

RISE AND DECLINE OF THE PROFIT MOTIVE.

It is often argued that one cannot have a new and better society, ~~and~~ that private ownership of the means of production cannot be overcome, that socialism is impossible, because well because human nature is what it is, implying, of course, a not too complimentary appreciation of ~~human nature~~ that ~~human nature~~.

[Grammar: Is what it is: + something of the...]
regarded as ~~Thus~~ ~~an attempt to reform human society~~, human nature has ~~been~~ to be ~~human~~ the villain of the piece. As long as one cannot change human nature, there is no possibility of changing society.

Now, I do not wish to idealise human nature. I could not deny for instance that much of the crime and violence that ~~is~~ are attributable not only to our institutions functioning badly, but also to the institutions themselves ~~unhappy~~, or even necessary, on account of man being ~~what he is~~. *(which are, however, what they are)*

that to
deliberate
it
In effect I would assume that man has a ~~rather~~ mixed nature, with a ~~very~~ great variety of ~~motives~~ preformed ~~in his nature~~, and ~~some~~ ~~good~~ or bad would be ~~innate~~ ~~done~~ violence to ~~annihilate~~ the other half, ~~whether we had declared it good or~~ ~~human~~ bad. *bad or good, respectively.*

But, fortunately, it is not about such a broad, and somewhat vague, issue we are called to decide ~~whether man is selfish or selfless, cruel or humane, tolerant or intolerant, rational or~~ ~~emotional~~, and similar generalities which might easily involve us in a discussion of original sin or ~~some~~ other doctrinal matter. We ~~will~~ beware of trespassing on theology...

Answer
All we are concerned with is whether our present economic system is as firmly rooted in man's nature as ~~is~~ commonly supposed, so that only a change in that nature can open the way for a change in that system.

Question
Is it true that ~~the way we ensure the production and distribution of goods and services~~ ~~appeals to the only motive which will make individuals participate in these economic activities, namely the prospect of private gain or at least the avoidance of hunger and privation?~~ That but for the threat of hunger the average man would not work? In other words that the economic organisation of society must necessarily be based on self-interest, the lure of material benefit, the fear of material privation?

Answer
The answer is No. An economic system which appeals to ~~human~~ ~~the~~ fear of privation as the individual motive of participation in the work of production, is comparatively very recent. Never in all known history was society ~~before~~ organised in this peculiar ~~and unnatural~~ fashion. And all signs point ~~at present~~ to a change back from ~~such a~~ profit-economy to more normal and human forms of life in the ~~near~~ future.

1. The threat of hunger is introduced.

~~Spanish~~
In 1532 the Humanist Vives published a book On the relief *in Lyons, in France*

I think that has been given for the benefit of the poor, not the reverse.

of the poor, in Latin, 'It was written in 1524, and addressed to the Magistrates of the Flemish city of Bruges, who had consulted him on the subject. The author suggested that the indiscriminate relief of the poor as practiced by the churches and monasteries ~~was~~ ^{was} pernicious, for it failed to distinguish between the deserving poor, the genuinely needy, on the one hand, the work-shy and malingerers on the other. ~~Since~~ ^{Since} times immemorial the monasteries had ~~been~~ ^{been} taken upon themselves the care of the poor; actually no less ~~than~~ ^{than} one third of ~~the~~ ^{the} church revenue was supposed to be dedicated to that purpose. The underlying assumption was that ~~there was a place for every human being in a Christian community.~~ ^{There was a place for every human being in a ~~Christian~~ ^{Christian} community.}

Vives' pamphlet seemed to embody a ~~revolutionary~~ ^{startling} principle, that of discriminating amongst the poor. Accordingly, the matter was referred to the highest academic authority of the Christian world, the Sorbonne in Paris. ~~This was only a few years after Luther had started the Reformation which involved an attack on monastic institutions. Vives it was thought might have been infected by that heresy and his critique of monastic charity might be due to doctrinal aberrations. The authorities thought it right to keep on the safe side, and to ask for the advice of the~~ ^{Christian doctors} ~~before proceeding further.~~

The Sorbonne found no fault with the ~~synthesis~~ ^{synthesis} of the Humanist philosopher and agreed that ~~no~~ ^{no} poor relief might distinguish between the various kinds of indigents, ~~always~~ ^{always} provided, ~~that~~ ^{that} ~~no~~ ^{no} ~~one~~ ^{one} ~~was~~ ^{was} ~~not~~ ^{not} ~~to~~ ^{to} ~~starve~~ ^{starve}, since that would be contrary to the ~~principles~~ ^{principles} of a ~~Christian~~ ^{Christian} community.

