

THE ECONOMY AS INSTITUTED PROCESS

(Based on chart by A. Rotstein)

NATURE

goods
"process"

"locational" movements

^{namely} "giving" appropriational movements *

some "economizing"

"ECONOMIC INSTITUTIONS"

symmetry

centricity

marketing

"Economic" situation **

reciprocity

redistribution

exchange

activity: 1) "labour"; 2) "giving" appropriational movements
~~"economic duties"~~

PERSONS:

"receiving" appropriational movements

("economic rights")

prevailing concepts of social justice

reciprocity

redistribution

exchange

* Appropriational movements rest on prevailing (and institutionally supported) concepts of social justice (rights and duties).

** The "economic situation" determines ^{interdependent} simultaneously both rights and duties, and hence both "giving" appropriational movements and "receiving" appropriational movements

*** These "supporting patterns" represent the social aspect of a larger situation that links rights and duties. They are, in this way, a mechanism, that creates (fluctuating) channels for guiding the appropriational aspect of the "process".

P. Medow June 1960

P. I. Medow

FRANK, Simon Ludvigovich (1877-1950). Prominent emigre philosopher.

F. developed an intuitivist theory of knowledge similar to that of W. O. Ross, in which he attributed to possibility of intuition to the existential unity of man with the totality of the universe. In addition, he also developed a dualistic view of society that emphasizes the partial independence of institutions from moral principles by distinguishing a sphere of "external sociability" or "mechanical unity" conforming to social norms from a sphere of "organic unity" within which personal ethics and solidarity relationships can prevail.

F. was born in Moscow and studied first at Moscow University and later at the University of Berlin and of Heidelberg, where he studied sociology as well as philosophy. He taught at the University of Saratov and then of Moscow. In 1922, he was exiled by the Soviet government. After living in Germany and in France, he finally settled in London.

F.'s principal works include (in Russian) The Object and Its Cognition (1915, also in French); The Human Soul (1917); The Methodology of the Social Sciences (1922); The Spiritual Foundations of Society (1930); On the Inconceivable (1939); Light in the Darkness (1939); and God With Us (1946).

(200 words)

P. I. Medow

LOSSKI, Nikolai Gennadievich (1870-) Prominent emigre philosopher. According to L.'s intuitivist theory of knowledge all abstract and logical cognition rests on prior intuitive knowledge. The latter is made possible by the transtemporal and transpatial presence of all objects of cognition within the person even before the act of cognition occurs.

L. was born in Kreslavka in the province of Vitebsk, and studied at the University of St. Petersburg, where he subsequently taught philosophy. After being exiled by the Soviet government, he lived in Prague until 1942, and then in Bratislava, in Slovakia. In 1946, he came to the United States. Until 1950, he taught at the Orthodox Theological Seminary in New York.

L.'s major works include: The Fundamental Principles of Psychology From the Point of View of Voluntarism (1903 - in Russian and German); The Intuitive Basis of Knowledge (1906, in Russian, German and English); The World as an Organic Whole (1918, in Russian and English); Freedom of Will (1927, in Russian and English), Value and Existence (1931, in Russian and English) Intuition (1938 in Russian, German, and English), The Conditions of Absolute Morality (1949, in Russian), Dostoevski's Christian Philosophy (1953, in Russian), and A History of Russian Philosophy from its Origins to 1950 (1954, in Russian, French and English).

(210 words)

P. I. Medov

MULGAKOV, Sergei Nikolaevich, Father (1871-1944). Prominent emigre theologian and philosopher. B. adhered to the doctrines of ideal-realism and emphasized the need for providing philosophical interpretations of experiences of a higher order. He viewed the historical process in terms of a continuous struggle between ideal aspirations, and the requirements of life on earth.

B. was born in Livny, in the province of Orel, in the family of a priest. He studied law and political economy at Moscow University and subsequently taught at the University of Kiev and at Moscow University (1906-1911). In 1905, together with N. Berdiaev he founded the journal Novyi Put (New Path), and later, the journal Voprosy Zhizni (Problems of Life). In 1918, B. was ordained a priest. In 1922, he was exiled by the Soviet government, together with over 100 other prominent intellectuals. He settled at first in Prague and then in Paris, where he taught a course on theological dogmas at the Orthodox Theological Institute.

His principal works include (in Russian) From Marxism to Idealism (1904), Two Cities (1911), The Light that Never Wanes (1917), The Tragedy of Philosophy (1927, in German), and The Philosophy of Language (1953, in French).

(190 words)

P. I. Medow

SHENSTOV, Lev Isakovich (SCHWARTZMAN) (1866-1936). Prominent emigre religious philosopher. S. adhered to an irrationalist position. He opposed the secularization of religious thought and sought to assert the primacy of faith over reason. The latter, in his view, merely leads the person into the sphere of necessity and hence of subordination to necessity, while faith, which he regards as a special dimension of thought, leads to the realm of life and freedom.

S. was born in Kiev and studied law at the University of Moscow. After the coming to power of the Soviet government, he settled in Paris.

S.' principal works include: (in Russian) Dostoevski and Nietzsche (1903), The Idea of the Good in Tolstoi and Nietzsche (1907), The Power of the Keys (1923) The Night of Gethsemani (1925), and Athens and Jerusalem (1938 in German).

(130 words)

P. I. Medow

B. P. VISHESLAVTSEV (1877-1954). A leading emigré philosopher and critic of technologically-oriented societies. V's philosophy center on a normative interpretation of the concept of dialectical change. It is not merely the existence of conflicts, in his view, but their proper harmonizing in accordance with the Aristotelian hierarchy of processes that brings about the progressive development of societies. The prevalence of technologically-determined norms in both capitalist and communist societies, on the other hand, results in a regressive change that affects adversely the development of the person.

Born in Moscow in the family of a lawyer, V. studied law at Moscow University under P. I. Novgorodtsev. Following the publication of his first major work, The Ethics of Fichte (1914), he was appointed to the faculty. In 1922 he left for Western Europe together with a number of other leading intellectuals whose orientation in philosophy was incompatible with official marxist views. He settled in Paris, and later in Geneva. In Paris he taught modern philosophy at the Orthodox Theological Institute and served as editor of the Russian language publications of the YMCA press.

While continuing to adhere to the Russian tradition in philosophy V. kept abreast of modern developments in Western European philosophy, science, and psychoanalysis. A predominant concern with problems of ethics, psychoanalysis, and religion is reflected in those of his works that were published before the Second World War. They include (in Russian) The Ethics of Transformed Eros (1929), The Heart in Christian and in Hindu Mysticism (1931), God and Man, and (in German) Two Paths to Salvation (1937). A concern with moral and other problems that are specific to modern industrial societies followed a psycho-analytic study of regressive forms of mass psychology undertaken at the request of C. G. Jung. ("The Psychology of Masses" (in French) in Action et

Pensee, No. 16-19, 1940-43, Geneva). In The Philosophical Poverty of Marxism (1952) (in Russian) V. presented his norm-centered interpretation of the dialectical process as well as a condemnation of technologically-oriented societies in the form of a criticism of materialistic dialectics. Subsequently, in The Crisis of Industrial Culture (1953) he related the leading problems of industrial societies to the appearance of socially uncontrolled managerial bureaucracies, and urged that decision-making with regard to the accumulation of capital and resource-utilization generally be submitted to democratic processes embodying non-technological norms. In his last work, The Eternal in Russian Philosophy (1955) V. developed further his earlier views concerning the relationship of spiritual freedom to necessity and examined the philosophical meaning of the religious concepts of immortality, transfiguration, and resurrection.

V. died in Geneva in 1954.

Prof. Polanyi

Thoughts for your consideration

Three types of "national state"

22 V 58

[Paul
meadow]

I have been reading Hecksher's chapter on the fundamental convictions of the mercantilist statesmen that caused them to adopt specific policies with regard to trade and especially foreign trade, and subsequently an earlier vision concerning the uniqueness of the Western rational state noted by Weber became very much clearer in my mind. As a result I find that it is possible to ~~xx~~ classify national states in three ways, and to solve ~~as a result~~, the problem of the origin of the modern nation state in Japan as well as in Russia and China as well.

You may know that ~~xxxxxxx~~ historians of China emphasize that there had been a "national state" in China for a very long time, and that the feudal order, there, in this way has disappeared ~~thxxxxxxxxxxxxxxxxxxxx~~ a very long time ago. What they have in mind, of course, is that a decentralized feudal order in which redistributive relations centered on the nobility was abolished a very long time ago, and ^{was} replaced by a system in which ~~xxxxx~~ ^{ed} redistributive relations centering on the Emperor and his civil servants, and ^{was} sanctioned by Confucian ~~xxxxx~~ concepts of ethics. Since ethics and an ethical tradition continued to be the ideological basis for ^{"external"} redistribution on the basis of status, ^{however,} this is still a "feudal" order as I understand the real meaning of that term, the real essence behind the relations to which this term refers, ^{accordingly} and it is simply necessary to say that China has had a centralized feudal order for a long time, rather than a decentralized one.

x(In Russia, for example, the feudal order was centralized most

of the times, probably because the concept of status was so foreign to ~~xxxxxx~~ the thinking of Russian peasants, who accepted it readily for the Czar, but not for anyone not connected with the Czar in a functional way. In medieval Europe, on the other hand, the Church introduced the concept of status ("one's station in life") to the population, while in addition to this, the concept of status was well developed, too, among the warrior tribes ~~xxx~~ before their conversion to Christianity. The stability of the decentralized feudal order ~~xxxxxx~~ that prevailed for so long in the Holy Roman Empire is therefore much more understandable for these reasons)

Yet, it is also true that China has had a "national" state ever since ~~xxxx~~ the feudal order became centralized in this way. And in a similar way, Russia has had a "national" state since ~~xxx~~ the defeat of the Tartars, if not earlier, in the Kiev period, and Japan has had a "national" state a number of times in her history, on the basis of a number of different redistributive arrangements.

What is, then, the difference, between that kind of national state, the kind of state ~~xxx~~ to which Weber refers and which Hecksher discusses, ^(the national state) and the modern nation-state (The term is that of Carlton Hayes, I think. It is a good one, since it emphasizes the unity of the nation and the state)

There is a general recognition that the nation-state in particular, which is the central ~~xxxx~~ ^{institutional concept} corresponding to modern nationalism, is something very new. Stalin, for example, ~~xxxxxx~~ felt that it was created by the existence of a market economy which unified the different ~~xxx~~ regions inhabited by a national group ~~xxxxxxxxxxxx~~ at the level of economic relations. To him, therefore, industrialization was an important way of unifying emotionally the different ~~xxxx~~ regions of a country.

We may take as a point of departure, I think, Hecksher's observation that under ~~xxxxxxxxxx~~ what Weber has ~~xxx~~ called the rational state, and Hayes the national state (because it does correspond to major nationality groups), it is felt that the amount of wealth in a country is fixed, and that wealth, therefore, may be increased only ~~xxx~~ from external sources, by looting, as it were, the other countries.

This illustrates very well that to these statesmen, ~~xxxxxx~~ the country which they are ruling is something quite static. It is a system functioning on the basis of the decentralized feudal order ~~that~~ they inherited from the Holy Roman Empire, and in which they have no real place: the system of redistribution continues to be a decentralized one until the nationalist revolutions, and the monarchs find that they must rely on all kinds of marginal ways of raising revenue. Public finance, accordingly, became a science as well as an art. ("The art of plucking a goose").

Of course the economy was ~~xxxxxxxxxx~~ in fact quite static. ~~xxxx~~ It was still a tradition-directed economy, in which concepts of ethics were the ~~xxxxxxxxxxxx~~ static decision-makers in the ~~xxxxxxxxxx~~

~~the static decision-makers~~ in the ~~xxxxxx~~ sphere of economic relations. At the same time the state is dynamic, as well as ~~isxxxxxxx~~ isolated from its population~~x~~, which it ~~xxxxxx~~ views ~~in~~ through Machiavellian categories. ("Public welfare may require the encouragement of private vices"). It is dynamic not only because of its needs for revenue, but also because ~~the~~ as Fromm has shown, a striving for power ~~xxx~~ might and prestige naturally appears among individuals ~~xxxx~~ suddenly freed from the frame of orientation provided by the reciprocal patterns of obligations existing in a tradition-directed order. I would also add that the medieval Catholic ~~tradition~~ tradition, in which ~~the~~ the feudal order was made to rest on the concept of service, rather ^{than} that of reciprocity, which is a social relationship, also explains the complete isolation of the statesmen of Europe from their population. The various classes of the feudal order were isolated from each other in the first place, and felt no social responsibility, and this attitude naturally continued to prevail under the monarchies. In this way there was no ethical principle to restrain the ~~the~~ secular elite once it attained a position in which its power was unlimited.

A dynamic state and a static society, then, characterized the rational state and led to mercantilism~~x~~ and to all that followed.

But the earlier "national" states were static states related through principles of reciprocity to the ~~xxxxxxx~~ static social order within which the population lived. ~~xxxxxxx~~ A tradition-directed state is concerned with maintaining the ~~xxxx~~ functioning of the fundamental institutions that are needed by the population. Its interests are not separate, on the whole, from those of the population. In China irrigation and storage of reserves was an important function of the ~~static~~ static state. In all countries, the defense of native arrangements ~~from~~ from foreign invaders and also merchants is another function of the static state.

It may be noted that when static states turn into Empire making states for whatever reason this may be, ~~xxxx~~ an oligarchy of military leaders ^{and concerned with external relations} no longer concerned with the maintenance of native institutions/tends to come to power, and this leads to the disintegration of the native order and often to the disappearance of the national identity of the original population.

The static ~~xxx~~ state, then, has as its aim the maintenance of the existing tradition-directed order. There are no ~~xxxxx~~ expansionist forces within it, except where population pressure leads to migrations. ethically

The national state is a dynamic state ~~xxxxxxx~~ divorced from its static population and not concerned with the ethical basis of the static social order: it willingly violated the ethical restrictions. It is in this way that the nation state appears.

(appears)

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historical and / is present
In a nation state the concept of a dynamic nation as well as of a state responsible for its continuous movement towards its inevitable glorious destiny. The social order has become dynamic, and so has the character development of individuals; at the same time the state, which is dynamic too, is related to this new non tradition-directed social order. It is responsible to it, as the static state was responsible for maintaining the tradition.

It may be seen that a market economy, by secularizing social ethics and social relations, and by destroying the element of tradition direction both in the minds of the population and as an element in their decision making in the sphere of economic relations may play an important role in the creation of a nation, that is of national consciousness on a mass scale. The state, however, is needed to guide this new dynamic force - and much more needed than a state was needed by tradition directed orders.

But it is not only an institutional arrangement performing certain functions. It is also a symbol of the movement of the nation towards its concept of its final destiny. This certainly tends to make the modern state an idol, and modern nationalism a religion as well as a new form of awareness.

Historically the concept of the privacy of economic interests stemming from the Protestant doctrines and the concept of the natural rights of man have been the two most important concepts that have led to a nation, to a dynamic order separate in its interests from those of either a static state or a dynamic rational state. These developments, of course, resulted from specific institutional developments: the encouragement of competition by the mercantilist statesmen, but also the alterations in the patterns of redistribution that occurred after the national (rational) states came into existence. Nevertheless the institutional developments were essentially permissive rather than causal in the appearance of new doctrines: egotism, just as the striving for individual freedom and consciousness of one's nationality are propensities that are inherent in all individuals and ready to manifest themselves in the absence of repressive mental mechanisms.

In the non-European nations, however, modern national consciousness has a different origin, in which the existence of a lag behind Western countries and the dissemination of Western secularism among a small elite plays an important role, together with the Western concept of a nation-state, with which the notion of individual freedom and democracy is associated.

The existence of a nation state however poses for the first time the most important problems associated with the concept of democracy. The concept of democracy now accepted in the liberalist states of the West is derived, like so many other Western concepts, from the notion that the pursuit of private vices serves the public good. This is a very unstable basis for a political system, nor is it a democratic one.

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The question that one should ask, then, about such non-economic communities, is this: what would their

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functions then be, and what would determine the conditions of entry and also the rights and commitments- whether explicit or implicit of members. Should there actually be some formal unit that might be called a community, or should there merely be a series of functional organizations, such as schools, sports clubs, theatrical groups, etc.. Or can we expect for a community in the significant sense of that term to exist even in the absence of any formal institution of ~~community~~ community center or organ, if the same people participate together over a prolonged period of time into the significant activities of life - with the understanding, of course, that it is activities that are shared, not, for instance, the mere observation of a game. In such a case the real problem is that of checking mobility, but who will do this, and to what extent is it at all desirable to do this. What will be the treatment accorded to strangers in a community, and what will be the conditions of entry - with formal or actual.

It is because I have had the feeling that it is not possible to solve all these issues ex ante (but I am not really sure of that), ~~without~~ without the possibility of committing some very serious mistake that might turn a utopia into a 1984, and also because immediate measures are needed - there is not much time for planning any more - that I have tended to rely on another principle in the solution of this problem. First you release ~~xxxxxx~~ individuals in part from their contractual commitments to external sources (this would apply to military service just as much ~~xx~~ as to market-directed commitments) by indicating those "internal" and "~~xx~~ self-centered" commitments that would receive priority over contractual ones in the eyes of the courts, if necessary - but most probably of special courts, if courts are needed at all. The notion that a man must be in his office or at his lathe at nine o'clock at all costs - or rather that this is a moral issue in any sense must be rejected, ~~xxxx~~ dethroned. This will remove the greatest source of confusion concerning morality that exists at the present time. Then, a kind of bill of rights ~~xxxxxxxxxxxx~~ providing immunity to the individuals pursuing their internal or self-centered commitments, or at least providing for his right to accord priority to these commitments in most cases, as a general principle, should be enforceable in courts. At the same time, if these basic commitments require material resources for their implementation - as the commitment to give one's self an education does, for example, then these resources should be made available to the individual by the state (not the community: that would give the community ~~xxxxxxxxxx~~ potentially at least, the right to withhold these resources in individual cases, and that right might be used as an economic sanction by unscrupulous groups). This is very much like the GI Bill of Rights in the US, and it might be administered by trustees in some cases, but the fundamental right to the needed material resources would be there. In fact I favor at the moment the idea of endowing each newly born child in a country with a check-book containing specific purpose checks, as well as perhaps some multi-purpose checks. There would be one for education, one for medical care, one ~~xx~~ for a trip abroad following the completion of education, one for buying a new house upon marrying etc.. These checks might have to ^{be} countersigned by some authorities, or they might not. But the principle that the minimum resources needed for a human life (which I have

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defined so far only in terms of being able to fulfill ~~link~~ still undefined "internal" and "self-centered" commitments) would be there in any case.

These two measures, however, would not yet ~~suffice~~ ~~suffice~~ lead to ~~for~~ the creation of communities. But they would make it possible for individuals to be free to create communities, and also to reject membership in any community they would not like, since there would not be any basic economic pressure present that would cause them to belong: neither the need to fulfill certain functional "external" commitments, nor the equally important need to have the resources necessary to meet ~~link~~ certain "internal" and "self-centered" commitments, could be used by ~~authorities~~ ^{the individual} to bind ~~link~~ existing institutions in any significant way. What might, then, lead to the creation of "free" communities?

I have thought, so far, of only one device that would help the individuals concerned to create ~~in~~ such communities themselves, on a basis that they find attractive. I am afraid, however, that this still does not say that this basis will be a meaningful one in all cases, although since I am utterly convinced of the ^{reality of a} propensity of all individuals to search for a significant way of life, if only they are given half a chance, I expect that in the course of time such communities will finally adopt a ~~meaningful~~ basis that is a meaningful one in human terms. For this purpose it is quite important that arrangements that might be established initially not be institutionalized in any strong way, that possibilities for altering institutional arrangements on a new basis be always open, and as I think of this now, this very element might need institutionalizing: Robert's rules of order in parliamentary practice might have to become a formal element in such communities, for example.

But this is the device that I have in mind: it is the concept of the calendar in the sense in which it is understood in many tradition directed countries; there, ~~link~~ certain tasks are set aside for certain days of the week, others for certain days or weeks of the year, and superimposed on this are tasks ^{or occasions} that follow important developments in one's individual life: birthdays, weddings, anniversaries, funerals, and also others that mark events in the history of one's nation. The principle of the calendar, in this way is that of setting aside ex ante ~~link~~ a certain period of time for a certain meaningful activity. For community activities it is important that all participants set this time aside for the given occasion, and be free then of other commitments. It might also be represented today as an appointment book in which there are many days on which no appointments may be made except for a theater performance, of sports activities, or a ~~trip~~ community pleasure trip. At the same time, such "instituted" appointments need not be kept, and there might also be an important measure of variability concerning the specific character of the "appointment". In this way it ~~is~~ will be those ~~link~~ activities for which the "appointments" are kept and best attended, that will form in fact the actual basis for community life that will ~~be~~ subsequently develop. ~~link~~

Ultimately, it seems to me, the basis of any real community is the awareness of a common fate. That is, for example, what binds

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soldiers together so strongly in the face of death. But this is also true of other groups whose mode of life or character structure has determined a specific fate for them, of which they are conscious. ~~For~~ Criminals, monarchists in revolutionary times, chronic businessmen, all tend to band together and to institutionalize, so to speak, their activities ~~around~~ around their own fate, which they will tend to assume, is a universal one. ("That's human nature". "If there's anything you don't like about capitalism, blame it on human nature"). The missing element in the communities that might be formed under the initial guidance of a tentative "calendar" ~~xxxxxx~~ that I have described, is an optimistic and progressing concept of human fate. At this point, I suppose, one can't avoid introducing religious institutions in some form - and this poses immediately the problem concerning which is the right religion ~~xxxxxx~~, or at least, what is the right attitude towards religion. But I would also emphasize another element very much, in which I sometimes think I have more faith than in religious institutions: that is occasions on which individuals experience, even if only for a moment, the character of meaningfulness in life. This might very well be a play or a concert, but it might also be sport activities in which the element of sociability, rather than of rivalry, is emphasized, or it might be an excursion into the forest. Also the due observation of the tragic events in life: a funeral should not be a formal matter, for instance, in which professional people are hired to do all the unpleasant things most quickly. Pausing for the important events in life, in short, is a most promising way of helping individuals avoid the meaningless pursuits. In any case it is clear to me that the problem concerning what kind of "common fate" will be chosen by individuals as a basis for community spirit will remain the critical one for a very long time, and also that it is this that will pose the greatest initial threat to the communities when they will first be created: their might be strong tendencies to create immediately communities based on ~~xxxxxx~~ prevailing cynical or externally exploitative attitudes.

This suggests, as I think of it, that there should be gradations of communities - from penal communities to the purgatory and beyond, step by step. Yet what new problems this poses! I am not in the least disposed to think of them today, at any rate.

The issue that I discussed at first, however, ~~is~~ merely concerns the possibility and desirability of detaching economic functions from the new communities, and relegating them to the market economy and state redistribution, on the side of production, and to the family, on the side of consumption. Are there important arguments that suggest that this should not be done, that a part of production and redistribution, at least, and a part of consumption, should be associated with the community? Or should the pure community of fate be regarded as the real community, and one that would exist, then, on a different plane? Should the economy, in short, remain disembedded from the community, if not from the state?

Thoughts

[Paul Meadow]

I learned that Fromm is editing for publication three of the reports on the relation of Zen Buddhism to psychoanalysis that were given in the course of the seminar devoted to this issue

* The state of complete enlightenment, or complete birth on which the teachings of the Buddhist tradition center.

in Mexico city last summer. These are the report that he himself made, that of Dr Suzuki, and that of De Martino. De Martino told me in connection with this, that in a long discussion that he had with Fromm one night, he had insisted that Fromm's ~~xxx~~ "sane society" would ~~be a society that would~~ discourage its members from proceeding to satori, by making them content with earthly pleasures, and by removing/^{or rather suppressing} the terrible pressure of existential solitude - the "basic anxiety" of which Horney had spoken, as a stimulus for satori. Fromm appeared to be quite concerned with this possibility, and said at one point that there is no need for all to ~~have~~ experience satori in his sane society. De Martino was not sure, however, yesterday, whether in Fromm's mind the "sane society" is merely a transitional order, in which the present ^{tendencies leading towards} ~~xxxxxx~~ for mass insanity ~~xxxxxxxx~~ are stemmed, ^{but within which social neuroses remain} ~~xxxxxxxx~~ as I suggested, or whether it is the basically sane society, corresponding perhaps to messianic times. He seemed to think it was the latter, and he noted that one of the issues that he had discussed with Fromm ~~was~~ ~~the~~ concerned the ~~meaning of~~ possible significance of the Biblical words "and the lion shall lie down with the lamb". (Fromm's immediate reply was that this was merely poetry; presumably De Martino felt it expressed ~~x~~ in symbolic terms the reality of a satori experience). On the whole, Fromm appeared to be far more optimistic than De Martino, but concerned with the possibility that there ^{might be} ~~was~~ no real basis for his optimism, and anxious to have a serious discussion of this problem.

De Martino also mentioned that Fromm is now interested in the philosophical origins of early Marx. He has found, in one of Marx's early publications, which apparently has come to light only recently, basic ~~xxx~~ views that make Marx, Fromm believes, a more radical existentialist than ^{even} Heidegger. Fromm is planning to write a book (my impression yesterday was that it seemed to be very close ~~to~~ in its basic aim ~~to~~ and contents to what Rotstein has told me concerning "Freedom in a Technological Society") in which not only this new aspect of early Marx but the views of other western writers ~~was~~ on the problem of a human

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freedom in an existentialist sense ~~and~~ in its social and organizational aspects ~~is~~^{are} considered.

I was very interested in a few remarks that De Martino made concerning his impressions of Fromm's "style" in thinking and in writing a book. De Martino found that Fromm has great faith in his own intuitions, and is impatient with ~~such~~ people who do not agree with him immediately, but point instead to the need for further verification. More generally, he felt, Fromm was not a scholar, and had in fact only a ~~superficial~~ superficial knowledge of certain fields in which he is nevertheless ready to make sweeping generalizations. (I recall that Fromm himself did state, to an audience, that he was in no sense a scholar, like Dr Suzuki was). Concerning his "style" of work in writing books, De Martino noted that the manuscript that Fromm gave him last week of the seminar report was far from indicating methodical and careful work. ~~There were~~ It was an assortment of ~~small~~ loose passages on all kinds of paper, ~~pieces~~, partly in longhand and partly in typing with some pasted on top of others and with many corrections and deletions. De Martino also mentioned to me that Fromm wrote "The Sane Society" (I had observed that unlike in his earlier works, Fromm's style in this book was ponderous, and left me with the impression ~~that~~ that it had not been edited) on the veranda of the apartment he ~~then~~ occupied ~~at that time~~ in Mexico City two years ago.

I am now more certain than ever, that Fromm as well as Tillich, Niebuhr, etc. are on the wrong track in terms of solving the immediate problems of an industrial order and of life in the present international setting. It is the reality of institutions, I think, that escapes them most, and the limitations on their tractability. The fact, for example, that diplomats, ^{even} if they are to perform the most laudable functions in the present setting may have to resort to means and types of social relations that can never be "Christian" ^{for example} in any sense, presents an issue, it seems to me, that none of these people could discuss seriously. This is seen best, I think, in the

conviction that De Martino has heard Buber express recently - that because the ways of God are infinite, Buber ~~must~~ fully believes that the present/^{state of} chaos throughout the world may end overnight and be replaced by a most wonderful world. He is, in fact waiting for just such a development, and expects that it may happen to-morrow morning at nine-o'clock. From another source I have heard that Tillich, in a slightly similar way, believes that ~~there~~ is no fundamental problem in ~~making~~^{moulding} an industrial economy to suit the needs of social justice or more probably, of the existentialist needs of man, if only the State adopts ~~such a~~^{the right} policy. But De Martino, I must add, who feels that he is closest to Tillich on philosophical matters, finds it difficult to believe that Tillich could have said such a thing, partly because Tillich ~~ix~~ has had many conversations with Eduard Heimann, who is presumably a competent economist. (He also indicated that all these persons derive their economic knowledge from Marx).

The reality of social institutions and the impossibility of avoiding utilitarian, strictly functional, business-like relations, rather than exalted~~x~~ ones, or/^{even} humanly significant ones is the subject that would ~~make~~ cause, I think, all these persons to pause before proceeding to closer studies of satori. (Suzuki is leaving for Japan, De Martino is going with him, and Fromm plans to visit ~~Japan~~^{Japan} next spring). Not until the individual is liberated from~~x~~ the compulsion (external or internal; market-induced, state-induced, or induced by some other ~~unlimited~~ institution with "unlimited" functional objectives) to conform to functional requirements presented to him in the form ~~amaz~~ of a pattern of utilitarian relations, is there any possibility at all that he will even ~~ix~~ pause to consider the character of his own existential requirements. This requires institutional engineering, so to speak, above all in the economic sphere. But something more is needed, as a positive inducement to be himself and allow the natural powers within him to express themselves. Concerning this, something may be said in terms of institutional engineering too, at least with ~~regard~~^{regard} to some of the most basic institutions. ~~the~~XXXXXXXXXXXXXXXXXXXX

But still not very much, I believe, ex-ante. This is a sphere within which institutional arrangements must be allowed to develop freely ~~in~~ in accordance with human needs, as they are ~~expressed~~ spontaneously expressed. It is ~~not~~ dangerous, I believe, to go ~~beyond~~ much beyond the concept of a calendar, in which the ^{most basic} rights of individuals (including rights to material resources and services) corresponding to the major stages and events in his life (education, wedding, funerals; tourism, theater attendance) are legally guaranteed to each person at birth. The rest should be a matter of free association.

