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THE EVOLUTION OF CAPITALIST VALUES

THESIS

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PREFACE

Because this thesis deals with values, and because values are the result of man's judgment, some statement identifying the system of logic used is necessary.

The source material of the thesis is largely Aristotelian. The only dialecticians appearing are Arnold J. Toynbee and Karl Marx. The instrumentalist's logic is evidenced in the selections from John Dewey. All others are Aristotelian. The logical system of the thesis itself is also Aristotelian.

CHAPTER I

INTRODUCTION

Capitalism has developed in something less than two hundred years into a system of doctrines and values which influence man's development around the world. It takes many forms and it functions within differing cultures and with different shades of meaning. It is an intensely penetrating economic system, never satisfied to contain itself within any given geographical area for long. It is the dominant economic structure of western civilization today and is seeking a foothold in eastern culture. For this reason it is being subjected to searching question.

In any attempt to evaluate capitalism one is immediately struck by the plurality and confusion of its values. This thesis will attempt to trace the history of that plurality and confusion; to show how and why they arose; to relate economic values to the humanity which must live with them.

All human values are subject to change and all social values are relative. Economic systems are social institutions and as such are directly related to the other institutions of any given society. For this reason the search for capitalistic values must be made within the social milieu as a whole. The economic system cannot be set apart

from the church, the state, the family, the educational system and the values which pervade these related institutions. As man is subjected to changing social concepts and ideals, his material values will reflect these changes. And, as man is subjected to changing economic pressures, his value judgments in every area may be subjected to modification. Man makes these judgments by going into

matters physical, physiological, anthropological, historical, socio-psychological, and so on. Only by taking facts ascertained in these subjects into account can he determine the conditions and consequences of given valuing, and without such determination "judgment" occurs only as pure myth. I can hardly better conclude . . . than by expressing my agreement with the words of Dr. Stevenson when he said that moral evaluations should "draw from the whole of a man's knowledge" -- extending the statement to apply to evaluations anywhere and everywhere.¹

This thesis attempts to make this sort of an approach to the formulation of the values of capitalism; to apply the lessons of history, anthropology, psychology to the field of economics; to trace the social changes which occurred between the River Civilizations and the contemporary American culture.

In order to accomplish this, the succeeding chapters are devoted to the historical development of the concepts of individual worth; the rights of labor; the right of private property; the profit motive; social class systems

¹ John Dewey, "The Field of Value," Value: A Cooperative Inquiry, edited by Ray Lepley (New York, 1949), p. 77.

with their concomitant, economic stratification, and the amalgam of all these, which is the contemporary American structure.

CHAPTER II

ANCIENT CIVILIZATIONS

In tracing the development of economic values, the beginning is to be found in the structure of society itself. All societies which are known to man are based upon inequalities: inequalities in rank, in status, in wealth, in intelligence, in natural resources, and in physical strength. The examination of specific societies which provided the continuity upon which western capitalism is founded will establish the root of capitalist values.

The earliest civilizations which history records are those of the river valleys, the Nile, the Indus and the Tigris-Euphrates. In these river valley civilizations man could and did find a group answer to a group problem, that of controlling the annual floods and removing the jungle. "Clearing the land, draining the marsh, digging the canals, and defending the product of man's labors must have been communal responsibilities, and political and social institutions must have grown up around them."¹ This creation of social and political institutions

¹V. Gordon Childe, Man Makes Himself (New York, 1951), p. 81.

is the organization and institutionalizing of human relationships. In the protection of the canals there was implicit the "thou shalt" and the "thou shalt not" relationships which continue to manifest themselves today in the dominance of the individual by the general welfare of the group in which he finds his means of life sustained.

Food-production also provided an opportunity and a motive for the institutionalization of power relationships. In its simplest form, that of a family or clan preparing ground, planting, cultivating, and harvesting the year's crop, the welfare of the group depended upon the maintenance of the year's food supply and the saving of seed for next year. Had individuals been allowed to destroy the harvest, mankind could not have survived. This control of the common food supply gave rise to authority and its counterpart, power, within the group.²

Even the staunchest of the supporters of individualism gather from existing evidence that the Neolithic crafts were not individual, but collective traditions. Experience and wisdom were constantly pooled. The first laborers, the women who made pots for the village use, did not retire into seclusion, but all the women of the village worked together, helping and directing the work of one another.

²Ibid., p. 80.

The occupation was public, and was governed by rules which were the result of communal experience. The pots bear the stamp of a strong collective tradition rather than individuality.³ It is reasonable to infer that the design for those pots was established by those of the pot-makers who were more skillful than others, that the intelligence of the few directed the efforts of the many. This is power.⁴

The development of metallurgy implies the specialization of industry, and therefore the stratification of society. To secure metal tools a community must have produced a surplus of foodstuffs to support bodies of specialist miners, smelters, and smiths withdrawn from direct food production. In addition, there arose a regular army of craftsmen, merchants, transport workers, officials, clerks and soldiers, who must have been fed by the labors of cultivators, herdsman, and hunters. Thus was conceived a society based on functional classes, classes whose labors must have been integrated in order that the cultivator might use a metal hoe and the smith might eat.