The Dutch Poor Law of 1531 ~~embodied~~ ^{embodied} similar principles to those advocated by Vives. It was ~~long~~ ^{long} time assumed that Vives ~~was~~ ^{was} responsible for ~~Henry VIII~~ ^{Henry VIII} poor law legislation, which ~~started~~ ^{started} in 1536. ~~visited~~ ^{visited} England. However, this seems doubtful. ~~The fact remains~~ ^{The fact remains} and that for almost exactly ~~three~~ ^{three} centuries the English Poor Law continued to embody ~~the idea that~~ ^{the idea that} the poor should not be indiscriminately ~~relieved~~ ^{relieved} that, of course, ~~no~~ ^{no} the community was responsible for ~~relieving~~ ^{relieving} the needy. ~~cared for~~ ^{looking after everyone of its} ~~members.~~ ^{members.}

~~As in the past,~~ ^{as in the past,} ~~they~~ ^{they} were cared for ~~at the time of the medieval monasteries,~~ ^{at the time of the medieval monasteries,} but that they should nevertheless be ~~a public charge~~ ^{a public charge} since the community was responsible for looking after everyone of its members. ~~At the same time begging & rapine was punished severely.~~

It was exactly two hundred and fifty years later, in 1786, that the idea was mooted that the poor laws should be abolished altogether, and ~~that~~ ^{that} the terrors of hunger ~~be~~ ^{be} let loose upon the poor. It is worth registering how this happened. Joseph Townsend, to whom the invention was due, ~~put~~ ^{put} ~~forth~~ ^{forth} the paradigm of the goats and the dogs.

Buccaneers had landed ~~a few~~ ^{a few} goats to supply them with meat on their occasional visits. The goats multiplied at a great rate, and the pirates had ~~an~~ ^{an} plentiful supply. The ~~Spanish~~ ^{Spanish} authorities of Chile had the brilliant idea of landing a dog and a bitch, who also multiplied at a biblical rate, since there was plenty of goats to feed ~~upon~~ ^{upon} on. The goats fled to the rocky parts of the island, where the dogs could not easily follow; ~~and~~ ^{and} the ~~fastest~~ ^{fastest} dogs and the nimblest goats survived; but ultimately a balance

no one here was allowed to starve

they were cared for

was achieved, limiting the number of goats and dogs to the appropriate figure. Townsend contended that the order which was maintained on this island was ~~due~~ due to the all powerful lord Hunger. From this he deduced a maxim of the utmost importance. He wrote:

'Hunger will tame the fiercest animal, it will teach decency and civility, obedience and subjection, to the most perverse. hunger is not only peaceable, silent, unremitting pressure, but as the most natural motive to industry and labour, it calls forth the most powerful exertions..'

This was a startlingly new idea and it was on this idea that Nineteenth Century economic system was based.

Amendment
In 1834 the famous Poor Law ~~was~~ ^{was} carried. It abolished over night the Poor Law which had been in force for three centuries. Disraeli, a conservative, denounced this as an inconceivable revolution! ~~Yet~~ it was put into effect with a radicalism which makes nonsense of the cant phrase of British gradualism (a later invention). Outdoor relief was abolished and the ~~workhouse~~ ^{workhouse} ~~was~~ ^{erected} as a place of ~~mental~~ mental torture and moral degradation. As long as a man had power over his body he would prefer to labour at any wages and under any conditions rather than repair to this abode of ~~shame~~ ^{shame}. At one stroke, a ~~new~~ society had been established, ~~in which~~ ^{in which} an economic system ~~was~~ ^{was} ~~let loose~~ ^{organised} ~~labour~~ ^{labour} through a competitive labour market kept in action ~~by~~ ^{through} the perpetual threat of starvation.

With 1834 begins the new era of industrial civilisation, in which it is taken for granted that material needs are the natural motive of laboring. Thus was the free competitive labour-market individuals created, labour made into a commodity and at the same time a ~~new~~ new psychology foisted upon the population. ~~Since~~ Since and workers were now made to offer their labour on the market, under the pressure of material want, it was ~~easy~~ ^{easy} to persuade them that this ~~was~~ a natural state of affairs. Indeed, that any other economic system than one which ~~made~~ ^{made} want satisfaction the motive of the individual ~~was~~ ^{was} ~~utopian~~ ^{utopian}.

2. Labour ~~is~~ ^{is} ~~not~~ ^{not} ~~secured~~ ^{secured} in normal human society ~~not~~ ^{not} ~~performed~~ ^{performed} under the pressure of material want satisfaction.