I am not suggesting, however, that there should not be a "religious" principle to which these spontaneous institutions would tend to conform. Only it cannot possibly be, it seems to me, such a fully individual thing as satori. Satori might create a strong individual with faith in himself and with a ~~desire~~ concern ~~for~~ for the human ~~and~~ fate of others - and probably with the inhuman fate of animals, too. ~~But~~ But even individuals that have not experienced satori can draw life and dignity from a ^{certain} social religious institution, of whose importance I have been reminded ~~by~~ a few days ago by a friend who is now living in a Russian monastery in Jordanville, New York. This friend, who has decided not to become a monk, but who continues to live at the monastery and to participate in all of its activities, has said that each week he lives for the moment when, after a religious service, each member of the community comes to each of the others, personally, and asks to be forgiven for any personal injury or wrongdoing he may have committed in the course of the week; and ~~he~~ he then waits for the expression of a genuine forgiving, which liberates ~~both~~ in an internal sense, both parties concerned, since the nursing of grievances against others also imprisons the spirit of man. At this moment, my friend, said, life to him is pure, beautiful, and significant, and he feels love for others and for the world generally.

I found yesterday that Tolstoi has ~~written~~ made ~~this~~ this kind of "liberation", following a sincere ritual (or rather the ritual, which in the Russian Church has institutionalized

in a number of ways and has thus introduced an element of compulsion into the act, ~~which serves to~~ ^{merely leads} the horse to water, so to ~~express~~ speak the main theme in a short story called "God knows all but waits". And of course ~~this~~ ^{it} is the central one in the writings of ~~the~~ Dostoevski, as well as of many other Russian writers, while the ritual itself is practiced by religious Russians after the Easter service, and by both religious and non-religious Russians in family relations and in relations to close friends. It has just occurred to me, for instance, that in my own family this mutual forgiving or readiness to mutually forgive is precisely what has delimited the boundaries of "internal" from "external" relations. For those who are not members of the "internal" group relations are kept formal, and it is taken that it is the responsibility of others, who are members of their "internal" group, to have truly meaningful and permanent relations of this kind. The tragedy, of course, today, is that such groups dissolve under the pressure of the market.

In short I have the feeling now that if this is the Russian understanding of Christianity, as so many Russians have written in the nineteenth century, and if it really is this idea that fired the ~~populist~~ populists in Russia in their search for a community, then it may be true after all that it is the Russian religious tradition, its understanding of Christianity, in which universalist religious principles are expressed in social relations of a permanent, institutionalized character, rather than merely in solitude or else in a concept of functional service (the Catholic ethic) that will lead the West away from its present chaos. Much of the present existentialist movement in France has been created by the influence of Russian writers. But it is to institutional engineering that their ~~existential~~ ideas must be applied above all. I have a strong feeling that if Fromm, Illich, etc. knew ~~knew~~ something about this ^{aspect of the} populist idea, they might be extremely interested in its implications for the problems that concern them, and now I think that I should make it a point to mention it in the short book on socialism that I plan to write.

thought.

Бухгалтерский баланс и отчет о финансовом положении за 1991 год
 ООО "Росгиз" по состоянию на 31 декабря 1991 года
 1992

November 1962

A Note on the Distinction between Welfare
Economics and Socialist Price Theory

by P. I. Medow

Both Welfare Economics, a discipline of British ancestry, and the Pure Theory of Prices, which was formulated by Karl Menger, the founder of the Austrian school, are concerned in the first place with the determination of those prices that bring about the best use of resources, given the structure of existing wants. In terms of conclusions, however, the welfare formulation of the answer seeks to suggest that this also leads to the best way of life, and centers on the adjustment by the individual of various subjectively determined utilities and disutilities, - the latter referring to his sale of labor on the labor market. The Socialist formulation of the pure theory of price as presented by Wieser or Schumpeter, emphasized instead that the principle of consumer sovereignty, and more generally, the analysis of the substitutability of the demand structure of final goods is not relevant to the central problem with which price theory is concerned, which is the phenomenon of imputation - the transmission of final valuations, whatever their origin, to the resources needed for producing them, and hence substitutability in the sphere of producers goods and labor.

The position of the welfare economists is not sympathetic to this view, which does not presume, it should be noted, that scarcity exists in the want for goods of individuals. Their hostility to it derives not only in part from the central position of the concept of economic man in the British tradition of economic analysis. It derives even more from the market view of the general problem of allocating labor resources, in an industrial economy. Since such a problem does exist, even under socialism, and because it seems natural that the mechanism for achieving this should be the increasing

of monetary income for labor in those lines in which they are most needed, it must then be presumed that labor is responsive to material incentives and that it must always, in fact, continue to be responsive to such incentives. Beyond that it must be sufficiently responsive to price fluctuations in the market for labor. The possibility that men should become satisfied, at a certain point, with the things that they have and will not seek to continually pass from one employment or position to the higher paying one appears as a threat that would destroy the very possibility of efficient resource allocation in the economy, whether socialist or market regulated.

In this connection two concepts that have been discussed in recent economic literature appear relevant. One is the concept of the socially embedded economy, discussed by Professor Karl Polanyi, in which he notes the traditional practice, in non-market economies, of using non-contractual types of social obligations for inducing labor activity. The other, which is an instance of this, is the discussion in K. Galbraith's The Affluent Society of the emphasis on professional status rather than on monetary income in modern industrial societies.

A functional reformulation of the Marxian model of growth through expanded reproduction. (A Schumpeterian view)

P. I. Medow

1. The Marxian model of growth through expanded reproduction centers its attention on the flow of material goods and on sources of the increase in their value or workⁱⁿ. This source is considered to be the value creating power of labour.

The focus on material flows ("services" are excluded) presents very important advantages. On the one hand putting aside the nature of the specific economic institutions that exist in given cases, it imparts to the model a universal character. In addition, it readily conforms to the kind of sub-classification of specific material flows with which input-output tables are concerned.

Similarly the focus on sources of increased value, too, presents important advantages. One may leave aside, initially, the question concerning the nature of that source: is it labour, or is it the forces of nature, which labour (or automated machinery) combines in a skillful way. For the essential contribution of this element to the material flows is that it changes them greatly. Labour, or nature, transforms the physical and other features of the initial material flows (e.g. raw materials), and if only this increases their capacity to satisfy wants and needs, their "value" has been added, or created.

Given the material flows and some source of their qualitative change, the addition of a few obvious and undisputably present relationships suffices to create a simple growth model:

First one notes that a distinction exists between goods that are consumed on the one hand, and those that are returned to the economic process as means of production.

Then one distinguishes, within the second group, that share of the production goods which is needed to replace equipment that has been worn out in the preceding period, from the residual, which thus represents accumulation. It follows from this alone that growth results from accumulation. It also follows that in the long run it can be intensified if the entire initial volume of accumulation is first channelled into the producers goods sphere, (thus creating a still greater amount of accumulated goods in the next period) before it is finally redirected to the production of consumers goods.

It is possible to analyze the factors that determine the amount of accumulation in this sense, in two ways:

- 1) One may express the element of qualitative change in the model by including many qualitatively distinct sectors, establishing their links with each other, and observing the specific types of goods that must be accumulated in order for growth in specific types of final goods to take place. This may be done by constructing input-output tables of the economic process.*
- 2) It is possible however to retain an aggregated model, in which individual material flows are not distinguished, if one employs an abstract quantitative symbol for the element of qualitative change. This is the method employed in the Marxian model, and there the intensity of qualitative change is associated with its presumed source-labour time.

It must be noted that the essential features of such a model, however, do depend not on the identity of that source, but only on the existence and operation of some source of qualitative change. Without presuming that it can be measured one may then simply designate it as Q , and attribute it to labour, nature, energy, technology, or anything else that one chooses.

The total amount of accumulation may then be expressed in terms of such a measure of "value" in a sense in which value refers to the progress of material goods along the path of qualitative transformation.**

If within a given period, C stands for the volume of goods available from past periods (i.e. transformed in past periods) and Q stands for the amount of transformation carried out during the given period, then the total amount of "value" available at the end of the period will be:

$$C + Q$$

Accumulation is possible only if consumption and replacement (in value terms) are less than this. More specifically it will occur if the net output of the producers' goods sector (Sector I) is greater than the replacement needs of the consumers goods sector (Sector II):

* This is the method suggested for example, by O. Lange, in //.

** C. Menger, the founder of the Austrian Marginal School, made an ordinal analysis of this process, (the "order of goods") the central conceptual scheme of the "pure" theory of price.

This ultimately is the only assertion that is made in Marx's model of expanded reproduction, in which q however is expressed as $(v + m)$ (the wage bill plus surplus value).*

The role of prices

In comparing this aggregated model of growth with the multi-sector approach present/input-output analysis, the prices by which the various goods should be weighted in an abstract or normative input-output model should express not labour time but opportunity costs, in the case of producers goods, and social priorities, in the case of final goods.

Such a normative approach to price-making does not conflict with the "qualitative change" approach to the actual creation of value. This is so simply because the prices are then determined by norms applied to expected possibilities of realization (production). Once the selection of the optimal possibilities ascribes a definite derived value for each expected line of production, it remains for actual production to realize the expected values by the relevant succession of qualitative transformations. Over a time dimension, then, with each transformation the source of such change then bring the good closer to the state from which it derives its final valuation. Each of them "creates" value in that sense.

The labour theory of value and income distributions

Once it is recognized that other elements besides labour participate in the economic processes as sources of qualitative change, and once it is agreed that the overall effectiveness of a given volume of sources of qualitative change may be increased by "economizing", that is by directing them away from channels of lower "productivity" and into channels of higher "productivity", then it follows that such economizing, (to be reflected in industrial prices) should be effected with regard to raw materials and machines as well as with regard to labour. This requires that the "productivity" of all inputs, including labour, be made equal in production.***

* It follows from $q_1 > c_1$ that $c_1 + q_1 > c_1 + c_1$
and also that $q_1 + q_2 > c_1 + q_2$

** This is the principle, too, suggested, for example, by Kantorovich...

*** The relevant measure of "productivity" is obtained by comparing the effects on declining production (value) of all those inputs whose rate of utilization may be reduced (in a physical sense). Within a broader perspective this is not, however, a measurement of the sources of transformation, (e.g. natural processes and labour) but of the effect upon them of quantitative manipulations of specific aspects of the fundamental transformation-causing process.

That the "productivity" of each input should then determine the monetary incomes of the various "owners" of each is strictly a feature of market economies. It is one that may be conducive to "economizing", but in so far as the sense in which the mere availability of the innumerable inputs that could be withheld from production is "productive" in a sense that is entirely different from the analytical one, which refers to the direct causes of qualitative change, the marginal "productivity" of an input possesses no theoretical claim whatever to being considered as a general functional criterion for income distribution.

Yet if one centers one's attention on the productivity of the genuine sources of material goods and of their transformation, (i.e. nature, as a source of raw materials; the natural processes in so far as employed to transform them; the equipment and the labour needed to create the channels through which these forces can operate) it does not yet follow that each of them should receive a monetary income equivalent to its "share" in the production process. First, at the technological level it is not possible to divide the process into shares: all types of inputs are required, even though some variations in their quantities is possible.

limit 9 Within a given technology, in short, it is not possible beyond a certain ⁹to substitute energy or labour for raw materials. But what is more important, is that no "right" to income (monetary symbols of specific rights to specific things) follows directly from the genuine productivity of the various sources of raw materials and of their qualitative change: even if one could identify in quantitative terms the exact share of the contribution of each to the final product,* it does not follow that "natural forces" ~~xxxxxxxx~~ and the sources in nature of raw materials have some inherent right to a corresponding share of income. The concept of a "right" is a social phenomenon, and all statements concerning this element imply the recognition or denial of some concepts of social justice. In such terms it is difficult to arrive at the conclusion that some individuals have a right to the results of the productivity of land or of natural processes while others do not. It is much less artificial to say that only the worker, as the only person or member of the given society directly contributing to production, has a right to all its fruits.**

* This would refer to the contribution of the sources, in nature of raw materials; to the sources, in nature (sometimes diffuse) of the "conditions of transformation" to which the raw materials are subjected; and to the contribution of labour and machines to bringing the two together. With regard to the latter, it may be listed, and to other produced goods used in production their value" in past periods is presumed to derive from their productivity in the present period.

**This would not include, then, the share of machines since that derives from earlier transformations and may therefore be ultimately reduced to the productivity of the other components.

Yet it is possible to ascribe such an exclusive right to labour only if one neglects his membership in a society, that is in a system within which a division of functions exists for a broader set of shared needs than the need for material means alone. In any society those individuals whose function lies in other spheres (the military classes professions, the administrators, the teachers, the doctors and priests, and the artists) also have a direct right to a share of the material produce that cannot be derived, except in a market society, from the presumption that workers "exchange" a part of the value that they produce for the corresponding "services", but follows from the existence of social and political restitutions.

Accordingly, in the general case, (i.e. in any non-market economy) it is not correct to presume that a redistribution occurs of only a share (the "surplus" value) of the value of the goods created by labour (in combination with other elements) is redistributed away from labour. In fact the entire product is redistributed, a part of it going to labour, possibly in proportion to the value of the transformation with which he is associated, but possibly not.*

All these considerations do not affect, however, the conclusion that one significant measure of the redistribution of values that occurs in any society is the share of total value that is received by labour.

In Marxian terms this is:

$$\frac{v}{v+m} \quad **$$

Similarly, the observation that the total value created each year includes the value of machines produced in past periods:

$$V = c + v + m$$

also remains valid. One cannot quarrel, either, with the validity of Marx's distinction between the producers goods sector (sector I) and the consumers goods sector (sector II) in the economy, nor with his distinction between "labour", objects of labour", "and" means of labour" in the production process.

* Generally "exploitation" may *then* be said to occur if the worker (or any other person contributing a functional role to society) does not receive a share of income that is "proportional" to his sacrifices, measured in overall human terms. It is the unnatural and *historical* features of the market economy, in which it is presumed that all incomes are received "in exchange" for some productivity, i.e. that no other rights to income exist, that it is possible to suppose that labour has a "right" to the entire product that follows from its efforts,

** The value, of course, ~~ix~~ expresses the final valuation, or the sums of the "values added" through specific processes, which are derived from the final valuations.

Only when related to the distinction between the physical productivity and marginal "productivity" of inputs, however, that is, between the normative basis for value and price determination on the one hand, ~~the~~ the operational ^{costs} for value creation, on the other; and also to the distinction between the productivity of inputs in any sense and the juridical costs of the rights that result in a given income distribution - only then does their full significance and fruitfulness begin to emerge.

M. L. D.

it is difficult to arrive at the conclusion that some individuals in a society have a right to the fruits of the productivity of land and of natural processes while others do not. It is much less artificial, accordingly, to presume that only the ~~xxxxxx~~ worker, as the only person or member of the given society directly contributing to production, has a right to ~~suchxxxx~~ all its fruits, as well as to those that ~~xxxxxx~~ the entire income associated with production to ~~xxxxxx~~ workers only if one neglects his membership in a society, that is in a system within which a division of functions exists for a broader set of shared needs than the need for material means alone. If one presumes that in any society (except a market society) the individuals whose functions lie in other spheres (the military classes, the professions, the administrators, the teachers, the doctors and priests, the artists, the judges) derive a right ~~xxx~~ to various material means directly from their function, it then automatically follows that the workers cannot have a claim to the entire ~~productxxxx~~ volume of material means with ~~xxxx~~ the production of which they ~~xxxx~~ have been directly associated. To transfer some of the material goods in accordance with such rights is the function of the relevant social and political institutions, and from the point of view of the workers such transfers ~~in principle~~ neither 'exchange' nor 'exploitation' unless one presumes ~~thatxxxx~~ ~~membersxxxx~~ (as the case of the market economy suggests) that they are not members of any society in the first place. Only ~~accordinglyxxxx~~ ~~thatxxxx~~ redistribution ~~xxxx~~ occurs

then is it possible to assume that the worker ~~xxxx~~ has a right to the entire income that is associated with, in one way or another, with the fruits of his labour.

Accordingly, in the general case, (i.e. in any non-market economy) it is not correct to presume that a redistribution occurs of only a ~~share~~ ~~xxxx~~ (the 'surplus value') of the value of the goods ~~xxxx~~ created by labour (in combination with other elements) is redistributed. ~~xxxx~~ In fact the entire product is socially redistributed, a part of it remaining with labor (possibly in proportion to the value of the transformation with which it is associated, but possibly not). * *

* See, however, the first footnote on the preceding page, which ~~xxxx~~ suggests that the making of decisions concerning the distribution of goods is a function of the productivity of labour (or any other person contributing a functional role to society) does not receive a share of the total income that is as proportional to his sacrifices (measured in overall human terms) as that of another functional group.

• Osgood

MEMORANDUM

ON THE PLACE OF INDIVIDUALS IN THE SUBSTANTIVE VIEW OF
THE ECONOMIC PROCESS AND ON THE EXTERNAL POLICY PROBLEMS
OF MODERN INDUSTRIAL NATIONS

NX by Paul Meadow

1. The substantive view of the economic process centers attention on the transformation of raw materials into want satisfying means and on the distribution of these means. It does not presuppose a rational individual in the sense of an individual who is striving to maximize his private gain at the expense of others. What is it, then, that serves to relate individuals to the functional requirements of the economic process?

It is a combination of man's basic acceptance of the reality of means-ends (relationships connected with the various problems of his life/which include ends that are broader than his own existential end of institutions that shape his behaviour in such a way that they become possible.

There are few cases in which vital means-ends networks do not require the coordination of the activities of many individuals, whether voluntary and conscious or not. This is true not only of the material goods producing and distributing process, however, but of a wide variety of functional networks, such as those that relate to family organization, to extensive cultural activities, and to defense. Accordingly, one cannot expect, under normal circumstances, that man will automatically ~~the~~ tend to orient himself above all on those specific means-ends chains that the economic process requires.

Also, because of the limited range of his information and because of his natural concern with problems that are closest to his own experience ~~xxxx~~ (to which he tends to allocate priorities that vary from those that he himself would choose in the light of a wider knowledge) the individual's own awareness of the reality of means-ends relationships ~~xxxxxxxxxxxx~~ can only provide only individual strands of a larger network. It is the role of the political sphere and of institutional arrangements to coordinate these strands, to induce additional types of activities, and to naturalize types of activities that would tend to remove some of the individual means that the wider means-ends chains ~~xxxxxx~~ require.

2. To a large extent the differences in the ways of life that exist in particular societies stem not from differences in the aims of the individuals, but from differences in the institutionally supported means-ends chains on which individuals must orient themselves. They may determine, for example, the extent to which it is possible for close personal relations to prevail among members of different families, and the circumstances under which it is possible to permit democratic decisions with regard to situations that may interfere with the functional requirements of vital means-ends chains.

3. While man's recognition of the reality of means-ends relationships ~~is not~~ fastxxx and his readiness to subordinate himself to their requirements ~~is not~~ is a fundamental factor, one should not infer from this that he ~~is not~~ ~~recognizes~~ ~~the~~ ~~existence~~ ~~of~~ ~~certain~~ ~~ends~~ ~~in~~ ~~themselves~~ ~~and~~ ~~more~~ ~~generally~~ views everything as a means to some end, and that there are no ends in themselves, as well, such as personal loyalties and especially family loyalties, ~~or~~ ^{and more generally,} principles ~~that~~ of behaviour stemming from inner spiritual norms. Normally such elements are not permitted to be treated as means.

4. A central aspect of the transition from "tradition-oriented" social structures to modern ("secularized") nations, and particularly to industrial nations, is the emergence of ^{permanent} nation-wide functional processes with regard to vital activities that had earlier been organized through an orientation of individuals on small solidarity groups. This encompasses defense (e.g. the ~~the~~ national liberation movements) as well as the production of material means, in the case of the industrial economies. The orientation of individuals on such macroprocesses and on the relevant functional concepts undermines their loyalty to small groups, and with this, ~~as~~ to an orientation of overall behaviour on such principles as integrity, solidarity, and responsiveness to the needs and the spiritual strivings of others. A positive by product of this, on the other hand, is the growth of self-consciousness and also of consciousness of racial and cultural distinctions in the inner strivings of individuals.

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5. It is partly from these problems that one can infer the principal social tasks of the political sphere at the present time. Of central importance is the taking of the economic process in the industrial economies through central planning. For only this provides the hope that a type of alteration of the industrial means-ends relationships will be found that will make it unnecessary to choose between the norms that stem from spiritual values and those that are the functioning of the economy requires. This presupposes, however, a termination of the naive belief that economic growth and progress in science and technology also tend to bring about historical progress in some automatic way.

Another task stems from the need to provide a stable basis for the new and intense networks of international economic and political relationships that industrialization and the military applications of science and technology have brought about.

ON THE MORAL ELEMENT IN WESTERN SOCIAL DOCTRINES:
A CRITIQUE OF SOME CONCLUSIONS OF ERICH FROMM

by Paul Medow

Although human reason began to be applied to the analysis of society already in ancient Greece by Plato and Aristotle, the precondition for the fruitful use of this method was found in Europe, only two thousand years later. The method of a functional analysis of society, that is an analysis from the point of view of the relationships between means contained in it and specific ends defined in functional rather than in ethical terms, was undertaken by the protagonist of the secular state - Machiavelli. Deliberately setting aside ethical criteria from the ends, he uncovered the reality of functional relations and thus established the science of politics. The other branches of the social sciences followed in due course. Under the influence of the mercantilist principles, political economy arose as a separate discipline. Its emphasis on the ability of market processes to augment the wealth and military power of states further removed from the field of vision the moral definition of social ends. The analysis of market relations brought about, in its turn, an extension of functional analysis to social relations in the narrowest sense of that term, including those of personal power and exploitation. Alienation and conflict, which characterize market relations and thus determine the relations between economic classes in a market society became the foundation of the general sociology of Karl Marx. This was broadened by Max Weber so as to include all social relations in societies where individuals had become freed from a traditional moral orientation, - a step which implied a conviction that antagonistic and utilitarian relations among persons are inevitable not only in the market societies of the contemporary West, but in all nations emancipated from the rule of moral tradition.

A counter-move to this banning of ethical criteria from the analysis of social phenomena was initiated within the social sciences by historiography.

The orientation of European historians on the growth of the nation revealed the progressive character of history, that is its tendency to correspond to the ethical ends of human aspirations. This was first universalized in the works of Hegel, who, as we know today, strongly supported the ideas of the French Revolution in his early years, but for whom the historical process in the Germanies merely resulted in the establishment of an ideal Prussian state. In the philosophical works of Marx, however, the direction of the historical process continued to center on moral conceptions - on the fulfilment of social justice, equality, the absence of coercion, full consciousness of the self, and the all-round development of the person.

Yet while starting from the priority of human aspirations in the development of societies, neither Hegel nor especially Marx renounced the Western achievements of the rational approach to the reality of functional relations. It is to the element of necessity in history, and not to normative strivings alone, that Hegel ascribed the tendency towards the unification of the Germanies, even though he regarded necessity itself as a manifestation of the normative element in the historical process. Marx ascribed the source of historical necessity to a spontaneous economic development of societies. By directing attention to the analysis of empirical processes in the emergent industrial economies, this provided a rational grounding both for empirical studies of such economies and for the political activity of ethically motivated persons. At the same time, however, the stress on economic necessity rather than on moral needs as the leading factor in a morally-directed historical process created the problem of economic relativism in ethics that he did not succeed in completely resolving. For this reason the explicit reintroduction of ethical criteria into the ends of the social sciences by contemporary psychology greatly enhances the significance of some of its recent achievements. It has led to

the posing anew and in the sharpest way of the question of the relation of the individual to society, and more specifically of the question of coercion and personal freedom.

The psychological-ethical view of the West - Freud and Fromm

The methods of analytical psychology, created by Freud, center on a division of psychological processes into conscious and unconscious ones, in which the latter are distinct from reflexes, and concern thoughts, feelings, and strivings that can become conscious but are normally repressed. Such a repression, nevertheless, does not deprive them of the capacity to influence the actions of men through indirect channels. The question inevitably arises, accordingly, whether it is not desirable to bring the unconscious elements to the consciousness of men.

The different answers that have been suggested vary with the view taken by their advocates of the contents of the unconscious. Freud himself believed that it harbors above all the promiscuous sex urge, which originates, in his view, in the biological processes of the organism. It then follows that its repression is indispensable in order to avoid intense social conflicts that would be particularly destructive within the family. But Freud also believed that if only the repression of unconscious urges is not too severe, it will result in a sublimation of sexual energy into creative and socially useful forms, and accordingly, that the transition from primitive to more advanced societies requires a stronger repression of the unconscious.

Erich Fromm emphasizes, on the contrary, that the unconscious elements comprise not only negative, but also the most positive urges of man - the urge towards creative living, insistence on the recognition of the voice of conscience, and a claim to happiness. The repression of the unconscious,

therefore, appears as a negative act, and it follows that a transition to higher forms of society requires the removal of social arrangements that bring about its repression.*

The presence of such strivings is attributed by Fromm to a phenomenon that has also been recognized in existentialist philosophy, as well as in the teachings of religions. This is the capacity of man's consciousness of death to transform his mind into a powerful source of life-asserting energies. He emphasizes, however, that man's inner potentialities in this regard remain veiled from his vision so long as his mind is fettered and he continues to believe in idols, in an all-powerful god, or in other ways accepts the authority of others in matters that concern his own personal fate. In Fromm's view the urge for creative living has generally been repressed at an early age until now, through the efforts of parents, teachers, priests, and others committed to defend the existing societies, because so far their organization has not yet been compatible with liberty and independence for the masses. But it then follows that it is necessary to formulate in a new way the final objective of a genuine socialist movement: in the last analysis this is simply the removal of conditions that result in a repression of the human personality.**

Such an aim of the historical process is far from being foreign, of course, either to the teachings of the Old and New Testament, or to those of Karl Marx. There are grounds, therefore, for Fromm's assertion that Marx's socialism expressed above all an endeavor to embody the humanistic heritage of the West. Yet such a conception neglects that rational basis on which the social sciences of the West developed - the analysis of functional relations, -

* cf. E. Fromm, Man For Himself, New York, Rhinehart and Co. 1947. Also his Psychoanalysis and Religion, New Haven, Yale Univ. Press. 1950; and The Forgotten Language, Rhinehart and Co., 1951.

** cf. E. Fromm, The Same Society, New York, Rhinehart Co., 1955.

as well as the corresponding two-sidedness of Marx's view of the historical process. For this reason Fromm's conception not only presents a one-sided view of the West, but also an incomplete, and to some extent utopian notion of a socialist order, as well as of the ways in which such an order may be established. In addition it invites Fromm's strange conclusion that since Russian Marxists value so highly the capacity of political and economic measures to serve the cause of socialism - that is of elements whose analysis is essentially unrelated to human values - they have ceased to be representatives of both socialism and Western ~~xx~~ civilization.

The meaning of economic determinism in the teachings of Marx

In emphasizing the humanist element in Marx's philosophy, which is particularly evident in some of his early manuscripts, Fromm ascribes its neglect ~~xx~~ by most Marxists to the widespread, but presumably false opinion that Marx's teachings center on the doctrine of economic determinism.^{*} He is undoubtedly right in his assertion that the interpretation of this doctrine that now prevails in the capitalist societies of the West reflects, above all, not Marx's own philosophy, but the experience of persons who live in market societies. The thought that the striving of man towards material means is the fundamental element in the organization of any society and the moving force in history is no more than a naive generalization of certain features that ~~the~~ distinguish the contemporary industrial societies organized through markets from all

^{*} Cf. E. Fromm, Marx's Concept of Man, New York, Ungar Publishing Co., 1961

preceding types.* There also exists, however, another interpretation of Marx's doctrine of economic determinism, and there appear to be no grounds for doubting that it is precisely that interpretation rather than the market one that explains its striking success in Czarist Russia, and at the present time in nearly all pre-industrial societies. This is simply the thought that behind the visible and ethically noted social relationships of a society there exist other, hidden, functional relationships, and in the first place functional relationships associated with the economic process; that they inevitably and blindly determine the principal decisions of persons so long as these persons do not learn to consciously recognize their existence; and that they also make possible the conscious alteration of the fate of men if they are recognized and manipulated for that purpose through a deliberate reinstituting of functional processes.** Within such a framework "materialism" only refers to the recognition of the reality of functional elements in society, and thus to the essence of scientific realism. It seems evident that the need for such an approach is particularly acute in countries that are seeking to free themselves from the yoke of tradition, superstition, and perverted religious teachings.

There arises the question: Is it then this particular doctrine or is ^{it} the emphasis of Marx on the emancipation of the person?