This integration of society into a purposeful whole necessitates the subjugation of individual caprice to beneficence for all. Otherwise, there could have been no canal, no food, no metallurgy, nothing but the simple food-gathering

³T. Walter Wallbank and Alastair M. Taylor, Civilization Past and Present (Chicago, 1954), p. 42.

⁴Childe, op. cit., p. 71.

of one man for himself alone. Thus man as an individual found a part of his liberty destroyed by the desire for the goods which group activity alone makes possible.

The development of metallurgy gave birth to another aspect of social power, too. The primitive man had to defend himself against the wild beasts with tools of his own fashioning, and he soon discovered that metal weapons were far more effective in defense and in attack. This same effectiveness against animals was present as man attacked man. War, as well as poverty, has been always with man, and those who controlled the supply of metals found themselves with authority in time of danger as they controlled the source of effective weapons. Those who controlled metals soon controlled men through the display of the capacity for leadership which crisis makes possible. Thus metallurgy became a contributory factor in the rise of chiefs invested with effective temporal power and ultimately of monarchy itself.

As an outgrowth of war, society discovered that men as well as animals can be used in subservience. The conquered became the enslaved, and ultimate power became a reality in the institution of slavery. "Slavery was the foundation of ancient industry and a potent instrument in the accumulation of capital."⁵ War was not the only source of slaves

⁵Ibid., p. 109.

to ancient society. It was also true that refugees from fire, drought, flood, and fear of attack might also trade their freedom for the economic security of slavery. Thus the great public works, the canals, temples, pyramids, of ancient civilizations could be accomplished.

By the time Babylonia reached the height of its civilization social and economic power and status were well delineated. The reign of Hammurabi was the reign of a sovereign who saw himself as servant of the god Marduk, but the master of the governed.⁶ He was god's vice-regent, and usurped a substantial share of the god's temporal power over men. The State had by Babylonian times arisen out of society and placed itself above it.

The king performed essential functions in Babylonian society. He was civil ruler and military commander. He used his power to supplement the work of private enterprise in providing for the economic needs of the country, the cutting of canals, building temples, importing timber, copper and granite. This power accelerated the accumulation of capital in real wealth and also supported courtiers, ministers, musicians and men-at-arms, none of whom actually produced goods.

Here in Babylonia first became apparent one of the social evils which still plagues civilization. Lower

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Rollin Chamblis, Social Thought (New York, 1954), p. 27.

Mesopotamia was a geographical unit and therefore an economic unit, but the form of government was that of many city-states.⁷ Disputes about land and water rights and foreign trade were an immediate result of the jockeying for power between the city-states. The earliest written documents which history records (after the temple accounts) are records of interminable wars between adjacent cities and the treaties that temporarily brought⁸ cease-fires.

The social institutions of Babylonian society were grouped around the temple and the priestly "corporation." The records of the temple reveal it as not only the center of the city's religious life, but also the nucleus of capital accumulation. The archives record the gods' loans of seed or plow animals to cultivators, the fields the gods have let to tenants, the wages paid to brewers, boatbuilders, spinners and other employees, advances of grain or bullion to traveling merchants, and the repayment of those loans accompanied by a thank offering. This economic system evidently goes back to remote prehistoric times. The native god, through his priests, then accumulated and administered the wealth of the city, and in so doing exercised complete⁹ economic authority over the inhabitants of the city.

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Wallbank and Taylor, op. cit., p. 62.

⁸ Chambliss, op. cit., p. 24.

⁹ Childe, op. cit., p. 124.

Over this divine institution reigned Hammurabi, whose Code made the class structures of Babylonian society explicit.

If a man destroy the eye of another man, they shall destroy his eye. If one break another's bone, they shall break his bone. If a man knock out a tooth of a man of his own rank, they shall knock out his tooth. If a man strike a superior, he might be given sixty strokes with an ox-tail whip in public, whereas the penalty for an assault on an inferior was a fine scaled according to the status of the victim. It cost considerably more to break the bone of a freeman than of a slave. To knock out the tooth of a man of one's own rank cost a tooth in return, but an aristocrat could knock out the tooth of a commoner for the small sum of twenty shekels.¹⁰

On the other hand, if merchants, officials and men of wealth failed to act honorably, a much heavier penalty fell on them than upon those of whom less was expected because of their lower social status. A merchant was required to repay an agent sixfold the amount which he had obtained from him unjustly, whereas an agent who attempted to cheat his superior had to return only threefold the amount involved. A governor or a magistrate who neglected his official duties received the death penalty, as did a judge who was convicted of accepting a bribe.

