the Liberal Creed

Economic liberalism was the organizing principle of society engaged in creating a market system. Born as a mere penchant for nonbureaucratic methods, it evolved into a veritable faith in man's secular salvation through a self-regulating market. Such fanaticism was the result of the sudden aggravation of the task it found itself committed to: the magnitude of the sufferings that had to be inflicted on innocent persons as well as the vast scope of the interlocking changes involved in the establishment of the new order. The liberal creed assumed its evangelical fervor only in response to the needs of a fully deployed market economy.

To antedate the policy of *laissez-faire*, as is often done, to the time when this catchword was first used in France in the middle of the eighteenth century would be entirely unhistorical; it can be safely said that not until two generations later was economic liberalism more than a spasmodic tendency. Only by the 1820s did it stand for the three classical tenets: that labor should find its price on the market; that the creation of money should be subject to an automatic mechanism; that goods should be free to flow from country to country without hindrance or preference; in short, for a labor market, the gold standard, and free trade.

To credit Francois Quesnay with having envisaged such a state of affairs would be little short of fantastic. All that the Physiocrats demanded in a mercantilistic world was the free export of grain in order to ensure a better income to farmers, tenants, and landlords. For the rest their *ordre naturel* was no more than a directive principle for the regulation of industry and agriculture by a supposedly all-powerful and omniscient government. Quesnay's *Maximes* were intended to provide such a government with the viewpoints needed to translate into practical policy the principles of the *Tableau* on the basis of statis-

tical data which he offered to have furnished periodically. The idea of a self-regulating system of markets had never as much as entered his mind.

In England, too, *laissez-faire* was interpreted narrowly; it meant freedom from regulation in production; trade was not comprised. Cotton manufactures, the marvel of the time, had grown from insignificance into the leading export industry of the country—yet the import of printed cottons remained forbidden by positive statute. Notwithstanding the traditional monopoly of the home market an export bounty for calico or muslin was granted. Protectionism was so ingrained that Manchester cotton manufacturers demanded, in 1800, the prohibition of the export of yarn, though they were conscious of the fact that this meant loss of business to them. An act passed in 1791 extended the penalties for the export of tools used in manufacturing cotton goods to the export of models or specifications. The free-trade origins of the cotton industry are a myth. Freedom from regulation in the sphere of production was all the industry wanted; freedom in the sphere of exchange was still deemed a danger.

One might suppose that freedom of production would naturally spread from the purely technological field to that of the employment of labor. However, only comparatively late did Manchester raise the demand for free labor. The cotton industry had never been subject to the Statute of Artificers and was consequently not hampered either by yearly wage assessments or by rules of apprenticeship. The Old Poor Law, on the other hand, to which latter-day liberals so fiercely objected, was a help to the manufacturers; it not only supplied them with parish apprentices, but also permitted them to divest themselves of responsibility towards their dismissed employees, thus throwing much of the burden of unemployment on public funds. Not even the Speenhamland system was at first unpopular with the cotton manufacturers; as long as the moral effect of allowances did not reduce the productive capacity of the laborer, the industry might have well regarded family endowment as a help in sustaining that reserve army of labour which was urgently required to meet the tremendous fluctuations of trade. At a time when employment in agriculture was still on a year's term, it was of great importance that such a fund of mobile labor should be available to industry in periods of expansion. Hence the attacks of the manufacturers on the Act of Settlement which hampered the physical mobility of labor. Yet not before 1795 was the reform of

that act carried—only to be replaced by more, not less, paternalism in regard to the Poor Law. Pauperism still remained the concern of squire and countryside; and even harsh critics of Speenhamland like Burke, Bentham, and Malthus regarded themselves less as representatives of industrial progress than as propounders of sound principles of rural administration.

Not until the 1830s did economic liberalism burst forth as a crusading passion and laissez-faire become a militant creed. The manufacturing class was pressing for the amendment of the Poor Law, since it prevented the rise of an industrial working class which depended for its income on achievement. The magnitude of the venture implied in the creation of a free labor market now became apparent, as well as the extent of the misery to be inflicted on the victims of improvement. Accordingly, by the early 1830s a sharp change of mood was manifest. An 1817 reprint of Townsend's *Dissertation* contained a preface in praise of the foresight with which the author had borne down on the Poor Laws and demanded their complete abandonment; but the editors warned of his "rash and precipitate" suggestion that outdoor relief to the poor should be abolished within so short a term as *ten* years. Ricardo's *Principles*, which appeared in the same year, insisted on the necessity of abolishing the allowance system, but urged strongly that this should be done only very gradually. Pitt, a disciple of Adam Smith, had rejected such a course on account of the innocent suffering it would entail. And as late as 1829, Peel "doubted whether the allowance system could be safely removed otherwise than gradually."* Yet after the political victory of the middle class, in 1832, the Poor Law Amendment Bill was carried in its most extreme form and rushed into effect without any period of grace. Laissez-faire had been catalyzed into a drive of uncompromising ferocity.

A similar keying up of economic liberalism from academic interest to boundless activism occurred in the two other fields of industrial organization: *currency* and *trade*. In respect to both, laissez-faire waxed into a fervently held creed when the uselessness of any other but extreme solutions became apparent.

The currency issued was first brought home to the English community in the form of a general rise in the cost of living. Between 1790 and 1815 prices doubled. Real wages fell and business was hit by a

* Webb, S. and B., *op. cit.*

slump in foreign exchanges. Yet not until the 1825 panic did sound currency become a tenet of economic liberalism, i.e., only when Ricardian principles were already so deeply impressed on the minds of politicians and businessmen alike that the "standard" was maintained in spite of the enormous number of financial casualties. This was the beginning of that unshakable belief in the automatic steering mechanism of the gold standard without which the market system could never have got under way.

International free trade involved no less an act of faith. Its implications were entirely extravagant. It meant that England would depend for her food supply upon overseas sources; would sacrifice her agriculture, if necessary, and enter on a new form of life under which she would be part and parcel of some vaguely conceived world unity of the future: that this planetary community would have to be a peaceful one, or, if not, would have to be made safe for Great Britain by the power of the Navy; and that the English nation would face the prospects of continuous industrial dislocations in the firm belief in its superior inventive and productive ability. However, it was believed that if only the grain of all the world could flow freely to Britain, then her factories would be able to undersell all the world. Again, the measure of the determination needed was set by the magnitude of the proposition and the vastness of the risks involved in complete acceptance. Yet less than complete acceptance spelled certain ruin.

The Utopian springs of the dogma of laissez-faire are but incompletely understood as long as they are viewed separately. The three tenets—competitive labor market, automatic gold standard, and international free trade—formed one whole. The sacrifices involved in achieving any one of them were useless, if not worse, unless the other two were equally secured. It was everything or nothing.

Anybody could see that the gold standard, for instance, meant danger of deadly deflation and, maybe, of fatal monetary stringency in a panic. The manufacturer could, therefore, hope to hold his own only if he was assured of an increasing scale of production at remunerative prices (in other words, only if wages fell at least in proportion to the general fall in prices, so as to allow the exploitation of an ever-expanding world market). Thus the Anti-Corn Law Bill of 1846 was the corollary of Peel's Bank Act of 1844, and both assumed a laboring class which, since the Poor Law Amendment Act of 1834, was forced to

give its best under the threat of hunger, so that wages were regulated by the price of grain. The three great measures formed a coherent whole.

The true implications of economic liberalism can now be taken in at a glance. Nothing less than a self-regulating market on a world scale could ensure the functioning of this stupendous mechanism. Unless the price of labor was dependent upon the cheapest grain available, there was no guarantee that the unprotected industries would not succumb in the grip of the voluntarily accepted taskmaster, gold. The expansion of the market system in the nineteenth century was synonymous with the simultaneous spreading of international free trade, competitive labor market, and gold standard; they belonged together. No wonder that economic liberalism turned almost into a religion once the great perils of this venture were evident.

There was nothing natural about *laissez-faire*; free markets could never have come into being merely by allowing things to take their course. Just as cotton manufactures—the leading free trade industry—were created by the help of protective tariffs, export bounties, and indirect wage subsidies, *laissez-faire* itself was enforced by the state. The thirties and forties saw not only an outburst of legislation repealing restrictive regulations, but also an enormous increase in the administrative functions of the state, which was now being endowed with a central bureaucracy able to fulfil the tasks set by the adherents of liberalism. To the typical utilitarian, economic liberalism was a social project which should be put into effect for the greatest happiness of the greatest number; *laissez-faire* was not a method to achieve a thing, it was the thing to be achieved. True, legislation could do nothing directly, except by repealing harmful restrictions. But that did not mean that *government* could do nothing, especially indirectly. On the contrary, the utilitarian liberal saw in government the great agency for achieving happiness. In respect to material welfare, Bentham believed, the influence of legislation "is as nothing" in comparison with the unconscious contribution of the "minister of the police." Of the three things needed for economic success—inclination, knowledge, and power—the private person possessed only inclination. Knowledge and power, Bentham taught, can be administered much cheaper by government than by private persons. It was the task of the executive to collect statistics and information, to foster science and experiment, as

well as to supply the innumerable instruments of final realization in the field of government. Benthamite liberalism meant the replacing of parliamentary action by action through administrative organs.

For this there was ample scope. Reaction in England had not governed—as it did in France—through administrative methods but used exclusively Parliamentary legislation to put political repression into effect. "The revolutionary movements of 1785 and of 1815-1820 were combated, not by departmental action, but by Parliamentary legislation. The suspension of the Habeas Corpus Act, the passing of the Libel Act, and of the 'Six Acts' of 1819, were severely coercive measures; but they contain no evidence of any attempt to give a Continental character to administration. In so far as individual liberty was destroyed, it was destroyed by and in pursuance of Acts of Parliament."* Economic liberals had hardly gained influence on government, in 1832, when the position changed completely in favor of administrative methods. "The net result of the legislative activity which has characterized, though with different degrees of intensity, the period since 1832, has been the building up piecemeal of an administrative machine of great complexity which stands in as constant need of repair, renewal, reconstruction, and adaptation to new requirements as the plant of a modern manufactory"¹ This growth of administration reflected the spirit of utilitarianism. Bentham's fabulous Panopticon, his most personal Utopia, was a star-shaped building from the center of which prison wardens could keep the greatest number of jailbirds under the most effective supervision at the smallest cost to the public. Similarly, in the utilitarian state his favorite principle of "inspectability" ensured that the minister at the top should keep effective control over all local administration.

The road to the free market was opened and kept open by an enormous increase in continuous, centrally organized and controlled interventionism. To make Adam Smith's "simple and natural liberty" compatible with the needs of a human society was a most complicated affair. Witness the complexity of the provisions in the innumerable enclosure laws; the amount of bureaucratic control involved in the administration of the New Poor Laws which for the first time since Queen Elizabeth's reign were effectively supervised by central author -

* Redlich and Hirst, J., *Local Government in England*, Vol. II, p. 240, quoted Dicey, A. V., *Law and Opinion in England*, p. 305.

¹ Ilbert, *Legislative Methods*, pp. 212-13, quoted Dicey, A. V., *op. cit.*

ity; or the increase in governmental administration entailed in the meritorious task of municipal reform. And yet all these strongholds of governmental interference were erected with a view to the organizing of some simple freedom—such as that of land, labor, or municipal administration. Just as, contrary to expectation, the invention of labor-saving machinery had not diminished but actually increased the uses of human labor, the introduction of free markets, far from doing away with the need for control, regulation, and intervention, enormously increased their range. Administrators had to be constantly on the watch to ensure the free working of the system. Thus even those who wished most ardently to free the state from all unnecessary duties, and whose whole philosophy demanded the restriction of state activities, could not but entrust the self-same state with the new powers, organs, and instruments required for the establishment of *laissez-faire*.

This paradox was topped by another. While *laissez-faire* economy was the product of deliberate State action, subsequent restrictions on *laissez-faire* started in a spontaneous way. *Laissez-faire* was planned; planning was not. The first half of this assertion was shown above to be true, if ever there was conscious use of the executive in the service of a deliberate government-controlled policy, it was on the part of the Benthamites in the heroic period of *laissez-faire*. The other half was first mooted by that eminent Liberal, Dicey, who made it his task to inquire into the origins of the "anti-*laissez-faire*" or, as he called it, the "collectivist" trend in English public opinion, the existence of which was manifest since the late 1860s. He was surprised to find that no evidence of the existence of such a trend could be traced *save the acts of legislation themselves*. More exactly, no evidence of a "collectivist trend" in public opinion *prior* to the laws which appeared to represent such a trend could be found. As to later "collectivist" opinion, Dicey inferred that the "collectivist" legislation itself might have been its prime source. The upshot of his penetrating inquiry was that there had been complete absence of any deliberate intention to extend the functions of the state, or to restrict the freedom of the individual, on the part of those who were directly responsible for the restrictive enactments of the 1870s and 1880s. The legislative spearhead of the countermovement against a self-regulating market as it developed in the half century following 1860 turned out to be spontaneous, undirected by opinion, and actuated by a purely pragmatic spirit.

Economic liberals must strongly take exception to such a view.

Their whole social philosophy hinges on the idea that laissez-faire was a natural development, while subsequent anti-laissez-faire legislation was the result of purposeful action on the part of the opponents of liberal principles. In these two mutually exclusive interpretations of the double movement, it is not too much to say, the truth or untruth of the liberal creed is involved today.