* Cf. K. Polanyi, The Great Transformation, New York, Rhinehart and Co., 1944. Also his "Our Obsolete Market Mentality" in Commentary (New York), vol. 3, No. 2, Febr. 1947; and K. Polanyi, C. Arensberg, and H.W. Pearson, Eds., Trade and Market in the Early Empires: Economics in History and Theory, The Free Press, Glencoe, Ill., 1957.

** This meaning of 'consciousness', which is widely employed in the Soviet Union, is accordingly different from the concept of the consciousness of the self.

nality that is the essence of his teachings? One should reply: both. For in spite of their shortcomings, their continuing power derives ~~from~~ precisely from their appeal to persons in whom ethical forces are alive to actively recognize the reality of the functional basis of social relations, and to rely, accordingly, on both political measures and on manipulations of the economic process, rather than on individual ethical impulses alone, for its gradual reorganization in conformity with moral norms. ~~This~~ very simple thought is, at the present time, the most useful contribution of the Western social sciences to the development of the peoples of the entire world.

Concerning the danger of fascism in the "nationalistically-inclined" non-Western nations

If one does recognize that man's internal aspirations continuously interact with external functional processes that possess their own norms, then the ability to control the latter ~~in~~ in the light of human criteria emerges as an indispensable prerequisite for adhering to moral convictions. And conversely, a conviction that human control over important functional processes has for some reason forever ceased to be possible must inevitably lead to a moral crisis associated with a conscious renouncing of the relevant moral norms. While this basic problem is present in all societies, it tends to assume an entirely new significance in societies that are industrialized. For on the one hand the inherent distinction between functional and ethical norms in interpersonal relations then tends to become fully visible, while at the same time, the dependence of the supply of vital goods on a continuous integration of a vast system of specialized activities appears to limit severely the possibilities for subordinating the

economic process to non-functional norms.

Such an approach casts a new light both on the fascist regressions in the West and on some of the superficially similar movements in the non-Western nations.

With regard to the West it suggests that in its fascist experience in the 1930's centered on something more than merely an idolatrous attitude towards national leaders,* and represented instead a response to a genuine rather than to an imagined source of power. In any industrial society it is difficult to avoid the conviction that the all-pervasive and self-oriented system of functional relations on which the economy rests places important ~~xxx~~ and permanent constraints on man's traditional ability to relate his decisions directly to human values. In the market societies of the West, however, the fact that both the integration of the economic process and the direction of its ~~economic~~ development has been surrendered to blindly functioning forces encourages a fatalistic attitude with regard to this problem at the same time that it makes increasingly likely the occurrence of major economic breakdowns. In the event of any serious threat to the economy's traditional mode of functioning, the universal fear of a complete disintegration of the industrial system then tends to cause large sections of the population to consciously acquiesce in the use of measures that conflict with their traditional moral convictions if only they are expected to be effective with regard to this central concern. In the future again as in the past, this may easily result in a far-reaching reorganization of individual so-

* Cf. E. Fromm, Escape from Freedom, New York, Rhinehart, 1941

societies in accordance with principles that negate moral norms.*

Since one cannot renounce that which has never been experienced it is presumably only among the less primitive peoples, who have not experienced in the course of their history the prolonged influence of one of the great moral-religious teachings, that such a reversal can set in. But since one cannot expect that such a renunciation of inner life forever would occur so long as there exists even the faintest hope concerning the future, a fascist departure is particularly improbable in the new non-Western nations, in which the growing emancipation of the masses from oppressive religious traditions and class relationships has given life to vast populist aspirations that are characterized above all by a faith in human values. This optimism is reinforced by a new consciousness of nationality, now freed from its traditional association with specific institutions and ethical norms, which expresses an awareness of the creative potentialities that derive from biological, linguistic, and historical features of individual peoples. At the same time the elements of an industrial system are not yet visibly affecting the human aspects of social institutions, while with regard to the future, its planned subordination to selected national goals tends to counteract the kind of fatalism that market economies produce.

In the new nations, accordingly, popular support of national leaders must be attributed to altogether different causes, among which one should not neglect a realistic recognition on the part of the non-literate masses of their initial limitations with regard

* An analysis of the connection between the fascist transformation of market societies and the "disembeddedness" of their economies from society-oriented forms of institutionalization is presented in E. Polanyi's The Great Transformation (New York, Rhinehart, 1944), while an analysis of the moral crisis associated with fascism is contained in his "The Essence of Fascism" in J. Lewis, E. Polanyi, and D. Kitchin, Eds., Christianity and the Social Revolution, New York, Scribner, 1936.

to the urgent tasks of political leadership, and the prevalence of views concerning the relation of the individual to ~~society~~ his society that differ from the doctrines of individualistic utilitarianism. The resulting mass phenomena are thus expressive of a faith in new and better societies, while those associated with fascism represent a violent resignation to the necessity for evil. Yet since they do create important new sources of conflict that place increasingly heavy burdens on the ability of the West's self-regulating economies to function effectively in the international sphere their capacity to produce fascism in the Western nations may still emerge as a serious threat.

January 1962
New York

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ON THE MORAL ELEMENT IN WESTERN SOCIAL DOCTRINES:
A CRITIQUE OF SOME CONCLUSIONS OF ERICH FROMM

by Paul Medow

Although human reason began to be applied to the analysis of society already in ancient Greece by Plato and Aristotle, the pre-condition for the fruitful use of this method was found in Europe, only two thousand years later. The method of a functional analysis of society, that is an analysis from the point of view of the relationships between means contained in it and specific ends defined in functional rather than in ethical terms, was undertaken by the protagonist of the secular state - Machiavelli. Deliberately setting aside ethical criteria ~~from~~ ^{of} the ends, he uncovered the reality of functional relations and thus established the science of politics. The other branches of the social sciences followed in due course. Under the influence of the mercantilist principles, political economy arose as a separate discipline. Its emphasis on the ability of market processes to augment the wealth and military power of states further removed from the field of vision the moral definition of social ends. The analysis of market relations brought about, in its turn, an extension of functional analysis to social relations in the narrowest sense of that term, including those of personal power and exploitation. Alienation and conflict, which characterize market relations and thus determine the relations between ^{economic} ~~economic~~ classes in a market society become the foundation of the general sociology of Karl Marx. This was broadened by Max Weber so as to include all ^{social} ~~interpersonal~~ relations in societies where individuals had become freed from a traditional moral orientation, - a step which implied a conviction that antagonistic and utilitarian relations among persons are inevitable not only in the market societies of the contemporary West, but in all nations emancipated

from the rule of moral tradition.

A counter-move to this banning of ethical criteria from the analysis of social phenomena was initiated within the social sciences by historiography. The orientation of European historians on the growth of the nation revealed the progressive character of history, that is its tendency to correspond to the ethical ends of human aspirations. This was first universalized in the works of Hegel, who, as we know today, strongly supported the ideas of the French Revolution in his early years, but for whom the historical process in the Germanies merely resulted in the establishment of an ideal Prussian state. In the philosophical works of Marx, however, the direction of the historical process continued to center on moral conceptions - on the fulfilment of social justice, equality, the absence of coercion, full consciousness of the self, and the all-round development of the person.

Yet while starting from the priority of human aspirations in the development of societies, neither Hegel nor especially Marx renounced the Western achievements of the rational approach to the reality of functional relations. It is to the element of necessity in history, and not to normative strivings alone, that Hegel ascribed the tendency towards the unification of the Germanies, even though he regarded necessity itself as a manifestation of the normative element in the historical process. Marx ascribed the source of historical necessity to a spontaneous economic development of societies. ^{By directing} attention ~~was thus~~ ~~directed~~ to the analysis of empirical processes in the emergent industrial economies, ^{this provided} ~~and in this way~~ a rational grounding ~~was found~~ both for empirical studies of such economies and for the political activity of ethically motivated persons. At the same time, however, the stress on economic necessity rather than on moral needs as the

This separation between economic necessity and moral needs would not have occurred to Marx

leading factor in a morally-directed historical process created the problem of economic relativism in ethics that he did not succeed in completely resolving. ⁴ For this reason the explicit reintroduction of ethical criteria into the ends of the social sciences by contemporary psychology greatly enhances the significance of some of its recent achievements. It has led to the posing of a new and in the sharpest way of the question of the ^{relation} role of the individual ^{to} in society, that is, and more specifically of the question of coercion and personal freedom.

2. The psychological-ethical view of the West - Freud and Fromm

The methods of analytical psychology, created by Freud, center on a division of psychological processes into conscious and unconscious ones, in which the latter are distinct from reflexes, and concern thoughts, feelings, and strivings that can become conscious but are normally repressed. Such a repression, nevertheless, does not deprive them of the capacity to influence the actions of men through indirect channels. The question inevitably arises, accordingly, whether it is not desirable to bring the unconscious elements to the consciousness of men.

The different answers that have been suggested vary with the view taken by their advocates of the contents of the unconscious. Freud himself believed that it harbors above all the promiscuous sex urge, which originates, in his view, in the biological processes of the

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* This association between moral elements and economic processes had a negative influence, as well, on his analysis of price formation in the capitalist economy, since it led him to approach it not from a functional, but from a normative angle, that is from the point of view of the exploitation of labor.

organism. It then follows that its repression is indispensable in order to avoid intense social conflicts that would be particularly destructive within the family. But Freud also believed that if only the repression of unconscious urges is not too severe, it will result in a sublimation of sexual energy into creative and socially useful forms, and accordingly, that the transition from primitive to more advanced societies requires a stronger repression of the unconscious.

Erich Fromm emphasizes, on the contrary, that the unconscious elements comprise not only negative, but also the most positive urges of man- the urge towards creative living, insistence on the recognition of the voice of conscience, and a claim to happiness. The repression of the unconscious, therefore, appears as a negative act, and it follows that a transition to higher forms of society requires the removal of social arrangements that bring about its repression.*

The presence of such strivings is attributed by Fromm to a phenomenon that has also been recognized in existentialist philosophy, as well as in the teachings of religion. This is the capacity of man's consciousness of death to transform his mind into a powerful source of life-asserting energies. He emphasizes, however, that man's inner potentialities in this regard remain veiled from his vision so long as his mind is cluttered and he continues to believe in idols, in an all-powerful god, or in other ways accepts the authority of others in matters that concern his own personal fate. In Fromm's view the urge for creative living has generally been repressed^{at an early age}, until now, through the efforts of parents, teachers, priests, and others committed to defend the existing societies, because so far their organization has not yet been compatible with liberty and independence for the masses. But it then follows that it is necessary to formulate in a new way the ~~objective~~ final objective of a genuine

* Cf. E. Fromm, Man for Himself, New York, Rhinehart and Co., 1947. Also his Psychoanalysis and Religion, New Haven, Yale University Press, 1950; and The Forgotten Language, Rhinehart and Co., 1951.

socialist movement: in the last analysis this ~~must be~~ simply the removal of conditions that result in a repression of the human personality.*

Such an aim of the historical process is far from being foreign, of course, either to the teachings of the Old and New Testament, or to those of Karl Marx. There are grounds, therefore, for Fromm's assertion that Marx's socialism expressed above all an endeavor to embody the humanistic heritage of the West. Yet such a conception neglects that rational basis on which the social sciences of the West developed - the analysis of functional relations, - as well as the corresponding ambiguity in Marx's view of the historical process. For this reason Fromm's conception not only presents a one-sided view of the West, but also an incomplete, and to some extent utopian notion of a socialist order, as well as of the ways in which such an order may be established. In addition it ~~notes~~ ^{notes} ~~is~~ ^{strange} ~~inevitable~~ Fromm's conclusion that since Russian Marxist value so highly the capacity of political and economic measures to serve the cause of socialism - that is of elements whose analysis is essentially unrelated to human values - they have ceased to be representatives of both socialism and Western civilization.

3. The meaning of economic determinism in the teachings of Marx

In emphasizing the humanist element in Marx's philosophy, which is particularly evident in some of his early manuscripts, Fromm ascribes its neglect by most Marxists to the widespread, but presumably false opinion that Marx's teachings center on the doctrine of economic determinism**. He is undoubtedly right in his assertion that the

* of E. Fromm, The Sane Society, New York, Rhinehart Co., 1955.

** of E. Fromm, Marx's Concept Of Man, New York, Tugar Publishing Co., 1961.

interpretation of this doctrine that now prevails in the capitalist societies of the West reflects, above all, not Marx's own philosophy, but the experience of persons who live in market societies. The thought that the striving of man towards material means is the fundamental element in the organization of any society and the moving force in history is no more than a naive generalization of certain features that distinguish the contemporary industrial societies organized through markets from all preceding types.* There also exists, however, another interpretation of Marx's doctrine of economic determinism, and there appear to be no grounds^S for doubting that it is precisely that interpretation rather than the market one that explains ~~Marx~~ its ^{striking} enormous success in Czarist Russia, and at the present time in nearly all pre-industrial societies. This is simply the thought that behind the visible and ethically noted social relationships of a society there exist other, hidden, functional relationships, and in the first place functional relationships associated with the economic process; that they inevitably and blindly determine the principal decisions of persons so long as these persons do not learn to consciously recognize their existence; and that they also make possible the conscious alteration of the fate of men if they are recognized and manipulated for that purpose ~~through a deliberate re~~^S ~~instituting~~ of functional processes**. Within such a framework "materialism" only refers to the recognition of the reality of functional elements in society and thus ^{to the} ~~represents the very~~ essence of scientific realism. It seems evident that the need for such an approach is particularly acute in countries

*cf. K. Polanyi, The Great Transformation, New York, Rhinehart and Co., 1944. Also his "Our Obsolete Market Mentality" in Commentary (New York), vol 3 No. 2, Febr. 1947, and K. Polanyi, C. Arensberg, and H.W. Pearson, Ed., Trade and Market in the Early Empires, The Free Press, Glenside, Ill., 1957.

** This meaning of 'consciousness', which is widely employed in the Soviet Union, is accordingly different from the concept of the consciousness of the self.

that are seeking to free themselves from the yoke of tradition~~s~~, superstition~~s~~, and perverted religious teachings.

There arises the question: Is it then this particular doctrine or is it the ^{emphasis} early teachings of Marx ^{on} concerning the emancipation of the personality that is the essence of Marxism? One should reply: both. For in spite of ^{their} its shortcomings ^{their continuing} its power derives precisely from ^{their} its appeal to persons in whom ethical forces are alive to actively recognize the reality of the functional basis of social relations, and to rely, accordingly, on both political measures and on manipulations of the economic process, rather than on individual ethical impulses alone, for its gradual reorganization in conformity with moral norms. This very simple thought is at the present time, the most useful contribution of the Western social sciences to the development of the peoples of the entire world.

4. Concerning the danger of fascism in the 'nationalistically-inclined' non-Western nations.

If one does recognize that man's internal aspirations continuously ^{interact} ~~mesh~~ with external functional processes that possess their own norms, then the ability to control the latter in the light of human criteria emerges as an indispensable prerequisite for adhering to moral convictions. And conversely a conviction that human control over important functional processes has for some reason permanently ceased to be possible must inevitably lead to a moral crisis associated with the conscious renouncing of the relevant moral norms. While this basic problem is present in all societies, it tends to assume an ^{entirely} ~~entirely~~ new significance in societies that are ~~both freed from~~ ^{both freed from} traditional moral doctrines and industrialized~~s~~. For on the one hand the inherent distinction between functional and ethical norms in

interpersonal relations then tends to become fully visible, while at the same time the dependence of the supply of vital goods on a continuous integration of a vast system of specialized activities appears to limit severely the possibilities ~~for~~ subordinating the economic process to non-functional norms.

Such an approach casts a new light both on the fascist regressions in the West and on some of the superficially similar movements in the non-Western nations. ~~For~~ ^{It suggests that the former have} centered on something more than an idolatrous attitude towards national leaders*, and specifically that they have reflected, instead, an inner conviction that industrialization itself had created a fundamental and irreversible change in society that destroyed forever the possibility of guiding one's decisions by meaningful moral norms.**

Since one cannot renounce that which has never been experienced, it is presumably only among the less primitive ~~peoples~~ ^{peoples}, who did experience, in the course of their history, the prolonged influence of one of the great moral-religious teachings, that such a reversal can set in. But since one should not expect that such a final renunciation of inner life would occur so long as there exists even the faintest hope

* Cf. E. Fromm, Escape from Freedom, New York, Rhinehart and Co., 1941.

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concerning the future, a fascist departure is particularly improbable in the new non-Western nations, in which the growing emancipation of the masses from oppressive religious traditions and class relationships has given ^{birth} life to vast populist aspirations and hence to a deeply optimistic mood at a time when industrial institutions are only beginning to take shape. Even less probable is the appearance of fascist tendencies in countries already possessing a planned economy, since planning creates a ~~xxxx~~ visible instrumentality for the subordination of the economic process to the will of men.

On the contrary, as in the past, the danger of fascism continues to inhere in those industrial societies of the West that are founded on a self-regulating system of market relations. For in such societies the fact that man does not control the economic process makes the likelihood of major breakdowns in its functioning increasingly great, and at the same time encourages a fatalistic attitude with regard to its growing power ^{this problem at} over the lives of men. In the event of any serious threat to its traditional mode of functioning, accordingly, the fear of a complete disintegration of the industrial system may be expected to again cause large sections of the population to consciously acquiesce in the use of measures that conflict with their moral convictions, if only they are expected to be effective in removing the threat, and this may make possible once again a far-reaching reorganization of individual Western societies in accordance with principles that negate moral norms.

As for the appearance in our time of a new self-consciousness among ~~xxxx~~ national groups, that is of a new awareness of creative potentialities that derive from biological, linguistic, and historical features of individual peoples, it has already revealed itself as a most powerful source of faith in human values. By displacing

all other sentiments on which political structures were established, it is ~~x~~ resulting in the establishment of ~~xxix~~ popular national states as the future political unit~~x~~ of mankind. Undoubtedly this does result in important ~~xxxxxx~~ new sources of conflict, which by sharpening the ~~x~~ crisis of the West's market societies, precipitate their disintegration and strengthen in them the stimulus to seek fascist solutions. In the non-Western nations themselves, however, both through its opposition to the tradition-oriented ~~xxxxxxxx~~ orders and through the concern that it creates for the establishment of meaningful national societies, it appears to be effecting decisive contributions to the subordinating of industrial economies to human ends.

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ON THE MORAL ELEMENT IN WESTERN SOCIAL DOCTRINES:
A CRITIQUE OF SOME CONCLUSIONS OF ERICH FROMM

by Paul Medow

1. The West as the home of the social sciences - Hegel and Marx

Although ^{human} reason began to be applied to the analysis of society already in ancient Greece by Plato and Aristotle, the precondition for ~~it~~ the fruitful use of this method was found in Europe, only two thousand years later. The method of ^a functional analysis of society, that is an analysis ~~from the point of view~~ of the relationships between means ~~contained in it~~ and specific ends defined ⁱⁿ functionally, rather than in ethical terms, was undertaken by the protagonist of the secular state, Machiavelli. Deliberately setting aside ^{ethical} moral criteria ~~from~~ the ends, he uncovered the reality of functional relations and thus established the sciences of politics. The other branches of the social sciences followed in due course. Under the influence of the mercantilist principles political economy arose as a separate discipline. Its emphasis on the ability of market processes to augment the wealth and military power of states further removed from the field of vision the moral definition of social ends. The analysis of market relations brought about, in its turn, an extension of functional analysis to social relations ~~in the narrowest sense of that term~~, including those of personal power and exploitation. The elements of alienation and conflict, which characterize market relations and thus determine the relations between ^{economic} classes in a market society became the foundation of the general sociology of Karl Marx. They

were extended by Max Weber to ~~the analysis of~~ all interpersonal relations in those societies in which individuals had become freed from a traditional ^{moral} orientation. This ^{resulted in} ~~led to~~ the conviction that antagonistic and utilitarian relations among persons are inevitable not only in the market societies of the contemporary West, but in any nation that was emancipated from the rule of ~~x~~ moral tradition.

A counter-move to this banning of ethical criteria from the analysis of social phenomena was initiated within the social sciences by historiography. The orientation of European~~x~~ historians on the growth of the nation revealed the progressive character of history, that ^{is}, ~~it~~ its tendency to correspond to the ethical ends of human aspirations. This was given a new emphasis in the ~~xxxix~~ works of Hegel, who strongly supported, as we know today, the ideas of the French Revolution, but for whom ^{later} the historical process in the Germanies ^{reflecting a counterrevolutionary mood} merely resulted in the establishment of an ideal Prussian state. In the ~~xxxix~~ works of ^{beginning} ~~of~~ Marx, however, the historical process came to center directly on moral conceptions ^{social} ~~x~~ justice, equality, the absence of coercion, full consciousness of the self, and the all-round development of the person.

While starting from the priority of human aspirations~~xxxxxxxxxxxx~~ in the development of societies, however, neither Hegel nor especially Marx gave up the Western achievements of the rational approach to the reality of functional relations. It is to the element of necessity in history, and not to normative strivings alone, that Hegel ascribed the tendency towards the unification of the Germanies, even though he regarded necessity ^{itself} as a manifestation of the normative element in the historical process. Marx ascribed the source of necessity to a ~~spontaneous~~ economic development of societies. By directing atten-
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2. The psychological ethical view of the West - Freud and Fromm

The methods of analytical psychology, created by Freud, center on a division of psychic processes into conscious and unconscious ones, in which the latter are distinct from reflexes, and concern thoughts, feelings, and strivings that can become conscious but are normally repressed. Such a ~~presentation~~ repression, nevertheless, does not deprive them of the capacity to influence the actions of men through indirect channels ~~xxxx~~ that are not amenable to conscious control. The question inevitably arises, accordingly, whether

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it is not desirable to bring the unconscious elements to the consciousness of man.

The different answers that have been suggested vary with the view taken by their advocates of the contents of the unconscious. Freud himself believed that it harbors above all the promiscuous sex urge, which originates, in his view, in the biological processes of the organism. It then follows that only a repression of the unconscious can eliminate an intense source of social conflicts that would be particularly destructive within the family. But in addition Freud also believed that if only the repression of unconscious urges is not too severe, it will effect a sublimation of sexual energy into creative and socially useful forms, and accordingly, that the transition from primitive to more advanced societies requires a stronger repression of the unconscious.

If one assumes, however, as does Erich Fromm, that the unconscious elements comprise not only negative, but also exceedingly positive urges of man- the striving towards creative living, insistence on the recognition of the voice of conscience, a claim to happiness - then on the contrary the repression of the unconscious must be regarded as a negative act. A transition to higher forms of society in that case requires above all the removal of social arrangements that bring about the repression of those unconscious strivings.

At the theoretical level, Fromm bases his view on ~~the~~ a thought that is encountered in formal as well as in existential philosophy, and also in the teachings of a number of religions. This is that as man is confronted with the consciousness of death his mind becomes a powerful source of creative energies directed towards overcoming its negation of life, but that his internal potentialities in this

regard remain hidden from his vision so long as his mind ~~xxxxxxxx~~ is unfree and he continues to believe in idols, in all-powerful god, or in any other way orients himself on external authorities in matters that concern his own personal fate. Until the present time, in the view of Fromm, such a striving for ^{creatively living has been} ~~independence was~~ repressed at any early age through the efforts of his parents, teachers, priests, and others committed to defend the existing organization of society, since so far that organization has not yet been compatible with the realization of liberty and independence amongst the masses. With regard to the future, however, it follows that it is necessary to reformulate the objective of a genuine socialist movement: in the last analysis this must be simply the removal of conditions that result in a repression of the human personality.

Such an aim of the historical process is far from being foreign, of course, either to the teachings of the Old and New Testament, or to those of Karl Marx. There are grounds, therefore, for Fromm's ~~assertion that the teachings of Karl Marx express an endeavor~~ ^{teachings of} ~~assertion that the socialism of Karl Marx expresses above all an endeavor~~ assertion that the socialism of Karl Marx expresses above all an endeavor to embody the humanistic heritage of the West. Yet such a conception neglects that rational basis on which the social sciences of the West developed, ^{namely the analysis of functional relations,} as well as the corresponding ambiguity in Marx's view of the historical process. For this reason it not only creates a one-sided view of the West, but also an incomplete, and to some extent utopian notion of a socialist order, as well as of ways in which it may be established. That, in turn, must induce the conviction that that since Russian Marxists value so highly the capacity of political and economic measures to serve the cause of socialism - that is of elements that frequently conflict with moral

strivings, and that lie, in fact, on an altogether different plane, they have ceased to be representatives of both socialism and Western ~~an~~ civilization.

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~~Finally~~, such a view also tends to induce a neglect of the role of specific functional elements that underlay the turn to fascism in Western history three decades ago, and to ascribe it to essentially psychological phenomena, rather than to a specific type of interaction between the ~~two~~. Within the ^{psychological} ~~psychoanalytic~~ framework fascism ~~appears to be simply~~ an extreme manifestation of man's tendency to worship idols and authorities (national leaders and the national states) as an alternative to the fearful leap into the seeming loneliness of creative living. ~~Its association with the~~ use of force, too, ^{seems} appears to stem from a consequent internal propensity for destructiveness. This ~~inevitably~~ suggests that both in the Soviet Union and in the new non-Western nations, too, the ~~presence~~ presence of strong national sentiments and a reliance by political leaders on force are expressive of a dangerous and essentially fascist disposition, which is checked, in the case of the Soviet Union, only by a growing conservatism deriving from material affluence. ^{political} This appears to define, in turn, the principal task of the Western capitalist nations: this is to acquaint the remaining part of the world with the anti-idolatrous essence of the Western teachings concerning the emancipation of the person, and particularly with the humanist essence of genuine Marxism. But for that, in Fromm's view, it is necessary to overcome the widespread but false opinion that Marx's teachings center on the doctrine of economic determinism.

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3. The meaning of economic determinism in the teachings of Marx

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 existence; and that they make possible the conscious ~~xxx~~ alteration of
 the fate of men if they are recognized and consciously manipulated
 for that purpose ~~through xxxxxxxx~~ with the aid of ^{a deliberate} ~~planning~~ (through
~~a planned~~ ^{king} reinstitutionalization of functional processes)*. Within

* This meaning of 'consciousness', which is widely employed in the
 Soviet Union, is accordingly different from the concept of the
 individual conscious ~~ness~~ of the self.

such a framework 'materialism' only refers to the recognition of the reality of functional elements in the organization of society, but not to motivations. The need for such an approach to social organization is particularly ^{acute} ~~acute~~ in countries that are seeking to free themselves from the yoke of traditions, superstition, and perverted religious teachings.

BOTH

There arises a question: is it then this particular doctrine or is it the teachings of Marx concerning the emancipation ~~of the personality~~ ^{the essence of his teachings}? One should reply: both. In spite of ^{its} ~~their~~ many shortcomings ^{its} ~~their~~ power derives precisely from ^{its} ~~their~~ appeal to persons in which moral ^{forces} ~~strivings~~ are alive, to actively recognize the reality of the functional basis of social relations, and to rely, ~~accordingly~~, ^{and economic} on both political measures ^{and on the manipulation of the economic process}, rather than on moral strivings alone, for ^{their} ~~the~~ gradual reorganization in conformity with moral norms. ^{very simple thought} ~~This is~~ the only useful contribution of the ~~West~~ ^{is divided} so far to ~~the~~ development of the peoples of the entire world. ^{From is not major as the W. it clearly false} ~~From is not major as the W. it clearly false~~ ^{new} ~~new~~ ^{on Marx}

A

4. Concerning the danger of fascism in the "nationalistically-inclined" non-Western nations

~~Finally, the danger of fascism in the "nationalistically-inclined" non-Western nations~~

D

If one does recognize that man's internal aspirations ~~continuously~~ mesh with ~~external~~ functional processes that possess their own norms, then the ability to control the latter in the light of human criteria emerges as ~~an indispensable~~ ^a prerequisite for adhering to moral convictions. And conversely, a conviction that human control over the ~~relevant~~ functional processes is inherently impossible must ~~inevitably~~ ^{all} lead to a moral crisis associated with the conscious renouncing of ~~the~~ relevant moral norms.

While this problem is present in all societies, it tends to assume an entirely new significance in societies that are both freed ~~x~~ from traditional moral doctrines and industrialized. For in such ~~x~~ societies the inherent distinction between functional and ethical norms tends ^{to} become ~~x~~ fully visible, while at the same time the dependence of the supply of vital goods on a continuous integration of a vast system of specialized activities appears to limit severely the possibilities ~~for~~ subordinating the ~~xxx~~ economic process to non-functional norms.

AB | This suggests that the fascist regressions in the West have centered on something more than an idolatrous attitude towards national leaders. Since one cannot renounce that which has never been experienced, it is presumably only among the less primitive peoples, who did experience, in the course of their history, the prolonged influence of one of the great moral-religious teachings, that such a reversal can set in. In addition, however, an inner conviction must first arise that a fundamental and irreversible change has already occurred in society that has destroyed forever the possibility of guiding one's decisions by ~~xx~~ meaningful moral norms. Only then will that sickly manifestation of anger and despair ~~appear~~ begin to manifest itself in the behaviour of persons who are themselves tormented by the belief that they have been emptied of a vital inner content.