In the Babylonian society there was social status as a recognized and functioning social institution, with reward and punishment scaled to that status. This was an open

¹⁰ Chambliss, op. cit., p. 24.

utilization of status, one which was in complete accord with the whole culture of Babylonia. There were, in general, three classes: patrician, plebeian and slave. These classes seem to have been based largely on the distinction between rich and poor, and it could hardly have been otherwise in a materialistic society which recognized private property and the rights of inheritance. Yet there was vertical mobility in this society, too, which is another necessity in a materialistic society. If one cannot climb the social ladder as he obtains wealth, there is little incentive to the struggle for wealth. This was evidenced by Babylonian society. The patrician had wealth and power in society, too. He paid more, however, for many things, at the insistence of the Code. He paid more for medical care, for a divorce, for the fine for being engaged in assault. Breach of trust was a more serious offence in the patrician, and he was expected to conduct himself in accord with his position. The Babylonian culture recognized the power of wealth and sought to curb it with legal and moral restrictions. Over all brooded Hammurabi, who promised his subjects protection from injustice from their fellow men and from the king's ministers; tenants were protected from landlords, borrowers from lenders, and buyers of goods from merchants. The power of wealth was not left unrestrained.¹¹

¹¹Ibid., pp. 24-30.

Like the Babylonians, the Egyptians had traditions of independent dynasties ruling in Upper and Lower Egypt¹² before the first Pharaoh, before the urban revolution. The powerful were the priests, the princes, by right of heredity, and the scribes and officials were the powerless in a political and religious sense, but in relation to the great mass of people they exercised a great deal of power resulting from their function in society. The social institution of status was well established by the time the pyramids were built.

The early Egyptian society was founded upon the supposition that the king is god. In this assumption political, economic and religious power were concentrated in one institution, the temple. The temple provided the warehouse, the bank, the government, and in return received a part of the earnings of the people under its command. The division of wealth, predicated upon taking a little from each of the many and paying it to the few began in human history, and it resulted in the concentration of wealth, status and power in the hands of the king-priest. It meant in practice the economic degradation of the mass of the population. The primary producers of wealth may have enjoyed the roads, canals, protection and prayers provided by the priest-king.

¹² Wallbank and Taylor, op. cit., p. 49.

but their share of their own production was reduced, and "socially they were sinking toward the status of tenants or even serfs . . ."¹³ The boast of the Oriental conqueror was booty in animals, metal, jewels and slaves, which did not increase the total wealth of society, but transferred wealth from poorer societies to courts already glutted with a superfluity. Authority and status then had become a cultural institution deriving its efficacy from not only physical might but also from psychological prowess, rather than an institution based upon servitude freely given by the individual in return for services rendered.

The origin of the landed aristocracy as a social class may also be traced to Egyptian civilization. The Egyptian conquerors argued that conquest could be one means of overcoming the inertia of the masses of food producers, who were argued to be by nature lazy, and who, it was said, therefore preferred a simple life to the luxuries provided by unremitting toil. The conquerors of the ancient time agreed to leave the peasants on the soil in return for the payment of tribute to the conquerors. In this situation was created the class of people whose sustenance comes from the soil but who do not labor to produce it. The constant need to defend this source of tribute led to the establishment of leadership

¹³ Childe, op. cit., p. 181.

in the form of oligarchy and the resultant demand for far more produce than the aristocracy could consume. This is the basis for the accumulation of capital goods in preference
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to consumer goods.

This development is authenticated by the archaeologists' discovery of pictures on the walls of tombs constructed about 3000 B. C. These pictures show an economic unit which was not a city, but a large farm like a medieval manor, worked by peasants under the administration of what seems to be a sort of "bailiff". The scenes show work in the field, the breeding of cattle, hunting and fishing, peasants paying dues in kind while a scribe notes on papyrus what each man brings and an overseer with a whip forces payment. Also depicted are potteries, smithies, carpenters' and jewelers' workshops, each a self-sufficient unit with specialized labor and graded classes. This reality is inconceivable apart from the larger society of the time which is the
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Egyptian state.

The Egyptian stratification of society resembled the Babylonian in structure and in essence. Ultimate power in both instances resided in the monarch, who was assumed to
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receive his power from the gods. In accordance with the

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Ibid., p. 107.

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Ibid., p. 130-133.

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Ralph Linton, The Tree of Culture (New York, 1955), p. 411.

monarch's desires and the functioning of the society which he controlled, the mass of the people were stratified by the culture, and therefore were assumed to draw their status and power indirectly from the gods.