Liberal writers like Spencer and Sumner, Mises and Lippmann offer an account of the double movement substantially similar to our own, but they put an entirely different interpretation on it. While in our view the concept of a self-regulating market was Utopian, and its progress was stopped by the realistic self-protection of society, in their view all protectionism was a mistake due to impatience, greed, and shortsightedness, but for which the market would have resolved its difficulties. The question as to which of these two views is correct is perhaps the most important problem of recent social history, involving as it does no less than a decision on the claim of economic liberalism to be the basic organizing principle in society. Before we turn to the testimony of the facts, a more precise formulation of the issue is needed.

Undoubtedly, our age will be credited with having seen the end of the self-regulating market. The 1920s saw the prestige of economic liberalism at its height. Hundreds of millions of people had been afflicted by the scourge of inflation; whole social classes, whole nations had been expropriated. Stabilization of currencies became the focal point in the political thought of peoples and governments; the restoration of the gold standard became the supreme aim of all organized effort in the economic field. The repayment of foreign loans and the return to stable currencies were recognized as the touchstone of rationality in politics; and no private suffering, no restriction of sovereignty, was deemed too great a sacrifice for the recovery of monetary integrity. The privations of the unemployed made jobless by deflation; the destitution of public servants dismissed without a pittance; even the relinquishment of national rights and the loss of constitutional liberties were judged a fair price to pay for the fulfillment of the requirement of sound budgets and sound currencies, these *a priori* of economic liberalism.

The 1930s lived to see the absolutes of the 1920s called in question. After several years during which currencies were practically restored and budgets balanced, the two most powerful countries, Great Britain

and the United States, found themselves in difficulties, dismissed the gold standard, and started out on the management of their currencies. International debts were repudiated wholesale and the tenets of economic liberalism were disregarded by the wealthiest and most respectable. By the middle of the 1930s France and some other states still adhering to gold were actually forced off the standard by the Treasuries of Great Britain and the United States, formerly jealous guardians of the liberal creed.

In the 1940s economic liberalism suffered an even worse defeat. Although Great Britain and the United States departed from monetary orthodoxy, they retained the principles and methods of liberalism in industry and commerce, the general organization of their economic life. This was to prove a factor in precipitating the war and a handicap in fighting it, since economic liberalism had created and fostered the illusion that dictatorships were bound for economic catastrophe. By virtue of this creed, democratic governments were the last to understand the implications of managed currencies and directed trade, even when they happened by force of circumstances to be practicing these methods themselves; also, the legacy of economic liberalism barred the way to timely rearmament in the name of balanced budgets and stable exchanges, which were supposed to provide the only secure foundations of economic strength in war. In Great Britain budgetary and monetary orthodoxy induced adherence to the traditional strategic principle of limited commitments upon a country actually faced with total war; in the United States vested interests—such as oil and aluminium—entrenched themselves behind the taboos of liberal business and successfully resisted preparations for an industrial emergency. But for the stubborn and impassioned insistence of economic liberals on their fallacies, the leaders of the race as well as the masses of free men would have been better equipped for the ordeal of the age and might perhaps even have been able to avoid it altogether.

But secular tenets of social organization embracing the whole civilized world are not dislodged by the events of a decade. Both in Great Britain and in the United States millions of independent business units derived their existence from the principle of laissez-faire. Its spectacular failure in one field did not destroy its authority in all. Indeed, its partial eclipse may have even strengthened its hold since it enabled its defenders to argue that the incomplete application of its principles was the reason for every and any difficulty laid to its charge.

This, indeed, is the last remaining argument of economic liberalism today. Its apologists are repeating in endless variations that but for the policies advocated by its critics, liberalism would have delivered the goods; that not the competitive system and the self-regulating market, but interference with that system and interventions with that market are responsible for our ills. And this argument does not find support in innumerable recent infringements of economic freedom only, but also in the indubitable fact that the movement to spread the system of self-regulating markets was met in the second half of the nineteenth century by a persistent countermove obstructing the free working of such an economy.

The economic liberal is thus enabled to formulate a case which links the present with the past in one coherent whole. For who could deny that government intervention in business may undermine confidence? Who could deny that unemployment would sometimes be less if it were not for out-of-work benefit provided by law? That private business is injured by the competition of public works? That deficit finance may endanger private investments? That paternalism tends to damp business initiative? This being so in the present, surely it was no different in the past. When around the 1870s a general protectionist movement—social and national—started in Europe, who can doubt that it hampered and restricted trade? Who can doubt that factory laws, social insurance, municipal trading, health services, public utilities, tariffs, bounties and subsidies, cartels and trusts, embargoes on immigration, on capital movements, on imports—not to speak of less-open restrictions on the movements of men, goods, and payments—must have acted as so many hindrances to the functioning of the competitive system, protracting business depressions, aggravating unemployment, deepening financial slumps, diminishing trade, and damaging severely the self-regulating mechanism of the market? The root of all evil, the liberal insists, was precisely this interference with the freedom of employment, trade and currencies practiced by the various schools of social, national, and monopolistic protectionism since the third quarter of the nineteenth century; but for the unholy alliance of trade unions and labor parties with monopolistic manufacturers and agrarian interests, which in their shortsighted greed joined forces to frustrate economic liberty, the world would be enjoying today the fruits of an almost automatic system of creating material welfare. Liberal leaders never weary of repeating that the tragedy

of the nineteenth century sprang from the incapacity of man to remain faithful to the inspiration of the early liberals; that the generous initiative of our ancestors was frustrated by the passions of nationalism and class war, vested interests, and monopolists, and above all, by the blindness of the working people to the ultimate beneficence of unrestricted economic freedom to all human interests, including their own. A great intellectual and moral advance was thus, it is claimed; frustrated by the intellectual and moral weaknesses of the mass of the people; what the spirit of Enlightenment had achieved was put to nought by the forces of selfishness. In a nutshell this is the economic liberal's defense. Unless it is refuted, he will continue to hold the floor in the contest of arguments.

Let us focus the issue. It is agreed that the liberal movement, intent on the spreading of the market system, was met by a protective countermovement tending toward its restriction; such an assumption, indeed, underlies our own thesis of the double movement. But while we assert that the application of the absurd notion of a self-regulating market system would have inevitably destroyed society, the liberal accuses the most various elements of having wrecked a great initiative. Unable to adduce evidence of any such concerted effort to thwart the liberal movement, he falls back on the practically irrefutable hypothesis of covert action. This is the myth of the anti-liberal conspiracy which in one form or another is common to all liberal interpretations of the events of the 1870s and 1880s. Commonly the rise of nationalism and of socialism is credited with having been the chief agent in that shifting of the scene; manufacturers' associations and monopolists, agrarian interests and trade unions are the villains of the piece. Thus in its most spiritualized form the liberal doctrine hypostasizes the working of some dialectical law in modern society stultifying the endeavors of enlightened reason, while in its crudest version it reduces itself to an attack on political democracy, as the alleged mainspring of interventionism.

The testimony of the facts contradicts the liberal thesis decisively. The anti-liberal conspiracy is a pure invention. The great variety of forms in which the "collectivist" countermovement appeared was not due to any preference for socialism or nationalism on the part of concerted interests, but exclusively to the broad range of the vital social interests affected by the expanding market mechanism. This accounts for the all but universal reaction of predominantly practical character

called forth by the expansion of that mechanism. Intellectual fashion played no role whatever in this process; there was, accordingly, no room for the prejudice which the liberal regards as the ideological force behind the anti-liberal development. Although it is true that the 1870s and 1880s saw the end of orthodox liberalism, and that all crucial problems of the present can be traced back to that period, it is incorrect to say that the change to social and national protectionism was due to any other cause than the manifestation of the weaknesses and perils inherent in a self-regulating market system. This can be shown in more than one way.

Firstly, there is the amazing diversity of the matters on which action was taken. This alone would exclude the possibility of concerted action. Let us cite from a list of interventions which Herbert Spencer compiled in 1884, when charging liberals with having deserted their principles for the sake of "restrictive legislation."* The variety of the subjects could hardly be greater. In 1860 authority was given to provide "analysts of food and drink to be paid out of local rates"; there followed an Act providing "the inspection of gas works"; an extension of the Mines Act "making it penal to employ boys under twelve not attending schools and unable to read or write." In 1861 power was given "to poor law guardians to enforce vaccination"; local boards were authorized "to fix rates of hire for means of conveyance"; and certain locally formed bodies "had given them powers of taxing the locality for rural drainage and irrigation works, and for supplying water to cattle." In 1862 an act was passed making illegal "a coal-mine with a single shaft"; an act giving the Council of Medical Education exclusive right "to furnish a Pharmacopoeia, the price of which is to be fixed by the Treasury." Spencer, horror struck, filled several pages with an enumeration of these and similar measures. In 1863 came the "extension of compulsory vaccination to Scotland and Ireland." There was also an act appointing inspectors for the "wholesomeness, or unwholesomeness of food"; a Chimney-Sweeper's Act, to prevent the torture and eventual death of children set to sweep too narrow slots; a Contagious Diseases Act; a Public Libraries Act, giving local powers "by which a majority can tax a minority for their books." Spencer adduced them as so much irrefutable evidence of an anti-liberal conspiracy. And yet each of these acts dealt with some problem arising out of mod-

* Spencer, H., *The Man vs. the State*, 1884.

ern industrial conditions and was aimed at the safeguarding of some public interest against dangers inherent either in such conditions or, at any rate, in the market method of dealing with them. To an unbiased mind they proved the purely practical and pragmatic nature of the "collectivist" countermove. Most of those who carried these measures were convinced supporters of laissez-faire, and certainly did not wish their consent to the establishment of a fire brigade in London to imply a protest against the principles of economic liberalism. On the contrary, the sponsors of these legislative acts were as a rule uncompromising opponents of socialism, or any other form of collectivism.

Secondly, the change from liberal to "collectivist" solutions happened sometimes over night and without any consciousness on the part of those engaged in the process of legislative rumination. Dicey adduced the classic instance of the Workmen's Compensation Act dealing with the employers' liability for damage done to his workmen in the course of their employment. The history of the various acts embodying this idea, since 1880, showed consistent adherence to the individualist principle that the responsibility of the employer to his employee must be regulated in a manner strictly identical with that governing his responsibility to others, e.g., strangers. With hardly any change in opinion, in 1897, the employer was suddenly made the insurer of his workmen against any damage incurred in the course of their employment, a "thoroughly collectivistic legislation," as Dicey justly remarked. No better proof could be adduced that no change either in the type of interests involved, or in the tendency of the opinions brought to bear on the matter, caused the supplanting of a liberal principle by an anti-liberal one, but exclusively the evolving conditions under which the problem arose and a solution was sought.

Thirdly, there is the indirect, but most striking proof provided by a comparison of the development in various countries of a widely dissimilar political and ideological configuration. Victorian England and the Prussia of Bismarck were poles apart, and both were very much unlike the France of the Third Republic or the Empire of the Hapsburgs. Yet each of them passed through a period of free trade and laissez-faire, followed by a period of anti-liberal legislation in regard to public health, factory conditions, municipal trading, social insurance, shipping subsidies, public utilities, trade associations, and so on. It would be easy to produce a regular calendar setting out the years in which analogous changes occurred in the various countries. Workmen's

compensation was enacted in England in 1880 and 1897, in Germany in 1879, in Austria in 1887, in France in 1899; factory inspection was introduced in England in 1833, in Prussia in 1853, in Austria in 1883, in France in 1874 and 1883; municipal trading, including the running of public utilities, was introduced by Joseph Chamberlain, a Dissenter and a capitalist, in Birmingham in the 1870s; by the Catholic "Socialist" and Jew-baiter, Karl Lueger, in the Imperial Vienna of the 1890s; in German and French municipalities by a variety of local coalitions. The supporting forces were in some cases violently reactionary and antisocialist as in Vienna, at other times "radical imperialist" as in Birmingham, or of the purest liberal hue as with the Frenchman, Edouard Herriot, Mayor of Lyons. In Protestant England, Conservative and Liberal cabinets labored intermittently at the completion of factory legislation. In Germany, Roman Catholics and Social Democrats took part in its achievement; in Austria, the Church and its most militant supporters; in France, enemies of the Church and ardent anticlericals were responsible for the enactment of almost identical laws. Thus under the most varied slogans, with very different motivations a multitude of parties and social strata put into effect almost exactly the same measures in a series of countries in respect of a large number of complicated subjects. There is, on the face of it, nothing more absurd than to infer that they were secretly actuated by the same ideological preconceptions or narrow group interests as the legend of the antiliberal conspiracy would have it. On the contrary, everything tends to support the assumption that objective reasons of a stringent nature forced the hands of the legislators.