(E) Since one should not expect that such a ~~final~~ renunciation of inner life would occur so long as there exists even the faintest hope concerning the future, a fascist ~~departure~~ is particularly improbable in these new born nations, in which industrial institutions are only beginning to take shape, and in which an optimistic mood associated with populist aspirations results from the emancipation of the

masses from oppressive religious traditions and class relationships. Even less probable is the appearance of a fascist mood in countries already possessing a planned economy, since planning creates a visible instrumentality for the subordination of the economic process to the will of men.

On the contrary, as in the past, the danger of fascism would seem to inhere in the industrial societies of the West founded on a self-regulating system of market relations. In such societies the consciousness that man does not control the economic process results in the conviction that insubordination with regard to its existing rules must lead to the disintegration of the industrial economy - a state of affairs that everyone greatly fears. In the event of a genuine crisis, accordingly, a conviction may easily arise that its overcoming does require a ^{total} final renunciation of traditional moral values. This would cause large sectors of the population to permit the coming to power of even criminal elements,

if only they are thought to be capable of restoring the movement of the economic process, and to subsequently acquiesce in a reorganization of society in accordance with principles that negate moral values.

As for the appearance, in our time, of a new self-consciousness among national groups, that is of ~~axxxxx~~ an awareness of creative potentials that derive from biological, linguistic, and historical features of individual peoples, it implies a creative perspective of the greatest significance. In our times it ~~hasxxxxx~~ is rapidly displacing ~~otherxxxxxxxx~~ all other sentiments on which political structures had been established, and is resulting in the establishment of popular national states as the future political units of mankind. Undoubtedly this does create important new sources of conflict, which, by sharpening the crisis of the market societies, strengthens in them the stimulus to seek fascist solutions and ~~also~~ precipitates their disintegration. But this is far outweighed by the moral creativity of the populist aspirations and by their ~~movement~~ ^{Contribution} forward along the paths of socialism.

to

25 XII/61

(Proposed introduction to article on
ON THE PROTECTION OF SOCIETY FROM APPLIED SCIENCE

art.

Social
costs (advancing)

by Paul Medow

1. The permanent and institutionalized connection that has been made between science and technological progress since the Second World War represents, essentially, a shift from an analysis of existing industrial and military operations with a view to improving them, to an analysis of the laws of nature themselves with a view to manipulating them in specific practically effective ways. This alone is a disturbing phenomenon, since nature is not simply a shelf from which one can remove whatever one happens to need at the moment. It is a vast system of interrelated processes within which countless and evolving forms of life besides man have established precarious homes. Yet there is nothing in the growing conviction that scientific knowledge obviously exists only for practical purposes to suggest that limitations should be placed even on those technological manipulations that directly result in a destruction of plant and animal life. In fact there appears to be nothing in it to suggest to the military scientist that limitations should be placed on the destruction of human life - even in one's own country. There is much less, accordingly, that could indicate the urgency of limiting far less visible forms of destruction.*

* It may be objected that there is not, in the last analysis, any basic difference between the modern technological processes and the methods of production employed in pre-industrial times, since both rely on the manipulation of laws of nature within one's reach, whether one is conscious of this or not. It is precisely the matter of one's reach that has introduced a new element, however, together with the increased intensity with which technological processes are employed.

The identification of science with applied science has also become a source of spiritual and political danger in so far as enlightened persons continue to seek in science a substitute for the half-truths of traditional religions. This may yet usher in an essentially fascist age of science-oriented utilitarianism in the West on the heels of the dying age of personal utilitarianism, in which the norms of technological expediency, now sanctified as the laws of science itself, would prevail in the political sphere as well as in the personal inclinations of a large section of the population. But even if an orientation on applied science does not stifle the world of human feelings and of common sense - even, in fact, if these should prevail strongly in the personal inclinations of individuals, the institutionalization of applied science in the industrial sphere that has already occurred poses fundamental obstacles with regard to their ability to implement their inclinations at the level of decisions. There is, first, the disturbing fact that the destructive aspects of applied science will remain intangible and unquantifiable so long as they, too, will not have been studied intensively in a scientific way. But beyond that the recognition of such norms by operational units can obviously only reduce the effectiveness of various technological improvements. In so far as rivalry with other industrial units or nations tends to make such improvements imperative, however, and in so far as scientists are made responsible precisely for the improvement of technological processes, individually proposed measures that conflict with operational criteria will thus tend to be regarded as forms of sabotage. It is becoming increasingly urgent, therefore, to establish social agencies

that would be explicitly entrusted with protecting both nature and society from the indirect consequences of major discoveries in applied sciences, and to devise arrangements through which their efficiency-impeding norms would be imposed on all operational units.

2. Once a political decision is made that it is possible to sacrifice in some measure the continued improvement of technological efficiency, such an Agency for Social Protection against Applied Science would confront, in the first place, the problem of establishing a systematic procedure for identifying harmful aspects of technological advances, measuring them, and determining quantitative constraints for operational units. Such a procedure itself may be partly "political" rather than "scientific" in the sense that the resulting norms may rest on a certain degree of arbitrariness deriving from common sense rather than on precise methods of calculation.

DRAFT

K.P.

22 March 1963
Oslo

L.J., March 1963

ECONOMIC SCIENCE, INPUT-OUTPUT ANALYSIS, AND CENTRAL PLANNING

by
Paul Medow

1. Economic science was born as the study of material flows (Quesnay), but immediately shifted to the study of market relations (Smith) in connection with the problem of how to organize industrial economies. In the second half of the nineteenth century this led to the discovery of the conditions for optimality in the general logic of means ends relationships (praxiology) - an analysis that is inherently ~~xxx~~ unrelated to economies (which are concerned with the production and distribution of produced material means), and that has since been applied to a wide variety of other fields - such as finding the best way to destroy a group of cities. Recently the analysis of the conditions of optimality has been generalized and mathematized, and is now called optimal programming.

2. ~~The~~ The concern with material flows was inherited from Quesnay by Marx. His primary concern with the realities and evolution of capitalism, however, also led him to emphasize the role of market relationships in the sociological basis of the economic process, as well as their deterministic character. In addition he extended this approach to the analysis of pre-industrial societies as well. He regarded ~~the~~ ^{continuous} growth of "exchange" ^{in history} as the basis of the accumulation of "surplus value" ~~already in the earliest times~~ and of the social power of ruling classes already from earliest times, and he associated the replacing of ~~one~~ social structure by the next with changes in the sources from which the material means ~~were derived~~ of the ruling classes were derived. The findings of both ~~of~~ economic anthropology and of the ~~historical~~ economic history of pre-industrial societies, however, indicate that ~~until the establishment of a self-regulating system of markets in England~~ until the time when a self-regulating system of markets was first established in England in connection with the requirements of machine production, it was various combinations of ~~the~~ householding, reciprocity, and redistribution (which did not exclude a wide use of money at socially determined equivalencies), rather than exchange in the sense of socially unrestricted competitive exchange, that organized the economic process and also related it to a wide variety of non-economic objectives (the "socially embedded" economies). This suggests, in turn, that while it is obviously proper to study market relationships in the case of market economies, it is not proper to consider the possibilities of centrally planned economies by considering the price setting capacities of the self-

These are some of the ideas which I wish to organize in my projected book

regulating market system, although it is proper to note the partial relevance of the general logic of efficiency that it suggests to the problems, for instance, of relating ^{to each other} various economic sectors producing intermediate goods, in so far as this does not conflict with other policy aims.

3. ^{if} one identifies the economic process with material flows rather than with market processes, and does not accept the personal gain oriented meaning of "rationality" as the general basis of the institutionalization of the economic process, there are three aspects of the material flows that emerge as distinct problems:

- a) the way in which they serve overall social policy aims (which presumably normally center on non-economic ones), and heed various social constraints; this may be called their "social rationality" , if under "rationality" one simply has in mind the capacity of a set of means to fulfill a set of ends effectively, but not necessarily ~~efficiently~~ in the most efficient way;
- b) the way in which the various parts of the wider economic system that may be created through a specialization of functions are effectively integrated with each other; this may be called economic rationality in a similar sense;
- c) Finally there is the manner in which the relevant activities and processes are instituted, that is made repetitive and suitably proportioned.

4. This problem was faced by Marx, who related the general principles of dialectical materialism to sociology and to the historical process through the concept of the class struggle, which appears to be a generalization of the market relationships and of the property concept on which it rests. This same problem has now been posed again by input-output analysis, which by placing technological processes rather than market relationships in the center of attention, also tends to place material flows in the center of attention once again, and to revive interest in the analysis of intersector relations first employed by Quesnay.

5.

5. With regard to ~~intersector~~ the analysis of intersector relations, however, it may be noted that Quesnay, Ricardo, and Marx analyzed monetary relations among social sectors (the social classes of the mercantilist monarchies of Europe of that time), while the Leontief tables concentrate on the analysis of material transfers between economic sectors (not necessarily determined by monetary flows). A combination of both principles appears to be the next logical step. This would require the introduction of suitably defined social sectors (social "sub-systems") into input-output tables. Such sectors would be ~~defined~~ have to be defined in functional terms, however, ~~rather than in terms of~~ (e.g. theaters, parks, hospitals, schools) rather than in terms of property concepts or of concepts of social status.

6. In considering the problems raised by input-output ^{for economic science} analysis, more systematically, however, one finds that the principle employed by Marx - the relating of ~~the dialectical~~ a dialectical ^{the processes of} view of reality to ~~the~~ sociology and to history, is of greater help if one does not associate it ~~with~~ directly with the study of market type relationships or "class conflict". This may be done by referring to what Oskar Lange calls praxiology, which is the general science of logic of means ends relationships. ^{1,2}

For if one does place means-ends relationships in the center of attention, then the following emerges rather clearly:

a) when ^{if} two means-ends chains require the same means, which is insufficient in quantity for both, a potential conflict appears. In so far as some of the means-ends processes attach to independent phenomena and move spontaneously in the first place, such conflicts will in fact occur. In this connection it may be noted that the view that it is conflict that results in movement rather than vice-versa is meaningful only in the sense that qualitative change may occur in this way, which is related to changes in the means-ends structure of one of the processes or of both. It should

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1. The separation of the logic of means-ends relationships from economic science (it was present in Marx's Hegelian view of history) began with Lenin's ^{application} of the logic of military strategy and operations (derived from von Clausewitz, Hegel, Machiavelli) to the political action of the revolutionary type. ^{and subsequently to the principles of central planning.} It also has roots in neo-classical macroeconomics and now in ~~the~~ the theory of games, as well as in optimal programming. But the works of the Polish philosopher Kotarbinsky, to which Oskar Lange refers, are explicit, apparently, in stating the underlying phenomenon is simply ~~the~~ the logical analysis of means-ends relationships, and the origin of the term "praxiology" in this sense lies in nineteenth century French studies of the technical aspects of work. ^{in addition to ideas}
 2. A recognition of the reality of means-ends relationships may well be the underlying meaning of "materialism".

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be noted, too, that some means ends chains are artificially created by men and by governments to support particular aims. These, too, are spontaneously moving means-ends chains that create conflicts, so long as the corresponding aims continue to be actively pursued. Finally certain means-ends chains - the ones occurring spontaneously in nature, and which are studied, for example, in geology, do not appear to have ~~any~~ any ends in the strict sense, and may be described as largely chaotic or probabilistic, even though they continue to have a means-natural requirement aspect.

b) The study of conflicts in terms of means-ends ~~possibilities~~ relationships rather than of market processes makes it clear that determinism, whether economic or non-economic, is an altogether exceptional situation - except in self-regulating market systems. The possibility of substituting some means for others, which lies at the heart of neo-classical economic analysis and also of ^{modern} substitution programming, indicates that there is normally a wide range of choices with regard to the means for achieving a given end. ^{or set of ends.} In some situations this choice may not be meaningful in the light of one's deeper wishes, but this need not be the rule. The basic possibility to choose is symbolized by the possible solutions area in a programming diagram, and by the difficulties of finding the "best" solution to this kind of problem. Determinism does exist, however, the moment that a decision to maximize some end has been made. This should warn us against being too interested in optima, except within individual sectors, which have already been properly fitted into a larger network without the use of a single criterion - oriented optimum, but rather in accordance with the principle of "suitable proportions". Determinism of decisions also exists in situations in which a strong "enemy" maximizes, or is thought to maximize ends that are destructive of one's own.

c) Since initially the ^{many} unorganized spontaneously moving means-ends chains that attach to individual processes do not form the broader ~~systems~~ "systems" of ~~of~~ secondary means-ends chains that a society requires, but tend to conflict with its requirements as well as with each other, there is a need to tame and redirect such conflicting processes through social organization. At the level of the community this is frequently achieved through the practice of reciprocity. At the level of the state positive laws and (prohibitions and commands) and institutional mechanisms are employed.

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This means that wherever there are social sub-systems, individuals must refrain from certain actions which would remove some of the means from the broader means-ends chains, and that they must also contribute their own actions as means. It follows that man's ^{inherent} striving for absolute freedom cannot be realized at this level. Its proper place is in the requirements of inner life, and if they can be fulfilled - if he can orient his decisions on the inner norms of solidarity with all life and of his own conscience and integrity, this is the most that can be obtained.

d) It follows, too, that there are two meanings to "Equilibrium". One simply implies that the inputs or means of a system are adequate to maintain a given level and structure of outputs (ends). They refer to the functional relationships of a system and ignore ~~the characteristics of the means~~ all the non-functional characteristics of the means, which are thus viewed only as means for the given ends. The other, however, *does* refer to the existence of conflicts to the proper organization of a system, and more specifically to their effective neutralization. This is a situation, in short, in which there is an adequate equilibrium between conflicting "forces" or moving means-ends chains whose movement is determined exogenously. It is to this second concept ^{mathematical} that the study of stable or unstable equilibria refers, while the first is more properly described as simply a system.

e) With regard to international political strategy, for a moment, it also follows that any simple means-ends strategy that does not take into account the spontaneous evolution of means-ends processes and of consequent changes in various internal equilibria will tend to be short-sighted. The internal evolution of societies and of industrial economies, however, has ~~never been a simple matter~~ *never been a simple matter*, and it has become even less simple as a result of rapid technological progress and urbanization.

f) There appears to be an unexplored correspondence between the structure of the means-ends relationships of various phenomena, and the conceptual instruments of mathematics. For example, it would appear that single equations tend to ~~reflect~~ reflect various possible structures of a particular means-ends chain, while systems of equations tend to express situations of conflict.

7. With regard to central planning, it follows that the problem ~~is~~ is to ~~subordinat~~ acquire the capacity to control those means-ends processes that result in the production and distribution of produced material means in such a way that they best serve the requirements for material means of a continually improving human situation, without, however, ~~&~~ undermining the other means-ends chains that this ^{also} requires. In this connection it is vital to emphasize that many means are not just means, ^{for one or more ends} but also ends in themselves. This is true, in particular, of all living things. As for the measures of improvement in the human situation, it would appear that they are ^{changes in the} ~~improving~~ patterns of rights and obligations, that ^{result} ~~result~~ a decreasing number of conflicts with the requirements of inner life, of participation in the historical process, and of the good life in the Greek sense of that word, that is the all-around development and living of the individual, in which everything ^{in adequate amounts and hence in} ~~vital is present in~~ the "right proportions", but nothing is maximized.

8. To summarize, the input-output approach to economic models has centered attention on the production and transfers of produced material means once again, and has posed the problem of formulating a non-market and non-monetary meaning of economic rationality. Under the influence of the natural concern with efficiency and of the non-market form of the newer concepts of optimal decisions some economists are interested in formulating an optimal programming view of rationality, ~~which would subsume searching~~ and are seeking to clarify the political ~~xxx~~ implications of this kind of central planning. Others are striving to center their attention once again on political economy, that is on the relationship of the economic process, to be controlled through central planning, to ~~putting~~ the most meaningful policy objectives that are raised by the current situation and by the existential aspirations of man, without placing ~~max~~ the optimal programming techniques in a central position. It is generally clear,

however, that it will be necessary to ~~introduce~~ introduce various politically significant social sectors into input-output tables, to duly take into account the constraints on economic efficiency that they imply, and to realize that in the real world this will imply conflicts among spontaneous processes that will have to be institutionalized. This institutionalization should be preceded by a political decision with regard to the many choices that may be available, and to be effective it must also be supported by the individuals concerned.

10 January 1963
Oslo

MEMORANDUM no. 44

A MODEL OF THE SOCIALLY EMBEDDED INDUSTRIAL ECONOMY

by
Paul Medow*

1. This refers to the conception introduced twenty years ago by Karl Polanyi, and subsequently developed by him in a number of respects¹. My aim is to bring out its implications for the place of monetary flows in centrally planned economies.

I. THE CONCEPT OF A SOCIALLY EMBEDDED ECONOMY

2. The concept of the "embeddedness" of pre-industrial economies in a broader social framework, of the "disembeddedness" of the economic process from society in market-~~xxxxxxx~~-organized economies, and of the need to "reembed" such industrial economies in society through central planning presumes a "substantive" view of the economic process, in which it is the movements of produced material means that are placed in the center of attention, rather than acts of exchange, or more generally, rather than "rational" decisions based on some type of monetary accounting. It also presumes a positive conception of society, and of the role in it of the political sphere, in which both are more than merely elements of the institutional basis of the economic process and have functions of their own.²

3. In a socially embedded economy the functional requirements of the movement of produced material means from nature to the final acts of consumption do not automatically acquire power over persons and over resources. In particular they do not automatically prevail over the non-economic rights and obligations of individuals which are instituted on the basis of arrangements other than the private contract. Accordingly, conflicting norms do exist and are frequently given precedence.

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1. Karl Polanyi, The Great Transformation, New York, Rhinehart and Co., 1944. Also Karl Polanyi, C. Arensberg, and H. W. Pearson. Eds, Trade and Market in the Early Empires: Economics in History and Theory, Glencoe, Ill., Free Press, 1957.

2. Such a view of society does not exclude, however, the use and misuse of social and moral principles for functional purposes determined by the economic process, and hence their possible distortion. Fundamentally, however, in socially embedded economies the economic process serves broad aspects of the particular social structure in which it is embedded rather than the desire of individuals for greater material wealth.

4. In pre-industrial economies in which it is possible to institutionalize economic functions through a variety of socially determined patterns of rights and obligations without particular concern for the economic rationality of the resulting decisions,¹ the use for this purpose of such principles of social behaviour as reciprocity, redistribution, householding, and exchange on limited markets that ensures a subordination of economic activity to broader social objectives.¹ ~~xxxx~~ In industrial economies, on the other hand, the need for an organized economic sub-system makes the subordinating of the economic process to social norms dependent on a conscious use for this purpose of central planning.

5. In an economy organized through a self-regulating system of markets, not only genuine commodities, but also persons, nature, monetary symbols, and scientific and technical knowledge appear on markets and are made available to industrial enterprises on the basis of the juridical norms of the private contract. Subsequently decisions concerning their use in production are determined by the prevailing forms of competition with regard to obtaining purchasing power from consumers.

Historically, the disembeddedness of such economies from a broader social structure results from a replacement of society-oriented principles for determining rights and obligations of individuals in various situations by the juridical norms of the private contract, and by a simultaneous expansion of the sphere of private rights (private "property") which may be freely transferred to others. The increasing volume and power of monetary inducements to surrender such rights to industrial enterprises, however, stems from the increasing use of machine-production. In a situation in which the leaders of industrial enterprises incur large private debts in acquiring expensive machines and subsequently dispose of their own goods on private markets in which competitive pressures exist, it is only natural that they should attempt to institutionalize the stable procurement of the various human, natural, institutional, and produced inputs that continuous machine production requires through purchasing power of the monetary symbols that they themselves ^{derive} ~~acquire~~ from consumers. The actual power of such monetary flows to induce the needed transfers and human activity, however, and hence to organize new social structures, becomes particularly strong when other sources of livelihood cease to exist, and it increases ~~the~~ again as successful industrialization extends the range of the consumers goods that they command.

1. Cf. Karl ~~Polanyi~~ Polanyi, op.cit...

6. From the social point of view the most remarkable feature of this system is the immense power over the fate of men, the organization of society, the direction of ~~technological~~ technological change, and the fate of nations that it gives to industrial leaders who are themselves the prisoners of an impersonal and exclusively consumer ~~oriented~~ oriented competitive mechanism. While this power appears to be the same phenomenon as the one that Marx called ~~an~~ "Capital", it is more comprehensive and more far-reaching than merely the power to exploit labour.

7. If one considers the role of monetary flows in such an economy, it appears that it is the same monetary symbols that are initially spent by consumers that subsequently give the leaders of industrial enterprises their rights over the elements of production, and the owners of the elements of production their rights over consumers' goods. In this role, accordingly, the monetary symbols initially spent by ~~the~~ consumers serve to subsequently establish ^a specific juridical structure within society (in the sense of a structure of rights and obligations). This function of money in market economies is thus a juridical one.

^{At the same time, however,}
~~An~~ altogether different role, ~~however,~~ is also played by the very same monetary symbols in so far as competition forces them to serve as units of rational accounting as well. In this role they establish norms for the decisions of individual enterprises that correlate them with the ^{functional} requirements of the economic system as a whole. In particular they make it possible ~~for~~ (and necessary) for industrial leaders to orient their activities on those valuations that the mass expenditures of consumers assign to their products. ^{They also} At the same time they make it possible for them to know which resources are more productive in uses other than those that they ~~themselves~~ envisage, since the owners of these resources will ^{tend to} ~~normally~~ assign to them a price that reflects their productivity in the most effective of all channels. This function of money in market economies is thus an accounting one.

In the absence of a clear separation between the monetary symbols that serve each of these distinct functions ~~in~~ it is the accounting function of money that tends to establish the juridical structure of society. Both the rights over labour and resources of industrial leaders and the rights over consumer goods of the workers and property owners ~~that result from the transfer of these resources~~ ~~these resources~~ are determined by a system of monetary flows that competition causes to serve a specifically economic function. The structure of both sets of juridical rights is derived from economic accounting. This is the cause of the disembeddedness of the economic process from society when viewed from the monetary point of view.

II. A SIMPLE MODEL OF AN INDUSTRIAL ECONOMY EMBEDDED IN SOCIETY THROUGH CENTRAL PLANNING

8. It follows that a clear separation of the juridical and the economic accounting roles of monetary symbols and a deliberate subordination of economic accounting ~~norms (which, in an industrial economy, are indispensable) to juridical norms~~ norms (which, in an industrial economy, are indispensable) to juridical norms established on other than economic grounds is the essential feature of a socially embedded industrial economy. While a variety of institutional arrangements may adequately serve this purpose, the following simple model of a centrally planned economy brings out this feature in a clear way:

- a. Let each member of the given society receive all his money each year ~~from the~~ directly from the government, rather than from the organization in which he works, ~~and~~ more or less independently from the economic significance of his work. Let the prices for available consumers goods be determined in terms of the social priorities of the needs that they serve rather than of the relative difficulty of producing them or of the scarcity of particular resources. Let the set of such needs be limited at some point. Let individuals surrender the corresponding monetary ~~tokens~~ ^{tokens} ("juridical money") to the government again, upon acquiring material goods, rather than to the industrial enterprises that produce them.
- b. Let the government decide, independently of these "juridically" determined prices, the type and volume of goods ~~which it~~ with which it wishes to fill the stores in the coming year in order to make them available to individuals and organizations. Let it allocate the corresponding orders to the enterprises.
- c. Let the industrial enterprises indicate what "rights" over workers, machines, natural elements, technological processes, energy, transportation facilities, etc... they require in order to fulfill these orders. It is presumed that until they are explicitly granted ~~granted~~ such rights these enterprises do not have any of them.
- d. Let the government then reconsider its initial order in such a way as not to have to grant rights over ~~these~~ ^{such} elements of production to industrial enterprises in those cases in which they conflict to an unacceptable degree with other, non-economic juridical norms. What type of conflict of this type is or is not acceptable in such a situation is essentially a political decision, for which

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the methods of political democracy may or may not be appropriate. To the extent that it is, however, the ability of the members of society to participate in decisions of this kind may well give the concept of political democracy an entirely new content.

e. The approved rights of enterprises over inputs must then become the obligations of workers, engineers, scientists, and also of other organizations that make available the needed machines, raw materials, and land. Let the manner in which these obligations are imposed upon the workers, or accepted by them, remain an open question. Let it also remain open whether the enterprises receive such rights in the form of specific orders on other organizations or in the form of monetary symbols of the "juridical type", which may give them some choice in the selection of the inputs that they wish to obtain as well as of the particular organization from which they wish to obtain them.

III. SOME GENERAL COMMENTS

9. The new scope for policy objectives

In a market economy in which an appreciable share of the monetary flows received by workers and property owners in the form of income is not automatically spent again for consumers goods in the next period, a cumulative reduction in the amount of money in circulation and a subsequent dislocation of the economic process and of established patterns of living can be prevented only through a continuous increase in investment expenditures, that is in the scope of the rights of industrial enterprises over the elements of production. In contrast to this, in an industrial economy in which the allocation of rights over the elements of production to enterprises and of rights over consumers goods to individuals is independent of the accidents of consumer behaviour maintaining of a high rate of investment need no longer be a central policy objective. The desirability of economic growth can be appraised in a rational manner, as a means to higher levels of consumption of specific goods, rather than as a means to institutional ends. More generally, policy makers become free to reject an overriding concern with efficiency, automation, and with the use of science for technological ends, if they so choose, and to produce at any level of abundance that they choose. For the non-industrialized nations the policy of limited or partial industrialization becomes feasible. In over industrialized nations a withdrawal of some workers and natural resources from the economic process becomes possible, without concern for economic repercussions other than the corresponding decline in the availability of individual products. The subordination of the use of science, technology,

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and education to non-economic norms becomes possible again, as does the industrialization of regions and of entire nations in the light of local distinctions in their non-economic objectives.

10. The role of rational economic accounting and its basis:

Once the structure of the final goods to be produced is determined in some manner the central problem is to assign the corresponding orders to individual enterprises. ~~together with rights~~ More accurately, the task is to first assign the orders to specific technological processes, and then assign the latter to individual enterprises, together with rights over the corresponding elements of production. The nature of these rights, however, ~~are~~^{is} fundamentally determined by the functional requirements of ~~the technological processes themselves~~^{the technological processes themselves} rather than by possibilities for substitution. Their amount must not exceed the volume of the corresponding inputs that is in fact available; and furthermore, provisions must be made to make these rights effective - that is to cause those organizations that fulfil the corresponding obligations to deliver the specified inputs at the proper time and to the proper place. There are, however, no other basic requirements for the functioning ~~of such an economy~~ of such an economy. In particular its functioning does not depend on the presence of a rational system of accounting prices, although it is obvious that it ~~can~~ be appreciably improved through calculations of the relative effectiveness of various patterns of resource substitution, and ~~also~~ by the assigning ^{of} orders to those enterprises (technological processes) that are most efficient. This would ^{serve to} reduce the amount of labour and of natural resources that the production of a given set of orders requires.¹

As for the manner in which the assortment and volume of final goods is initially determined, the association of this decision with the political sphere makes it natural for ~~it~~^{the latter to} consider ~~the~~^{its} broader social implications. From the vantage point of the political sphere it is evident that each assortment of material means tends to make possible and to support particular ways of life for the social groups that receive them; and also that ultimately each ^{conceivable} way of life is determined by the overall pattern of rights and obligations that confront individuals with regard to those elements of nature ^{and of} the social process ~~that~~ that are felt to matter most. But since the rights of one person ^{tend to} become the obligations of others it no longer appears rational to leave this matter up to the uncoordinated decisions of the individuals themselves, even though much scope may be permitted for individual preferences within a broader pattern of rights and obligations. It follows that while there should be

1. In the course of the last decade a variety of mathematical techniques have been devised that make it possible for electronic computers to determine the most rational allocation of orders to enterprises.

10 January 1962

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a correlation of planned production with a changing structure of genuine needs (which may, in part, be inferred from the previous structure of consumption), there should not be a policy of granting new significant rights over material means to individuals simply because they wish to have them. Such decisions should follow a conscious consideration, through the prevailing ~~physiocratic~~ political processes, ~~with~~ of the broader social significance of the resulting alterations in society's juridical structure. In this connection normative views concerning the proper way of life and a variety of related quasi-religious values inevitably tend to acquire a political significance once again.

(not finished)

Nov. 1961

ON THE USE OF LINEAR PROGRAMMING TO
LIMIT DETERRENCE GAMES

by P. I. Medow

1. The problems of linear programming are expressed in terms of a matrix (an array) of networks of the means-end type, which may be either technologically determined or established by convention, from which one combination of means has to be chosen. This selection is guided by a single end or objective, and is subject to a variety of constraints on the means - either in terms of the limited amounts that are given of some of the means, or for any other reason, including the existence of conventional rules of action, morality, etc.
2. The problems of game theory, too, are expressed in terms of a matrix (an array) of networks of the means-end type. Here especially they do not necessarily conform to technological possibilities, but possibly only to a set of rules that specifies in a purely conventional way the type of end, the type of means, and the way in which the means may be combined to create an end.