In contrast, the Egyptian society held the doctrine of equality among men to a greater degree than that of the Babylonians. Where the Babylonian accepted status in both reward and punishment, a kind of "noblesse oblige," the Egyptian rulers boasted that they gave the lowly the same consideration shown those in high position. A feudal noble had engraved on his tomb, "I did not exalt the great man above the small man in anything that I gave."¹⁷ These indications of an understanding of the equality of social needs are further expressed in Meri-ka-re's preparation for the Egyptian kingship, which included the admonition by his father, "Do not distinguish the son of a man (of birth and position) from a poor man, but take to thyself a man because of the work of his hand."¹⁸ This equality, which is in opposition to the boasting found in the tombs of the pharaohs, finds explanation in the idea of the time that the monarch was of a dual nature, both god and man. His divine nature justified the exaltation of the pharaoh, but his manhood made him aware of the basic social justices. However, the concept of ultimate power in the

¹⁷ Ibid., p. 51.

¹⁸ Ibid., p. 52.

pharaoh and the delegation of that power did create social status in the Egyptian society. Social class was based on the preferment of the individual by the pharaoh, not upon the accumulation of wealth by private enterprise. This may have been the result of an economy which had little use for money and indulged in relatively little trade. The economy was based upon land, which was owned by the pharaoh, but the use of that land was shared by all. It is possible that the powerless of society fared better under this system of control by the monarch than the landless have fared under the dominion of private landlords. The pharaoh was at least influenced by the equalitarian principles of his society. Thus what has become in modern capitalism the "unseen hand" was in the Egyptian and Babylonian society the very visible hand of the ruler.

The western civilization of the twentieth century stands squarely upon the Greek, Roman and Hebraic civilizations, and these were the bridge and bond between the river valleys and medieval Europe. More is known of the Hebrews of the Old Testament than of other early societies, both because of the strong reverence for tradition which the Hebrews themselves held, and because of the incorporation of Hebrew history into modern religion through Christianity. The ancient Hebrew had a very different concept of social

power from either the Egyptian or the Babylonian. Part of the cause of this difference is found in the history of the people and part of it is found in their religion.

The plains along the coast of Palestine were the only area of early Jewish habitation which were conducive to contact between people. The eastern part of the land is a region of hills and mountains which shut off communication and which may have encouraged the development of a strong tribal spirit rather than the feeling of nationalism. The hills also offered refuge for wild beasts and marauders who kept the tribes in a constant attitude of defense against unknown enemies. The development of the sense of clan solidarity which characterizes the Hebrews today may be in part a result of this mutual dependence.¹⁹

And yet these same geographic factors which shut the tribes of Israel off from each other also served to make attack upon them difficult, and had Israel not been situated on the only land route between Asia and Africa, it might have been possible for a weary and wary people to live in undisturbed peace. As it was, the endless stream of travelers and armies passed over this land--strong, military, successful travelers and armies--and the nomadic Israelites had nothing with which to defend themselves. Their property was seized, their homes leveled, their people slaughtered. The same

¹⁹Emory S. Bogardus, Sociology, Fourth Edition, (New York, 1954), p. 294.

Egyptians and Babylonians who incorporated slavery by conquest into their civilizations found the source of supply in captive Israelites as well as others. This situation continued well into the Greek and Roman eras, and the Israeli culture was molded in the pits of subservience and oppression.²⁰

The Hebrew society of the Old Testament was a curious mixture of individualism and collectivism. There was no manifest stratification as was seen in Egypt and Babylonia, rather there was a clan, a patriarchy, a stratification in the same sense that the family is stratified. In this sense status did exist in the Hebrew society, but there was no absolute monarchy, and no explicit stratification on economic lines. In times of disturbance monarchy was recognized as expedient, a tool with which to consolidate forces for a specific and pre-determined crisis, and even then the monarch was chosen by the elders.

'I have given you Kings in my anger' said the Lord, (Hosea 13:11). This 'anger' was held to be a temporary situation, resulting from the fallen state of man, and directed at the Chosen People, the Hebrew nation. Throughout the Old Testament the emphasis is on groups--kings and commoners alike suffer the anger of God. 'The Lord's anger was directed against Israel and he made them wander in the wilderness (Deut. 1:37-40); the house of Israel rebelled and was punished (Ezek. 20:13); the children of Israel were taken by the Lord for a people (Ex. 6:7)'. . . The offender brings shame and punishment not on himself alone but on his people.²¹

²⁰Joseph Reither, World History at a Glance (New York, 1949), pp. 24-25.

²¹Chambliss, op. cit., p. 137.

The sin of one was thought of as the sin of all, and upon this premise was Hebrew social order developed. In addition, regardless of the conformity of the individuals, the Hebrews held that there can be no order in a nation which knows not God, because in devotion to tribe or race there is no principle of order. Devotion to tribe or race brings forth only competition, warfare and disintegration.

Good and kindly men cannot with the best of intentions and with the utmost diligence . . . create an orderly society, because there is not such power in unaided human reason. The individual conscience can be trusted only when it accords with God's will; human reason is seen as useful only when it implements God's plan. Divine law is the only answer to the problem of social order.²²

The attainment of power by the individual in the Hebrew society was for this reason rigidly limited. There were men of wealth and men of position, but they were recognized to be men of wealth and position only in the here and now, and it was recognized that the integrity of the group necessitated the ultimate equality of the individual.