Fourthly, there is the significant fact that at various times economic liberals themselves advocated restrictions on the freedom of contract and on laissez-faire in a number of well-defined cases of great theoretical and practical importance. Antiliberal prejudice could, naturally, not have been their motive. We have in mind the principle of the association of labor on the one hand, the law of business corporations on the other. The first refers to the right of workers to combine for the purpose of raising their wages; the latter, to the right of trusts, cartels, or other forms of capitalistic combines, to raise prices. It was justly charged in both cases that freedom of contract or laissez-faire was being used in restraint of trade. Whether workers' associations to raise wages, or trade associations to raise prices were in question, the principle of laissez-faire could be obviously employed by interested

parties to narrow the market for labor or other commodities. It is highly significant that in either case consistent liberals from Lloyd George and Theodore Roosevelt to Thurman Arnold and Walter Lippmann subordinated laissez-faire to the demand for a free competitive market; they pressed for regulations and restrictions, for penal laws and compulsion, arguing as any "collectivist" would that the freedom of contract was being "abused" by trade unions, or corporations, whichever it was. Theoretically, laissez-faire or freedom of contract implied the freedom of workers to withhold their labor either individually or jointly, if they so decided; it implied also the freedom of businessmen to concert on selling prices irrespective of the wishes of the consumers. But in practice such freedom conflicted with the institution of a self-regulating market, and *in such a conflict the self-regulating market was invariably accorded precedence*. In other words, if the needs of a self-regulating market proved incompatible with the demands of laissez-faire, the economic liberal turned against laissez-faire and preferred—as any antiliberal would have done—the so-called collectivist methods of regulation and restriction. Trade union law as well as anti-trust legislation sprang from this attitude. No more conclusive proof could be offered of the inevitability of antiliberal or "collectivist" methods under the conditions of modern industrial society than the fact that even economic liberals themselves regularly used such methods in decisively important fields of industrial organization.

Incidentally, this helps to clarify the true meaning of the term "interventionism" by which economic liberals like to denote the opposite of their own policy, but merely betray confusion of thought. The opposite of interventionism is laissez-faire, and we have just seen that economic liberalism cannot be identified with laissez-faire (although in common parlance there is no harm in using them interchangeably). Strictly, economic liberalism is the organizing principle of a society in which industry is based on the institution of a self-regulating market. True, once such a system is approximately achieved, less intervention of one type is needed. However, this is far from saying that market system and intervention are mutually exclusive terms. For as long as that system is not established, economic liberals must and will unhesitatingly call for the intervention of the state in order to establish it, and once established, in order to maintain it. The economic liberal can, therefore, without any inconsistency call upon the state to use the force of law; he can even appeal to the violent forces of civil war to set

up the preconditions of a self-regulating market. In America the South appealed to the arguments of laissez-faire to justify slavery; the North appealed to the intervention of arms to establish a free labor market. The accusation of interventionism on the part of liberal writers is thus an empty slogan, implying the denunciation of one and the same set of actions according to whether they happen to approve of them or not. The only principle economic liberals can maintain without inconsistency is that of the self-regulating market, whether it involves them in interventions or not.

To sum up. The countermove against economic liberalism and laissez-faire possessed all the unmistakable characteristics of a spontaneous reaction. At innumerable disconnected points it set in without any traceable links between the interests directly affected or any ideological conformity between them. Even in the settlement of one of the same problem as in the case of workmen's compensation, solutions switched over from individualistic to "collectivistic," from liberal to antiliberal, from "laissez-faire" to interventionist forms without any change in the economic interest, the ideological influences or political forces in play, merely as a result of the increasing realization of the nature of the problem in question. Also it could be shown that a closely similar change from laissez-faire to "collectivism" took place in various countries at a definite stage of their industrial development, pointing to the depth and independence of the underlying causes of the process so superficially credited by economic liberals to changing moods or sundry interests. Finally, analysis reveals that not even radical adherents of economic liberalism could escape the rule which makes laissez-faire inapplicable to advanced industrial conditions; for in the critical case of trade union law and antitrust regulations extreme liberals themselves had to call for manifold interventions of the state, in order to secure against monopolistic compacts the preconditions for the working of a self-regulating market. Even free trade and competition required intervention to be workable. The liberal myth of the "collectivist" conspiracy of the 1870s and 1880s is contrary to all the facts.

Our own interpretation of the double movement on the other hand is borne out by the evidence. For if market economy was a threat to the human and natural components of the social fabric, as we insisted, what else would one expect than an urge on the part of a great variety of people to press for some sort of protection? This was what

we found. Also, one would expect this to happen without any theoretical or intellectual preconceptions on their part, and irrespective of their attitudes toward the principles underlying a market economy. Again, this was the case. Moreover, we suggested that comparative history of government might offer quasi-experimental support of our thesis if particular interests could be shown to be independent of the specific ideologies present in a number of different countries. For this also we could adduce striking evidence. Finally, the behavior of liberals themselves proved that the maintenance of freedom of trade—in our terms, of a self-regulating market—far from excluding intervention, in effect, demanded such action, and that liberals themselves regularly called for compulsory action on the part of the state as in the case of trade union law and anti-trust laws. Thus nothing could be more decisive than the evidence of history as to which of the two contending interpretations of the double movement was correct: that of the economic liberal who maintained that his policy never had a chance, but was strangled by shortsighted trade unionists, Marxist intellectuals, greedy manufacturers, and reactionary landlords; or that of his critics, who can point to the universal "collectivist" reaction against the expansion of market economy in the second half of the nineteenth century as conclusive proof of the peril to society inherent in the Utopian principle of a self-regulating market.

Birth of the Liberal Creed (Continued): Class Interest and Social Change

The liberal myth of the collectivist conspiracy must be completely dissipated before the true basis of nineteenth-century policies can be laid bare. This legend has it that protectionism was merely the result of sinister interests of agrarians, manufacturers, and trade unionists, who blindly wrecked the automatic machinery of the market. In another form, and, of course, with an opposite political tendency, Marxian parties argued in equally sectional terms. (That the essential philosophy of Marx centered on the totality of society and the noneconomic nature of man is irrelevant here.*) Marx himself followed Ricardo in defining classes in economic terms, and economic exploitation was undoubtedly a feature of the bourgeois age.

In popular Marxism this led to a crude class theory of social development. Pressure for markets and zones of influence was simply ascribed to the profit motive of a handful of financiers. Imperialism was explained as a capitalist conspiracy to induce governments to launch wars in the interests of big business. Wars were held to be caused by these interests in combination with armament firms who miraculously gained the capacity to drive whole nations into fatal policies, contrary to their vital interests. Liberals and Marxists agreed, in effect, in deducing the protectionist movement from the force of sectional interests; in accounting for agrarian tariffs by the political pull of reactionary landlords; in making the profit hunger of industrial magnates accountable for the growth of monopolistic forms of enterprise; in presenting war as the work of business rampant.

The liberal economic outlook thus found powerful support in a narrow class theory. Upholding the viewpoint of opposing classes, liberals and Marxists stood for identical propositions. They established a

* Marx, K., "Nationalökonomie und Philosophie," in *Der Historische Materialismus*, 1932.

watertight case for the assertion that nineteenth-century protectionism was the result of class action, and that such action must have primarily served the economic interests of the members of the classes concerned. Between them they all but completely obstructed an overall view of market society, and of the function of protectionism in such a society

Actually, class interests offer only a limited explanation of long-run movements in society. The fate of classes is more frequently determined by the needs of society than the fate of society is determined by the needs of classes. Given a definite structure of society, the class theory works; but what if that structure itself undergoes a change? A class that has become functionless may disintegrate and be supplanted overnight by a new class or classes. Also, the chances of classes in a struggle will depend upon their ability to win support from outside their own membership, which again will depend upon their fulfillment of tasks set by interests wider than their own. Thus neither the birth nor the death of classes, neither their aims nor the degree to which they attain them; neither their cooperations nor their antagonisms can be understood apart from the interests of society, given by its situation as a whole.

Now, this situation is created, as a rule, by external causes, such as a change in climate, or the yield of crops, a new foe, a new weapon used by an old foe, the emergence of new communal ends, or, for that matter, the discovery of new methods of achieving the traditional ends. To such a total situation must sectional interests be ultimately related if their function in social development should become clear.

The essential role played by class interests in social change is in the nature of things. For any widespread form of change must affect the various parts of the community in different fashions, if for no other reason than that of differences of geographical location, and of economic and cultural equipment. Sectional interests are thus the natural vehicle of social and political change. Whether the source of the change be war or trade, startling inventions or shifts in natural conditions, the various sections in society will stand for different methods of adjustment (including forcible ones) and adjust their interests in a different way from those of other groups to whom they may seek to give a lead; hence only when one can point to the group or groups that effected a change is it explained *how* the change has taken place. Yet the ultimate cause is set by external forces, and it is for *the mechanism of the*

change only that society relies on internal forces. The "challenge" is to society as a whole; the "response" comes through groups, sections, and classes.

Mere class interest cannot offer, therefore, a satisfactory explanation for any long-run social process. First, because the process in question may decide about the existence of the class itself; second, because the interests of given classes determine only the aim and purpose toward which those classes are striving, not also the success or failure of their endeavours. There is no magic in class interest which would secure to members of one class the support of members of other classes. Yet such support is an everyday occurrence. Protectionism itself is an instance. The problem here was not so much why agrarians, manufacturers, or trade unionists wished to increase their incomes through protectionist action, but why they succeeded in doing so; not why businessmen and workers wished to establish monopolies for their wares, but why they attained their end; not why some groups wished to act in a similar fashion in a number of Continental countries, but why such groups existed in these otherwise dissimilar countries and equally achieved their aims everywhere; not why those who grew corn attempted to sell it dear, but why they regularly succeeded in persuading those who bought the corn to help to raise its price.

Secondly, there is the equally mistaken doctrine of the essentially economic nature of class interests. Though human society is naturally conditioned by economic factors, the motives of human individuals are only exceptionally determined by the needs of material want-satisfaction. That nineteenth-century society was organized on the assumption that such a motivation could be made universal was a peculiarity of the age. It was therefore appropriate to allow a comparatively wide scope to the play of economic motives when analyzing that society. But we must guard against prejudging the issue, which is precisely to what extent such an unusual motivation could be made universally effective.

Purely economic matters such as affect want-satisfaction are incomparably less relevant to class behavior than questions of social recognition. Want-satisfaction may be, of course, the result of such recognition, especially as its outward sign or prize. But the interests of a class most directly refer to standing and rank, to status and security, that is, they are primarily not economic but social.

The classes and groups which intermittently took part in the gen-

eral movement toward protectionism after 1870 did not do so primarily on account of their economic interests. The "collectivist" measures enacted in the critical years reveal that only exceptionally was the interest of any single class involved, and if so, that interest could be rarely described as economic. Assuredly no "shortsighted economic interests" were served by an act authorizing town authorities to take over neglected ornamental spaces; by regulations requiring the cleaning of bakehouses with hot water and soap at least once in six months; or an act making compulsory the testing of cables and anchors. Such measures simply responded to the needs of an industrial civilization with which market methods were unable to cope. The great majority of these interventions had no direct, and hardly more than an indirect, bearing on incomes. This was true practically of all laws relating to health and homesteads, public amenities and libraries, factory conditions, and social insurance. No less was it true of public utilities, education, transportation, and numberless other matters. But even where money values were involved, they were secondary to other interests. Almost invariably professional status, safety and security, the form of a man's life, the breadth of his existence, the stability of his environment were in question. The monetary importance of some typical interventions, such as customs tariffs, or workmen's compensation, should in no way be minimized. But even in these cases nonmonetary interests were inseparable from monetary ones. Customs tariffs which implied profits for capitalists and wages for workers meant, ultimately, security against unemployment, stabilization of regional conditions, assurance against liquidation of industries, and, perhaps most of all, the avoidance of that painful loss of status which inevitably accompanies transference to a job at which a man is less skilled and experienced than his own.

Once we are rid of the obsession that only sectional, never general, interests can become effective, as well as of the twin prejudice of restricting the interests of human groups to their monetary income, the breadth and comprehensiveness of the protectionist movement lose their mystery. While monetary interests are necessarily voiced solely by the persons to whom they pertain, other interests have a wider constituency. They affect individuals in innumerable ways as neighbors, professional persons, consumers, pedestrians, commuters, sportsmen, hikers, gardeners, patients, mothers, or lovers—and are accordingly capable of representation by almost any type of territorial or

functional association such as churches, townships, fraternal lodges, clubs, trade unions, or, most commonly, political parties based on broad principles of adherence. An all too narrow conception of interest must in effect lead to a warped vision of social and political history, and no purely monetary definition of interests can leave room for that vital need for social protection, the representation of which commonly falls to the persons in charge of the general interests of the community—under modern conditions, the governments of the day. Precisely because not the economic but the social interests of different cross sections of the population were threatened by the market, persons belonging to various economic strata unconsciously joined forces to meet the danger.

The spread of the market was thus both advanced and obstructed by the action of class forces. Given the need of machine production for the establishment of a market system, the trading classes alone were in the position to take the lead in that early transformation. A new class of entrepreneurs came into being out of the remnants of older classes, in order to take charge of a development which was consonant with the interests of the community as a whole. But if the rise of the industrialists, entrepreneurs, and capitalists was the result of their leading role in the expansionist movement, the defense fell to the traditional landed classes and the nascent working class. And if among the trading community it was the capitalists' lot to stand for the structural principles of the market system, the role of the die-hard defender of the social fabric was the portion of the feudal aristocracy on the one hand, the rising industrial proletariat on the other. But while the landed classes would naturally seek the solution for all evils in the maintenance of the past, the workers were, up to a point, in the position to transcend the limits of a market society and to borrow solutions from the future. This does not imply that the return to feudalism or the proclamation of socialism was among the possible lines of action; but it does indicate the entirely different direction in which agrarians and urban working-class forces tended to seek for relief in an emergency. If market economy broke down, as in every major crisis it threatened to do, the landed classes might attempt a return to a military or feudal regime of paternalism, while the factory workers would see the need for the establishment of a cooperative commonwealth of labor. In a crisis "responses" might point toward mutually exclusive solutions. A mere

clash of class interests, which otherwise would have been met by compromise, was invested with a fatal significance.