Here, however, the most effective way of combining means and ends is limited by the ability of the opponent to control some of the means, in accordance with the rules of the game. Accordingly, with each move, the opponent removes some of the means at the first player's disposal. This may be viewed as the imposition of more and more constraints on the remaining possibilities for combining means in the most effective way. With each move, then, the best strategy for attaining the end is altered.

If the first player considers all the possible moves of his opponent from the first, that is all the ways in which he may be deprived of some of the means at his disposal, he may be able to select a strategy that is least likely to be deprived of vital means by analyzing the possibilities in terms of the principles of probability.

3. In terms of such elements the modern game of military deterrence is still played in accordance with rules that are technologically given, rather than established by the players with due consideration of their common wish to exclude certain types of means that are undesired for social reasons. The problem of identifying rules (conventions) with which to maintain the present end (deterrence) which both sides have achieved, and yet eliminate an increasing number of undesirable means on which the state of "solution" or "equilibrium" depends today is one that may be analyzed through the methods of linear programming.

The procedure would essentially be the following one: analyze the effect of each limiting rule of this kind, or of combinations of them, on the individual best strategy coefficients of the games matrix; then choose a combination of such rules that will maintain the present effectiveness of the best strategy for each side with the new best strategy coefficients.

More specifically, each strategy in the games matrix must be treated as a linear programming objective function, and the effect of the additional rules, expressed as constraints, on the capacity of player one and then of player two to reach his solution must be reexamined in each case within the modified games matrix.

4. The problem that is envisaged here, in short, centers on making the rules of a game a variable, while retaining the end defined by the game itself. The method for analyzing the effect of varying the rules in this manner (the objective in varying them would be to withdraw means that are socially destructive) would be to treat such variations as constraints in a linear programming analysis of the best strategy, and then of solving the resulting new games matrices again and again until the same solution is found once again with a different combination of means.

5. It may also be possible to find a way of expressing the changing rules in terms of an objective function aiming directly at maximizing their social utility, rather than as constraints on an objective function aiming at winning the game (military utility).

P. Medow
19 March, 1960

Non-Market Economics
Part I

WHY SOCIOLOGY HAS NOT LED TO THE EMERGENCE OF A
MORE ADEQUATE CONCEPTION OF THE ECONOMY

- × 1. Briefly this is because of the enormous influence of Max Weber's conception of rational action, which is, moreover eminently suitable to modern conditions, that is to a market economy. This has obscured the relevance of the position of some of the earlier participants in the debate (in Germany) on "primitivism" to the formulation of a more adequate conception of the economy.
2. The roots of modern sociology appear to lie in the traditions of the German historical school, on the one hand, and in the work of Sir Henry Maine, on the other. The writers of the German historical school have been largely concerned with the emergence of the national state from a community-centered order. The work of Main emphasizes the distinction between societies in which social and economic relations are based on status and those in which they are based on contractual relations.
3. The work of Main^e stimulated a debate concerning the distinctions between modern societies and earlier ones that encompassed many subsidiary issues. One of them concerned the role of markets in earlier economies. Another one, however, concerned the relative desirability of life in a society consisting of communities as opposed to societies centering on the modern national state. In this debate Weber energetically defended the modern ("open") society, and in that process misrepresented considerably the mode of life, the institutions, and the economy of non-market societies, - that is precisely those elements whose subsequent understanding by the anthropological tradition did lead (Malinowski, Polanyi) to a wider formulation of the economy.

× Rational arbitrariness is identical with utilitarianism - cf. Benthamism. No tradition to stand that cannot be justified by its possible usefulness. This principle and value scale antedate "rationalism" cf. Felix's Calculus.

4. Weber rightly chose to emphasize the advantages of what he has called "rationalized" social relations, by comparison with tradition-oriented ones. Such rationalized behaviour underlies not only the functioning of a self-regulating market system ("Capitalism"), but life in the modern national state generally. The modern national state cannot exist in a society in which individuals are oriented primarily on tradition and on small group loyalties. These are elements which remove individuals from the control of the State, and also suppress national-consciousness. Or, from a different position, the individual cannot become free to be motivated by national consciousness and oriented by national aspirations until he is freed of tradition-orientation and of excessive small group loyalties.
5. Strictly speaking, the process of "rationalization" as Weber describes it, refers above all to a change in the structure of social relations, that is in the pattern of the basic social (not economic) relations of the individual. Weber does observe this. He notes that beginning from a position in which the individual has two types of social ethics - a highly "moral" one with regard to members of one's small group, and a highly "immoral" one with regard to strangers - the course of "rationalization" leads to a weakening of the "internal" ethic, and to the development of an "external" one as well, that is one that would regulate social relations with strangers as well. He then suggested that the loyalties of the "internal" ethic are based on a belief in magic, while the development of an "external" ethic in the case of Western Europe (the only example in history, in his view), resulted from the wide dissemination of the prophetic, rather than magic-oriented religion of the Old Testament in the Protestant countries of Europe.

6. Weber, however, chose to consider the implications of this development for one thing only - and that was not social relations in the ethical sense. He chose to consider how this process made possible a greater capacity on the part of individuals for "rationality" in their life, that is for calculation, both in the economy and elsewhere. This is but another way, however, of centering one's study on utilitarian rather than on ethical, social relationships.
7. The significance of the process of rationalization, in Weber's view, lay in that it made it possible for the individual to calculate both in regard to former members of his "internal" group, and in regard to strangers. Calculation, in this sense, refers to the rational pursuit of any fixed objective, and not only the acquisition of material goods. One can be rational, therefore, in Weber's sense both if one chooses to maximize the accumulation of property, and if one chooses to dispose of it to the poor. It is the effective relating of means to ends that is the central element, and it is to this that the term calculation refers.

Calculation may be based on past experience and associations, and even on conceptions of magic, rather than on the rules of Aristotelian logic. The direct utilization of Aristotelian principles, however, obviously makes possible a rapid extension of rationality to all fields.

8. While the concept of calculation is, in this way, a general one, it is to calculations centering on the pursuit of material goods that Weber devoted particular attention. In that connection, he emphasized that the tradition-oriented man is by no means less acquisitive than the modern capitalist. On the contrary: in "external" relations, he expresses his acquisitiveness much more crudely than does the capitalist, who for his part has learned to restrain his acquisitiveness through orientation on an "external" (e.g. Protestant) ethic.

9. The resulting image of man, accordingly, is clearly one of an acquisitive animal. And the resulting image of non-market societies is only one in which the stifling of this natural impulse is achieved through the use of magic. But beyond that it is one in which the use of one's rational faculties outside the economy, too, is not possible. This leaves nothing to be said in its favor, and much for capitalism, and more generally, for calculation. Capitalism, moreover, now appears as simply the manifestation of rationality itself in the economic sphere, and one that is restrained by "external" morality besides. It is also a presumed impossibility to calculate on a macroeconomic scale that then led Weber to pronounce the establishment of a socialist economy an impossibility.

10. The most important successor of Weber in the development of these new sociological concepts is Schumpeter. Schumpeter developed further the concept of rational behaviour in his theory of leadership, that is of decision-making made in the absence of complete and familiar data. Schumpeter did not share, however, Weber's views concerning the impossibility of economic calculation in a socialist economy. On the contrary he extended the relevant static economic theories to include the process of economic development in a socialist economy, which he expected, would be economically a more effective one. He continued to share Weber's one-sided view of pre-capitalist economies, however, and said almost nothing about society in a socialist economy.

P. Medow
19 March 1960

NON-MARKET ECONOMICS
Part I

THE CONTRIBUTION OF PSYCHOANALYSIS TO THE EMERGENCE OF
A MORE ADEQUATE CONCEPTION OF THE ECONOMY

1. Briefly, this occurred because psychology is directly concerned with all aspects of man's behaviour and ^{with} all factors influencing his character formation. It naturally tends, accordingly, to study the economy in two connections: 1) how the social and ethical relations that economic processes tend to establish affect man's psychological development; and 2) how certain developments in man's character structure, no matter what factors explain them (e.g. religion), may be useful in supporting particular economic processes.

2. Both of these aspects of character formation have been studied, with very great success, by Eric Fromm. His works have led to important insights into the way in which particular economic structures may reproduce themselves, generation after generation, through the encouragement of "useful" (or functionally necessary) neuroses in the training of children, and hence to a much deeper understanding of the ultimate character and also of the variety of motivations underlying economic processes; It has also led to a clear recognition of the existence of the deepest conflict between the overall requirements of man for psychological development, which call for a social environment within which ethical social relations may manifest themselves, and the utilitarian social relations that are made necessary by a market economy. Psychoanalysis, in short, has explained the variety of economic motivations, as well as the neurotic roots of pathological utilitarianism, on the one hand, and on the other, has introduced a second norm into the analysis of economics (besides efficiency in the creation of material abundance): the overall psycho-social requirements of mental health, which call for much more than Weberian rationality.

3. While these achievements do reorient both the st study of motivations in various economies, and the way in which ⁶ economies reproduce themselves generation after generation; and while they do provide a ^c second norm for appraising economies, and thus make clear that the establishment of the most effective economy and of the most generally desirable society are normally conflicting, rather than compatible aims, the contributions of psychoanalysis cannot, by the very nature of this discipline, provide the additional insights that are still needed for a new general concept of the economy. It is not concerned with the instituting of social relations (as is Aristotle) nor with the instituting of economic processes (whose normative principles are established by Mengerian-Schumpeterian general economic analysis). Nor is it concerned with the institutionalization of conflicts between these two requirements (cf Polanyi, on "dual cost-accounting").

23 January 1960
New York

To: Prof. K. Polanyi

From: P. Medow

Subject: The relationship of economic analysis to the substantive concept of the economy.

From the definition of the economy as "an instituted movement of material goods" Harry Pearson has derived a number of parameters of the material character of the goods. One of them was technology, to which he referred as "knowledge concerning techniques". Presumably this knowledge refers to the dividing of things and the putting of them together, in Bohm-Bawerk's phrase, or their disconnecting and reconnecting, in the words of Schumpeter. In an earlier paper I have noted that by departing from a definition of production as the transformation of material goods occurring in nature, it is possible to specify exactly the distinctions between technologies of transformation, techniques, and machines. I think that it will be important to return to this point on a later occasion. Today, however, I wish to demonstrate that it is to the element of technology and not to markets that economic analysis owes its existence. Its principles, it should be added, become relevant, only when the technological element in the economy becomes complex. This is another way of saying that they apply only to industrial economies.

a. Technology, relations of complementarity among producers goods, and relations of multiple complementarity among producers goods.

If production refers to the "putting together of things" after having divided them, then the way in which they are put together is presumably important. Given the physical characteristics of the final product that one has in mind on the one hand, and the natural properties of the parts of nature that one is employing as resources, this process of putting them together refers to relating them in a means-end pattern - the end being given

by the physical properties of the final good. If one now considers the several inputs individually it is said that they are complementary to each other in the production of final goods.

It is well-known that economic analysis centers on the problem of substitutability. This phenomenon, however, is merely another aspect of multiple complementarity, if one leaves aside, for the moment the special kind of substitutability of some goods for others that results from the subjective character of some consumers valuations. This second problem may be treated separately. The substitutability of some producers' goods for others, however, occurs whenever two or more such goods may be used in two or more distinct production processes, that is whenever two producers goods are each complementary to more than one set of other producers' goods. It then becomes possible to use less of one and more of another within a given production process, in such a way as to use least of that input which is most productive elsewhere. This is a form of "economizing". But this is a form of economizing that need not result from economizing on the part of consumers. And furthermore, since the need to economize in this sense arises in any economy in which the complexity of the technologies of production and the variety of final goods being produced creates large pockets of multiple complementarity relationships among producers goods, the need for this kind of economizing exists whether the economy is a market economy or not. It exists in any industrial economy.

c. Multiple-complementarity among producers goods and the three central problems of economic analysis.

The need to "economize" inputs that are more productive elsewhere than in a given production unit calls for some principles that indicate the way in which resources should be allocated in a technologically complex economy. In so far as the requirements of technology are rigid in this regard, of course, the problem does not arise. But within these limits decision-making concerned

with the allocation of resources should reflect the three basic principles underlying all of static economic analysis, namely, the principle of diminishing utility, the principle of diminishing returns, and the principle of increasing opportunity costs. Accounting prices reflecting the (shifting) overall priority schedule - whether it is merely an aggregate of individual consumers' preferences, or whether it is determined by a planning body on the basis of calculations - are then needed as operational criteria reflecting these three basic principles for determining the relative productivity of alternate channels of complementarity. These accounting prices need not also be, as they are in a market economy, the incomes of individuals possessing the corresponding inputs.

Price theory, in this way, provides the solution to this basic problem of economic analysis. In its most general form this theory is independent of the principle of consumer sovereignty, with which it has been associated historically through the excessive concern of British economists with markets.

The second subject of economic analysis, which also centers on relationships of complementarity among producers goods, and which therefore also refers to the technological element in our definition of the economy, is the process of economic development analyzed by Schumpeter. This refers to the introduction of improvements in the relationships of complementarity among producers goods, which increase the amount of overall utility obtained from a given volume of basic resources. Some of Schumpeter's "innovations" refer to improvements in the "economizing" of resources that are productive elsewhere, other to the basic technology of production, and others to organizational elements. The special case in which the overall product increases as a result of an increase in the stock of machines in the economy, or of producers goods generally, which is a different form of economic progress, could be analyzed in terms of the creation of a surplus in the sphere of producers' goods.

The third problem with which economic analysis is concerned is the one

associated with Keynes, although Marx has clearly recognized it and had predicted that it would lead to an automatic self-destruction of capitalism. This is the possibility of non-continuity in the monetary relationships that in a market economy provide the channels for the disposition of goods. In an industrial economy that relies on a single type of money, rather than on a variety of (interrelated, but non-exchangeable) specific use moneys changes or fluctuations in one sphere in which this kind of money is used (e.g., savings) will necessarily tend to influence all other spheres in which this same kind money is used (e.g., the introduction of innovations or the employment of labor). The inevitable fluctuation in investment expenditures that is explained by the irregularity of the supply of the innovations that usually underly investment expenditures then tends to become a major source of such monetary disturbances, that tend to recur at periodic intervals, (Business cycles). The principles that would maintain a stability in the overall monetary flow accordingly, are the ones with which this third branch of economic analysis is concerned.

Insofar as it is fluctuations in the supply of innovations that cause such monetary disequilibria, this problem centers once again on technology, that is on a parameter of the substantive definition of the economy. Although even there the element of entrepreneurship or of organization associated with innovations, centers on another parameter - a social one. Insofar as the problem of monetary disequilibria is concerned with the circulation of money, however, it centers on the monetarization of a wide variety of relationships. And here I am no longer sure how this relates to the substantive definition of the economy.

Has been Read to seminar
on 24 Jan. '60

23 January 1960
New York

To: Prof. K. Polanyi

From: P. Medow

Subject: The relationship of economic analysis to the
substantive concept of the economy

From the definition of the economy as "an instituted movement of material ~~goods~~ goods" Harry Pearson has derived a number of parameters of the material character of the goods. One of them was technology, to which he referred as "knowledge concerning techniques", Presumably/~~concerning~~ this knowledge refers to the dividing of things and the putting of them together, in Bohm-Bawerk's phrase, or their disconnecting and reconnecting, in Schumpeter's words of Schumpeter. In an earlier paper I have ~~take exception to~~ noted that by ~~departing~~ instead from a definition of production as the transformation of ~~goods~~ material goods occurring in nature, it is possible to specify exactly the ~~xxx~~ distinctions between technologies of transformation, techniques, and machines, ~~xxx~~ I think that it will be important to return to this point on a later occasion. Today, however, I wish to ~~xxx~~ demonstrate that it is to the element of technology and not to markets that economic analysis ~~xxxxxx~~ owes its existence. ~~I am referring to this term in its most general sense in order to refer to the dividing and putting together of goods.~~ Its principles, it should be added, ~~xxxxxx~~ only when ~~empt~~ the technological element in the ~~xxxxxx~~ economy becomes ~~xxx~~ complex. This is another way of saying that they apply only to industrial economies.

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If production refers to the "putting together of things" after ~~having~~ having divided them, then the way in which they are put together is presumably important. Given the physical characteristics of the final product that one has in mind on the one hand, and the natural properties of the ~~parts~~ parts of nature that one is employing as resources, ~~on the other~~, this process of putting them together refers to relating them in a means-end pattern - the end being given by the physical properties of the final good. If one ~~now~~ ~~considers~~ now considers the several inputs individually it is said that they are complementary to each other in the production of final goods.

It is well-known that economic analysis centers on the problem of ~~substitutability~~ ^{substitutability}. ~~It is important to note, however,~~ ^{however,} that this phenomenon is merely another aspect of multiple complementarity, if one leaves aside, for the moment the special kind of substitutability ~~that results from the subjective character of some consumers valuations~~ of some goods for others that results from the subjective character of ~~some~~ ^{some} consumers valuations. This second problem may be treated separately.

~~Subs~~ The substitutability of some producers' goods for others, however, ~~occurs whenever~~ ^{occurs whenever} results from the fact that two or more such goods may be used in two or more distinct production processes, ~~in other words, they are each complementary to more than one~~ ^{that is whenever two producers goods} ~~set of other producers' goods. It becomes possible, then, to use less of one and more of another in a given production process, in such a way as to use least of that input which is most productive elsewhere. This is a form of "economizing". But this is a form of economizing that does not result from economizing on the part of consumers. And furthermore, since the need to economize in this sense arises in any economy in which the complexity of the technologies of production and the variety of final goods being produced creates large pockets of multiple complementarity relationships among producers goods, the need for this kind of economizing exists whether the economy is a market economy or not. It exists in any industrial economy.~~

c. Multiple-complementarity among producers goods and the three central problems of economic analysis

The need to "economize" inputs that are more productive elsewhere than in a given production unit calls for some principles that indicate the way in which resources should be allocated in a technologically complex economy. In so far as the requirements of technology are rigid in this ~~xxaxxx~~ regard, of course, the problem does not arise. But within these limits decision-making concerned with the allocation of resources should reflect the three basic principles underlying all of static economic analysis, namely, the principle of diminishing utility, the principle of diminishing returns, and the principle of increasing opportunity costs. Accounting prices reflecting the (shifting) overall priority schedule - whether it is merely an aggregate of individual consumers' preferences, or whether it is determined by a planning body on the basis of calculations - are then needed as operational criteria reflecting these three basic principles for determining the relative productivity of alternate channels of complementarity. These accounting prices need not also be, as they are in a ~~xxxx~~ market economy, the incomes of individuals possessing the corresponding inputs.

The need to "economize" inputs that are more productive elsewhere than in a given production unit ~~requires~~ ^{calls for} some principles that indicate the way in which resources should be allocated in a technologically complex economy. Insofar as ~~technically~~ the requirements of technology are rigid in this regard, of course, the problem does not arise. But ~~the~~ within those limits, ^{the} three basic principles underlying all of static economic ~~analysis~~ ^{analysis}, namely, the principle of diminishing utility, ~~the~~ the principle of diminishing returns, and the principle of increasing opportunity costs ^{must be used as the operational decision-making concerned with the allocation of resources.} criteria in the solution of this problem. Accounting prices reflecting the (shifting) overall priority schedule - whether it is merely an aggregate of ~~economic~~ ^{individual} consumers' preferences, or whether it is determined by a planning body ^{then needed as} on the basis of calculations - ^{operational} reflecting these three basic principles ~~are the indispensable~~ ^{are the} criteria for determining the relative productivity of alternate channels of complementarity. These accounting ^{also} prices need not be, as in the case of a market economy, ^{also} the incomes of individuals possessing the various inputs.

The second subject of economic analysis, which also centers on relationships of complementarity among producers goods, and which therefore also refers to the technological element in our definition of the economy, is the process of economic development analyzed by Schumpeter. This refers to the introduction of improvements in the relationships of complementarity

among producers goods, which increase the amount of overall utility obtained from a given volume of basic resources. Some of Schumpeter's "innovations" refer to improvements in the ~~static~~ "economizing" ~~relationships~~ of resources that are productive elsewhere, other to the basic technology of production, and others to organizational ~~factor~~ elements. ^{special case} The ~~case~~ in which the overall product increases as a result of ~~an~~ an increase in the ~~overall~~ stock of machines in the economy, or of producers goods ~~generally~~, generally, which is a different form of economic progress, could be analyzed in terms of the creation of ~~surplus~~ a surplus in the sphere of producers' goods.

The third problem with which economic analysis is concerned is the one associated with Keynes, although Marx ~~xxxxxx~~ had clearly recognized it and had predicted that it would lead to an automatic self-destruction of capitalism. This is the possibility of non-continuity in^a/_{the} monetary relationships that in a market economy provide the channels for the disposition of goods. In^{on an} industrial economy that relies on a single type of money, rather than on a variety of (interrelated, but non-exchangeable) specific use moneys necessarily express changes or fluctuations in one sphere in which this kind of money is used (e.g. savings) will necessarily tend to influence all other spheres in which this same/^{kind}money is used (e.g. the introduction of innovations or the employment of labor). The inevitable fluctuation in investment expenditures that is explained by the irregularity of the supply of innovations the innovations that usually underly investment expenditures then tends to become a major source of such monetary disturbances, that ~~xxxxxx~~ tend to recur at periodic intervals (Business cycles). The principles that would ~~xenxk~~ maintain a stability in the overall monetary flow, however,

~~xxxxxxxxxxx~~

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Insofar as it is fluctuations in the supply of innovations that cause such monetary disequilibria, this problem centers once again on technology, that is on a parameter of the substantive definition of the economy.

Although even there ~~there is also an~~ ^{the} element of entrepreneurship or of organization, ~~at least, which~~ ^{associated with innovations,} centers on another parameter - a social one. Insofar as ~~it~~ ^{the problems of monetary disequilibria} is concerned with the ~~interdependence~~ circulation of ~~money~~ money, however, it centers on ~~that~~ ^{a wide variety of} ~~the monetarization~~ ^{of relationships: and} ~~of relationships.~~ ^{I am no longer sure how this related to} the ~~substantive~~ substantive definition of the economy.

Poe: 1) rationally need not be economic
2) never needed technology
Powers: dist. of 4 aspects
— a political prob.
d. can be quantified

Dalt — postulate of several p.p.
may be needed for b-cycles

Dalt: economic planning — next step

Dalt: variety of prior money uses

22 January 1960

To: Prof. K. Polanyi

From: P. Medow

Subject: The relevance of the substantive concept of the economy - the study of economic relationships from the moral point of view - (social justice, personal ethics, the good life, social control over technological processes and over the direction of production)

The definition of the economy as an instituted process makes clear the central position of the instituted character of that behaviour of persons which is economic in its consequences. Unless arrangements exist that cause individuals to behave continuously in the way in which the "process" part of the economy requires there will be neither transformational and locational movements nor appropriational movements. Instituted behaviour is the movement - imparting element. Hence its central position.

It has not yet been established what the component elements of instituted behaviour are, although it has been noted that the concept of the "situation" is the correct one for a general formulation of instituted behaviour. Arrangements that create repeatedly situations of a certain kind that then cause persons to act in ways required by the "process", ~~xxxx~~ part of the economy, or by some component of this "process", are the ones that naturally attract interest.

It seems to me, however, that this position is one step removed from the decisive concept of an activity-inducing mechanism, which may be formulated in terms of situations, and which does away once and for all times with the view that it is motivations that determine behaviour. This centers on the analysis of conflicts that are created by activity-inducing situations with the basic elements of a person's own "life-situation"; and also on the connection between attempts to resolve such conflicts (which may be created artificially) and

operation~~ab~~ activity along lines that the economic process requires. But the decisive aspect of this concept for the study of the economy from the moral point of view stems from the introduction of the person and his life-situation into the picture. This makes it clear (implicitly) that there are always other norms in the economy other than the requirements of the "process" itself. This should serve to destroy the view prevailing in market economies today that what is good for the economy is good for the individual.

a. The concept of the activity-inducing mechanism.

If one does take as a point of departure the concept of a person's "life-situation", into which activity-inducing situations then intrude, it is important to emphasize first, the most vital elements in it that arise from man's very nature: in the life of each person one generally encounters the following elements with regard to which the person is not indifferent: parents, brothers and sisters and other relatives; friends and associates; wife and children; food and elements of protection from nature and from enemies. But then one should also consider specific ecologic, technological, institutional and historical elements that affect the overall situation within which the person finds himself. The resulting picture is inevitably one of conflict: first there are elements within man's nature that conflict with each other (and this varies partly with the development of man's awareness of himself and of his life situation); then there are conflicts between the requirements of maintaining the continuity of one of the vital flows (e.g., the conditions for protection) and the requirements of some of the others (e.g., sociability). Because of the existence of these conflicts each person needs above all some notion of priorities, which will tell him what should be sacrificed and what should not in those cases in which the answer is not immediately apparent. This is presumably one of the important roles of tradition and of religion, but also of leaders. The type of priorities that is then give in practice results in a way of life.

The life-situation of a person together with the priorities that are associated with the way of life characteristic of his society then determine which of the specific elements in his life-situation he will consider as vital, and whose continuity he will wish to assume. If, subsequently, a specific sub-situation arises that represents a threat to the continuity of one of the vital elements in his life-situation (and this need not be food), he will tend to become active in any direction that might remove this threat and assure the continuity of the vital flow (restore equilibrium.) If a casual relationship exists or is established between the restoration of equilibrium in this sense and activity which imparts movement to the economic process, then we are observing an economic instituting mechanism or activity-inducing mechanism.

An instituting mechanism, then may be defined as "continuously operating factors that threaten the continuity of some vital element in the life situation of persons in a position to carry out a specified activity that also make the continuity of the vital element dependent (directly or indirectly) on the carrying out of that activity."

b. The moral content of the concept of an instituting mechanism.

This concept makes it clear that economic activity may rest the widest variety of motivations, depending on the mechanism. And also that a variety of attitudes may be in practice "entrepreneurial", for example, depending on the instituting mechanism. And that economic motives need not be asocial: this depends on the mechanism. Etc.

But since one now also has in mind a concept of the life-situation of a person, and not only of the economic process, it is impossible not to be aware that some mechanisms are more favorable than others to the life-situation of a person. Some induce action through the threat of eternal damnation or the false promise of a reward after death. Some induce action through stimulating greed. Some induce action through the threat of starvation. Some - through

the fear of social ostracism, or the encouragement of egotism, or through situations of permanent indebtedness. Others do not interfere with the continuity of elements that are vital in an ethical sense, such as access to knowledge, closeness of family relations, basic food and shelter, minimum self-respect, and may also rely, in addition, on elements that are constructive when viewed from the position of the life-situation of the person.

The very definition of instituting mechanisms, in short, by inserting a picture of the whole of man and of his life-conflicts into the analysis, tends to cause the social scientists to prefer some mechanisms over others - for moral reasons. Although as in all of Science, it may make it possible for the person devoted to evil purposes to select mechanisms that will create a permanent state of suffering in the society in question. Science does not give any norms. The question still remains, however, concerning the kinds of norms that one does use in making such appraisals. One person might prefer (or devise) one mechanism because it forces the person to work hard and avoid leisure with its temptations. Another would emphasize the maintenance of status differences. Another might arrange things in such a way that education, or hunting, or sports activities, not be interfered with. The problem of values is inseparable from rejecting some mechanisms in favor of others. Fortunately, in this connection, we have some universal and rationally interpreted norms at our disposal, although I feel that additional ones are still missing. I have in mind the basic concepts of social justice discussed by Aristotle, and the concept of self-realization associated with Fromm's psychoanalysis (and also with Plato). These, together with a concept of solidarity relationships that I have developed, should serve, I feel, as the basic moral criteria that we must use to favor some instituting mechanisms over others, or to look for new ones, where the known ones are unsatisfactory. A fourth one might also be used, however (and there is nothing irrational about

using several criteria instead of one: the best possible mechanism from a few that are possible will be the answer.) This is some overall concept of the "good life", which may be expected to vary from culture to culture.

c. Additional ethical problems of a technological civilization.

There are, however, additional ethical problems in a technological civilization that stem from the very character of technology itself, which represents in principle an indiscriminate utilization of all means that are discovered to be relevant to a given end. The range of these problems was limited so long as technological knowledge was limited, together with opportunities to utilize technology. The mechanisms that induce a continuous development of technological knowledge and of technologies of transformation in market economies, however, together with the frequently blind faith that persons have in science and technology, have caused the problems inherent in the very nature of technology to assume major proportions.

It is in the very nature of technology to regard elements occurring in nature only as means to a chosen end. An animal ceases to be an animal in the eyes of a biologist wishing to explore the chemistry of its liver. It becomes a thing and is treated as such. A tree loses all its other ~~aspects~~ aspects to the person wishing to utilize it for lumber. A beautiful landscape loses that vital aspect to the engineer seeking to establish a plant on that location,

Basically this represents an inevitable conflict between the utilitarian nature of some relationships of man to nature and society, and the other aspects of those things. Individual persons always tend to limit themselves in such relationships, however. Technology, on the other hand, which centers on the meeting of single objectives and excludes conflicting objectives by its very nature absolutizes the utilitarian approach to things. One cannot imagine a person spending eight hours a day year after year slaughtering animals of his

own free will. But it is not difficult to imagine the same activity if it occurs within an elaborately calculated technology of meat-preparation on a mass basis. Technology imposes its own utilitarian perspective on individuals, especially in cases in which technological equipment calls for the cooperative efforts of many individuals.