All instruments of power were developed in the light of this restraint. Law was held to be a necessary institution in the light of man's fall from grace, but the Jewish people believed that the Kingdom of God would be attained on this earth.

Of the increase of his government and of peace
there will be no end,
Upon the throne of David, and over his kingdom,
To establish it, and to uphold it with justice
and with righteousness
From this time forth and for evermore.²³

²³The Holy Bible, Revised Standard Version, Isaiah 9:5-7.

The law of Moses was held to be God-given and the words of the prophets were believed to come from the mouth of God.²⁴ The law of retaliation is clear in the Old Testament, yet judges determined the penalty in the light of both the seriousness of the crime and the intent of the wrongdoer.

This same philosophy of divine ordinance coupled with human reason restrained economic power. The Jews labored six days a week and rested on the seventh as commanded by their God; labor was necessary as a result of the fall of man; but the desire for possession was not the stimulus for that labor, and greed was seen as the means by which man becomes thoroughly despicable and wicked.²⁵ Wealth and material comforts were believed to be good, and material security was attained by large herds and abundant harvests, but the seeking of wealth and its attendant, status, was tantamount to the sin of pride, which to the Jew was deadly.

The Israeli people not only delineated greed as sin but also contributed the prohibition against usury which has permeated all western economic thinking to the present. The prohibition was against taking interest only from a brother, not against that from a stranger, which again established

²⁴Linton, op. cit., p. 289.

²⁵Chambliss, op. cit., p. 145.

the unity of the Jewish people. Man was forbidden by God to profit in any manner by the misfortune of his brother. In the Jewish society wealth and status were means of assisting the unfortunate, not means of gratifying one's own material desires and rising above one's brother.

From the foregoing examinations of early civilizations may be drawn the conclusion that social status and unequal distribution of wealth are inherent in group activity. The problem of advancing economic systems would seem to be one of channeling and utilizing that status and wealth for the obtaining of the greatest value. For that reason the purposes for which status and wealth are desired are important to the economist.

In Babylonia one desired wealth for the purpose of advancing in rank, and in return for the privileges of rank, the Babylonian accepted the principle that payments for goods should be correspondingly greater for the wealthy than for the poor. This was a matter of justice.

Contemporary values also hold that goods for the wealthy are more expensive than goods for the poor. The man of status pays more today than the man of lowly place, but it is not done as a matter of justice. It is done as proof of status, the longer car, the bigger home, the finer suit. Neither heritage nor profession nor achievement is automatic evidence of status in the capitalist society,

but the expenditure of larger quantities of money is. This gives rise to the plurality of values expressed by the term, "the profit motive." Is profit desired because more dollars can produce more dollars, or because more dollars make possible a higher standard of living, or because more dollars open the doors of honor and prestige, or because of all of these?

CHAPTER III

GREECE AND ROME

By the time of the establishment of the classical world, status and power had been so firmly entrenched in human society that their presence had come to be regarded as natural. This was evidenced by both Plato and Aristotle as they formulated philosophies which were to continue throughout the history of western civilization.

Aristotle's concept of stratification of human nature was basic to ancient Greek thought. The masses, in his mind, were necessary to the proper function of society, but their only purpose was to serve the aristocracy and the state. In addition, perhaps a quotation from Plato will serve to present his thoughts on the "democratic man."

He lives from day to day indulging the appetite of the hour; and sometimes he is lapped in drink and strains of the flute; then he becomes a water-drinker, and tries to get thin; then he takes a turn at gymnastics; . . . His life has neither law nor order; and this distracted existence he terms joy and bliss and freedom.¹

In the minds of the great Greeks the ordinary individual was best served by being directed in an orderly society by those of the upper classes. Men were not held to be equal--in physical strength, in spirit, in mental ability, in

¹Chambliss, op. cit., p. 178.

nature. Men should not strive to be alike, but to be themselves, each different from the other; men of gold, silver, brass and iron, according to Plato. Plato also argued that the whole is greater than its parts and that society is an organism characterized by differentiation, by subordination, and above all, integration.

Aristotle went even further. He made clear a stratification holding that only those who do not have to work for a living can live a really good life. "Not only sweaty manual labor but also the vulgar calculations of business, prevent those who must work from living the good life."² Therefore, the many did not expect to receive the benefits of upper class life, and men of gold and silver accepted their privileges as rights.

In addition to this differentiation, subordination and integration of the individual, Greek culture intensified the materialistic nature of civilization. Whereas previous cultures had held strongly to their religions, the Greeks did not give faith in the supernatural a central place in society, but contributed to future ages a rational attempt at solution of the problems of culture. Greek gods were many, and although the Greek knew that his gods were each stronger and more powerful than he, he also knew that some

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Crane Brinton, Ideas and Men (New York, 1950), p. 64.

gods outranked others, and that finding favor with the gods was a process of propitiating whichever of the gods was more powerful at the moment. In the face of such a Pantheon as this, religion had to be irrational and formless. The Greek was left with his mind and commerce, industry and agriculture.