All this should warn us against relying too much on the economic interests of given classes in the explanation of history. Such an approach would tacitly imply the givenness of those classes in a sense in which this is possible only in an indestructible society. It leaves outside its range those critical phases of history, when a civilization has broken down or is passing through a transformation, when as a rule new classes are formed, sometimes within the briefest space of time, out of the ruins of older classes, or even out of extraneous elements like foreign adventurers or outcasts. Frequently, at a historical juncture new classes have been called into being simply by virtue of the demands of the time. Ultimately, therefore, it is the relation of a class to society as a whole which maps out its part in the drama; and its success is determined by the breadth and variety of the interests, other than its own, which it is able to serve. Indeed, no policy of narrow class interest can safeguard even that interest well—a rule which allows of but few exceptions. Unless the alternative to the social setup is a plunge into utter destruction, no crudely selfish class can maintain itself in the lead.

In order to fix safely the blame on the alleged collectivist conspiracy, economic liberals must ultimately deny that any need for the protection of society had arisen. Recently they acclaimed views of some scholars who had rejected the traditional doctrine of the Industrial Revolution according to which a catastrophe broke in upon the unfortunate labouring classes of England about the 1790s. Nothing in the nature of a sudden deterioration of standards, according to these writers, ever overwhelmed the common people. They were, on the average, substantially better off after than before the introduction of the factory system, and, as to numbers, nobody could deny their rapid increase. By the accepted yardsticks of economic welfare—real wages and population figures—the Inferno of early capitalism, they maintained, never existed; the working classes, far from being exploited, were economically the gainers and to argue the need for social protection against a system that benefited all was obviously impossible.

Critics of liberal capitalism were baffled. For some seventy years, scholars and Royal Commissions alike had denounced the horrors of the Industrial Revolution, and a galaxy of poets, thinkers, and writers

had branded its cruelties. It was deemed an established fact that the masses were being sweated and starved by the callous exploiters of their helplessness; that enclosures had deprived the country folk of their homes and plots, and thrown them on the labor market created by the Poor Law Reform and that the authenticated tragedies of the small children who were sometimes worked to death in mines and factories offered ghastly proof of the destitution of the masses. Indeed, the familiar explanation of the Industrial Revolution rested on the degree of exploitation made possible by eighteenth-century enclosures; or the low wages offered to homeless workers which accounted for the high profits of the cotton industry as well as the rapid accumulation of capital in the hands of the early manufacturers. And the charge against them was exploitation, a boundless exploitation of their fellow citizens that was the root cause of so much misery and debasement. All this was now apparently refuted. Economic historians proclaimed the message that the black shadow that overcast the early decades of the factory system had been dispelled. For how could there be social catastrophe where there was undoubtedly economic improvement?

Actually, of course, a social calamity is primarily a cultural not an economic phenomenon that can be measured by income figures or population statistics. Cultural catastrophes involving broad strata of the common people can naturally not be frequent; but neither are cataclysmic events like the Industrial Revolution—an economic earthquake which transformed within less than half a century vast masses of the inhabitants of the English countryside from settled folk into shiftless migrants. But if such destructive landslides are exceptional in the history of classes, they are a common occurrence in the sphere of culture contact between peoples of various races. Intrinsically, the conditions are the same. The difference is mainly that a social class forms part of a society inhabiting the same geographical area, while culture contact occurs usually between societies settled in different geographical regions. In both cases the contact may have a devastating effect on the weaker part. Not economic exploitation, as often assumed, but the disintegration of the cultural environment of the victim is then the cause of the degradation. The economic process may, naturally, supply the vehicle of the destruction, and almost invariably economic inferiority will make the weaker yield, but the immediate cause of his undoing is not for that reason economic; it lies in the lethal injury to the institutions in which his social existence is embodied.

The result is loss of self-respect and standards, whether the unit is a people or a class, whether the process springs from so-called culture conflict or from a change in the position of a class within the confines of a society.

To the student of early capitalism the parallel is highly significant. The condition of some native tribes in modern Africa carries an unmistakable resemblance to that of the English laboring classes during the early years of the nineteenth century. The Kaffir of South Africa, a noble savage, than whom none felt socially more secure in his native *kraal*, has been transformed into a human variety of half-domesticated animal dressed in the "unrelated, the filthy, the unsightly rags that not the most degenerated white man would wear,"* a nondescript being, without self-respect or standards, veritable human refuse. The description recalls the portrait Robert Owen drew of his own work-people, when addressing them in New Lanark, telling them to their faces, coolly and objectively as a social researcher might record the facts, why they had become the degraded rabble which they were; and the true cause of their degradation could not be more aptly described than by their existing in a "cultural vacuum"—the term used by an anthropologist to describe the cause of the cultural debasement of some of the valiant black tribes of Africa under the influence of contact with white civilization. Their crafts have decayed, the political and social conditions of their existence have been destroyed, they are dying from boredom, in Rivers's famous phrase, or wasting their lives and substance in dissipation. While their own culture offers them no longer any objective worthy of effort or sacrifice, racial snobbishness and prejudice bar the way to their adequate participation in the culture of the white intruders.* Substitute social bar for color bar and the Two Nations of the 1840s emerge, the Kaffir having been appropriately replaced by the shambling slum-dweller of Kingsley's novels.

Some who would readily agree that life in a cultural void is no life at all nevertheless seem to expect that economic needs would automatically fill that void and make life appear livable under whatever conditions. This assumption is sharply contradicted by the result of anthropological research. "The goals for which individuals will work are culturally determined, and are not a response of the organism to

* Millin, Mrs. S. G., *The South Africans*, 1926.

¹ Goldenweiser, A., *Anthropology*, 1937.

* Goldenweiser, A., *ibid.*

an external culturally undefined situation, like a simple scarcity of food," says Dr. Mead. "The process by which a group of savages is converted into gold-miners or ship's crew or merely robbed of all incentive to effort and left to die painlessly beside streams still filled with fish, may seem so bizarre, so alien to the nature of society and its normal functioning as to be pathological," yet, she adds, "precisely this will, as a rule, happen to a people in the midst of violent externally introduced, or at least externally produced change. ..." She concludes: "This rude contact, this uprooting of simple peoples from their *mores*, is too frequent to be undeserving of serious attention on the part of the social historian."

However, the social historian fails to take the hint. He still refuses to see that the elemental force of culture contact, which is now revolutionizing the colonial world, is the same which, a century ago, created the dismal scenes of early capitalism. An anthropologist* drew the general inference: "In spite of numerous divergencies there are at the bottom the same predicaments among the exotic peoples to-day as there were among us decades or centuries ago. The new technical devices, the new knowledge, the new forms of wealth and power enhanced the social mobility, i.e. migration of individuals, rise and fall of families, differentiation of groups, new forms of leadership, new models of life, different valuations." Thurnwald's penetrating mind recognized that the cultural catastrophe of black society today is closely analogous to that of a large part of white society in the early days of capitalism. The social historian alone still misses the point of the analogy.

Nothing obscures our social vision as effectively as the economic prejudice. So persistently has exploitation been put into the forefront of the colonial problem that the point deserves special attention. Also, exploitation in a humanly obvious sense has been perpetrated so often, so persistently, and with such ruthlessness on the backward peoples of the world by the white man that it would seem to argue utter insensibility not to accord it pride of place in any discussion of the colonial problem. Yet, it is precisely this emphasis put on exploitation which tends to hide from our view the even greater issue of cultural degradation. If exploitation is defined in strictly economic terms as a permanent inadequacy of ratios of exchange, it is doubtful

* Thurnwald, R. C., *Black and White in East Africa; The Fabric of a New Civilization*, 1935.

whether, as a matter of fact, there was exploitation. The catastrophe of the native community is a direct result of the rapid and violent disruption of the basic institutions of the victim (whether force is used in the process or not does not seem altogether relevant). These institutions are disrupted by the very fact that a market economy is forced upon an entirely differently organized community; labor and land are made into commodities, which, again, is only a short formula for the liquidation of every and any cultural institution in an organic society. Changes in income and population figures are evidently incommensurable with such a process. Who, for instance, would care to deny that a formerly free people dragged into slavery was exploited, though their standard of life, in some artificial sense, may have been improved in the country to which they were sold as compared with what it was in their native bush? And yet nothing would be altered if we assumed that the conquered natives had been left free and not even been made to overpay the cheap cotton goods thrust upon them, and that their starvation was "merely" caused by the disruption of their social institutions.

To cite the famous instance of India. Indian masses in the second half of the nineteenth century did not die of hunger because they were exploited by Lancashire; they perished in large numbers because the Indian village community had been demolished. That this was brought about by forces of economic competition, namely, the permanent underselling of hand-woven *chaddar* by machine-made piece goods, is doubtless true; but it proves the opposite of economic exploitation, since dumping implies the reverse of surcharge. The actual source of famines in the past fifty years was the free marketing of grain combined with local failure of incomes. Failure of crops was, of course, part of the picture, but despatch of grain by rail made it possible to send relief to the threatened areas; the trouble was that the people were unable to buy the corn at rocketing prices, which on a free but incompletely organized market were bound to be the reaction to a shortage. In former times small local stores had been held against harvest failure, but these had been now discontinued or swept away into the big market. Famine prevention for this reason now usually took the form of public works to enable the population to buy at enhanced prices. The three or four large famines that decimated India under British rule since the Rebellion were thus neither a consequence of the elements, nor of exploitation, but simply of the new market organiza-

tion of labor and land which broke up the old village without actually resolving its problems. While under the regime of feudalism and of the village community, *noblesse oblige*, clan solidarity, and regulation of the corn market checked famines, under the rule of the market the people could not be prevented from starving according to the rules of the game. The term "exploitation" describes but ill a situation which became really grave only after the East India Company's ruthless monopoly was abolished and free trade was introduced into India. Under the monopolists the situation had been fairly kept in hand with the help of the archaic organization of the countryside, including free distribution of corn, while under free and equal exchange Indians perished by the million. Economically, India may have been—and, in the long run, certainly was—benefited, but socially she was disorganized and thus thrown a prey to misery and degradation.

In some cases at least, the opposite of exploitation, if we may say so, started the disintegrating culture contact. The forced land allotment made to the American Indians, in 1887, benefited them individually, according to our financial scale of reckoning. Yet the measure all but destroyed the race in its physical existence—the outstanding case of cultural degeneration on record. The moral genius of a John Collier retrieved the position almost half a century later by insisting on the need for a return to tribal land holdings. Today the North American Indian is in some places, at least, a live community again; not economic betterment, but *social restoration* wrought the miracle. The shock of a devastating culture contact was recorded by the pathetic birth of the famous Ghost Dance version of the Pawnee Hand Game about 1890, exactly at the time when improving economic conditions made the aboriginal culture of these Red Indians anachronistic. Furthermore, the fact that not even an increasing population—the other economic index—need exclude a cultural catastrophe is equally borne out by anthropological research. Natural rates of increase of population may actually be an index either of cultural vitality or of cultural degradation. The original meaning of the word "proletarian," linking fertility and mendicity, is a striking expression of this ambivalence.

Economistic prejudice was the source both of the crude exploitation theory of early capitalism and of the no less crude, though more scholarly, misapprehension which later denied the existence of a social catastrophe. The significant implication of this latter and more recent

interpretation of history was the rehabilitation of laissez-faire economy. For if liberal economics did *not* cause disaster, then protectionism, which robbed the world of the benefits of free markets, was a wanton crime. The very term "Industrial Revolution" was now frowned upon as conveying an exaggerated idea of what was essentially a slow process of change. No more had happened, these scholars insisted, than that a gradual unfolding of the forces of technological progress transformed the lives of the people; undoubtedly, many suffered in the course of the change but on the whole the story was one of continuous improvement. This happy outcome was the result of the almost unconscious working of economic forces which did their beneficial work in spite of the interference of impatient parties who exaggerated the unavoidable difficulties of the time. The inference was no less than a denial that danger threatened society from the new economy. Had the revised history of the Industrial Revolution been true to fact, the protectionist movement would have lacked objective justification and laissez-faire would have been vindicated. The materialistic fallacy in regard to the nature of social and cultural catastrophe thus bolstered the legend that all the ills of the time had been caused by our lapse from economic liberalism.

Briefly, not single groups or classes were the source of the so-called collectivist movement, though the outcome was decisively influenced by the character of the class interests involved. Ultimately, what made things happen were the interests of society though their defense—and exploitation!—fell to one section of the population in preference to another. It appears reasonable to group our account of the protective movement not around class interests, but around the social interests imperilled by the market.

The danger points were given by the main directions of the attack. The competitive labor market hit the bearer of labor power, namely, man. International free trade was primarily a threat to the largest industry dependent upon nature, namely, agriculture. The gold standard imperiled productive organizations depending for their functioning on the relative movement of prices. In each of these fields markets were developed, which implied a latent threat to society in some vital aspects of its existence.

Markets for labor, land, and money are easy to distinguish; but it is

not so easy to distinguish those parts of a culture the nucleus of which is formed by human beings, their natural surroundings, and productive organizations, respectively. Man and nature are practically *one* in the cultural sphere; and the money aspect of productive enterprise enters only into one socially vital interest, namely, the unity and cohesion of the nation. Thus, while the markets for the fictitious commodities labor, land, and money were distinct and separate, the threats to society which they involved were not always strictly separable.

In spite of this an outline of the institutional development of Western society during the critical eighty years (1834—1914) may refer to each of these danger points in similar terms. For whether man, nature, or productive organization was concerned, market organization grew into a peril, and definite groups or classes pressed for protection. In each case the considerable time lag between English, Continental, and American development had important bearings, and yet by the turn of the century the protectionist countermove had created an analogous situation in all Western countries.