An institutionalized imposition of ethical norms on technological processes, accordingly, is now required, since individuals no longer control technology. In principle this calls for social bodies that would recognize the conflicts between the requirements of technology and of the "resources" being utilized, and reject technologies whose products are not commensurable, in the light of the criteria that are used, with the destruction that they create. This would be particularly true with regard to the resource called "labor". Such technologies would be appraised in terms of the possible worsening (or improvement) of the working conditions that they entail, and resource-protecting and labor-protecting improvements might be suggested as a prerequisite for the adoption of temporarily rejected technology.

As part of this more general problem, there is also the dangers of permitting wishes expressed on consumers markets to be imposed as determinants of the direction and volume of technological processes. This makes some sense only at very low levels of consumption. Beyond that the problem of limitations becomes paramount. The general solution lies in the "censoring" of consumers preferences by a planning body, that would then impose the corrected priorities ~~by a planning body~~ on the system of accounting prices in the sphere of production.

In addition industrial economies should be freed from continuously operating innovation-inducing mechanisms.

d. Problems for study in the Seminar:

1. The role of concepts of social justice in a) barring certain mechanisms,

and b) shaping others (to deal with situations of conflict) in primitive and in large redistributive economies.

2. Methods for instituting personal freedom in industrial economies.

22 January 1960

To: Prof. K. Polanyi

From: P. Medow

Subject: The relevance of the substantive concept of the economy to the study of economic relationships from the moral point of view-(social justice, ~~and~~ personal ethics, ^{the good life} and social control over technological processes and over the direction of production)

The definition of the economy as an instituted process makes clear the central position of the instituted character of that behaviour of persons which is economic in its consequences. Unless arrangements exist that cause ^{consistently} individuals to behave ^{continuously} in the way in which the "process" part of the economy requires there will be neither ~~appropriation~~ transformational and locational ~~movements~~ nor appropriational movements. Instituted behaviour is the movement-imparting element. Hence its central position.

It has not yet been established what the component elements of instituted behaviour are, although it has been noted that the ^{concept} ~~concept~~ of the "situation" is the correct one for a general formulation of instituted behaviour. Arrangements that create repeatedly situations of a certain kind that then cause persons to act in ways required by the "process" part of the economy, or by some component of this ~~process~~ "process", are the ones that naturally attract interest.

It seems to me, however, that this position is one step removed from the decisive concept of an activity-inducing mechanism, which may be formulated in terms of situations, and which does away once and for all times with the view that ^{that} motivations ^{that} determine behaviour. ² This centers on the analysis of conflicts that are created by activity-inducing situations with the basic elements of a person's own "life-situation"; and also on the connection between attempts ~~to~~ to resolve such conflicts (which may be created artificially) and (operational) activity along lines that the economic process requires. But the decisive aspect of this concept for the study of the economy from the moral point of view stems from the introduction of the person and his life-situation into the picture. This makes it clear (implicitly) that there are always other norms in the ~~economic~~ economy ~~other~~ than the requirements of the "process"

itself. This should ^{serve to} destroy the view prevailing in ^{market economies} the ~~US~~ today that what is good for the economy is good for the ~~individual~~ individual.

a. The concept of the activity-inducing mechanism

few If one does take as a point of departure the concept of a person's "life-situation" into which ^{threats} activity-inducing situations then intrude, it is important to emphasize first, the ~~situations~~ ~~elements~~ ~~in it that arise from man's very nature:~~ ^{most vital} ~~elements~~ ~~in it that arise from man's very nature:~~ ^{generally} ~~encounters~~ ~~the following elements with regard to which the person is not~~ ~~indifferent: parents, and brothers and sisters and other~~ ~~relatives; friends and associates; wife and children; food and~~ ~~elements of protection from nature and from enemies. But then~~ ~~one should also consider specific~~ ^{ecologic, technological,} ~~institutional and~~ ~~historical elements that affect the overall situation within~~ ~~which the person finds himself. The resulting picture is inevitably~~ ~~one of conflict: first there are elements within man's nature that~~ ~~conflict with each other (and this varies partly with the development~~ ~~of man's awareness of himself and of his life situation); then~~ ~~there are conflicts between the requirements of maintaining the~~ ~~continuity of one of the vital flows (e.g. protection and the con-~~ ~~ditions for protection) and the requirements of some of the others~~ ~~(e.g. sociability). Because of the~~ ~~existence of these conflicts each person needs above all some~~ ~~notion of priorities, which will tell him what should be sacrificed~~ ~~and what should not in those cases in which the~~ ~~answer is not immediately apparent. This is presumably one of the~~ ~~important roles of tradition and of religion, but also of leaders.~~ ~~The type of priorities that is then given in practice results in~~ ~~a way of life.~~

The life-situation of a person together with the priorities that are associated with the way of life characteristic of his society then determines which of the specific elements in his ~~life-situation~~ life-situation he will consider as vital, and whose continuity he will wish to assure. If, subsequently, a specific sub-situation arises that represents a threat to the continuity of one of the vital elements/^{in his life-situation} (and this need not be food), he will ~~then~~ tend to become active in any direction that might remove this threat and ~~then~~ assure the continuity of the vital flow (restore equilibrium). If ~~there is~~ a causal relationship ~~exists~~ exists or is established between the restoration of equilibrium in this sense and activity which ~~then~~ imparts movement to the economic process, then we are observing an economic instituting mechanism, or ^{an} ~~economic~~ activity-inducing mechanism.

specified An instituting mechanism, then may be defined as "a continuously operating factors that threaten the continuity of some vital element in the life situation of persons in a position to carry out ~~the~~ ^a activity ~~which is in question and that~~ ^{also} ~~make~~ the continuity of the vital element dependent ~~on the carrying out of~~ ^{that} ~~the activity in question~~"

B. The Moral content of the concept of an instituting mechanism * * *
This concept makes it clear that economic activity may rest ~~on the widest variety of motivations, depending on the mechanism. And also that a variety of attitudes may be in practice "entrepreneurial", for example, depending on the mechanism. instituting mechanism. And that economic motives need not be asocial: this depends on the mechanism. Etc..~~

But since one ^{who} has in mind a concept of the life-situation of a person, and not only of the ~~process~~ economic process, it is impossible not to be aware that some mechanisms are more favorable than others to the life-situation of a person. Some induce action through the threat of eternal damnation or the false promise of a reward after death. Some induce action through stimulating greed. Some induce action through the threat of starvation. Some- through the fear of social ostracism, or the encouragement of egotism, or through situations of permanent indebtedness. Others induce ~~it~~

do not interfere with the continuity of ~~such elements~~ elements that are vital in an ethical sense, such as access to knowledge, closeness of family relations, ~~for~~ basic food and shelter, minimum self-respect, and ~~such elements~~ may also rely, in addition, on elements that are constructively ~~from~~ when viewed from the position of the life-situation of the person, ~~too~~.

The very ~~concept of instituting mechanisms~~ definition of instituting mechanisms, in short, by inserting ~~the~~ a picture of the whole of man and of his life-conflicts into the analysis, tends to ~~cause~~ cause the social scientists to prefer some mechanisms over others - for moral reasons. Although as in all of ^{Science} ~~science~~, it may ~~make~~ make it possible for the person devoted to evil purposes to select mechanisms that will create a permanent state of suffering in the society in question. Science does not give any norms. The question still remains, however, concerning the kinds of norms that one does use in making such appraisals. One person might prefer (or devise) one mechanism because it forces the person to work hard and avoid leisure with its temptations. Another would emphasize the maintenance of status differences. Another might arrange things in such a way that education, or hunting, or sports activities, not be interfered with. The problem of values is inseparable from ~~rejecting~~ rejecting some mechanisms in favor of others. Fortunately, in this connection, we have some ~~established~~ ^{rationally established} universal and rationally interpreted norms at our disposal, ~~although~~ although I feel that additional ones are still missing. I have in mind the ~~basic~~ basic concepts of social justice ~~discussed~~ discussed by Aristotle, and the concept of self-realization associated with Fromm's psychoanalysis (and also with Plato). These, together with ^a ~~the~~ concept of ~~human~~ solidarity relationships that I have developed, should serve, I feel, as the ~~basic~~ basic ~~moral~~ moral criteria that we must use to favor some instituting mechanisms over others, or to look for new ones, where the known ones are unsatisfactory. A fourth one might also be used, however (and there is nothing irrational about using several criteria instead of one: the best possible mechanism from a few that are possible will be the answer.) This is some overall concept of the "good life", which may be expected to vary from culture to culture.

Goethe

c. Additional ethical problems of a technological civilization

~~xxx~~

There are, however, additional ethical problems in a technological civilization that stem from the very character of technology itself, which represents in principle an indiscriminate utilization of all means that are discovered to be relevant to a given end. ~~znzthszlghkzmfxtkexcharaktzxfzxx~~ The range of these problems was limited so long as technological knowledge was limited, together with opportunities to utilize technology. ~~Thexbniltzinxesexanxkzxx~~ The mechanisms that induce a ~~xxxxxxxixxx~~ continuous development of technological knowledge and of technological transformation ~~in xxxxxxxxxx market economies, however,~~ together with the frequently blind faith that persons have in science and technology, have caused the problems inherent in the very nature of technology to assume major proportions.

It is in the very nature of technology to regard elements occurring in nature only as means to a chosen end. An animal ceases to be an animal in the eyes of a biologist wishing to explore the chemistry of its liver. It ~~xx~~ becomes a thing and is treated as such. A tree ~~xxxxxxztxx~~ loses all its other aspects to the person wishing to utilize it for lumber. A beautiful landscape loses that ^{vital} aspect to the engineer seeking to establish a plant on that location.

Basically this represents an inevitable conflict between the utilitarian nature of some relationships of man to nature and society, and the other aspects of those things. ~~Thexxxxxxxx~~ ~~alwaysxtendxxtxlimitxhinxzxfxinxzxxkxx~~ Individual persons always ~~xxxxxix~~ tend to limit themselves in such relationships, however. Technology, on the other, hand, ~~ix~~ which ^{centers} ~~xxxxx~~ on the meeting of single objectives and excludes conflicting objectives by its very nature absolutizes the utilitarian approach to things. One cannot imagine a person ~~spendingzzzghkzhexxxxxx~~ spending eight hours a day year after year slaughtering animals of his own free will. But it is not difficult to imagine the same activity ~~withxxxxxx~~ if it occurs within ~~axtchxxxixzxxf~~ an elaborately calculated technology of meat-preparation on a mass basis. Technology imposes its own utilitarian perspective on individuals, especially in cases in which technological equipment calls for the cooperative efforts of many individuals.

An institutionalized imposition of ethical norms on technological processes, accordingly, is now required, since individuals no longer control technology. In principle this calls for social bodies that would recognize ~~conflicts between~~ the conflicts between the requirements of technology and of the "resources" being utilized, and reject technologies ~~that produce~~ whose products are not commensurable, in the light of the criteria that are used, with the destruction that they create. This would be particularly true with regard to the resource called "labor". Such technologies would be appraised in terms of the possible worsening (or improvement) of the ~~existing~~ working conditions that they entail, and resource-protecting and labor-protecting ^{improvements} ~~innovations~~ might be suggested as a prerequisite for the adoption of temporarily rejected technology.

As part of this more general problem, there is also the ~~dangers of~~ dangers of permitting ~~consumers~~ wishes expressed on consumers markets to be imposed ~~as~~ as determinants of the direction and volume of technological processes. This makes some ~~xxx~~ sense only at very low levels of consumption. Beyond that the problem of limitations becomes paramount. The general solution lies in the "censoring" of consumers preferences by a planning body, that would then impose the corrected priorities on the system of accounting prices in the sphere of ~~production~~ production.

In addition ~~continuously~~ industrial economies should be freed from continuously operating innovation-inducing mechanisms.

d. Problems for study in the seminar:

- 1) The role of concepts of social justice in a) barring certain mechanisms, and b) shaping others (to deal with situations of conflict) in primitive and in large redistributive economies.
- 2) Methods for instituting personal freedom in industrial economies

On the measurement of utility, complementarity,
and substitutability in mathematical terms: the
multi-sectoral approach

P. I. Medow

1. The theoretical analysis of efficient resource allocation in an economy centers on the analysis of relationships of utility, complementarity, and substitutability of the various goods and resources. The three general principles on which this analysis rests (the principle of diminishing utility, the principle of increasing opportunity costs, and the principle of decreasing productivity) refer to characteristics of these relationships. In applying this analysis to an empirical economy, accordingly, the measurement of utility, complementarity, and substitutability emerges as an important task.

2. It has been noted^{*} that three different approaches to this problem, which have centered on the analysis of substitutability as the central phenomenon, and in which complementarity has been regarded as a special form of substitutability, have been unsatisfactory. The tendency to accord to substitutability the place of honor stems historically, however, in the British tradition, from the central position of the concept of economic man, whose function is to substitute (economize). The main interrelationships of the economic process may be approached in this way. And by divorcing the phenomenon of substitutability from the concept of economic man (e.g. in indifference curve analysis) it is also possible to take a step that generalizes the relevant analysis and makes it partly applicable to non-market economies as well. The approach to the economic process through substitutability, however, continues to suggest inferences that reduce the scope of economic analysis, and also confuse it with other disciplines. It leads, for example, to a substitutability-centered definition of human welfare as well as of freedom and democracy. It suggests that the principle of consumer-sovereignty is a part of theoretical economic analysis, and this makes it irrelevant to study the meeting, by the economic process, of specific types of wants and needs, and to rank material goods in terms of the urgency of the needs that they satisfy rather than in terms of their relative substitutability for money (which becomes a measure of general greed, and no longer of specific needs).

3. There exists a different approach to the analysis of the economic process and to the pure theory of resource allocation that centers on relations of complementarity rather than of substitutability. This is the approach of the Austrian school, whose founder, Carl Menger, suggested that economic analysis must center on his concept of 'the order of goods'. This refers to relations of complementarity among resources in the production of final goods, and it is one aspect of a general theory of production (later developed by Schumpeter). While the approach to the economy from the postulate of economic man awards a central position to substitutability, the Mengerian approach through the analysis of production awards this position to complementarity relationships, and makes it possible to define substitutability as a special manifestation of relationships of complementarity.

4. Actually, utility and complementarity are similar phenomena. In the first case the physical features of a good complement the corresponding wants of a person or of a collective consumer. That is utility. In the second case a resource complements another in the production of a final good. In the second case it is clear that the

^{*} Cf W. Vickrey, Notes on Mathematical Economics (mimeo), 1961

term 'complementarity' merely expresses an aspect of technology or 'nature' - that it is technology which creates relations of complementarity. In the case of utility too, however, if one puts aside, for the moment, the special case of consumer sovereignty, it is also a kind of 'technological' or 'natural' relation that we generally encounter when we study the capacity of individual material goods to satisfy specific types of wants or needs.

5. Substitutability (first of resources), may then be derived as a manifestation of multiple-complementarity for a particular resource. A given resource (steel) may be a complement in the making of several final products. The same is true of a second resource (plastics). Whenever both are complements to the production of a given final product, they may be substituted for each other, and appear as substitutes.

6. Similarly substitutability may be defined in terms of objective utility of final goods i.e. their 'complementarity' to specific wants and needs. When two or more goods possess the capacity of satisfying the same final need, they may be substituted for each other. As for the 'substitutability' for each other of goods that meet different types of needs, that is, the comparing of different types of needs in terms of their relative urgency - this is a problem of priorities, of the valuation of utilities, and is best treated as a social rather than an economic set of data, although it is true that in the special case of self-regulating market economies, there is no social agency from which these priorities may be derived.

7. It would appear, then, that the proper approach to the measurement of specific relationships of utility, complementarity, and substitutability, requires first, the measure of specific 'technological coefficients' both for consumption and for production. The former would be measures of the (decreasing) capacity of final goods to satisfy specific wants; while the latter would measure the capacity of specific resources to create final (or intermediate) goods.

The second step would be to place in a single group the various input-output ratios that can create a given output.

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March 1963
Oslo

PRE-PRINT*

BOOK REVIEW

Book review of
P. Medow

"Ost-Ekonomia"

J.M. Montias, Central Planning in Poland, Yale University Press,
New Haven, Connecticut, 1962, 410p.

by

Paul Medow¹

There has long been a need for a comprehensive study of one of the centrally planned economies that would be primarily concerned with the manner in which they function, rather than with the abundant evidence that they continue to display organizational shortcomings, or with the further improvement of the statistical indices that best measure ~~xxxxx~~ their rapid growth. This presupposes, however, an orientation on a conceptual framework that ~~is~~^{must be} broader than the neo-classical one, which in spite of many refinements continues to represent an idealization of the self-regulating market system. In particular it presupposes an interest in a variety of non-market institutions other than those of the political sphere; a functional rather than a specifically monetary approach to the information flows ~~xxxx~~ and decision norms that relate individual industrial enterprises to the overall economic system; an appreciation of the distinctions that attach to the accounting and decisional uses of monetary symbols; and a readiness to abandon the principle of consumer sovereignty in appraising the economic system as a whole. The far-reaching character of some of the newer developments in economic theory makes it possible to expect that such a framework may be available before long, even though at the present time its formulation is still made difficult by the lack of coordination between the relevant developments in functional analysis (which center on the use of multi-sectoral models and on the optimal programming view of efficiency parameters) and ~~an~~ⁱⁿ economic sociology (which center on the non-market approach to the economic process, to economic institutions, and to money uses developed by Karl Polanyi). The extent to which even a partial use of the new non-market concepts is al-

* To be published in Economics of Planning (Ost-Ekonomia), Oslo, Spring 1963
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-ready able to add new insights to our knowledge, however, is illustrated by J. Montias' study of the efficiency of short term central planning in Poland.

The theoretical framework or model on which the author relies is provided by the basic concepts of input-output analysis and of substitution programming. This represents a non-normative praxiological apparatus that makes it possible to center attention on the consistency and efficiency of centralized decisions without inquiring into the character of the ends.¹ Aside from the introductory chapter and from the mathematical appendices, however, the larger part of the remaining nine chapters contains detailed empirical studies of the relevant institutional and monetary processes, while in the remaining part the author discusses their broader historical and political context. In particular the third chapter contains a description of the trial and error coordination of strategic physical relationships through which investment decisions are ~~xxxxxxxxxxxxxx~~ related to policy objectives; in the fourth the author examines the "synthetic balances" through which investment decisions are coordinated with more general calculations concerning the availability of labour and concerning the non-investment uses of material means; and subsequently attention is given to some of the relations that exist between short-term planning and long-term planning (Chapter 5); to the decision norms of enterprises (Chapter 6); and to ^{the} obstacles that would confront any attempt to introduce a price-oriented decision system.

Particular interest attaches, however, to the author's formal analysis of the "method of material balances" in the light of the models contained in the appendices, for this leads him to conclude that under reasonably realistic assumptions a consistent set of

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1. The distinction between the praxiological aspect of economic science, which is concerned with problems of efficiency and with the general logic of means-ends relationships, and its substantive aspect, which is concerned with the manner in which the production and distribution of produced material means is instituted, has been emphasized by Karl Polanyi, and more recently by Oskar Lange.

operational sub-targets may be expected to be identified rather quickly, and beyond this, that the procedure employed for making the necessary revisions will also tend to select those sub-targets that are most efficient. He finds that this is especially true at low levels of industrialization, when there are fewer "feedback" relationships among sectors, and when there are more bottlenecks; while this is less true whenever significant possibilities exist with regard to the choice of processes, when there are joint products, and when complex opportunities exist in foreign trade.

The book also contains a wealth of statistical and other details that describe the actual performance of the Polish economy since the Second World War, as well as an absorbing account of the theoretical debates that have accompanied its partial reorganization since 1950.

Primitive, Static Economies: Structure and Performance

The literature of primitive (subsistence) economies--traditional, static economies furthest removed from our own--is richest for Africa and Oceania, for small-scale economies rather than kingdoms and empires, and for agriculturalists rather than hunters and gatherers, pastoralists, etc. Malinowski's work (1921; 1922; 1926; 1935; also, Udero 1962) is the single best source. On the economies of kingdoms and other politically centralized societies, see Nadel (1942), Gluckman (1943), Maquet (1961), Arnold (1957), and Polanyi (1966).

The questions about primitive ^{static} economies of most interest to anthropologists relate to their organization (structure), and to comparisons of their organization with other types of economy (peasant, and industrial capitalist). With regard to their performance, one can say ~~relatively~~ ^{static} less of interest (Deane 1953). One can indicate the relatively narrow range of goods and specialist services produced or acquired; the level of output and fluctuations in output measured in real terms (quantities produced) (Deane 1953; Reynders 1963); crude input measures can be devised (Salisbury 1962), indicating amounts of equipment used in production processes, and work-days employed, and so arrive at some rough indicator of productivity. Dietary standards may be indicated by measuring caloric intake (Richards). Some impressions of the equality or inequality in real income distribution can be conveyed. But given the absence of Western money and pricing, and the relatively few resources used and goods produced, these measures of performance can only be rough indicators stated in terms of the resource and production units themselves.

Firth () and Salisbury (1962: ch.) believe, apparently, that it is in this portion of economic anthropology, the ^{analysis of} ~~production~~ with performance of primitive economies, that conventional economic theory can

be most fruitfully applied. Economists have several statistical techniques, such as national income accounting and input-output analysis, to measure national income and output, their composition and distribution.

Several features of the measurement of economic performance of small-scale subsistence economies should be emphasized. ~~At the same~~ such material performance, one is measuring various degrees of poverty. Moreover, The absence of cash and pricing means that only crude estimates of output can be indicated--nothing like the components of national income and gross national product for developed economies; and the small range of goods and services produced together with the absence of complicated processes of manufacture and fabrication (the absence of the equivalents to inter-firm and inter-industry transactions in developed economies) means that input-output analysis yields no useful information).

I would agree that reliable output statistics for subsistence economies are worth having to help in the analysis of community change, growth, and development. They would give us additional information, along with description and analysis of socio-economic organization, of the pre-modernization economy, as well as ^{rough} ~~some~~ benchmarks from which to measure growth. However, I do not think the importance of output measurement is great for those economies which remain static. ^① [Firth (1957) criticizes Malinowski and also Bohannan (Firth 1951) for not paying sufficient attention to measurement of economic performance--for not providing the kind of quantitative data economists are concerned with for our own economy. But he gives no reason why anthropologists should collect such data for static subsistence communities other than the fact that economists collect such data for others. What is the analytical purpose to be served?]

[footnote]

On the applicability of conventional economic measurements *choices* to subsistence economies, a prominent national income economist from Cambridge says the following about her experience in measuring subsistence income in rural Rhodesia.

An attempt to examine the structure and problems of a primitive community in the light of the existing body of economic thought raises fundamental conceptual issues. Economic analysis and its framework of generalizations are characteristically described in terms appropriate to the modern exchange economy. It is by no means certain that the existing tools of analysis can usefully be applied to material other than that for which they have been developed. In particular it is not clear what light, if any, is thrown on subsistence economies by a science which seems to regard the use of money and specialization of labor as axiomatic. The jargon of the market place seems remote, on the face of it, from the problems of an African village where most individuals spend the greater part of their lives in satisfying their own or their families' needs and desires, where money and trade play a subordinate role in motivating productive activity (Deane 1953: 115-116).

agou = It is perfectly true that in attempting to measure economic performance quantitatively, anthropologists put the same questions to small subsistence economies that economists put to our own and the Soviet national economy: what is the total output and its composition for the community? How is income divided? But the absence of pricing and cash transactions which are indispensable for the application of our national product and income concepts allows only *rough* ~~crude~~ estimates to be derived.

I suggest that for static subsistence (and peasant) economies *it is in the analysis of* socio-economic organization rather than performance that economic anthropology yields insights of comparable interest and depth to those got in analyzing primitive religion, polity, kinship, etc. It is here that comparisons with industrial capitalism are also more rewarding, analytically (Dalton 1961; 1965a).

The remainder of this paper will comment on those of the concepts and distinctions listed in Tables 3 and 4 whose importance I think is insufficiently appreciated in the theoretical literature.

There are some useful distinctions to be made among traditional, static economies. Much of the literature of primitive economics ~~has~~ *describes* ~~concerned with~~ those without centralized politics--"Tribes without Rulers"--Malinowski's Trobriands being the most minutely described case in the literature. In saying that most primitive economies without centralized polity are small, one means several things: that the economy of the Tiv, the Nuer, or the Trobriand Islanders is small relative to modern, nationally-integrated economies of Europe and America; that most (but not all) the transactions take place within a small geographical area and within a community of persons numbered in the hundreds or thousands. It is true that external trade ~~/~~ sometimes, as with the kula, carried out over long distances--with strangers is common. But, typically, it is intermittent, petty, or confined to very few goods. It is rare (except in peasant economies--Firth 1946) for foreign trade transactions to be either frequent, quantitatively important, or depended on for livelihood.

There are two other ways in which primitive economies are small-scale. Frequently there are one or two staple items (yams in the Trobriands, cattle among the Nuer) which comprise an unusually large proportion of total produce and enter prestige transactions (bridewealth; urigubu payments to matrilineal kin) as well as ordinary consumption activities. It is common for these important staples to be produced and distributed within the small framework of village, tribe, or lineage. Lastly, primitive economies are small in the sense that a relatively small number of goods and services is produced or acquired--dozens of items ^{and specialist services} rather than hundreds of thousands as in developed, industrial economies.

The connections between size, structure, and performance of an economy are complicated. Two widely shared characteristics of the economies anthropologists study are a simple level of technology (compared to the industrialized economies of the West), and the fact that they are frequently very small and geographically or culturally isolated (again, compared to those of Europe and North America). The absence of sophisticated machines and applied science, and of extreme labor specialization allowed by ^{national} economies numbering their participants in the millions, means a relatively low level of productivity. Two direct consequences for primitive (and some peasant) economies of their level of technology and small size is their peoples being sharply constrained in production activities by physical resource endowment (ecology), and their great dependence on human cooperation for ordinary production processes as well as emergencies such as famine and personal misfortune.

The extraordinary dependence on immediate physical environment for livelihood made it seem reasonable for an older generation of anthropologists to use ~~structural~~ classifications not used to characterize developed, industrial economies: gathering, hunting, and fishing, pastoral, and horticultural "economies." Actually, these categories do not classify according to economic organization, but rather according to principal source of subsistence, ecology, and technology. (Note that if we used these categories for developed economies, the U.S. and the U.S.S.R. would appear in the same category, both being manufacturing and agricultural "economies.").

A second consequence of low level technology combined with small size and relative isolation from other economies is mutual dependence among people sharing many relationships: economic arrangements in primitive

economies are organically related to kinship, polity, and other social relationships. The primitive economy is "embedded" in community relationships; the economy is not composed of associations separate from these (Dalton 1962; 1964).

Association is a group specifically organized for the purpose of an interest or group of interests which its members have in common... . Community is a circle of people who live together, who belong together, so that they share not this or that particular interest, but a whole set of interests wide enough and comprehensive enough to include their lives (MacIver 1933: 9,10,12, quoted in Nadel 1942: xi).

Some ~~Advantages~~ points may here be underscored: (1) That range of economies which I have consistently called "primitive" or "subsistence" economies, require for the analysis of their organization conceptual categories which are socio-economic because material and service transactions are frequently expressions of kinship, religious, or political relationships; the folk-view of these transactions frequently shows the conscious awareness of the socio-economic situation. (2) Two general features of primitive or subsistence economies are the pervasive social control of production and distribution, and that subsistence livelihood is assured to persons through the social determination of labor and land allocation, and the social right to receive emergency material aid in time of need.

91 ~~The essential~~ ^{these} point ^{have} ~~has~~ frequently been phrased in general terms; to Tönnies, primitive economies are Gemeinschaft rather than Gessellschaft; to Maine they are characterized by status rather than contract; to Weber, and MacIver (), they are communities rather than associations; to Karl Polanyi (1944: ch. 4; 1957a), the economy is "embedded" in the society; to Raymond Firth (), the formula is "From each according to his status obligations in the social system, to each according to his rights in that system."

Specifically, these primitive social economies are so organized that the allocation of labor and land, the organization of work within production processes (farming, herding, construction of building^s and equipment), and the disposition of produced goods and specialist services are expressions of underlying kinship obligation, tribal affiliation, and religious and moral duty. Unlike the economist who can analyze *important* features of industrial capitalism (such as price and income determination) *without considering* kinship and religion, the economic anthropologist concerned with the organization of primitive economies finds there is no separate economic system that can be analyzed independently of social organization.

The *ways in which* tools and implements are acquired, used, and disposed of is *another point of contrast* between primitive, ~~with~~ peasant, and industrial capitalist economies. Typically in primitive economies tools are either made by the user himself, acquired for a fee from a specialist craftsman, or, as is sometimes the case with dwellings, storehouses, and canoes, acquired from a construction group specifically organized for the task. The construction group providing ordinary labor as well as the services of craftsmen specialists is *remunerated* ~~remunerated~~ either by the host providing food (Thurnwald's *bitarbeit* and barnraising in the American West), or food and luxury tidbits (tobacco, betel), or these as well as payments in valuables or special-purpose money to the craftsmen-specialists (Dalton 1965a).