This commerce, industry and agriculture effected a large concentration of wealth in the hands of landholders, manufacturers, traders and bankers, and still this was a much wider distribution of wealth than the empire cultures of Hither Asia, which had located surplus in the hands of rulers, officials and priests.³ However, the effects of economic power were obvious: slavery was encouraged by the production of wine and olive oil (Greece's major exports) because vines and olive trees could be tended economically only by slave labor; with the commercialization of holdings in large estates, which in turn necessitated large amounts of capital. In Sparta the concentration of land holdings resulted in the diminution of the land-owning population from nine thousand owners in the early sixth century to about one hundred in the middle of the second century B. C.⁴

Greece also intensified economic power in the development of finance and banking. Greece quickly utilized

³ Shepard B. Clough, The Rise and Fall of Civilization (New York, 1951), p. 80.

⁴ Ibid., p. 98.

coins, pieces of metal whose quality and weight were guaranteed by a state, which had appeared in the city-state of Lydia about 700 B. C. Growth in industry and international trade necessitated the expansion of money trade into all facets of the economy. Therefore the small landowner could produce his goods for wider markets, store up his surplus and purchase objects of refinement. In this aspect, Greek finance made it possible for all classes of society to amass wealth; discontent rose as excessive social and economic differences separated the rich from the poor, nonetheless.

The development of industry apparently did little to improve the material condition of the free worker, who all too often was exploited and pauperized. Political power, lands, money, and trading privileges were allowed to fall into the hands of the favorites of the rulers, while a large percentage of the people had no political rights and no economic security. For these reasons, various cities were obliged to furnish the unemployed with cheap or free grain to keep them from revolting.⁵

Sparta may be used as a specific example of the effect of concentration of wealth. In 404 B. C. a bill was drafted

making it legal for the holder of a family property or of an allotment to give it away during his lifetime, or to bequeath it by will, to anybody whom he chose. In introducing this law, Epitadeus was simply indulging a private vendetta; but the acquisitive instinct inspired his countrymen to approve and ratify his legislation, . . . to the ruin of the best social organization that they had ever had. . . The rapid concentration of wealth in a few hands impoverished the country as a whole, and the penalties for this were the loss of a liberal outlook and the closing of liberal careers, with a corresponding growth of envy and hostility toward the men of property.⁶

⁵Wallbank and Taylor, op. cit., p. 152.

⁶Arnold J. Toynbee, Greek Civilization and Character (New York, 1953), p. 57.

In addition, the local geographic conditions of Greece dictated strong local political regimes, which led to recurring wars between the city-states. The conquerors took possession of the better lands, created strongholds to protect their holdings, and established political regimes. The aristocracy was synonymous with the conquerors, and yet the local nature of politics precluded the assumption of "divine rights" by any one individual.⁷

In summary, the Greek society was based upon four main classes: freeborn citizens, freeborn foreigners (metics), freed slaves and slaves. Slaves comprised an estimated one third of the three hundred thousand persons living in Athens at the close of the fifth century.⁸ This Grecian stratification, however, provided less differentiation between classes than that of Egypt and Asia. The Grecian concept of class also included some idea of vertical mobility within society as serfs were enfranchised, though not raised to full citizenship, as an inducement to volunteer for dangerous military service.⁹ This social mobility will be seen as one of the "footings" of capitalism in later times.

⁷Clough, op. cit., p. 85.

⁸Toynbee, op. cit., p. 55.

⁹Georgia Harkness, The Sources of Western Morality (New York, 1954), p. 159.

In the later stages of Greek prominence, its approaching domination by Rome is foretold. Greece had predicated an economic and social system upon commercial development, which other areas soon developed. Her local governments were faced with dissension and open warfare. Greece gave the world political theory, but she didn't practice good government.

A major reason is that, whether as states, as classes, or as individuals, they lacked the power of self-subordination essential to cooperative living. They were essentially a secular-minded people; and in spite of exalting patriotism as a virtue, they lacked a compelling spiritual ground of unity. . . . The secularism and dissension which undermined their strength assails us still.¹⁰

Another incongruity in Greek culture was that of maintaining intense economic stratification and at the same time extending political democracy even unto the slave in the later periods of Greek dominance. These conflicts within the culture brought many social problems which culminated in strikes and civil uprisings. The increasing population among whom were fewer and fewer land owners, the fall in real wages, and the increasing of private debt portended a coming period of disintegration.