Accordingly, we will deal separately with the defense of man, nature, and productive organization—a movement of self-preservation as the result of which a more closely knit type of society emerged, yet one which stood in danger of total disruption.

CHAPTER FOURTEEN

Market and Man

To separate labor from other activities of life and to subject it to the laws of the market was to annihilate all organic forms of existence and to replace them by a different type of organization, an atomistic and individualistic one.

Such a scheme of destruction was best served by the application of the principle of freedom of contract. In practice this meant that the noncontractual organizations of kinship, neighborhood, profession, and creed were to be liquidated since they claimed the allegiance of the individual and thus restrained his freedom. To represent this principle as one of noninterference, as economic liberals were wont to do, was merely the expression of an ingrained prejudice in favor of a definite kind of interference, namely, such as would destroy noncontractual relations between individuals and prevent their spontaneous reformation.

This effect of the establishment of a labor market is conspicuously apparent in colonial regions today. The natives are to be forced to make a living by selling their labor. To this end their traditional institutions must be destroyed, and prevented from reforming, since, as a rule, the individual in primitive society is not threatened by starvation unless the community as a whole is in a like predicament. Under the *kraal-land* system of the Kaffirs, for instance, "destitution is impossible: whosoever needs assistance receives it unquestioningly."* No Kwakiutl "ever ran the least risk of going hungry."¹ "There is no starvation in societies living on the subsistence margin."* The principle of freedom from want was equally acknowledged in the Indian village

* Mair, L. P., *An African People in the Twentieth Century*, 1934.

¹ Loeb, E. M., "The Distribution and Function of Money in Early Society," in *Essays in Anthropology*, 1936.

* Herskovits, M. J., *The Economic Life of Primitive Peoples*, 1940.

community and, we might add, under almost every and any type of social organization up to about the beginning of sixteenth-century Europe, when the modern ideas on the poor put forth by the humanist Vives were argued before the Sorbonne. It is the absence of the threat of individual starvation which makes primitive society, in a sense, more humane than market economy, and at the same time less economic. Ironically, the white man's initial contribution to the black man's world mainly consisted in introducing him to the uses of the scourge of hunger. Thus the colonists may decide to cut the breadfruit trees down in order to create an artificial food scarcity or may impose a hut tax on the native to force him to barter away his labor. In either case the effect is similar to that of Tudor enclosures with their wake of vagrant hordes. A League of Nations report mentioned with due horror the recent appearance of that ominous figure of the sixteenth-century European scene, the "masterless man," in the African bush.* During the late Middle Ages he had been found only in the "interstices" of society.¹ Yet he was the forerunner of the nomadic laborer of the nineteenth century.*

Now, what the white man may still occasionally practice in remote regions today, namely, the smashing up of social structures in order to extract the element of labor from them, was done in the eighteenth century to white populations by white men for similar purposes. Hobbes's grotesque vision of the state—a human Leviathan whose vast body was made up of an infinite number of human bodies—was dwarfed by the Ricardian construct of the labor market: a flow of human lives the supply of which was regulated by the amount of food put at their disposal. Although it was acknowledged that there existed a customary standard below which no laborer's wages could sink, this limitation was thought to become effective only if the laborer was reduced to the choice of being left without food or of offering his labor in the market for the price it would fetch. This explains, incidentally, an otherwise inexplicable omission of the classical economists, namely, why only the penalty of starvation, not also the allurements of high wages, was deemed capable of creating a functioning labor market. Here also colonial experience confirmed their own. For the higher

* Thurnwald, R. C., *op. cit.*

¹ Brinkmann, C., "Das soziale System des Kapitalismus," in *Grundriss der Sozialökonomik*, 1924.

* Toynbee, A., *Lectures on the Industrial Revolution*, 1887, p. 98.

the wages the smaller the inducement to exertion on the part of the native, who unlike the white man was not compelled by his cultural standards to make as much money as he possibly could. The analogy was all the more striking as the early laborer, too, abhorred the factory, where he felt degraded and tortured, like the native who often resigned himself to work in our fashion only when threatened with corporal punishment, if not physical mutilation. The Lyons manufacturers of the eighteenth century urged low wages primarily for social reasons.* Only an overworked and downtrodden laborer would forgo to associate with his like in order to escape from that state of personal servitude under which he could be made to do whatever his master required from him. Legal compulsion and parish serfdom as in England, the rigors of an absolutist labor police as on the Continent, indentured labor as in the early Americas were the prerequisite of the "willing worker." But the final stage was reached with the application of "nature's penalty," hunger. In order to release it, it was necessary to liquidate organic society, which refused to let the individual starve.

The protection of society, in the first instance, falls to the rulers, who can directly enforce their will. However, it is all too easily assumed by economic liberals that economic rulers tend to be beneficial, while political rulers do not. Adam Smith did not seem to think so when he urged that direct British rule should replace administration through a chartered company in India. Political rulers, he argued, would have parallel interests with the ruled whose wealth would swell their revenue, while the merchant's interests were naturally antagonistic to those of his customers.

By interest and inclination it fell to the landlords of England to protect the lives of the common people from the onrush of the Industrial Revolution. Speenhamland was a moat erected in defence of the traditional rural organization, when the turmoil of change was sweeping the countryside, and, incidentally, making agriculture a precarious industry. In their natural reluctance to bow to the needs of the manufacturing towns, the squires were the first to make a stand in what proved to be a century's losing fight. Yet their resistance was not in vain; it averted ruin for several generations and allowed time for almost complete readjustment. Over a critical span of forty years it re-

* Heckscher, E. R., *op. cit.*, Vol. II, p. 168.

tarded economic progress, and when, in 1834, the Reform Parliament abolished Speenhamland, the landlords shifted their resistance to the factory laws. The church and the manor were now rousing the people against the mill-owner whose predominance would make the cry for cheap food irresistible, and thus, indirectly, threaten to sap rents and tithes. Oastler, for one, was "a Churchman, a Tory, and a Protectionist"*, moreover, he was also a Humanitarian. So were also, with varying mixtures of these ingredients of Tory socialism, the other great fighters in the factory movement: Sadler, Southey, and Lord Shaftesbury. But the premonition of threatening pecuniary losses which prompted the bulk of their followers proved only too well grounded: Manchester exporters were soon clamoring for lower wages involving cheaper grain—the repeal of Speenhamland and the growth of the factories actually prepared the way for the success of the Anti-Corn Law agitation, in 1846. Yet, for adventitious reasons, the ruin of agriculture was postponed in England for a whole generation. Meanwhile Disraeli grounded Tory socialism on a protest against the Poor Law Reform Act, and the conservative landlords of England forced radically new techniques of life upon an industrial society. The Ten Hours Bill of 1847, which Karl Marx hailed as the first victory of socialism, was the work of enlightened reactionaries.

The laboring people themselves were hardly a factor in this great movement the effect of which was, figuratively speaking, to allow them to survive the Middle Passage. They had almost as little to say in the determination of their own fate as the black cargo of Hawkins's ships. Yet it was precisely this lack of active participation on the part of the British working class in deciding its own fate that determined the course of English social history and made it, for better or for worse, so different from that of the Continent.

There is a peculiar touch about the undirected excitements, the fumbings and blunders of a nascent class, the true nature of which history has long since revealed. Politically, the British working class was defined by the Parliamentary Reform Act of 1832, which refused them the vote; economically, by the Poor Law Reform Act of 1834, which excluded them from relief and distinguished them from the pauper. For some time to come the industrial working-class-to-be was uncertain

* Dicey, A. V., *op. cit.*, p. 226.

whether its salvation did not lie after all in a return to rural existence and conditions of handicraft. In the two decades following Speenhamland its endeavors were focused on the stopping of the free use of machinery either by the enforcement of the apprenticeship clauses of the Statute of Artificers or by direct action as in Luddism. This backward-looking attitude lingered on as an undercurrent all through the Owenite movement till the end of the forties, when the Ten Hours Bill, the eclipse of Chartism, and the beginning of the Golden Age of capitalism obliterated the vision of the past. Up to that time the British working class *in statu nascendi* was a riddle unto itself; and only if one follows with understanding its half-unconscious stirrings is it possible to gauge the immensity of the loss England suffered through the exclusion of the working class from an equal share in national life. When Owenism and Chartism had burned themselves out, England had become poorer by that substance out of which the Anglo-Saxon ideal of a free society could have drawn its strength for centuries to come.

Even if the Owenite movement had resulted only in inconsiderable local activities, it would have formed a monument to the creative imagination of the race, and even if Chartism had never penetrated beyond the confines of that nucleus which conceived of the idea of a "national holiday" to gain the rights of the people, it would have shown that some of the people were still able to dream their own dreams, and were taking the measure of a society which had forgotten the shape of man. Yet neither the one nor the other was the case. Owenism was not the inspiration of a minute sect, nor was Chartism restricted to a political elite; both movements comprised hundreds of thousands of craftsmen and artisans, laborers and working people, and with their vast following ranked among the biggest social movements in modern history. And yet different as they were and similar only in the measure of their failure, they served to prove how inevitable from the first the necessity was of protecting man against the market.

The Owenite Movement originally was neither political nor working class. It represented the cravings of the common people, smitten by the coming of the factory, to discover a form of existence which would make man master of the machine. Essentially, it aimed at what would appear to us as a bypassing of capitalism. Such a formula would, of course, be bound to be somewhat misleading, since the organizing

role of capital and the nature of a self-regulating market were still undisclosed. Yet it expresses perhaps best the spirit of Owen, who emphatically was not an enemy of the machine. In spite of the machine, he believed, man should remain his own employer; the principle of co-operation or "union" would solve the problem of the machine without sacrificing either individual freedom or social solidarity, either man's dignity or his sympathy with his fellows.

The strength of Owenism was that its inspiration was eminently practical, and yet its methods were based on an appreciation of man as a whole. Although the problems were intrinsically those of everyday life such as the quality of food, housing, and education, the level of wages, the avoidance of unemployment, support in sickness and the like, the issues involved were as broad as the moral forces they appealed to. The conviction that, if only the right method was found, man's existence could be restored enabled the roots of the movement to penetrate into that deeper layer where personality itself is formed. There rarely was a less intellectualized social movement of a similar scope; the convictions of those engaged in it imbued even their seemingly most trivial activities with meaning, so that no set creed was needed. Indeed their faith was prophetic, since they insisted on methods of reconstruction which transcended market economy.

Owenism was a religion of industry the bearer of which was the working class.* Its wealth of forms and initiatives was unrivaled. Practically, it was the beginning of the modern trade union movement. Cooperative societies were founded, mainly engaged in retail to their members. These were not, of course, regular consumers' cooperatives, but rather stores backed by enthusiasts determined to devote the profits of the venture to the furtherance of Owenite plans, preferably to the establishment of Villages of Cooperation. "Their activities were quite as much educational and propagandist as commercial; their aim was the creation of the New Society by their associated effort." The "Union Shops" erected by members of trade unions were more in the nature of producers' cooperatives, unemployed artisans could find work there, or, in case of strikes, earn some money in lieu of strike pay. In the Owenite "Labor Exchange" the idea of the cooperative store was developed into an institution *sui generis*. At the heart of the Exchange or Bazaar there was reliance on the complementary nature of the

* Cole, G. D. H., *Robert Owen*, 1925, a work on which we have heavily drawn.

crafts; by providing for one another's needs, artisans would emancipate themselves, it was thought, from the ups and downs of the market; this was, later, accompanied by the use of labor notes which had a considerable circulation. Such a device might seem fantastic today; but in Owen's time the character not only of wage labor, but also of banknotes, was still unexplored. Socialism was not essentially different from those projects and inventions with which the Benthamite movement was teeming. Not only the rebellious opposition, but also the respectable middle class was still in an experimentative mood. Jeremy Bentham himself invested in Owen's futuristic education scheme in New Lanark, and earned a dividend. The Owenite Societies proper were associations or clubs designed to support plans of Villages of Cooperation such as we described in connection with the relief of the poor; this was the origin of the agricultural producers' cooperative, an idea which had a long and distinguished career. The first national producers' organization with syndicalist aims was the Operative Builders' Union, which attempted to regulate the building trade directly by creating "buildings upon the most extensive scale," introducing a currency of its own, and exhibiting the means of realizing "the great association for the emancipation of the productive classes." The industrial producers' cooperatives of the nineteenth century date from this venture. It was from the Builders' Union or Guild and its "Parliament" that the even more ambitious Consolidated Trades Union sprang, which for a short time comprised almost a million workers and artisans in its loose federation of trade unions and cooperative societies. Its idea was industrial revolt by peaceful means, which will appear as no contradiction once we remember that in the messianistic dawn of their movement the mere consciousness of their mission was supposed to make the aspirations of the working people irresistible. The martyrs of Tolpuddle belonged to a rural branch of this organization. Propaganda for factory legislation was carried on by Regeneration Societies; while later on ethical societies were founded, the forerunners of the secularist movement. The idea of nonviolent resistance was fully developed in their midst. Like Saint-Simonianism in France, Owenism in England showed all the characteristics of spiritual inspiration; but while Saint-Simon worked for a renaissance of Christianity, Owen was the first opponent of Christianity amongst modern working-class leaders. The consumers' cooperatives of Great Britain which found imitators all over the world were, of course, the most eminently prac-

tical offshoot of Owenism. That its impetus was lost—or, rather, was maintained only in the peripheric sphere of the consumers' movement—was the greatest single defeat of spiritual forces in the history of industrial England. Yet a people, which after the moral debasement of the Speenhamland period, still possessed the resilience required for a creative effort so imaginative and sustained, must have disposed of almost boundless intellectual and emotional vigor.