Labour in human society is secured in many ways. Custom and tradition, law and compulsion, create the kind of social obligation which ensures that the job is done. ~~The point is this~~ The idea that he who does not work neither shall he eat, is not a ~~primitive~~ principle ~~of~~ ^{of} primitive society.

It was often believed ~~to be true~~ that man starts out with a stage in which he has to cater for himself and his family: hunt, collect, dig for his food. This view has been ~~completely~~ disproved by recent research. No ~~where~~ where under primitive conditions ~~man~~ ^{man} does meet the individual household the individual hunter, ~~shepherd~~ ^{shepherd} or agriculturalist. ~~Mostly~~ ^{Mostly} ~~the~~ ^{the} ~~economic~~ ^{economic} ~~activity~~ ^{activity} is collective: hunting, fishing, gardening, ~~collecting~~ ^{collecting} ~~grazing~~ ^{grazing}, are done by the tribe or the group as ~~such~~ ^{such}.

would seem
It ~~seems~~ ^{would seem} plausible to ~~imagine~~ ^{imagine} the individual who is a member of a ~~hunter~~ ^{hunter} party or

a band of desperats

hunting-party or fishing-crew or team of cattle-drovers, or group of gardeners, ~~man~~ as ~~best~~ as best he can for fear that he may otherwise be left without a share in the game or the catch or the crop or ~~the flock~~ the flock.

exacting himself

the flock

Now, it is most definitely established that the member of a savage tribe has his share in the food ~~and~~ ~~camp fire~~ ~~whether he has~~ shared in the joint effort or not. *(his place at the)* The labour and effort of the individual is dissociated from his rights as a member of the tribe. Under the Kraal-land system of the Kaffirs, for instance, destitution is impossible: "whoever needs assistance, received it unquestioningly". (Mair, L.P. An African people in the 20th century. 1934) No Kwakiutl ever ran the least risk of going hungry. (Loeb, E.M. Main Essays in Anthropology. 1936). Herskovits, M. - In 'The economic life of primitive Peoples', 1940, says 'there is no starvation in societies living on a subsistence margin'. The principle of freedom from want was acknowledged in the Indian village community and, we might add, under almost every and any type of social organisation upto about the beginning of the sixteenth century Europe, when the modern ideas on the poor put out by Vives were argued before the Sorbonne. It is this absence of the threat of individual starvation which makes primitive society, in a sense, more human than market-economy, and at the same time less economic. Ironically, the white man's initial contribution to the black man's world mainly consisted in introducing him to the uses of the scourge of hunger. Thus the colonist may decide to cut the breadfruit trees down in order to create an artificial food scarcity or he may impose a hut-tax on the natives to force them to barter away their labour.

You see what happens? In order to establish a labour market, the fear of hunger must be made actual and real. The primitive safeguards against the individual's fear of starvation must be removed, otherwise the goad of hunger cannot ~~reach~~ *reach* the labourer-to-be.

(depriving a man of his right in)

In a primitive society this happens by ~~removing the land~~ *removing the land*, - in a modern society it happens by stopping out-door relief, as it was done done, 1834.

Post 2 part

The fear of hunger and starvation is, of course, an ~~important~~ *ever* present consideration in the life of primitive society, and indeed of all society. But the organisation of society is ~~such as to remove this~~ *such as to remove this* fear from the individual, so that his economic activity is not due to that fear but to other motives, equally stringent. *shall be*

A parallel:

Just because hunger and sex are the two strongest motives swaying the individual, ~~and no society could exist which does not~~ ensure material survival and ~~progeniture~~ *progeniture*, neither is the economic system based ~~on the sex urge~~ *on the sex urge*, nor is the great institution of ~~the family~~ *the family* directly based on the ~~sex urge~~ *sex urge*. That urge is intermittent and unstable; it could not be made the permanent motive for the keeping of the family, for the provision of ~~the~~ family home, for the upbringing of the children, for the maintenance of family traditions - all of which are necessary. These are maintained by a ~~number~~ *number* of motives approved by society, and they result in the maintenance of institutions like marriage and ~~the family~~ *the family*. *Although no family organization conceivable that does not satisfy the sex-urge, no family other is possible which is based directly, or even exclusively, on that urge*

we find that

Similarly ^{in the case of the} production and distribution of goods. The purpose of the economic institution is undoubtedly to stave off need and privation; but the motive of the individual partaking in it, need not be that motive: actually, it is the motive of social duty, of the enjoyment of common effort, the joy of craft of emulation, the give and take which is ensured by it, ^{but} mainly the appreciation of the social status involved in the performance of what he is ^{man is} expected to do.