The lack of cohesion in Greece was not a factor in the Roman Empire, which was characterized by its unity of command and its strength of government. Rome became rich as she conquered large areas of the known world and

¹⁰Ibid., p. 159.

collected tribute from those she conquered. Her far-flung empire was protected and maintained for only one purpose, the glorification of the empire and its emperors. She drained resources from her out-posts and concentrated them in Italy. In doing so, she provided the administrative structure for future empires and for the Christian Church. The mortar of the Roman Empire was army and roads and law. Military might, plus a formalized body of legal rights and obligations became an ever-present factor in the stratification of society. Encompassing Eurasia from the North Sea to the Red Sea, from the Atlantic Ocean to the Caspian Sea, the philosophies and structures of Roman culture were the fore-runners of medieval statesmanship.

Roman society knew well status and power, because of its heritage of conquest. The Roman army as a military institution was, of course, highly stratified, but this same institution provided a measure of mobility. It allowed conquered peoples who distinguished themselves militarily to receive some of the privileges of citizenship, and also, the fact that the Roman army was a citizens' army and therefore highly democratic gave mobility to the military.

Roman citizenship included protection under the civil law, which was based upon both statute and custom, as is modern law. A jus gentium, or law of all peoples, not necessarily citizens, covered such institutions as slavery,

property and contracts. Another facet of Roman law was its reference to an abstract, philosophic and speculative law based upon reasoned justice, and recognizing natural and inalienable rights of man. These concepts bear fruit in the natural law of the Middle Ages and the Renaissance.

Roman law was weighted in favor of the state and to the disadvantage of individual liberties, but it is also true that the individual was protected to some extent by the abstract idea of natural right and natural justice.¹¹

Rome became economically powerful as her collections of tribute and her commerce expanded, financing her military might. Yet she succumbed to the temptation to reward the friends and supporters of the Emperor. She regularly gave conquered lands to favored individuals, leased public land to patricians or to wealthy plebeians. She maintained a system of military obligation which made it nearly impossible for the small land-owner to retain his land. Citizens were required to serve the military for periods of time, and the small land-owner had neither employees nor slaves to maintain his investment. He returned from military service to find his fields grown up in weeds, his animals lost, strayed or stolen, his buildings in disrepair, and his entire holdings made worthless. It was only prudent for him to sell his

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Richard M. Brace, The Making of the Modern World (New York, 1955), p. 13.

land when he was called into military service, and he sold it to one whose holdings were large enough to support the institution of slavery. In this manner land concentration was increased and there was no leveling of the economic power which ownership of factors of production always provides.¹²

The disappearance of the small landowner was the basic cause of the degeneration of the Roman common people. Thousands of sturdy farmer peasants returned from the wars to find farming unprofitable. Many peasant lads came back from their adventures abroad with the legions quite unwilling to settle down to a humdrum life on the farm. The decay of small farming sent a large army of these unemployed laborers flocking to the city of Rome.¹³

Another example of favoritism was that of the practice of tax-farming, which was the privilege of collecting taxes for the state and provisioning troops. This led to the formation of the joint-stock company, and of more immediate importance, to social unrest. When Rome demanded large taxes from conquered areas, the publicans banded together to take shares in the enterprise, and when necessary, to gather sufficient capital they sold shares in the venture, particularly to senators who were prohibited by law from participating directly in the practice.¹⁴ These opportunities for profit resulted in the growth of an opulent class of businessmen called "equites."

¹²Clough, op. cit., pp. 124-126.

¹³Wallbank and Taylor, op. cit., p. 168.

¹⁴Clough, op. cit., p. 134.

Nearly everyone among the upper classes tried to get his hands on the war contracts, which had to do with supplying the army with wheat, meat, clothing, and weapons. Even in peacetime the racket in contracts corrupted the government.

The vast wealth flowing from the conquered provinces into Italy was not used for constructive purposes. Instead it was spent for luxuries by the wealthy and for doles to the landless plebeians

Although the government remained in theory a democracy, in practice it was now an oligarchy. The tribunes, guardians of the people's rights, became mere "yes men" of the Senate. The landless populace lost all interest in good government just so long as the politicians supplied food and circuses in return for their votes.¹⁵

Thus, even in their early forms, the corporation and the government contract became the means to self-aggrandizement for those who seek power over their fellow-men.

The greatest weakness of Roman civilization was the lack of harmonious human relations. Hostility among social classes expressed itself in the protests of the small farmer who had been shoved aside by conditions which he could not foresee nor control; in the protests of those who were degraded by the institution of slavery; in the protests of the poor plebian who felt exploited at the hands of the wealthier plebians; in the wrangles of the rich tradesmen, industrialists and tax farmers; and in the conflicting ambitions of military men and Senators. The economic inequality of Rome coupled with the abuse of economic power sapped her political strength until the empire came apart

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Wallbank and Taylor, op. cit., p. 168.

at the seams. And yet this dying militaristic materialism provided the back-drop for capitalism.