To Owenism with its claim to man as a whole there still clung something of that medieval inheritance of corporative life which found expression in the Builders' Guild and in the rural scene of its social ideal, the Villages of Cooperation. Although it was the fount of modern socialism, its proposals were not based on the property issue, which is the legal aspect only of capitalism. In hitting on the new phenomenon of industry, as Saint-Simon had done, it recognized the challenge of the machine. But the characteristic trait in Owenism was that it insisted on the *social* approach: it refused to accept the division of society into an economic and political sphere, and, in effect, rejected political action on that account. The acceptance of a separate economic sphere would have implied the recognition of the principle of gain and profit as the organizing force in society. This Owen refused to do. His genius recognized that the incorporation of the machine was possible only in a new society. For him the industrial aspect of things was in no way restricted to the economic (this would have implied a marketing view of society which he rejected). New Lanark had taught him that in a worker's life wages was only one among many factors such as natural and home surroundings, quality and prices of commodities, stability of employment, and security of tenure. (The factories of New Lanark like some other firms before them kept their employees on the payroll even when there was no work for them to do.) But much more than that was comprised in the adjustment. The education of children and adults, provision for entertainment, dance, and music, and the general assumption of high moral and personal standards of old and young created the atmosphere in which a new status was attained by the industrial population as a whole. Thousands of persons from all over Europe (and even America) visited New Lanark as if it were a reservation of the future in which had been accomplished the impossible feat of running a successful factory business with a human population. Yet Owen's firm paid considerably lower wages than those current in some

neighboring towns. The profits of New Lanark sprang mainly from the high productivity of labor on shorter hours, due to excellent organization and rested men, advantages which outweighed the increase in real wages involved in the generous provisions for a decent life. But the latter alone explain the sentiments of all but adulation with which his workers clung to Owen. Out of experiences such as these he extracted the social, that is, wider-than-economic approach to the problem of industry.

It was another tribute to his insight that in spite of this comprehensive outlook he grasped the incisive nature of the concrete physical facts dominating the laborer's existence. His religious sense revolted against the practical transcendentalism of a Hannah More and her Cheap Repository Tracts. One of them commended the example of a Lancashire colliery girl. She was taken down the pit, at the age of nine, to act as drawer with her brother, who was two years younger.* "She cheerfully followed him [her father] down into the coal-pit, burying herself in the bowels of the earth, and there at a tender age, without excusing herself on account of her sex, she joined in the same work with the miners, a race of men rough indeed, but highly useful to the community." The father was killed by an accident down the pit in the sight of his children. She then applied for employment as a servant, but there was a prejudice against her because she had been a collier, and her application failed. Fortunately, by that comforting dispensation by which afflictions are turned into blessings, her bearing and patience attracted notice, inquiries were made at the colliery, and she received such a glowing character that she was taken into employment. "This story," the tract concluded, "may teach the poor that they can seldom be in any condition of life so low as to prevent their rising to some degree of independence if they choose to exert themselves, and there can be no situation whatever so mean as to forbid the practice of many noble virtues." The sisters More preferred to work among starving laborers, but refused so much as to be interested in their physical sufferings. They were inclined to solve the physical problem of industrialism by simply conferring status and function on the workers out of the plenitude of their magnanimity. Hannah More insisted that her heroine's father was a highly useful member of the community; the rank of his daughter was recognized by the acknowledgments of her employers.

* More, H., *The Lancashire Colliery Girl*, May, 1795; cf. Hammond, J. L. and B., *The Town Labourer*, 1917, p. 230.

Hannah More believed that no more was needed for a functioning society.* Robert Owen turned away from a Christianity which renounced the task of mastering the world of man, and preferred to extol the imaginary status and function of Hannah More's wretched heroine, instead of facing the awful revelation that transcended the New Testament, of man's condition in a complex society. Nobody can doubt the sincerity which inspired Hannah More's conviction that the more readily the poor acquiesced in their condition of degradation, the more easily they would turn to the heavenly solaces on which alone she relied both for their salvation and for the smooth functioning of a market society in which she firmly believed. But these empty husks of Christianity on which the inner life of the most generous of the upper classes was vegetating contrasted but poorly with the creative faith of that religion of industry in the spirit of which the common people of England were endeavouring to redeem society. However, capitalism had still a future in store.

The Chartist Movement appealed to a set of impulses so different that its emergence after the practical failure of Owenism and its premature initiatives might have been almost predicted. It was a purely political effort which made a bid for influence on government through constitutional channels; its attempt to put pressure on the government was on the traditional lines of the Reform Movement which had secured the vote to the middle classes. The Six Points of the Charter demanded an effective popular suffrage. The uncompromising rigidity with which such an extension of the vote was rejected by the Reformed Parliament for a third of a century, the use of force in view of the mass support that was manifest for the Charter, the abhorrence in which the liberals of the 1840s held the idea of popular government all prove that the concept of democracy was foreign to the English middle classes. Only when the working class had accepted the principles of a capitalist economy and the trade unions had made the smooth running of industry their chief concern did the middle classes concede the vote to the better situated workers; that is, long after the Chartist Movement had subsided and it had become certain that the workers would not try to use the franchise in the service of any ideas of their own. From the

* Cf. Drucker, P. E., *The End of Economic Man*, 1939, p. 93, on the English Evangelicals; and *The Future of Industrial Man*, 1942, pp. 21 and 194, on status and function.

point of view of the spreading of the market forms of existence this may have been justified, since it helped to overcome the obstacles presented by the surviving organic and traditional forms of life among the laboring people. As to the entirely different task of restoring the common people, whose lives had been uprooted in the Industrial Revolution, and inducting them into the fold of a common national culture, it was left undone. Their investment with the vote at a time when irreparable damage had already been inflicted upon their capacity for sharing in leadership, could not retrieve the position. The ruling classes had committed the error of extending the principle of uncompromising class rule to a type of civilization which demanded the cultural and educational unity of the commonwealth if it should be safe from degenerative influences.

The Chartist Movement was political and thus easier to comprehend than Owenism. Yet it is doubtful whether the emotional intensity, or even the extent of that movement can be realized without some imaginative reference to the times. The years 1789 and 1830 made revolution a regular institution in Europe; in 1848, the date of the Paris rising was actually forecast in Berlin and London with a precision more usual in regard to the opening of a fair than to a social upheaval, and "follow-up" revolutions broke out promptly in Berlin, Vienna, Budapest, and some towns of Italy. In London also there was high tension, for everybody, including the Chartists themselves, expected violent action to compel Parliament to grant the vote to the people. (Less than 15 percent of adult males were entitled to vote.) Never in all the history of England was there a comparable concentration of force put in readiness for the defence of law and order as on April 12, 1848; hundreds of thousands of citizens were prepared in the capacity of special constables to turn their arms against the Chartists on that day. The Paris Revolution came too late to carry a popular movement in England to victory. By that time the spirit of revolt roused by the Poor Law Reform Act as well as by the sufferings of the Hungry Forties was waning; the wave of rising trade was boosting employment, and capitalism began to deliver the goods. The Chartists dispersed peacefully. Their case was not even considered by Parliament until a later time, when their application was defeated by a five-to-one majority in the House of Commons. In vain had millions of signatures been collected. In vain

had the Chartists behaved as law-abiding citizens. Their movement was ridiculed out of existence by the victors. Thus ended the greatest political effort of the people of England to constitute that country a popular democracy. A year or two later Chartism was all but forgotten.

The Industrial Revolution reached the Continent half a century later. There the working class had not been forced off the land by an enclosure movement; rather, the allurements of higher wages and urban life made the semi-servile agricultural laborer desert the manor and migrate to the town, where he consorted with the traditional lower middle class, and had a chance of acquiring an urban tone. Far from feeling debased, he felt elevated by his new environment. Doubtless housing conditions were abominable, alcoholism and prostitution were rampant among the lower strata of town laborers as late as the beginning of the twentieth century. Yet there was no comparison between the moral and cultural catastrophe of the English cottager or copyholder of decent ancestry, who found himself hopelessly sinking in the social and physical slums of some Northwestern factory neighborhood and the Slovakian or, for that matter, Pomeranian agricultural laborer changing almost overnight from a stable-dwelling peon into an industrial worker in a modern metropolis. An Irish or Welsh day laborer or Western Highlander might have had a similar experience when slouching through the alleys of early Manchester or Liverpool; but the English yeoman's son or the evicted cottager certainly did not feel his status raised. Not only had the recently emancipated farm laborer of the Continent a fair chance of rising into the lower middle class of craftsmen and traders with their ancient cultural traditions, but even the bourgeoisie, which socially towered above him, was politically in the same boat, being almost as removed from the ranks of the actual ruling class as he was himself. Against feudal aristocracy and Roman episcopacy the forces of the rising middle and working classes were closely allied. The intelligentsia, particularly the university students, cemented the union between these two classes in their common attack on absolutism and privilege. In England the middle classes, whether squires and merchants as in the seventeenth century, or farmers and tradesmen as in the nineteenth, were strong enough to vindicate their rights alone, and not even in their near-revolutionary effort in 1832 did they look to the laborers for support. Moreover, the English aristocracy unfailingly assimilated the wealth-

est of the newcomers and broadened the top ranks of the social hierarchy, while on the Continent the still semifeudal aristocracy did not intermarry with the sons and daughters of the bourgeoisie, and the absence of the institution of primogeniture hermetically insulated them from the other classes. Every successful step toward equal rights and liberties thus benefited. Continental middle and working classes alike. Since 1830, if not since 1789, it was part of the Continental tradition that the working class would help to fight the battles of the bourgeoisie against feudalism, if only—as the saying ran—to be cheated by the middle class of the fruits of victory. But whether the working class won or lost, its experience was enhanced, and its aims raised to a political level. This was what was meant by becoming class conscious. Marxian ideologies crystallized the outlook of the urban worker, who had been taught by circumstances to use his industrial and political strength as a weapon of high policy. While the British worker developed an incomparable experience in the personal and social problems of unionism, and left national politics to his "betters," the Central European worker became a political socialist, expected to deal with problems of statecraft, though primarily with those that concerned his own interests.

If there was a time lag of some half a century between the industrialization of Great Britain and the Continent, there was a much greater lag in respect to the establishment of national unity. Italy and Germany arrived only during the second half of the nineteenth century at that stage of unification which England achieved centuries before, and smaller East European states reached unity even later. In this process of state-building, the working classes played a vital part, which further enhanced their political experience. In the industrial age such a process could not fail to comprise social policy. Bismarck made a bid for unification of the Second Reich through the introduction of an epochal scheme of social legislation. Italian unity was speeded up by the nationalization of the railways. In the Austro-Hungarian monarchy, that congeries of races and peoples, the Crown itself repeatedly appealed to the laboring classes for support in the work of centralization and imperial unity. In this wider sphere also, through their influence on legislation, the socialist parties and trade unions found many openings for serving the interests of the industrial worker.

Economistic preconceptions have blurred the outlines of the

working-class problem. British writers have found it difficult to comprehend the terrible impression that early capitalistic conditions in Lancashire made on Continental observers. They pointed to the even lower standard of life of many Central European artisans in the textile industries, whose conditions of work were often perhaps just as bad as those of their English comrades. Yet such a comparison obscured the salient point, which was precisely the rise in the social and political status of the laborer on the Continent in contrast to a fall in that status in England. The Continental laborer had not passed through the degrading pauperization of Speenhamland nor was there any parallel in his experience to the scorching fires of the New Poor Law. From the status of a villein he changed—or rather rose—to that of a factory worker, and very soon to that of an enfranchised and unionized worker. Thus he escaped the cultural catastrophe which followed in the wake of the Industrial Revolution in England. Moreover, the Continent was industrialized at a time when adjustment to the new productive techniques had already become possible, thanks, almost exclusively, to the imitation of English methods of social protection.*

The Continental worker needed protection not so much against the impact of the Industrial Revolution—in the social sense there never was such a thing on the Continent—as against the normal action of factory and labor market conditions. He achieved it mainly by the help of legislation, while his British comrades relied more on voluntary association—trade unions—and their power to monopolize labor. Social insurance came, relatively, very much sooner on the Continent than in England. The difference was readily explained by the Continental's political bent, and by the comparatively early extension of the vote to the working masses on the Continent. While economically the difference between compulsory and voluntary methods of protection—legislation versus unionism—can be easily overrated, politically its consequences were great. On the Continent trade unions were a creation of the political party of the working class; in England the political party was a creation of the trade unions. While on the Continent unionism became more or less socialist, in England even political socialism remained essentially trade unionist. Universal suffrage, therefore, which in England tended to increase national unity, had sometimes the opposite effect on the Continent. There,

* Knowles, L., *Industrial and Commercial Revolutions in Great Britain during the Nineteenth Century*, 1926.

rather than in England, did Pitt's and Peel's, Tocqueville's and Macaulay's prophecies come true that popular government would involve a danger to the economic system.