Thus ~~usually in a human society~~ the economic system is maintained for the collective purpose of providing the members of society with the necessities of life. But the motive which make the individual play his part in the system is not the fear of want, ~~man~~ (although this also may play its part in his motivation) but a whole set of other motives not less potent.

3. In conclusion: A change back seems to be impending.

It is mere ignorance to argue that the present economic system is based on history or the nature of man, as revealed in history.

Adam Smith's propensity of man to barter, truck and exchange, is plainly apocryphal. Primitive man's seems to abhor bartering. And where it is introduced it, is usually an exchange of conventional values, i.e., at traditional rates. As for instance two bonito hooks against a big mat. The element of higgling and haggling does not enter at all.

The profit motive is on the decline. It has led to mass unemployment and to an unemployment of our tools and machines. Unless we control our economy and plan our lives, we are in danger of starving. For hardly more than a century (1834-1933) it was made the general ~~main~~ incentive in economic life. In the future man will return to more natural motives of action which harmonise better with his mixed nature. Competition and gain are too artificial foundations for our present highly developed economy. Our industrial society will have to revert to the traditional bases of life in human communities. The decline of the profit motive will be the beginning of social co-operation in all its forms.

We must cease calumniating human nature. In this sense the co-operative movement may regard itself as the pioneer of a new industrial society.

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183.

LONDON CO-OPERATIVE SOCIETY LTD
Education Department

"THE PHILOSOPHY OF CO-OPERATION"

A GENERAL MEMBERS' WEEK-END SCHOOL

at

"HOLLYBANK"
(117, Hornsey Lane, Highgate, N.6.)

on

13TH/14TH OCTOBER, 1945

LECTURERS:

DR. KARL POLANYI, Jur. D.,
some time lecturer at the
People's College, Vienna;
extra mural lecturer for
the Universities of Oxford
and London; author.

MR. W. P. WATKINS, B.A.,
Research Officer and Librarian
to Reynold's News. Co-author
of the standard textbook on
Co-operation. Well-known to
Co-operative audiences as a
stimulating lecturer and thinker
on Co-operation.

HOSTESSES:

MRS. P. L. POLE, B.A. (Members of the L.C.S.
and MR. F. MEADES Education Committee)

PROGRAMME

Saturday, 13th October

Suggested Backg

3.30 - 5 p.m. Students assemble for inspection of the Centre.

Raymond Firth

5 p.m. TEA.

R. Thurnwald

6.30 p.m. -

First Session:

DR. KARL POLANYI on
"THE RISE AND DECLINE OF THE
PROFIT MOTIVE"

B. Imlinowski

K. Polanyi

Suggested Backg

8 p.m. SUPPER, followed by SOCIAL EVENING.

P. Kropotkin

Sunday, 14th October

E. Poisson

8.30 a.m. BREAKFAST.

J. J. Worley

10.30 a.m. -

Second Session:

MR. W. P. WATKINS, B.A., on
"WHAT ARE THE PRINCIPLES OF
CO-OPERATION?"

L. Örnö

C. R. Fay

1 p.m.

LUNCH.

W. Clayton and

A. Stoddart

2.30 p.m. -

Third Session:

OVERALL DISCUSSION ON THE TWO
LECTURES. (Dr. Polanyi and
Mr. Watkins will be in attendance)

T. W. Mercer

Robert Owen

4.30 p.m.

TEA.

5.30 p.m.

CLOSE OF SCHOOL.

B I B L I O G R A P H Y

Suggested Background Reading for Dr. Polanyi's Lecture:

- Raymond Firth - "We, the Tikopia"
(Description of a Maori tribe)
- R. Thurnwald - "Economics in Primitive Communities"
- H. Pirenne - "Economic and Social History of
Medieval Europe"
- B. Malinowski - "Crime and Custom in Savage Society"
- K. Polanyi - "Origin of our Time"

Suggested Background Reading for Mr. Watkins' Lecture:

- P. Kropotkin - "Mutual Aid"
- E. Poisson - "Co-operative Republic"
- J. J. Werley - "Social Philosophy of Co-operation"
- A. Örne - "Co-operative Ideals and Problems"
- G. R. Fay - "Co-operation at Home and Abroad"
(Volume 2. Chapters 1 and 2)
- N. Clayton and
A. Stoddart - "Foundations: A Study in the Ethics
and Economics of the Co-operative
Movement"
- T. W. Mercer - "Dr. William King and The Co-operator"
- Robert Owen - "New View of Society"
(Edited by G. D. H. Cole)

P.F.O.

