

## II. SELF-PROTECTION OF SOCIETY

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### *MAN, NATURE, AND PRODUCTIVE ORGANIZATION*

FOR A CENTURY the dynamics of modern society was governed by a double movement: the market expanded continuously but this movement was met by a counter-movement checking the expansion in definite directions. Vital though such a counter-movement 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 counter-movement 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 leveling 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—in so far 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 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—

constituting 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, bank notes, 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 being available 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 was 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 when 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 func-

tions 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, do 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 a deep-seated institutional strain ; the other by the conflict of classes which, interacting with the first, turned the crisis into a catastrophe.