Economically, English and Continental methods of social protection led to almost identical results. They achieved what had been intended: the disruption of the market for the factor of production known as labor power. Such a market could serve its purpose only if wages fell together with prices. In human terms such a postulate implied for the worker extreme instability of earnings, utter absence of professional standards, abject readiness to be shoved and pushed about indiscriminately, complete dependence on the whims of the market. Mises justly argued that if workers "did not act as trade unionists, but reduced their demands and changed their locations and occupations according to the requirements of the labour market, they could eventually find work." This sums up the position under a system based on the postulate of the commodity character of labor. It is not for the commodity to decide where it should be offered for sale, to what purpose it should be used, at what price it should be allowed to change hands, and in what manner it should be consumed or destroyed. "It has occurred to no one," this consistent liberal wrote, "that lack of wages would be a better term than lack of employment, for what the unemployed person misses is not work but the remuneration of work." Mises was right, though he should not have claimed originality; 150 years prior to him Bishop Whately said: "When a man begs for work he asks not for work but for wages." Yet, it is true that technically speaking "unemployment in the capitalist countries is due to the fact that the policy both of the government and of the trade unions aims at maintaining a level of wages which is out of harmony with the existing productivity of labour." For how could there be unemployment, Mises asked, but for the fact that the workers are "not willing to work at the wages they could get in the labour market for the particular work they were able and willing to perform?" This makes clear what the employers' demand for mobility of labor and flexibility of wages really means: precisely that which we circumscribed above as a market in which human labor is a commodity.

The natural aim of all social protection was to destroy such an institution and make its existence impossible. Actually, the labor market was allowed to retain its main function only on condition that wages and conditions of work, standards and regulations should be such as

would safeguard the human character of the alleged commodity, labor. To argue that social legislation, factory laws, unemployment insurance, and, above all, trade unions have not interfered with the mobility of labor and the flexibility of wages, as is sometimes done, is to imply that those institutions have entirely failed in their purpose, which was exactly that of interfering with the laws of supply and demand in respect to human labor, and removing it from the orbit of the market.

Market and Nature

<What we call land is an element of nature inextricably interwoven with man's institutions. To isolate it and form a market for it was perhaps the weirdest of all the undertakings of our ancestors.

Traditionally, land and labor are not separated; labor forms part of life, land remains part of nature, life and nature form an articulate whole. Land is thus tied up with the organizations of kinship, neighborhood, craft, and creed—with tribe and temple, village, guild, and church. One Big Market, on the other hand, is an arrangement of economic life which includes markets for the factors of production. Since these factors happen to be indistinguishable from the elements of human institutions, man and nature, it can be readily seen that market economy involves a society the institutions of which are subordinated to the requirements of the market mechanism.

The proposition is as Utopian in respect to land as in respect to labor. The economic function is but one of many vital functions of land. It invests man's life with stability; it is the site of his habitation; it is a condition of his physical safety; it is the landscape and the seasons. We might as well imagine his being born without hands and feet as carrying on his life without land. And yet to separate land from man and to organize society in such a way as to satisfy the requirements of a real-estate market was a vital part of the Utopian concept of a market economy.

Again, it is in the field of modern colonization that the true significance of such a venture becomes manifest. Whether the colonist needs land as a site for the sake of the wealth buried in it, or whether he merely wishes to constrain the native to produce a surplus of food and raw materials, is often irrelevant; nor does it make much difference whether the native works under the direct supervision of the colonist

or only under some form of indirect compulsion, for in every and any case the social and cultural system of native life must be first shattered.

There is close analogy between the colonial situation today and that of Western Europe a century or two ago. But the mobilization of land which in exotic regions may be compressed into a few years or decades may have taken as many centuries in Western Europe.

The challenge came from the growth of other than purely commercial forms of capitalism. There was, starting in England with the Tudors, agricultural capitalism with its need for an individualized treatment of the land, including conversions and enclosures. There was industrial capitalism which—in France as in England—was primarily rural and needed sites for its mills and laborers' settlements, since the beginning of the eighteenth century. Most powerful of all, though affecting more the use of the land than its ownership, there was the rise of industrial towns with their need for practically unlimited food and raw material supplies in the nineteenth century.

Superficially, there was little likeness in the responses to these challenges, yet they were merely stages in the subjection of the surface of the planet to the needs of an industrial society. The first stage was the commercialization of the soil, mobilizing the feudal revenue of the land. The second was the forcing up of the production of food and organic raw materials to serve the needs of a rapidly growing industrial population on a national scale. The third was the extension of such a system of surplus production to overseas and colonial territories. With this last step land and its produce were finally fitted into the scheme of a self-regulating world market.

Commercialization of the soil was only another name for the liquidation of feudalism which started in Western urban centers as well as in England in the fourteenth century and was concluded some five hundred years later in the course of the European revolutions, when the remnants of villeinage were abolished. To detach man from the soil meant the dissolution of the body economic into its elements so that each element could fit into that part of the system where it was most useful. The new system was first established alongside the old which it tried to assimilate and absorb, by securing a grip on such soil as was still bound up in precapitalistic ties. The feudal sequestration of the land was abolished. "The aim was the elimination of all claims on the part of neighbourhood or kinship organizations, especially those of virile aristocratic stock, as well as of the church—claims, which ex-

empted land from commerce or mortgage."* Some of this was achieved by individual force and violence, some by revolution from above or below, some by war and conquest, some by legislative action, some by administrative pressure, some by spontaneous small-scale action of private persons over long stretches of time. Whether the dislocation was swiftly healed or whether it caused an open wound in the body social depended primarily on the measures taken to regulate the process. Powerful factors of change and adjustment were introduced by the governments themselves. Secularization of church lands, for instance, was one of the fundamentals of the modern state up to the time of the Italian *Risorgimento* and, incidentally, one of the chief means of the ordered transference of land into the hands of private individuals.

The biggest single steps were taken by the French Revolution and by the Benthamite reforms of the 1830s and 1840s. "The condition most favourable to the prosperity of agriculture exists," wrote Bentham, "when there are no entails, no unalienable endowments, no common lands, no right or redemptions, no tithes...." Such freedom in dealing with property, and especially property in land, formed an essential part of the Benthamite conception of individual liberty. To extend this freedom in one way or another was the aim and effect of legislation such as the Prescriptions Acts, the Inheritance Act, the Fines and Recoveries Act, the Real Property Act, the general Enclosure Act of 1801 and its successors,¹ as well as the Copyhold Acts from 1841 up to 1926. In France and parts of the Continent the *Code Napoleon* instituted middle-class forms of property, making land a commerciable good and making mortgage a private civil contract.

The second step, overlapping the first, was the subordination of land to the needs of a swiftly expanding urban population. Although the soil cannot be physically mobilized, its produce can, if transportation facilities and the law permit. "*Thus the mobility of goods to some extent compensates the lack of interregional mobility of the factors; or (what is really the same thing) trade mitigates the disadvantages of the unsuitable geographical distribution of the productive facilities.*"* Such a notion was entirely foreign to the traditional outlook. "Neither with the ancients, nor during the early Middle Ages—this should be

* Brinkmann, C, "Das soziale System des Kapitalismus," in *Grundriss der Sozialökonomik*, 1924.

¹ Dicey, A. V., *op. cit.*, p. 226.

* Ohlin, B., *Interregional and International Trade*, 1935, p. 42.

emphatically asserted—were the goods of every day life regularly bought and sold."* Surpluses of grain were supposed to provision the neighborhood, especially the local town; corn markets up to the fifteenth century had a strictly local organization. But the growth of towns induced landlords to produce primarily for sale on the market and—in England—the growth of the metropolis compelled authorities to loosen the restrictions on the corn trade and allow it to become regional, though never national.

Eventually agglomeration of the population in the industrial towns of the second half of the eighteenth century changed the situation completely—first on a national, then on a world scale.

To effect this change was the true meaning of free trade. The mobilization of the produce of the land was extended from the neighboring countryside to tropical and subtropical regions—the industrial-agricultural division of labor was applied to the planet. As a result, peoples of distant zones were drawn into the vortex of change the origins of which were obscure to them, while the European nations became dependent for their everyday activities upon a not yet ensured integration of the life of mankind. With free trade the new and tremendous hazards of planetary interdependence sprang into being.

The scope of social defense against all-round dislocation was as broad as the front of attack. Though common law and legislation speeded up change at times, at others they slowed it down. However, common law and statute law were not necessarily acting in the same direction at any given time.

In the advent of the labor market common law played mainly a positive part—the commodity theory of labor was first stated emphatically not by economists but by lawyers. On the issue of labor combinations and the law of conspiracy, too, the common law favored a free labor market, though this meant restricting the freedom of association of organized workers.

But, in respect to land, the common law shifted its role; it first encouraged, later opposed change. During the sixteenth and seventeenth centuries, more often than not common law insisted on the

* Bücher, K., *Entstehung der Volkswirtschaft*, 1904. Cf. also Penrose, E. R., *Population Theories and Their Application*, 1934; quotes Longfield, 1834, for the first mention of the idea that movements of commodities may be regarded as substitutes for movements of the factors of production.

owner's right to improve his land profitably even if this involved grave dislocation in habitations and employment. On the Continent this process of mobilization involved, as we know, the reception of Roman law, while in England common law held its own and succeeded in bridging the gap between restricted medieval property rights and modern individual property without sacrificing the principle of judge-made law vital to constitutional liberty. Since the eighteenth century, on the other hand, common law in land acted as a conservator of the past in the face of modernizing legislation. But eventually, the Benthamites had their way, and, between 1830 and 1860, freedom of contract was extended to the land. This powerful trend was reversed only in the 1870s when legislation altered its course radically. The "collectivist" period had begun.

The inertia of the common law was now deliberately enhanced by statutes expressly passed in order to protect the habitations and occupations of the rural classes against the effects of freedom of contract. A comprehensive effort was launched to ensure some degree of health and salubrity in the housing of the poor, providing them with allotments, giving them a chance to escape from the slums and to breathe the fresh air of nature, the "gentleman's park." Wretched Irish tenants and London slum-dwellers were rescued from the grip of the laws of the market by legislative acts designed to protect their habitation against the juggernaut, improvement. On the Continent it was mainly statute law and administrative action that saved the tenant, the peasant, the agricultural laborer from the most violent effects of urbanization. Prussian conservatives such as Rodbertus, whose Junker socialism influenced Marx, were blood brothers to the Tory-Democrats of England.

Presently, the problem of protection arose in regard to the agricultural populations of whole countries and continents. International free trade, if unchecked, must necessarily eliminate ever-larger compact bodies of agricultural producers.* This inevitable process of destruction was very much aggravated by the inherent discontinuity in the development of modern means of transportation, which are too expensive to be extended into new regions of the planet unless the prize to be gained is high. Once the great investments involved in the building of steamships and railroads came to fruition, whole conti-

* Borkenau, R, "Towards Collectivism," in *The Totalitarian Enemy*, 1939.

nents were opened up and an avalanche of grain descended upon unhappy Europe. This was contrary to classical prognostication. Ricardo had erected it into an axiom that the most fertile land was settled first. This was turned to scorn in a spectacular manner when the railways found more fertile land in the antipodes. Central Europe, facing utter destruction of its rural society, was forced to protect its peasantry by introducing corn laws.

But if the organized states of Europe could protect themselves against the backwash of international free trade, the politically unorganized colonial peoples could not. The revolt against imperialism was mainly an attempt on the part of the exotic peoples to achieve the political status necessary to shelter themselves from the social dislocations caused by European trade policies. The protection that the white man could easily secure for himself through the sovereign status of his communities was out of the reach of the colored man as long as he lacked the prerequisite, political government.

The trading classes sponsored the demand for mobilization of the land. Cobden set the landlords of England aghast with his discovery that farming was "business" and that those who were broke must clear out. The working classes were won over to free trade as soon as it became apparent that it made food cheaper. Trade unions became the bastion of anti-agrarianism and revolutionary socialism branded the peasantry of the world an indiscriminate mass of reactionaries. International division of labor was undoubtedly a progressive creed; and its opponents were often recruited from amongst those whose judgment was vitiated by vested interests or lack of natural intelligence. The few independent and disinterested minds who discovered the fallacies of unrestricted free trade were too few to make an impression.

And yet the consequences were no less real for not being consciously recognized. In effect, the great influence wielded by landed interests in Western Europe and the survival of feudal forms of life in Central and Eastern Europe during the nineteenth century were readily explained by the vital protective function of these forces in retarding the mobilization of the land. The question was often raised: What enabled the feudal aristocracy of the Continent to maintain their sway in the middle-class state once they had shed the military, judicial, and administrative functions to which they owed their ascendancy? The theory of "survivals" was sometimes adduced as an expla-

nation, according to which functionless institutions or traits may continue to exist by virtue of inertia. Yet it would be truer to say that no institution ever survives its function—when it seems to do so, it is because it serves in some other function, or functions, which *need not include the original one*. Thus feudalism and landed conservatism retained their strength as long as they served a purpose that happened to be that of restricting the disastrous effects of the mobilization of land. By this time it had been forgotten by free traders that land formed part of the territory of the country, and that the territorial character of sovereignty was not merely a result of sentimental associations, but of massive facts, including economic ones. "In contrast to the nomadic peoples, the cultivator commits himself to improvements *fixed in a particular place*. Without such improvements human life must remain elementary, and little removed from that of animals. And how large a role have these fixtures played in human history! It is they, the cleared and cultivated lands, the houses, and the other buildings, the means of communication, the multifarious plant necessary for production, including industry and mining, all the permanent and immovable improvements that tie a human community to the locality where it is. They cannot be improvised, but must be built up gradually by generations of patient effort, and the community cannot afford to sacrifice them and start afresh elsewhere. Hence that *territorial* character of sovereignty, which permeates our political conceptions."* For a century these obvious truths were ridiculed.