I mention here that Western cash is not paid, that the making of tools, canoes, and dwellings is an occasional event rather than a continuous activity, that the construction workers do not derive the bulk of their livelihood from providing such services; that the tools, canoes, and

•• buildings when put to use do not yield their owners a cash income,

and that typically, the implements are used until they are physically worn out, when they are either repaired or discarded. *unlike peasant economies (Pitt 1946)* There is nothing like a second-hand market for tools and buildings *in primitive economies*.

Polanyi's analytical distinctions between reciprocity, redistribution, and (^market) exchange and their application to specific cases have been written up in detail (Polanyi 1944: ch. 4; 1947, 1957, 1966; Dalton 1961; 1962, 1965b). Unfortunately, they have been misconstrued as applying to transactions of produce, only (Smelser 1958; Burling 1962; Nash 1966). These analytical categories apply to inanimate resource and labor allocation, and to work organization as well as to produce disposition--to production as well as to distribution of goods and craft services (LeClair 1962). It is misleading to regard "systems of exchange" as something apart from production processes or organization because exchange transactions enter into each of the three component processes of production (Dalton 1962; 1964).

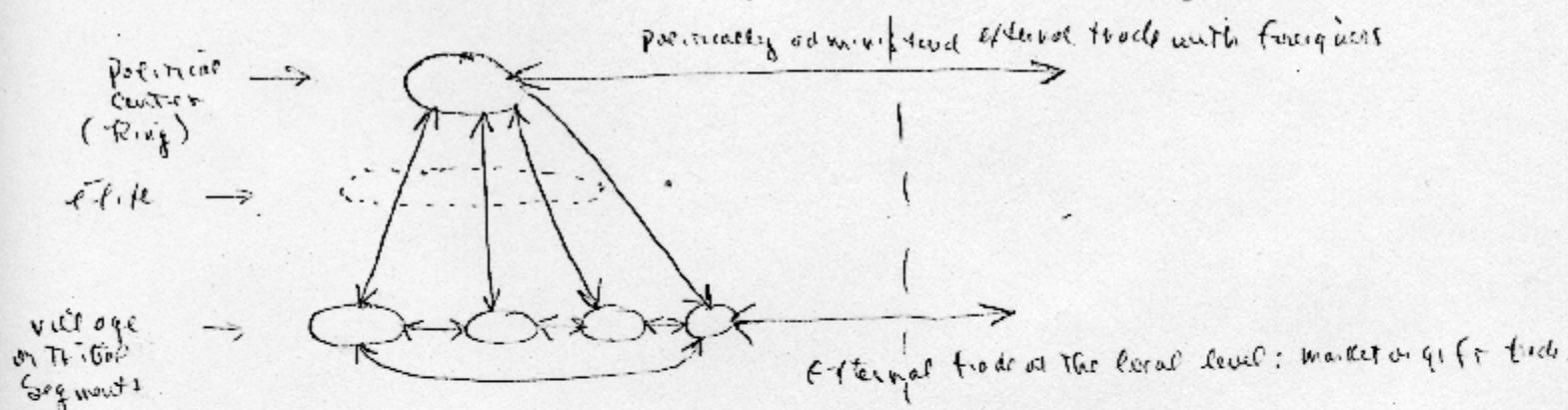
Consider any production process: automobile manufacturing in the U.S., yam-growing in the Trobriands, collective farming in the U.S.S.R., Malay peasant fishing, or cattle raising among the Nuer. All these production lines may be regarded as comprising three component processes: the allocation of land, labor, and other resource ingredients to the production process; the organization of work tasks within the production process; and the disposition of the items produced--how are resources acquired, how is work organized, and how is produce disposed of or allocated? Among the Tiv; land allocation for farming in accordance with lineage affiliation is as much a "reciprocal" transaction as yam-giving as part of urigubu obligation is in the Trobriands.

Forms of external trade (Polanyi 1957a), and the organization and roles of internal market exchange and market places (Bohman and Dalton 1965) seem not to cause difficulty and will not be discussed here. The ~~subject~~ subject of primitive money has been treated at length elsewhere (Polanyi 1967a; 1967b; 1967c; 1967d; Dalton 1965a; 1966).

Primitive States: Internal Redistribution and External Administered Trade

As in other branches of anthropology, the typical unit of analytical interest in economic anthropology is a relatively small group, the tribe, the lineage segment, the village community. There is a small, internal economy to be analyzed whether our focus of interest is a primitive economy without centralized polity (such as the Tiv), a primitive economy within a centralized polity, such as the local farming communities in Nupe (Nadel 1942), or a peasant economy, such as the Malay fishermen (Firth 1946). To be sure, persons or groups within each of these small economies may carry out transactions with outsiders--external trade, tax and tribute payments to political authorities located outside the small community. But it is meaningful to distinguish between internal (local community or lineage) transactions and those external to the local group, however defined.

In primitive economies within centralized political authority--what Polanyi called archaic societies and Evans-Pritchard and Fortes () called primitive states--there are socio-economic transactions in addition to those found within the local community and between local communities. These are of two principal sorts, transactions between the political



center and its local constituencies, and external trade transactions between the political center and foreigners (Arnold 1957a; 1957b; Polanyi 1966; 1967c; 1967d). The local constituencies pay tribute to the political center--ordinary subsistence goods, luxuries reserved for elite usage, labor for construction projects and military service--and receive from the center, typically, military protection, juridicial services, and emergency subsistence in time of local famine or disaster.*

In primitive economies with a centralized polity, then, there is a redistributive sector to be analyzed which has no counterpart in primitive economies without a centralized polity (i.e., that are not chiefdoms, kingdoms, or empires). Indeed, where there is an intermediary elite between the king (his royal household economy and his domain), and the rank and file villages or tribal segment constituencies (which express their political subordination through tax and tribute payments and other upward transactions), there are socio-economic sectors that some writers call feudal (Nadel 1942; Maquet), although others question the usefulness of so labeling them (Goody ; Beattie).

Peasant Culture and Economy

Writers on peasantry (Redfield ; Wolf) emphasize the special nature of peasant personality and culture as that which distinguishes peasant from primitive ~~(and primitive)~~ the semi-isolation from but partial dependence on urban culture with which it shares religion (and in Europe) language; that peasants and peasant communities are the rank and file, so to speak, of larger political groupings, so that in Latin America, Europe, and India there are political authorities externally located who exercise some formal political jurisdiction over the peasantry.

It is important to note that if we confine ourselves to cultural ~~aspects~~ ^{as such as} ~~religion, language, and the several cultural ways in which peasant communities interact with urban civilization or the State~~ ^{political subordination,} we can point up what is common to an enormous number of peasantries, and, at the same time justify the use of the special category (peasant culture) by showing it is different in these ways from primitive culture. Trobriand Island culture has none of the characteristics so far enumerated for peasants.

To go further, however, requires some special distinctions because of the long periods of historical time over which groups called peasant by social analysts have existed intact, and because there are other criteria used to differentiate peasant from primitive and modern.

One line of demarcation is the Industrial Revolution. All peasantries before the Industrial Revolution was experienced in their regions, used primitive technology, differing in no important way from the technologies used by those groups (Tiv, Lele, Nuer) anthropologists identify as being primitive. Let us call peasant communities as they existed before the Industrial Revolution in their regions, "traditional" peasantries. Then we can point out immediately that traditional peasantries, although differing from primitive societies in those cultural ways specified earlier, were like primitive communities in their use of simple (machineless) technology, their units of production (principally but not exclusively agricultural) being small, and the range of items produced within a peasant community being relatively narrow. In traditional peasantries as in primitive communities, there is the same reliance upon one or two staple foodstuffs which comprise a large proportion of total output, and the same unusually large reliance upon natural resource endowment because of the simple technology used and

~~And~~ the absence of complicated fabrication processes. So that with regard to the size of production units, technology, dependence on physical resource endowment, and the range of items produced, traditional peasant communities resemble the primitive much more closely than they do with regard to culture. Moreover, material performance is roughly the same as in primitive communities, and for the same reasons. The ethnographic record does not indicate that traditional peasantries were typically less poor materially than primitive societies.

If we consider peasantries since industrial technology was introduced to their parts of the world, two points become evident. The range of differences among communities still called peasant widens considerably, so that many peasant communities become less homogeneous with regard to technology, economy, and culture. Specifically, one finds in some recently studied peasant communities mixtures of modern and primitive practices within the same community; some households use modern technology, some do not; some households as production units increase specialist production of cash crops for market, while some still produce a significant quantity for their own consumption; some persons acquire literacy and new skills, others do not. Some peasant communities are changed significantly due to growth and development in their regions and nations, ~~the negative and positive impacts of which they experience in varying degree~~ (Myrdal 1957: ch. 2,3).

What anthropologists mean by peasant culture is clear; what they mean by peasant economy is sometimes not clear.

By a peasant economy one means a system of small-scale producers, with a simple technology and equipment often relying primarily for their subsistence on what they themselves produce. The primary means of livelihood of the peasant is cultivation of the soil (Firth 1951: 87).

Urgent!
Firth's Essay!

No!

But this is a perfect description of the Lele (Douglas 1965), the Tiv (Bohannan 1968), and the Trobriand Islanders in Malinowski's time--all are primitive economies. If we are to make analytical sense of the large literature of economic anthropology we need some finer distinctions.

I suggest that it is as useful to distinguish between peasant and primitive economy as it is to distinguish between peasant and primitive culture. The economic organization of a peasant community has two ^{sorts of} distinguishing characteristics: (1) most people depend for the bulk of their livelihood on production for market sale or selling in markets; purchase and sale transactions with cash are frequent and quantitatively important; and, frequently, resource markets are present: significant quantities of labor, land, tools, and equipment are available for purchase, rent, or hire at money price. (It is the relative importance of markets for resources and products and of cash transactions that is the principal feature of difference between peasant and primitive economies.) It is this feature which gives peasant economies their crude resemblance to the least productive of our own farming sectors and which justifies Tax's appropriate phrase, "penny capitalism." But in all other ways relating to productive activities, peasant economies--especially traditional peasantries--more closely resemble the primitive than they do the modern: small-scale, simple technology, a narrow range of output, a few staples comprising the bulk of output, unusual reliance on physical resource endowment because of the absence of applied science and the technology of extensive fabrication; low levels of output--poverty and material insecurity.

(2) What strikes the economist is that although the rudiments of capitalist (i.e., market) economy are present and important in peasant communities, they are incomplete and underdeveloped compared to market organization in a modern ^{market} ~~developed~~ economy. By incomplete is ^{that} meant ^{that} within a given peasant community, some markets may be absent or

petty--land may be purchased or rented but labor is not, (Chayanov ^{and} 1966) or vice versa; and that subsistence production may still be quantitatively important in some households. By underdeveloped is meant the absence of ~~the~~ facilitative institutions and social capital of advanced capitalist countries: on the one hand, banks, insurance companies, and stock markets; on the other, electricity, paved roads, and educational facilities beyond the elementary school. ^{In peasant communities} The extent of integration with the ^{provincial and} ~~region~~ ^{economic, cultural, and technological} ~~is~~ ^{is} ~~less~~ ^{is} ~~than~~ ^{is} in developed nations. ^{is the case with hunter land communities}

Green Warring

In summary, peasant society, like primitive society (and ^{also} feudalism, ^{of man in village India,} and slavery) is a socio-economic category (Firth 1964: 17). If we include peasantries of all times and places within our analysis, then it is fair to say that peasant culture is more homogeneous ^{and distinctive} ~~than~~ ^{than} is peasant economy (Fallers 1961). The spectrum of peasantries is wide, and contains varying mixtures of primitive and modern institutions. At one end are those in medieval Europe--the Russian mir, the feudal village (Bennett) some of present-day Latin America (Korten 1963) which are peasant cultures (in religion, language, political subordination) with primitive economics (because of the absence of market dependence and cash transactions). There are also cases of peasant economy with a primitive culture, as in the early transition period of African groups enlarging their cash-earning production while retaining their tribal organization and culture (Fallers 1961; Gulliver 1965; Dalton 1964).

Community Change and Development

The most promising area for fruitful interchange and collaboration between economics and anthropology is the field of economic development.

However, most development economists are interested in processes and problems of national economic growth and development that have little in common with the anthropologists' interest in local community social and economic change. But a growing number of economists are working on matters requiring anthropological insight: creating an industrial labor force, transforming subsistence agriculture, devising policies for investment in educational facilities (Yudelman ; Fogg , Schultz). Others are devising measurement and analytical techniques to show the connections between socio-political organization and economic development (Adelman and Morris 1965; 1967). And yet others are ^{Combining} ~~Mixing~~ other social sciences with economics to analyze--what is for economists--an unusual range of processes and problems entailed in economic growth and development (Hagen 1962; Myrdal 1957; Seers , Myint).

Matters relating to what I shall call socio-economic change, growth, and development at the local community level conventionally appear in anthropology under the headings of evolution, diffusion of innovations, social change, culture change, culture contact, acculturation, and applied anthropology. There are two points about this literature of socio-economic change that I should like to emphasize.

The subject is extraordinarily diverse and complicated. One need only look at some recent symposium volumes (Southall ; UNESCO 1963; van den Berghe ; to see that a wide range of complex processes is considered; urbanization, industrialization, commercialization, national integration. Moreover, these processes take place over much longer periods of time than anthropologists customarily remain in the field; and their analysis requires consideration of the nation-state and the policies of central government which impinge on the small group--village or tribe--that traditionally has been almost the exclusive focus of concern in anthropology.

The complexity of subject matter and diversity of topics considered in socio-economic change go further. The case studies reach back to the early days of European colonization of Africa (Schapera 1928; Hunter 1936), Latin American (Chevalier 1963), and Asia (Boeke 1942), when neither political independence was a fact nor economic development of indigenous peoples an explicit intention. Indeed, in these respects, we need only refer to our own American Indians. At this end of the spectrum are case studies of socio-economic change taking place in villages which are now part^d of independent nation-states whose central governments are bent on economic development and modernization (Epstein). Moreover, there are ^{many} cases of piecemeal change, where a new cash crop or a new school ^{or a new religion} is introduced in an otherwise traditional community (Dalton 1964), and cases of comprehensive community development, such as the famous case of Vicos (Holmberg et. al. 1965).

Given the complexity of the processes, the very large ^{number} ~~range~~ of case studies on record, the dynamic nature of the subject, and the changed political and economic national conditions under which local community development now proceeds, it is not surprising that relatively few theoretical insights and conceptual categories with which to analyze socio-economic change have been contrived. To my knowledge, the most suggestive are ⁱⁿ Myrdal (1957) and Smelser (1960) ⁸.

The subject of socio-economic change is unusual in another way, as well. Those of us in the social sciences who work on problems of economic development and modernization hope not only to come to understand theoretically the nature of these processes, but also to use such knowledge to reduce the social costs of economic improvement. Therefore, this extension of the traditional concerns of economic anthropology into processes of socio-economic change and development has ~~At least~~ policy implications to an extent that is unusual in anthropology (Eranus ; Goodenough ; Arensberg; Foster).

What is also true is that each of us--the anthropologist, the economist, the sociologist--comes to a novel problem situation such as change and development in an African village community with two kinds of professional knowledge, the theory of one's subject, and an intimate knowledge of some portion(s) of the real world. For example, the economist (typically) comes with a base of knowledge of price, income, growth, and development theory, plus his knowledge of the structure and performance of his own economy, say, the U.S., and perhaps several others. If he is a specialist in economic history or Soviet economy (Gershenkron ; Rostow ; Hughes ; Rosovsky ; Nove), he brings with him knowledge of the sequential processes through which England, or Japan, or Russia, or the U.S. developed. When he comes to examine the novel problem situation, ^{such as} ~~in our case~~ local development in an African community, he is struck by similarities to and differences from what he is already familiar with.

First, there is no counterpart in ^{Conventional} economic analysis to the study of local community change and development. ^{with eyes and thoughts} ~~The~~ European and American ^{the} local community counterparts of the Tiv lineage segment or an Indian village, are never the focus of analytical concern. Economics is about national economies, and components such as firms and households thoroughly integrated with their national economy through purchase and sale transactions. Immediately we can feed back into our new concerns knowledge that we know is important from our old ones. Empirically, how do small groups--the tribe, the village--become part of a regional or national economy?

Similarly, local community change or development seems never to be a "natural" process of ^{immanent} ~~expansion~~ expansion of the village or tribe, but rather the local community's response to incursion from outside itself; ^{whether} ~~if~~ it is the Conquistadores' invasion of Peru four hundred years ago, or Cornell's somewhat more benevolent invasion of Vicos

fifteen years ago, or European colonial incursion into Africa, or the slave-raider, missionary, or merchant who comes, the process of community change starts with impingement from without. Therefore, a second question we can feed back to the empirical case studies is, "what is the nature of the initial incursion which starts the processes of socio-economic change, and to what extent does the character of the initial incursion shape the sequential changes that follow"? (2)

[* A third general point of significance I believe to be the time rate of change which is experienced (Polanyi 1944: ch. 3). However, this is not independent of other features of the transformation process.]

I should like to suggest a theoretical simplification for that portion of economic anthropology concerned with local community change and development. The purpose of doing so is to put the vast literature of local community change into manageable form by showing that although some of the case studies-- the Spanish conquest and colonization of Latin America; the American conquest and control of American Indians--are not likely to be duplicated in the mid-twentieth century, they nevertheless provide analytical insights into processes of socio-economic change which are relevant to the cases of current interest.

Most of the ethnographic case studies fall into one of three broad categories that I shall designate (i) degenerative change; (ii) growth without development; (iii) ^{As lib - economic} ~~growth~~ development (Dalton 1964; 1965c; Clower, Dalton, Harwitz and Walters 1966). The purpose of this categorization is to point up the conditions under which each takes place.

make into
a footnote

One way to understand what constitutes successful community development is to consider cases of obvious failure. Before doing so, some disclaimers are necessary to avoid misunderstanding. I do not intend the three categories--which are really composites, or ideal types--to be regarded as stages of progression. Moreover, they are clearly overlapping. Some of the empirical literature fits neatly into these categories, some does not. My point is to make sharp analytical distinctions, and to do so I must oversimplify.

Degenerative Change

One reason why "culture contact" and applied anthropology are tainted subjects to some anthropologists is because so much of the early literature consists of European and American incursions which produced decimation, misery, and community degeneration among indigenous groups (Rivers 1922; Japson 1953; Jackson).

Leach remarks somewhere that peoples, tribes, ^{and} communities change, but very rarely do they become extinct. Rome fell to the barbarians but Italian villages survived. There are cases in which epidemic disease or brutal conquest decimated communities to the point of extinction, but they are few and won't concern us.

By degenerative change I mean severe disruption of the traditional life of a community ^{over several generations of time} with accompanying indicators of novel sorts and frequencies of personal and social malaise. I do not postulate frictionless bliss in the traditional society; but whatever conflicts and malaise were generated by traditional society ^{-- war, vendetta, sorcery --} were coped with by traditional institutions (Malinowski 1926) without prolonged disruption of ordinary life. Where degenerative change is experienced, it is, obviously, because the situation is such that traditional institutions designed to deal with traditional sorts of stress and conflict are unable to deal with the sorts

of novel change inducing the degeneration. Indeed, the incursion is decimating because it embodies forces which are irreversible and overwhelming to traditional organization.

The extreme cases are marked by military conquest and displacement of traditional political authority by conquerors who neither understand nor respect the culture of the traditional society they now control. The indigenous people are made helpless to resist imposed changes, are prohibited from pursuing rituals or activities which are meaningful *within traditional society*, and are forced to pursue new activities, and integrative (e.g., working in mines and plantations) which are not integrative--do not fulfil social obligation and so reinforce social relationships--in traditional society (Steiner).

// For the sting of change lies not in change itself but in change which is devoid of social meaning (Frankel 1955: 27).

Degenerative situations and the psychological processes of individual and group reaction to them have caught the attention of many writers, perhaps because the consequences are so dramatic. Having lost the primary ties (Fromm 1941) of meaningful culture, social relationships, and activities, and forced into meaningless activities and degrading helplessness, the cultural expression of the intolerable changes are those of children and neurotics: fantasy, aggression, and escape (Smelser). And so we have the ethnography of cultural disintegration, from the Pawnee Ghost Dance to Melanesian Cargo Cults; from militarily helpless American Indian uprisings, to Mau Mau; from peyote, to Navaho alcoholism. (Indeed, a depressing reason, perhaps, why American anthropologists have been so professionally engaged in studies of personality, acculturation, and culture change are the experiences of degenerative change among American Indians and Negroes. If the Pawnee Ghost Dance and Navaho alcoholism are fantasy and escapist symptoms of community degeneration, so too are the Black Muslims, Father Divine, and storefront churches.)

Paul;
comment
please

Paul
??

If one examines these cases of degenerative change from the viewpoint of community development, several features stand out:

(i) The nature of the initial incursion. In cases of severe degenerative change, the initial incursion causes cultural shock and decimation: military conquest, political subjugation, and severe disruption of usual activities. A by-product of the incursion may be material worsening, or, indeed, slight material betterment. But in these cases the economic consequences are really beside the point because the force of change is perceived and felt to be cultural deprivation of valued activities, and the community's subjugation to militarily superior foreigners with hostile intentions and contempt for indigenous ways. The foreigners may come with the intent to deprive the people of gold or land. But typically it is not the deprivation of gold or land which causes the deep disruption.

Not economic exploitation, as often assumed, but the disintegration of the cultural environment of the victim is then the cause of 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 (Polanyi 1944: 157. *Italics added*).

The nature of the initial incursion seems invariably important, not only to the generations experiencing the initial impact but also in shaping the sequences of socio-economic change in which successive generations live. Especially in cases of degenerative change, the group's cultural memory of what they regard as early injustice, is long (Schapera 1928), and in some cases is nurtured several generations later (Colson).

(ii) ^{new} The absence of ^{technological} economic and cultural ^{achievement} ~~improvement~~. It is not difficult to describe degenerative change in ^{general} ~~impressionistic or metaphorical~~ terms: the incursive shock prevents the traditional society from functioning in customary ways without providing substitute ways which are meaningful to the people in terms of traditional culture (Steiner ; Frankel 1955). The incursive shock is disintegrative to traditional organization without providing new forms of organization which re-integrate the society along new lines (Smelser). These are useful ways to state the problem. But we must be more specific: what are the sequential processes of disintegration? Which specific features of traditional society are most vulnerable? How long do these processes take? Under what conditions has re-integration taken place? We are here concerned with historical processes to be analyzed in sociological terms. The problems require explicit concern with long stretches of calendar time and with sequential process analysis whose components are old and new economy, technology, polity, social organization, and culture.

Degenerative change does not mean that some people believe themselves to be worse off materially or culturally under the new conditions. Some people are made worse off during any kind of social change. But rather than the old society ceases to function in important ways, the folk-views of most people perceive the changes as worsenings, and in no important area of social or private life has there been significant absorption of new culture (e.g., literacy), new technology and economy (e.g., new farming methods and enlarged production for sale), which ^{create} ~~can be regarded as part of~~ social re-integration.

Growth without Development

Most of the case studies of community change differ from the one described above in two principal ways: the incursion was not severely disruptive of traditional society. The Trobriands (during Malinowski's residence), the Tiv (at the time of Bohannan's fieldwork), and many other groups (Dalton 1964b) carried on their traditional activities largely intact for generations after the foreign presence was felt. A second difference from cases of degenerative change was that the peoples became engaged in new cash-earning activities (principally growing cash crops and selling wage-labor), and that this was the only innovation of importance to be adopted. Subsistence economies became peasant economies as cash earnings and dependence for livelihood on market sale of crops or labor grew, while traditional culture and society remained largely intact (except for those changes induced by the enlarged commercial production or cash-earning activities).

Here we have the two salient features experienced by a large number of primitive societies: untraumatic incursion which allows ordinary activities, ceremony, and social relationships to continue on much as before; and enlarged cash-earning activities without the concomitant adoption of improved technology, literacy, or any of the other important accoutrements of "modernization" (Gulliver 1968).

I call this situation "growth without development": the community's income grows somewhat because of its enlarged sales of crops or labor, but those structural changes in economy, technology, and culture necessary for sustained income growth and the progressive integration of the local community with the region or the nation, are not forthcoming. When cash income grows while old culture, values, and

folk-views remain initially unchanged (because literacy, new vocational skills, new lines of production, new technology, are not adopted), there are some characteristic responses generated. We can illustrate them by drawing on a very large literature--growth without development is the most frequently experienced set of ~~x~~ events following contact with European culture.

1. The use of new cash income for old status prerogatives.
2. New conflict situations.
3. The undermining of traditional arrangements providing material security through social ~~x~~ relationships.

Typically, cash income is earned by individual^a or household activities rather than lineage or large cooperative group activities (such as canoe building and reciprocal land clearing). Writers on peasant economy (Chayanov 1933; Yang 1945: ch. 7) stress the economic importance of the family household as a production unit for good reasons. The growth of dependence on market sale of labor or crops for livelihood means the lessened dependence on extended kin, age-mates, friends, and neighbors--in a word, lessened dependence on social relationships--to acquire labor or land in production processes.

Secondly, the form of income, Western cash, is utterly different from anything known in traditional marketless economies. It is indefinitely storable, and so provides material security for its individual owner. It can be used to purchase a variety of goods and discharge a variety of obligations which no money-stuff or treasure item ~~can~~^{does} in primitive economy. Not only a potentially enormous range of European imports, gin, tobacco, canned foods, steel tools, crucifixes, transistor radios, school fees, colonial taxes,

but also traditional subsistence goods (foodstuffs), traditional prestige sphere services, obligations, and positions (e.g., bridewealth), and natural resources (land) and labor, all become purchasable with cash. This is what is meant by Western cash being a "general purpose" money (Dalton 1965a). The process of acquisition as well as the transactional use ^{in disposition} of Western cash in formerly primitive economies breaks down the traditional separateness between spheres of subsistence and prestige goods and services (Firth 1958; ; Bohannan 1959; Bohannan and Dalton 1962).

The use of new cash income for old status prerogatives, new conflict situations, and the undermining of traditional arrangements providing material ^csecurity are related consequences of earning cash income within ^{an otherwise} ~~an otherwise~~ traditional setting. For example, that bridewealth has come to be paid in cash ~~x~~ rather than, as formerly, in high prestige items such as cows indicates the great importance placed on cash (and what it will ~~be~~ buy ^{and pay for}). The social consequences of such displacement are several. Consider the contrasting situations before and after cash displaces traditional treasure items as bridewealth. Indigenously, bridewealth in cows could be got by a young man wanting to marry, only by soliciting the required cows from kin, friends, elders, chiefs, i.e., by drawing on social relationships and thus creating obligations to repay them (reciprocate) in some form (e.g., labor service, clientship, ~~political~~ ^{political} ~~collaboration~~, etc.). After ~~displacement~~ ^{displacement} ~~As a result~~ cash becomes acceptable as bridewealth, young men can raise their own cash and pay their own bridewealth, thus weakening their dependence on traditional superiors.

Indigenously, where bridewealth required the payment of prestige ~~xxxxx~~ goods, the items (such as cows) could be disposed of by the

bridewealth recipients in very few ways. Cows (like kula bracelets and potlatch coppers) could only be exchanged or paid within the prestige sphere which was narrowly circumscribed. But cash received as bridewealth has no such limitations. It can be used for traditional prestige goods or traditional subsistence goods, or any of the array of new goods. Bohannan (1959) has pointed out the moral ambivalence which results in the changed situation where bridewealth receipts in cash can be spent on low echelon goods.

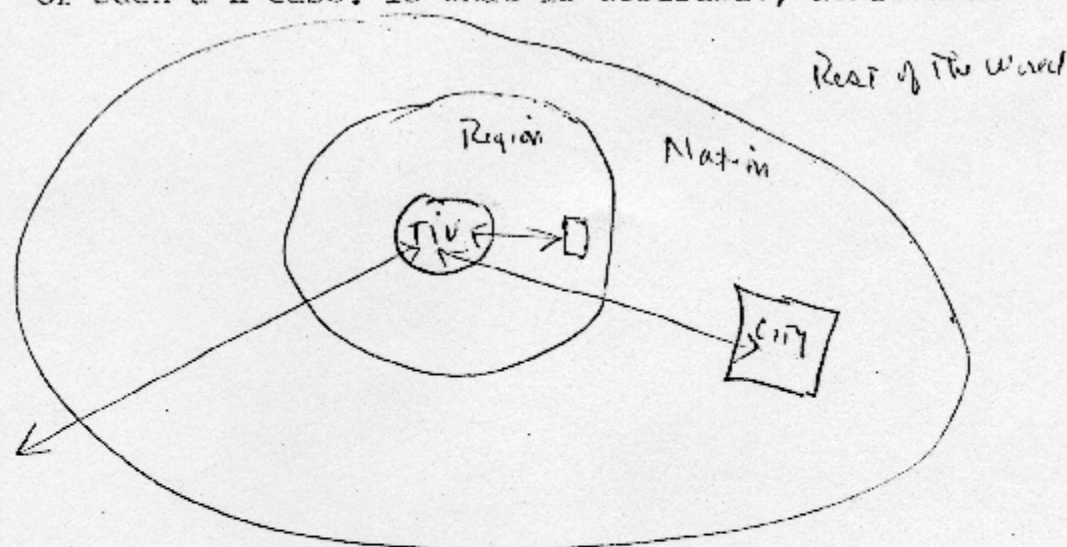
Socio-Economic Development

Economists can answer the question, "what constitutes successful development," with little difficulty. Their unit of concern is the nation-state, and their base of reference is the already developed nation^{or} of North America ^{and} Europe. The indicators of successful development from the viewpoint of economists are all impersonal, having little to do with folk-views, attitudes, social relationships, or culture. Successful development is characterized in terms of the country's percentage rate of yearly growth in gross national product, the size of per capita income and its distribution, and the use of advanced technology in major production lines.