NOTE: It is suggested that the following questions could provide a useful framework for the general discussion on Sunday afternoon:-

1. How far is the motive of gain natural to man?
2. Can Labour and Land be included into a market economy?
3. Does Co-operation abolish profit or merely transform it?
4. Can Co-operation reconcile economic efficiency with liberty and democracy?
5. Can Co-operation become universal?

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"THE PHILOSOPHY OF CO-OPERATION"

A "HOLLYBANK" WEEK-END SCHOOL

13TH/14TH OCTOBER, 1945.

Dr. Karl Polanyi's summarised statement on the principal argument which is to be developed in his lecture on

"RISE AND DECLINE OF THE PROFIT-MOTIVE".

John Maynard Keynes commenting on unshakable Victorian confidence in gilt edged securities, said that anything that has been regularly happening for two generations tends to be regarded by men as the law of nature.

This applies perfectly to views on the profit motive. Since for some four or five generations it has been undoubtedly present to an important extent in men's economic activities, the effectiveness of that motive has come to be regarded as something akin to a law of nature. To speak of the rise and fall of the profit motive will seem to many people as nonsensical as to discuss the rise and fall of the law of gravitation. Some might regard such talk as almost sacrilegious, since they have come to associate in their thoughts the profit motive with the Divine scheme of things.

In truth, man is a creature of mixed motives and no one motive ever determines his actions in the field of human behaviour. Gain is certainly only one of a large number of motives which act as an incentive to man in production.

Actually, the term "gain" is hardly applicable outside a money economy, i.e. an economy where everything is being bought and sold. A medieval farmer, or for that matter any landowner, unless he lives in a commercialised economy, tends to think in terms of welfare rather than that of gain. His motive is not that of making as much money as possible, but rather that of improving his house, his garden, his cattle, his crops, his domestic outfit, his carriages, his horses and every appurtenance of his wellbeing from the cradle of his offspring to the family vault. He is primarily out for social recognition, not for an increase in money income; and he stands to lose in social recognition by using wrong methods in carrying on his farm or business, rather than by having less income. Consequently, his actions are directed more towards the increase of his social standing than towards maximum profits.

Indeed, it is very doubtful whether we ourselves, in our commercialised economy would aim towards maximum money incomes, but for the fact that our social standing in the community, with our neighbours and colleagues, depends upon our financial status. In other words, above a definite income level, money is made not so much on account of the leisure and luxuries which it will buy as on account of the social position which it ensures to those who make the money.

This, in effect is the general truth, that the individuals' economic activities are not usually due either to the profit motive, or to the fear of hunger and privation, but to a quite different set of motives, which is powerful enough to ensure that the necessary work is done.

Continued overleaf -

At present, of course, the general rule is the opposite: most of the work done is being done because otherwise there is danger of hunger or privation. This is the essence of the wage system. Social security may somewhat alter this in the future. But take our world without "Beveridge" and it still remains true that fear of privation for oneself, and even more for one's family, is the prime motive of men in their capacity as producers.

Two questions arise: (1) Is fear of privation identical with the motive of gain? If we declare ourselves ready to work for wages because otherwise we might have to suffer privation, are we therein actuated by the profit-motive?

(2) And if, as we suggest, the answer should be in the negative, then not the profit motive but fear of hunger and privation would appear as the chief motive of men in his producer's capacity. But is it our experience down the ages that the main motive of men to take part in production was the fear that they would otherwise have to go without food or be in some other way exposed to privation?

Again, our answer must be in the negative: Although human societies run their economic systems for the purpose of funding off starvation, the motive of the individual members of society need not be that fear.

This brings us to the history of the profit motive: A Society in which fear of hunger is the stimulus to work is a quite recent development. Not before the 16th century was such an idea seriously contemplated. And not before the Poor Law Amendment Act of 1834 was it put into practice.

Ancient societies as well as primitive societies almost universally reject this idea. They are organized in such a way as to keep the individual from danger of starvation as long as the community as a whole is not in such a danger.

In such societies the main motive of economic activity is social approbation, apart from the lesser, but still potent incentives of the team-spirit, competition and emulation, as well as reciprocity and the joy of work.

The profit motive is on the decline. For hardly more than a century (1934-1933) it was made into a general incentive in economic life. In the future man will return to more natural motives of action which harmonise better with his mixed nature. Competition and gain are too narrow foundations for our present highly developed economy. Our industrial society will have to revert to the traditional bases of life in human communities. The decline of the profit motive will thus be the beginning of social co-operation in all its forms.

In this sense the Co-operative Movement may regard itself as the pioneer of a new society.