The economic argument could be easily expanded so as to include the conditions of safety and security attached to the integrity of the soil and its resources—such as the vigor and stamina of the population, the abundance of food supplies, the amount and character of defence materials, even the climate of the country which might suffer from the denudation of forests, from erosions and dust bowls, all of which, ultimately, depend upon the factor land, yet none of which respond to the supply-and-demand mechanism of the market. Given a system entirely dependent upon market functions for the safeguarding of its existential needs, confidence will naturally turn to such forces outside the market system which are capable of ensuring common interests jeopardized by that system. Such a view is in keeping with our appreciation of the true sources of class influence: instead of

* Hawtrey, R. G., *The Economic Problem*, 1933.

trying to explain developments that run counter to the general trend of the time by the (unexplained) influence of reactionary classes, we prefer to explain the influence of such classes by the fact that they, even though incidentally, stand for developments only seemingly contrary to the general interest of the community. That their own interests are often all too well served by such a policy offers only another illustration of the truth that classes manage to profit disproportionately from the services they may happen to render to the commonalty.

An instance was offered by Speenhamland. The squire who ruled the village struck upon a way of slowing down the rise in rural wages and the threatening dislocation of the traditional structure of village life. In the long run, the method chosen was bound to have the most nefarious results. Yet the squires would not have been able to maintain their practices, unless by doing so they had assisted the country as a whole to meet the landslide of the Industrial Revolution.

On the continent of Europe, again, agrarian protectionism was a necessity. But the most active intellectual forces of the age were engaged in an adventure which happened to shift their angle of vision so as to hide from them the true significance of the agrarian plight. Under the circumstances, a group able to represent the endangered rural interests could gain an influence out of proportion to their numbers. The protectionist countermovement actually succeeded in stabilizing the European countryside and in weakening that drift toward the towns which was the scourge of the time. Reaction was the beneficiary of a socially useful function which it happened to perform. The identical function which allowed reactionary classes in Europe to make play with traditional sentiments in their fight for agrarian tariffs was responsible in America about a half-century later for the success of the TVA and other progressive social techniques. The same needs of society which benefited democracy in the New World strengthened the influence of the aristocracy in the Old.

Opposition to mobilization of the land was the sociological background of that struggle between liberalism and reaction that made up the political history of Continental Europe in the nineteenth century. In this struggle the military and the higher clergy were allies of the landed classes, who had almost completely lost their more immediate functions in society. These classes were now available for any reactionary solution of the impasse to which market economy and its corollary, constitutional government, threatened to lead since they were

not bound by tradition and ideology to public liberties and parliamentary rule.

Briefly, economic liberalism was wedded to the liberal state, while landed interests were not—this was the source of their permanent political significance on the Continent, which produced the cross-currents of Prussian politics under Bismarck, fed clerical and militarist *revanche* in France, ensured court influence for the aristocracy in the Hapsburg empire, and made church and army the guardians of crumbling thrones. Since the connection outlasted the critical two generations laid down by John Maynard Keynes as the practical alternative to eternity, land and landed property were now credited with a congenital bias for reaction. Eighteenth-century England with its Tory free traders and agrarian pioneers was forgotten as were the Tudor engrossers and their revolutionary methods of making money from the land; the Physiocratic landlords of France and Germany with their enthusiasm for free trade were obliterated in the public mind by the modern prejudice of the everlasting backwardness of the rural scene. Herbert Spencer, with whom one generation sufficed as a sample of eternity, simply identified militarism with reaction. The social and technological adaptability recently shown by the Nipponese, the Russian, or the Nazi army would have been inconceivable to him.

Such thoughts were narrowly time-bound. The stupendous industrial achievements of market economy had been bought at the price of great harm to the substance of society. The feudal classes found therein an occasion of retrieving some of their lost prestige by turning advocates of the virtues of the land and its cultivators. In literary romanticism nature had made its alliance with the past; in the agrarian movement of the nineteenth-century feudalism was trying not unsuccessfully to recover its past by presenting itself as the guardian of man's natural habitat, the soil. Had the danger not been genuine, the stratagem could not have worked.

But army and church gained prestige also by being available for the "defence of law and order," which now became highly vulnerable, while the ruling middle class was not fitted to ensure this requirement of the new economy. The market system was more allergic to rioting than any other economic system we know. Tudor governments relied on riots to call attention to local complaints; a few ringleaders might be hanged, otherwise no harm was done. The rise of the financial market meant a complete break with such an attitude; after 1797 rioting

ceases to be a popular feature of London life, its place is gradually taken by meetings at which, at least in principle, the hands are counted which otherwise would be raining blows.* The Prussian king who proclaimed that to keep the peace was the subject's first and foremost duty, became famous for this paradox; yet very soon it was a commonplace. In the nineteenth century, breaches of the peace, if committed by armed crowds, were deemed an incipient rebellion and an acute danger to the state; stocks collapsed and there was no bottom in prices. A shooting affray in the streets of the metropolis might destroy a substantial part of the nominal national capital. And yet the middle classes were now unsoldierly; popular democracy prided itself on making the masses vocal; and, on the Continent, the bourgeoisie still clung to the recollections of its revolutionary youth when it had boldly faced a tyrannic aristocracy on the barricades. Eventually, the peasantry, least contaminated by the liberal virus, were reckoned the only stratum that would stand in their persons "for law and order." One of the functions of reaction was understood to be to keep the working classes in their place, so that markets should not be thrown into a panic. Though this service was only very infrequently required, the availability of the peasantry as the defenders of property rights was an asset to the agrarian camp.

The history of the 1920s would be otherwise inexplicable. When, in Central Europe, the social structure broke down under the strain of war and defeat, the working class alone was available for the task of keeping things going. Everywhere power was thrust upon the trade unions and Social Democratic parties: Austria, Hungary, even Germany, were declared republics although no active republican party had ever been known to exist in any of these countries before. But hardly had the acute danger of dissolution passed and the services of the trade unions become superfluous than the middle classes tried to exclude the working class from all influence on public life. This is known as the counterrevolutionary phase of the postwar period. Actually, there was never any serious danger of a Communist regime since the workers were organized in parties and unions actively hostile

* Trevelyan, G. M., *History of England*, 1926, p. 533. "England under Walpole was still an aristocracy, tempered by rioting." Hannah More's "repository" song, "The Riot," was written "in ninety-five, a year of scarcity and alarm"—it was the year of Speenhamland. Cf. *The Repository Tracts*, Vol. I, New York, 1835. Also *The Library*, 1940, fourth series, Vol. XX, p. 295, on "Cheap Repository Tracts (1795-98)."

to the Communists. (Hungary had a Bolshevik episode literally forced upon the country when defense against French invasion left no alternative to the nation.) The peril was not Bolshevism, but disregard of the rules of market economy on the part of trade unions and working-class parties, in an emergency. For under a market economy otherwise harmless interruptions of public order and trading habits might constitute a lethal threat* since they could cause the breakdown of the economic regime upon which society depended for its daily bread. This explained the remarkable shift in some countries from a supposedly imminent dictatorship of the industrial workers to the actual dictatorship of the peasantry. Right through the 1920s the peasantry determined economic policy in a number of states in which they normally played but a modest role. They now happened to be the only class available to maintain law and order in the modern high-strung sense of the term.

The fierce agrarianism of postwar Europe was a side light on the preferential treatment accorded to the peasant class for political reasons. From the Lappo movement in Finland to the Austrian *Heimwehr* the peasants proved the champions of market economy; this made them politically indispensable. The scarcity of food in the first postwar years to which their ascendancy was sometimes credited had little to do with this. Austria, for instance, in order to benefit the peasants financially, had to lower her food standards by maintaining duties for grain, though she was heavily dependent upon imports for her food requirements. But the peasant interest had to be safeguarded at all cost even though agrarian protectionism might mean misery to the town-dwellers and an unreasonably high cost of production to the exporting industries. The formerly uninfluential class of peasants gained in this manner an ascendancy quite disproportionate to their economic importance. Fear of Bolshevism was the force which made their political position impregnable. And yet that fear, as we saw, was not fear of a working-class dictatorship—nothing faintly similar was on the horizon—but rather the dread of a paralysis of market economy, unless all forces were eliminated from the political scene that, under duress, might set aside the rules of the market game. As long as the peasants were the only class able to eliminate these forces, their prestige stood

* Hayes, C, *A Generation of Materialism, 18/0-1890*, remarks that "most of the individual States, at least in Western and Central Europe, now possessed a seemingly superlative internal stability."

high and they could hold the urban middle class in ransom. As soon as the consolidation of the power of the state and—even before that—the forming of the urban lower middle class into storm troops by the fascists, freed the bourgeoisie from dependence upon the peasantry, the latter's prestige was quickly deflated. Once the "internal enemy" in town and factory had been neutralized or subdued, the peasantry was relegated to its former modest position in industrial society.

The big landowners' influence did not share in this eclipse. A more constant factor worked in their favor—the increasing military importance of agricultural self-sufficiency. The Great War had brought the basic strategic facts home to the public, and thoughtless reliance on the world market gave way to a panicky hoarding of food-producing capacity. The "re-agrarianization" of Central Europe started by the Bolshevik scare was completed in the sign of autarchy. Besides the argument of the "internal enemy" there was now the argument of the "external enemy." Liberal economists, as usual, saw merely a romantic aberration induced by unsound economic doctrines, where in reality towering political events were awakening even the simplest minds to the irrelevance of economic considerations in the face of the approaching dissolution of the international system. Geneva continued its futile attempts to convince the peoples that they were hoarding against imaginary perils, and that if only all acted in unison free trade could be restored and would benefit all. In the curiously credulous atmosphere of the time many took for granted that the solution of the economic problem (whatever that may mean) would not only assuage the threat of war but actually avert that threat forever. A hundred years' peace had created an insurmountable wall of illusions which hid the facts. The writers of that period excelled in lack of realism. The nation-state was deemed a parochial prejudice by A. J. Toynbee, sovereignty a ridiculous illusion by Ludwig von Mises, war a mistaken calculation in business by Norman Angell. Awareness of the essential nature of the problems of politics sank to an unprecedented low point.

Free trade which, in 1846, had been fought and won on the Corn Laws, was eighty years later fought over again and this time lost on the same issue. The problem of autarchy haunted market economy from the start. Accordingly, economic liberals exorcised the specter of war and naively based their case on the assumption of an indestructible market economy. It went unnoticed that their arguments merely showed how great was the peril of a people which relied for its safety

on an institution as frail as the self-regulating market. The autarchy movement of the 1920s was essentially prophetic: it pointed to the need for adjustment to the fact of a vanishing order. The Great War had shown up the danger and men acted accordingly; but since they acted ten years later, the connection between cause and effect was discounted as unreasonable. "Why protect oneself against passed dangers?" was the comment of many contemporaries. This faulty logic befogged not only an understanding of autarchy but, even more important, that of fascism. Actually, both were explained by the fact that, once the common mind has received the impress of an acute danger, fear remains latent, as long as its ultimate cause is not removed.

We claimed that the nations of Europe never overcame the shock of the war experience which unexpectedly confronted them with the perils of interdependence. In vain was trade resumed, in vain did swarms of international conferences display the idylls of peace, and dozens of governments declare for the principle of freedom of trade—no people could forget that unless they owned their food and raw material sources themselves or were certain of military access to them, neither sound currency nor unassailable credit would rescue them from helplessness. Nothing could be more logical than the consistency with which this fundamental consideration shaped the policy of communities. The source of the peril was not removed. Why then expect fear to subside?

A similar fallacy tricked those critics of fascism—they formed the great majority—who described fascism as a freak devoid of political *rationale*. Mussolini, it was said, claimed to have averted Bolshevism in Italy, while statistics proved that for more than a year before the March on Rome the strike wave had subsided. Armed workers, it was conceded, occupied the factories in 1921. But was that a reason for disarming them in 1923, when they had long climbed down again from the walls where they had mounted guard? Hitler claimed he had saved Germany from Bolshevism. But could it not be shown that the flood of unemployment which preceded his chancellorship had ebbed away before his rise to power? To claim that he averted that which no longer existed when he came, it was argued, was contrary to the law of cause and effect, which must also hold in politics.

Actually, in Germany as in Italy, the story of the immediate post-war period proved that Bolshevism had not the slightest chance of success. But it also showed conclusively that in an emergency the working

class, its trade unions and parties, might disregard the rules of the market which established freedom of contract and the sanctity of private property as absolutes—a possibility which must have the most deleterious effects on society, discouraging investments, preventing the accumulation of capital, keeping wages on an unremunerative level, endangering the currency, undermining foreign credit, weakening confidence and paralyzing enterprise. Not the illusionary danger of a communist revolution, but the undeniable fact that the working classes were in the position to force possibly ruinous interventions, was the source of the latent fear which, at a crucial juncture, burst forth in the fascist panic.

The dangers to man and nature cannot be neatly separated. The reactions of the working class and the peasantry to market economy both led to protectionism, the former mainly in the form of social legislation and factory laws, the latter in agrarian tariffs and land laws. Yet there was this important difference: in an emergency, the farmers and peasants of Europe defended the market system, which working-class policies endangered. While the crisis of the inherently unstable system was brought on by both wings of the protectionist movement, the social strata connected with the land were inclined to compromise with the market system, while the broad class of labor did not shrink from breaking its rules and challenging it outright.