If the anthropologist is asked, "what constitutes successful development," the answer is more difficult. The anthropologist's unit of concern is the tribal or village community, not the nation-state; the anthropologist is not only concerned with economy and technology, but ^{also} with folk-views, attitudes, social relationships, and culture. And he does not use as a base of reference for successful development the already developed nations of Europe and North America. Moreover, the anthropologist is ^{analytically concerned with} ~~concerned with~~ the social process ~~as a social process~~ of economic development and sensitive to its social and cultural costs.

Sketch

Our ~~present~~ earlier ~~for~~ cases of degenerative change and of growth without development was an attempt to draw some conclusions from the empirical record of what is and what has been the case. We now have to concern ourselves with what ought to be, as well, by putting the question, "what would constitute successful community development from the anthropologists's viewpoint--what is desirable socio-economic change," and then inquire into the empirical relevance of such a case: is what is desirable, achievable?



Old and New
 Economy
 Technology
 Polity
 Social Organization
 Culture

It is easier to stipulate the characteristics of already-achieved successful community development than it is the time path of sequential change that leads up to it.

Community integration with the region, nation, and the rest of the world. There is no such thing as a small-scale community's development independently of the larger units of economy and society external to the tribe or village. The several kinds of change that constitute modernization all entail integration with external groupings, i.e., enlarged ~~dependence~~ dependence upon external groups, with whom new economic and cultural transactions take place.

Sustained income growth for the local community requires enlarged production for sale to regional, national, or international markets, and a return flow of consumption goods, producer's goods, and public services (health and education) purchased with the ever-increasing cash income. The community becomes economically integrated (and dependent upon) the regional, national, and international economy through a continual enlargement ^{and diversification} of purchase and sale transactions. These can only be enlarged and made to grow with the use of improved technology (tools and technical knowledge) purchased initially from outside the local community. Moreover, the experience of a significant growth in income seems frequently to be a necessary pump-priming condition for traditional groups to become willing to take the risk of xproducing new kinds of ~~gx~~ crops and goods, or old ones with new and relatively expensive techniques of production. Primitive and peasant unwillingness to change production is most frequently a sensible expression of their poverty and material insecurity. They cannot afford unsuccessful experiments. The old ~~Arrop~~ techniques are not very x productive, but they keep the people alive. One of the important lessons of the unusual (and unusually quick) development progress in Vicos (Holmberg et. al., 1965), was that the Cornell group ^{assumed} ~~Assumed~~ the financial risk of planting improved varieties of potatoes. The demonstration effect of the sharp increase in the value product of the new potatoes convinced the people of Vicos to follow suit. A legitimate role of any ~~an~~ central government wanting to accelerate community development is for it to bear some portion of the financial risk of economic and technological innovation.

The local community's integration politically, is yet another aspect of successful community development. But when central govern-

ment acts only as tax gatherer, the local community is likely to perceive any governmentally initiated project to expand community output, as a device to increase taxes, and therefore to be resisted. Here too there must be demonstration effects: that government can provide the local community with important economic and cultural services and confine itself to taxing only a portion of enlarged income forthcoming.

Lastly, there is cultural integration with the larger society: learning new language, new vocational skills, education, private and public health practices, and acquiring a participant awareness of *alternatives*, events, and institutions of the larger world.

The Myrdal Effect: Modernizing Activities are Mutually Reinforcing

I simply call attention to Myrdal's important point (1957: ch. 1-3) about the mutually reinforcing nature of growth and development activities. I think his point is indispensable for understanding the sequential process aspect of all three cases of community ~~de~~ change.* From Myrdal's viewpoint, degenerative change is "cumulative causation downward": the consequences of the incursive forces which are initially disruptive (such as displacement of traditional political authority and coerced cash-earning activities to pay taxes) ~~in~~ set in train additionally debilitating processes--a negative ping pong effect. Growth without development in Myrdal's terms consists of more "backwash" (degenerative) than "spread" (modernizing) effects: a piecemeal change, even of a positive sort such as enlarged cash-earning, is insufficient ^{by itself} to propel the community towards modernization. When such change occurs in a primitive community without experience in cash earning activities, there is likely to be serious social conflict (e.g., over land rights, and unwillingness to share cash income as one would traditional produce).

The policy lesson of Myrdal's analysis of cumulative causation is that successful community development requires mutually reinforcing innovations in economy, technology, and culture. This too is a conclusion to be drawn from the minutely described case of Vicos.

What must ~~xx~~ transpire for development to be successful, is fairly clear. What perhaps deserves emphasis is that successful development from the economist's viewpoint is entirely compatible with successful development from the anthropologist's viewpoint. Anthropologists are concerned with minimizing the social costs of community transformation, and with the cultural ^{desirability} ~~importance~~ of the community's retaining its ethnic identity in the new society of income growth, machines, and literacy. But we know from examining the sub-cultures ~~of~~ in already developed nations, such as Japan, England, the U.S.S.R., and especially the U.S. (with its unusual ethnic diversity), that the retention of ethnic identity in both new and old institutional forms, is compatible with modern activities. The point surely is to work with those levers of new achievement which the people ^{themselves} perceive as desirable, higher income through new economic and technological performance, and better alternatives through education. If such developmental achievements are in fact incorporated, those features of traditional culture and social organization incompatible with the new are sloughed off without the personal and community malaise that characterize degenerative change and growth without development.

Social policy has . . . to assure that the individual in losing both the benefits and the burdens of the old society acquire no weightier burdens and at least as many benefits as he had in his previous station (Okigbo 1956:).

Conclusion: Shooting an Elephant

Karl Polanyi's analytical concepts, insights, and generalizations relate to the socio-economic organization of primitive and archaic societies: structures in which market organization is absent or confined to petty transactions. In such societies, the components of economy --labor and resource allocation, work organization, product disposition-- are expressions of kinship, polity, religion, etc. His analysis ~~was~~ is not general in three senses. (1) He was not concerned with peasant economies, where market organization, market dependence for livelihood, and the use of Western money are important. (2) He was not concerned with the quantifiable performance of primitive (or peasant) economies, but only with their organization. (3) His analytical concern with socio-economic change and development was confined principally to Europe (Polanyi 1944: ch. 3, 6, 7, 8, 13).

Here we have several reasons underlying the recent criticism of his work (and mine). Anthropologists and others who have done field work in peasant economies (Firth 1946), or in primitive economies at the beginnings of commercialization and the use of Western ~~X~~ money (Salisbury 1962; Pospisil 1953), look for a general theory. If Polanyi's categories and generalizations designed for primitive, static economies, do not fit their peasant and changing economies, criticism of Polanyi's work ensues.

If, as with Polly Hixll, the agricultural economist who specializes in Ghanaian² cocoa farming (1963; 1966), the investigator is interested exclusively in peasant economy, cash crops, and economic growth, and particularly with measurable performance rather than socio-economic organization, then the traditional concerns of economic anthropology--how economic organization relates to social organization

in non-market economies--are of no interest to her, and rather short temperedly she criticizes those of us who are interested in economies different from those of Ghanaian coca farming, and with aspects of economy and society other than measurable performance.

If, as with Firth and Salisbury, anthropologists are interested in comparative economic performance--how much is produced, and labor are how much equipment/~~is~~ used, ~~how much~~ how is income divided--questions economists put to our own economy, then (in vastly simplified fashion) some of the ~~questioned~~ concepts of conventional economics are usefully applicable, and Polanyi's strong criticism of conventional economics as inappropriate for analyzing the structure (organization) of primitive economies, seems wrong to them.

If, as with Pospisil (1963) and Burling (1962), the anthropologist perceives an economy not as a set of rules of social organization but as economic behavior of individuals and their subjective motivations, and he detects greed and self-aggrandizement in their behavior, he equates these with capitalism and so asserts that primitive economies are the same as market economies and that R Polanyi's conceptual categories are wrong and "romantic" (Cook 1966).

If--admittedly, Pospisil is an extreme example--the anthropologist obliterates all distinctions between descriptive statements, analytical statements, and statements about folk-views, by describing and analyzing the economy, and stating folk-views about it exclusively in market terminology (supply, demand, price, maximizing, capital), he quite understandably convinces himself that conventional economics provides all the concepts necessary for economic anthropology.

What must be recognized is that economic anthropology deals with two different sorts of economies, primitive and peasant, under two different sets of conditions, static and dynamic, and with two very different aspects of economy, organization and material performance. With some minor qualifications, Polanyi's theoretical work is addressed to only some of the economies anthropologists are interested in, and only some of their aspects and circumstances: principally, but not exclusively, to the organization of primitive and archaic economies under static conditions. That he did not analyze peasant economies ~~XXXXXXXXXXXXXXXXXXXX~~ and economies undergoing change, growth, and development does not vitiate his important contributions to the analysis of non-market economies.

To adduce an analogy that illustrates the point: in the Anglo-America of 1933, the topics handled with Marshallian price and distribution theory (Marshall 1920), and its extensions into the analysis of markets in imperfect competition (Robinson 1932; Chamberlin 1932), were the dominant concern of economic theory (the pricing of resources and products under static conditions in market-integrated national economies). In the Anglo-America of 1967, this remains a concern of economic theory but has declined in relative importance as different questions became important and new theories and conceptual categories were invented to answer them: what determines aggregate ~~{national}~~ output (Keynes 1936)? What determines the rate of growth of aggregate output over time (Harrod ; Domar)? Polanyi's system is akin to Marshall's in its traditional concerns.

Moreover, when Soviet economy began to take its present form, beginning in 1928, and a special branch of economics dealing with the

structure and performance of Soviet economy came into being, special concepts and analysis^ts were invented to deal with what is special to Soviet economic organization^{and performance}. So too with the economics of under-developed areas. Economists have no difficulty living in several theoretical universes--price theory, income theory, growth theory, development theory, Soviet^t economy--which overlap only partially. They do not throw out Marshall because he did not answer Keynes' questions; they do not throw out Keynes because he did not answer Harrod and Domar's questions; and they do not throw out any of these Market economy theorists because they did not address themselves to issues of collectivization and central planning in Soviet economy. I suggest that this lesson be learned in economic anthropology if we are ever to progress beyond the stage where the blind men ceaselessly argue over what the elephant really looks like. Like the economists, the economic anthropologists are dealing with several elephants, and we need several sets of concepts and theories to see them properly.

... we have no doubt that the future of economic theory lies not in constructing a single universal theory of economic life but in conceiving a number of theoretical systems that would be adequate to the range of present or past economic orders and would disclose the forms of their co-existence and evolution (Chayanov 1956: 28).

Feb. 1964
New York

THE HUMANISTIC IDEALS OF THE ENLIGHTENMENT
AND MATHEMATICAL ECONOMICS

by
Paul Medow¹

SUMMARY

By separating the concept of an optimal allocation of scarce means from market processes and also from a broader concept of macroeconomic rationality, the use of mathematical methods in economic science has freed the humanistic ideals of the Enlightenment from their long association with the market and has returned them to the political sphere.

Aside from an emphasis on the primacy of inner values the humanization of a society requires that the life-situation within which individuals are placed by prevailing institutions permit choices that differ significantly from each other with regard to one's way of life. In an industrial society, however, the freedom of the individual in this regard is limited by the functional requirements of the economy itself. Both he and his fellow citizens and also the wider social structure within which they exist, derive vital means from a nationwide structure of technologically determined relationships whose manipulation lies beyond the range of individual decisions. Above all, in the absence of special arrangements, the individual possesses no information concerning the extent to which it is actually possible to adjust the economy to different ways of life. In such circumstances it is natural for him to assume that he must simply accept whatever

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* I wish to express my gratitude to Professor Karl Polanyi for valuable advice during the preparation of this article.

the further development of industrial economies will bring, both to his personal fate and to the historical fate of his nation, so that in the industrial era, accordingly, an active concern with humanistic norms has become utopian.

The relevance of economic science to the humanization of industrial societies is defined by this very problem. Its function must be not only to ensure an effective production and distribution of material means, but also to assist the political sphere in selecting the particular ends that the economy is to serve and in identifying the limitations that may safely be imposed upon its influence.

Although its prolonged association with the study of self-regulating market systems has long caused economic science to support policy norms that are directly opposed to such a function, its recent reexamination of basic processes in the light of mathematical analysis, together with the availability of electronic computers and of a variety of new calculation techniques has led some of the internationally most prominent economists to take an altogether new position in this regard, and to view as the primary function of a new conception of central planning the subordination of industrial economies to an increasing humanization of social life.

1. The humanistic ideals of the Enlightenment and the problem of scarce means in neo-classical economics.

Paradoxically, it was precisely a concern with the humanistic values of the Enlightenment that served to restrain the founders of economic science from exploring the different types of societies that economies might serve. The rationalist reinterpretation of the

medieval concept of the Law of Nature stated that since the use of reason was sufficient to gain a knowledge of the Law of Nature, that is of the criteria needed for making judgments with regard to the problems of life, only a society based on the individual judgments of persons, and hence one in which the contractual principle of mutual consent tended to govern the formulation of social obligations, could be regarded as a "natural" one. It is the additional belief that man's pursuit of personal gain also represented a "natural" type of behaviour in this sense that made it possible for Adam Smith to regard the market as an institutional embodiment of the Law of Nature itself.

Subsequently, the instituting of both industrial production and international trade through self-regulating systems of markets provided new ground for the concern of economic science with markets and hence with the pursuit of personal gain, even though the earlier optimism concerning their social merits quickly vanished. Its attention was directed to the remarkable capacity of a self-regulating structure of monetary flows created solely by transactions of the market type to automatically regulate the production as well as the distribution of goods in society. There was little awareness, at first, of the historical uniqueness of such an arrangement for organizing an economy, and of the fact that an abandonment of the fictitious commodities called "labor", "land", and "money" to the laws of the market had become a permanent and far-reaching source of social disorganization and of social tensions as well as of technological change.¹

1. Cf. Karl Polanyi, The Great Transformation, New York, Rhinehart and Co., 1944 in which it is emphasized that the abandonment of industrial economies to this kind of self-regulation brought about a "disembedding of the economy from society". Also Karl Polanyi, "Our Obsolete Market Mentality" in Commentary, (New York), Feb. 1947.

Since the end of the nineteenth century, however, the association of market economics with the formal analysis of efficiency has created a belief that the institutional structure of a self-regulating market system possesses a specifically economic as well as a social claim to universality, which derives from its embodiment of the principle of scarcity in nature.¹ But it is the further belief that industrial production itself requires the presence of prices that correctly reflect the relative scarcity of individual means in a society that has since identified neo-classical economics with a strong opposition to the very thought of eliminating competitive social behaviour, and of making industrial production responsive to broader social aims.

What has been the basis in logic for such a position? And what are the elements of this basis that now have been affected by the application of mathematical methods to the analysis of economic processes?

Briefly, it had been noted that if one poses the formal problem of identifying that way of allocating resources that is preferable to all others, then a knowledge of their relative scarcities in various uses appears to be required. For such a knowledge makes it possible to partly reallocate each resource from uses in which it is initially relatively abundant, (in the sense that the significance of a withdrawal of a few units is not very great) to uses in which it is initially relatively "scarce", (in the sense that the significance or "productivity" of adding a few units is greater). Obviously, if one repeats this process until no further improvement is possible, (until

1. Cf. Karl Polanyi, "The Economy as Instituted Process" in K. Polanyi, C. Arensberg, and H. W. Pearson, Eds, Trade and Market in the Early Empires, Free Press, Glencoe, Ill., 1957.

In formal terms, the "productivity" of adding a few more units of the resource has been equalized in all uses; - that pattern of allocation which is "optimal", or preferable to all others, will have been identified.

Precisely such a process, however, appears to result from the very functioning of a self-regulating market system. For under such a system the capacity of an enterprise to divert a greater share of resources to its own use generally derives from its greater capacity for satisfying the wishes of consumers. If one does agree to regard the latter, accordingly, as the ultimate objective of the economic process as a whole, and providing, also, that the prices that enterprises must pay for additional resources do reflect correctly their significance in other uses (as should be the case when all resources are sold to the highest bidders), then both the firm that maximizes its own profits and the owner of a resource who withholds it from the economy until the highest possible price is paid appear to be performing a vital economy-wide function as well.

It then follows logically that an unhampered manifestation of a "natural" striving for maximum gain on the part of consumers, enterprises, and persons supplying the basic inputs into the system must be regarded as a functional necessity if one wishes to bring about a state of "general equilibrium" with regard to the allocation of resources, which thus represents the best possible integration of the economy as a whole. In an industrial economy, however, the freedom not to choose its best possible integration is clearly limited by the threat of a disorganization of production itself. In the absence of more precise knowledge concerning such a possibility, therefore, it has not been difficult to view an

opposition to the use of markets for organizing production not only as a rejection of the humanistic norms of the Enlightenment, but as a threat to industrial production as well.

The discovery that the orienting of decisions on scarcity appears to be a functional as well as possibly a "natural" phenomenon was followed by the adoption of a new definition of the very subject of economic science. The view that it concerns those processes in a society that bring about the production and distribution of material means was replaced by the view that it concerns the economizing of all scarce means in society, and the name "Political Economy" was changed to "Economics". The new interest in the capacity of simple acts of reallocation to be "productive" in the sense of creating an additional measure of utility, however, resulted in a neglect of production in the technological sense. Similarly the association of allocation with the norms of a particular definition of optimality resulted in a neglect of the social aspects of the relevant decisions. Aside from creating a considerable amount of confusion within economic science itself this has made it particularly difficult to identify the relation to economic science of other social disciplines.

2. The non-deterministic policy framework of mathematical economics

A first challenge to the central position of the concept of a "competitive" or "general" equilibrium was contained in J. Schumpeter's Theory of Economic Development (1911), which stressed the role of technological and other innovations, rather than of better allocation patterns, in increasing the abundance of an economy's output.

Subsequently its position was further weakened in the course of a prolonged debate concerning the relevance of "competitive" prices

to a centrally planned economy; and also through empirical studies of pre-industrial economies, in which both the absence of a self-regulating market system and the active role of a wide variety of administrative institutions in organizing the economy are apparent.^{1,2} Yet a continued lack of clarity concerning the actual relation of production decisions to monetary indices of various types both in pre-industrial economies and in centrally planned industrial economies, together with the obvious soundness of the logical analysis of efficiency that the concept of "general equilibrium" contains has caused such uncertainty to persist concerning its claim to universality.

More recently, however, the debate concerning the relevance of "equilibrium" prices to central planning has been shifted to new grounds by the rapid development of applied mathematics. Briefly, the use of mathematics in the analysis of economic processes has made clear not only the extent to which industrial economies are actually flexible, but also the existence of a distinction between the concept of an optimal allocation of scarce means and a wider concept of macroeconomic rationality. This has become possible, however, only in connection with a shift from the study of market processes to the study of technologically determined relationships.

1. The debate concerning central planning established that it is possible, in principle, to identify the "scarcity prices" of industrial resources without the help of either competitive markets or mathematical calculations (O. Lange, (1938)); that in a centrally planned economy the meaning of economic rationality ceases to depend on the preferences of consumers, and must be inferred from broader features of the type of society that is sought; (K. Polanyi (1922); J. Schumpeter, (1942)); and that political decisions to give priority to non-economic objectives can be made sounder by calculations of their economic costs (K. Polanyi, (1922)).

2. Cf. K. Polanyi; C. Arensberg, H. W. Pearson, eds, Trade and the Market in the Early Empires, III., Free Press, 1957.

a) The analysis of technologically determined interdependence

In a general way it is self-evident that if a comprehensive knowledge were available of all the technological processes employed in a particular economy, together with adequate mathematical methods for representing the technologically determined interdependence among individual industries, and also electronic computers capable of exploring systematically the different ways in which existing industries might be combined, then a new basis would exist for adjusting industrial economies to selected social objectives. For it would then be possible to provide comprehensive information to the political sphere not only concerning what kind of production patterns are technically feasible at a given time, but also concerning the exact nature of the alternative possibilities that are sacrificed whenever a particular set of objectives is selected for implementation. The subsequent selection of one particular production pattern rather than another could then be made to reflect a wide variety of social as well as of purely economic considerations, within which the role of personal consumption need no longer play a determining part. In such a context the question whether its implementation would or would not require a subsequent transformation of physical targets into a set of calculated "scarcity prices" for the corresponding inputs appears as a subordinate point.

In spite of important limitations, however, all three of these elements have in fact become available in recent years, and their existence has already led the government of one major industrial nation - that of France - to declare its intention, at least, to employ them systematically for adjusting the economy to social objectives.

A comprehensive representation of all technological processes in

an industrial economy has been achieved indirectly, by dividing it into a varying number of "productive sectors" or "industries" and then considering what transfers from other industries the production of a unit of output in a given industry requires.

More specifically, the values of such "technical coefficients" have been calculated for many of the industrially developed economies by first recording the actual deliveries of individual industries to others within an economy-wide "input-output table", and then comparing the recorded level of production in each with the levels of each type of input that it receives.

A knowledge of all such "technical coefficients" then makes it possible to infer the required levels of production of individual industries under a wide variety of circumstances, without referring to institutional arrangements or to actual selection criteria. It makes it possible, for instance, to calculate the extent by which the production of petroleum and of rubber must be increased in order to support a 25% increase in the production of automobiles; and in a similar way, the required levels of production of all industries corresponding to a given combination of final goods. But since the corresponding calculations center on first setting aside the share of the production of each industry that is required for the support of postulated levels of activity in the receiving industries, and then considering the residual that is available for consumption or for exports, these calculations themselves identify the precise conditions under which a disruption of industrial production will not take place.

While this alone has freed the analysis of resource allocation from its traditional dependence on market processes, the availability

of "technical coefficients" for an entire economy, and brought about a fundamental reappraisal of the actual relevance of optimal prices to the aims of the economic process. For it has made it possible to apply a purely mathematical procedure for allocating scarce resources in an optimal way.

b) The distinction between the concept of macroeconomic rationality and that of an optimal allocation of scarce means

In its simplest form the mathematical formulation of the analysis of optimal resource allocation has become known as "linear programming" because of the "linear" character of the mathematical equations that are employed to represent means-ends relationships. It may be applied to any type of means-ends structure in which the ends can be achieved with more than one set of means, and in which the possibility of substituting one set of means for another is therefore present.

Essentially the calculations that are described as "programming" refer to an elimination by trial and error of all such "feasible" sets of means except one - which thus emerges as best from the point of view of some formally specified criterion.

Among the unexpected features of such an "optimal" solution is the fact that it can be described in either of two fully equivalent forms: either in the form of an optimal structure of ends or activities, specified in physical terms; or of a corresponding set of optimal "shadow prices" attaching to individual means, which reflect their relative importance for maximizing the dominant objective.

While the discovery of this method and its wide application to a variety of industrial and military problems in the last ten years have served to confirm to neo-classical economists the soundness of the

logical principles on which they had relied, its additional implications have also undermined the very postulates on which the edifice of neo-classical economics to universality had been founded.

In particular it has now become fully evident that there is nothing specifically economic about the analysis of "scarcity prices". "It has been made apparent", as Professor J. R. Hicks has observed, that only that a price system is inherent in the problem of maximizing production from given resources, but also that something like a price system is inherent in any problem of maximizing against restraints".¹ "The logic of choice", he adds, "now that it has been fully mathematized, appears as nothing else but pure technics - the distilled essence of a general technology".²

In addition, since it has now become possible to identify optimal scarcity prices through the use of electronic computers, a need for competitive institutions can no longer be inferred from the relevance of such prices to the general problem of allocating scarce means.

The most important implication of linear programming for neo-classical economics, however, concerns the long held conviction that an optimal allocation of scarce means is by its very nature the most rational one. For the formal aspects of mathematical programming have made it fully clear that an optimal allocation of means can be identified only after there is full agreement concerning the basic ends that the economy is to serve, the particular set of policy objectives that are to be regarded as dominant, and the nature of the additional non-technological constraints that should be included into the basic system of objectives, as well as the requirements of the various policies for maximizing the dominant objective.

1. J. R. Hicks, "Linear Theory", *Economic Journal*, Dec. 1960, p. 707. This general point has also been discussed in K. Polanyi, (1957); and O. Lange, (1963).
2. *Ibid.*

equations. It follows, accordingly, that within the possibilities determined by technology, there exist, in fact, as many optimal ways of allocating resources as there are political opinions concerning the best choice of these more basic elements; that should they be needed, calculated "shadow prices" for inputs can be made to reflect any one of these choices; and that a more fundamental definition of macroeconomic rationality must therefore be sought in political processes and in the broader social ends that political processes can serve.

3. The separation of the humanistic ideals of the Enlightenment from the market and their return to the political sphere

In spite of remaining problems concerning the collection and presentation of data, concerning the relative place of mathematical techniques and of political processes in the elimination of the less desirable possibilities, and also concerning the nature of the institutional arrangements through which the implementation of a selected set of objectives will best be carried out, the technical possibility of an adjustment of industrial production systems to non-economic criteria has thus been established through a clarification of the very grounds on which it had earlier been denied. At the same time, the emphasis "not only on pecuniary measures of output, national income, etc., but even more on social goals"¹, that this suggests, has been associated with a new image of political processes, in which the various feasible adjustments of the production system calculated by the experts are made to reflect a variety of political objectives, as well as the requirements of non-economic

1. R. Frisch, "A Preface to the Oslo Channel Model" in R. C. Greary, Ed., Europe's Future in Figures, North Holland Publishing Co., 1962, p. 258.

organizations; in which the selection of a particular alternative is preceded by a public debate; and in which the political power of central authorities has been checked through decentralization.^{1,2}

The new optimism that this makes possible with regard to the ideals of humanism has been expressed by a leading mathematical economist, Ragnar Frisch, who notes that the advent of electronic computers and of econometric methods has removed what was previously a technical obstacle to "safeguarding the freedom and ethical and moral dignity of the individual in the true spirit of the age of Enlightenment".³

Similarly the official adoption of the principle of balancing a variety of social objectives against economic objectives in determining the aims of central planning in France has led a prominent French economist to state that the broad, society-oriented type of growth that this implies defines a function for the economic process that is "neither the increasing of consumption, nor the increasing of leisure, but the creation for all, and in the first place for those who are in the least favored circumstances, the material conditions in which their freedom will blossom out."⁴

1. R. Frisch, *op. cit.*, p. 256.

2. It has also been noted that an application of the new methods of planning to the foreign trade of individual nations, and beyond this, to a coordination of the trade of many nations on the basis of preferences that they themselves express could reduce the present vulnerability of national economies to developments occurring in distant parts of the world. Cf. R. Frisch "A Multilateral Trade Clearing Agency", *Statsokonomisk Tidsskrift* (Norway) 1963, No. 1.

3. R. Frisch, *op. cit.*, p. 258.

4. F. Perroux, *Le IV^e Plan Français (1962-65)*, Paris, Presses Universitaires, 1962, p. 17.

That a capacity to adjust economic processes to different courses of social and historical development does not in itself guarantee precisely such an outcome is made evident by the fact that at present it is in the planning of military systems that the new methods of control and planning have found their widest application.¹ In addition the nature of the real limitations on the flexibility of complex production systems has yet to be explored. The new optimism appears to be more than justified, nevertheless, not only because it is no longer possible to employ the authority of economic science in advocating a continued subordination of society to a spontaneously developing economic sphere, but also because the liberation of the ideals of humanity from their association with contractual relationships and with markets makes it possible to conceive a type of social development that is oriented on the deeper and more realistic understanding of these ideals that has become available since the eighteenth century.²

1. C. J. Hitch, "The New Approach to Management in the U.S. Defence Department", Management Science, Oct. 1962, pp 1-8. Also, C. J. Hitch and R. B. McKean, The Economics of Defence in the Nuclear Age, Harvard University Press, 1960.

2. The two major events in this regard have been their confrontation with the quality of means-ends relationships in society since Hegel and Marx; and more recently their association with the cultural symbol structure of a society (Cf. E. Cassirer, Essay on Man, New York, Doubleday, (1944), 1953) and also with unconscious processes (Cf. E. Fromm, Psychoanalysis and Religion, New Haven, Yale University Press, 1950; also, E. Fromm, Man for Himself, New York, Rhinehart and Co., 1947.) as well as with the existential problems of man.

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