That back-drop was provided in Christianity, which became a social institution, a state religion under Constantine and flourished until in the Middle Ages it was the central institution of society. It made its first appeal to the lower classes. The man of lowly status found in this religion a recognition of his dignity and a source of comfort when in Rome's latter stages he saw his civilization crumbling. In Constantine's action making Christianity the only religion of the Roman Empire the great conflict of western civilization begins. As long as Christianity remained in the catacombs, there was no expectation that this world, its nations, its civilizations and its societies should conform to Christian precepts, but with Constantine's actions comes the situation wherein the established church is in conflict with all the established institutions of politics and economy.

The ideology of Christianity, which found its place in a decaying culture, came to dominate man's life and to furnish inspiration for the period of the Middle Ages, in which Christianity became the central institution of society. It preached the sacredness of human life to a world which had held scant regard for individuals of any class. Moral

responsibility and personal freedom were injected into an age which woefully needed both. It proclaimed eternal truth instead of crumbling mores. And in spite of the compromises which were made, it provided mankind with a goal and the dynamics for its attainment. It demanded standards of conduct in the attainment of that goal which were of a high social order. In this fashion the declining Roman civilization institutionalized a religion which is important fifteen hundred years later.

CHAPTER IV

MEDIEVAL EUROPE

The development of Europe is a continuation of the economy and society of the Roman Empire, overshadowed by the pre-eminence of the Christian faith. In medieval Europe are found all of Rome's traits, the flavor of the Mediterranean, and the faith of Christianity. The unity of the Empire was lost through the barbarian invasions; the great inland sea no longer belonged to only one state, but its time-honored importance was unquestioned and the industry and culture of Rome, with all the relationships of wealth status which they engendered, continued to advance until the advent of Islam.

The Islamic invasion began with the overthrow of the Persian Empire (637-644 A.D.) and in quick succession took from the Byzantine Empire Syria (634-636 A.D.), Egypt (640-642 A.D.), Africa (698 A.D.) and reached into Spain in 711 A.D.¹ Thus Europe was cut off from her old trading area and from the Holy Land, and the tie which had still bound the East to the West was broken.

¹ Henri Pirenne, Medieval Cities (New York, 1925), pp. 22-24.

The Arabs contributed a great deal to European knowledge and culture; particularly, they contributed business acumen. They were "good businessmen." They had originality, drive, and organization. They manufactured excellent qualities of steel, cloth, leather, pottery, carpets, drugs and perfumes, and in the process used letters of credit, joint-stock companies, checks and receipts. The revival of trade after the eleventh century is due in no small part to the demand for Arabian products and Arabian knowledge. The conversion of European marshland into farmland was a result of Arabian skills in engineering, drainage, terracing and variety in agricultural produce. However, the Arabic invasion aggravated the European tendency to substitute for the Roman balanced economy a primarily agricultural economy, and the control of the Mediterranean by the Turks brought European trade almost to a standstill.² These factors intensified the static character of social stratification and economic power which had been held over from the Roman influence.

This is evidenced by the contrast between Carolingian and Merovingian times. In the days of the Merovingians, Gaul was still a maritime country and trade and traffic flourished because of that fact. The Empire of Charlemagne

²Brace, op. cit., p. 18.

was essentially an inland one. No longer was there any communication with the exterior; it was a closed state, a state without foreign markets, living in a condition of almost complete isolation. The transition was not clearcut but trade at Marseilles waned gradually as the Moslem advanced.³

The restrictions imposed by the Moslems caused Europe to become an insular economy and culture, set apart from the forces and philosophies which had given it life. This situation provided the static, unchanging, immobile society which made possible the complete control of society by the Christian Church. In addition, the removal of the influence of the Eastern Church gave a semblance of reality to the claim of absolute authority made by the Pope of Rome.

Into these circumstances the modern city was born. The Carolingian era knew cities neither in the social sense, nor in the economic sense, nor in the legal sense of that word. They were merely power institutions, fortified places for the headquarters of administration, both political and religious. The inhabitants were not distinguished in any way from the rest of society. There was no commercial nor industrial activity. There was no mobility of the population, either vertically or horizontally. Yet these forerunners of cities played an essential role in the growth

³ Pirenne, op. cit., p. 28.

of the culture which was to accept capitalism. They were the stepping-stones to modern urban organization. Around their walls cities were to take shape and change the form of civilization after the economic renaissance, whose first⁴ symptoms appeared in the course of the tenth century.

The tenth century was an era of stabilization and peace. The feudal system had arisen in France on the debris of the old Carolingian order. In Germany the powerful influence of the bishops provided the foundation for the ascendancy of the monarchy. Europe ceased to be overrun by the Scandinavians, the Slavs and the Arabs. It recovered its confidence in the future. From now on, in feudal as well as episcopal principalities, the first traces could be seen of an organized effort to better the condition of the people.

This concern for the inferiors of society was the product of Christianity. Until the rise of the Christian religion, there had been no religious precept prohibiting the abuse of the individual. Even though the ancient civilizations had utilized doctrines of justice and honor, not until the Church grew strong did western civilization recognize the worth and dignity of the human being, based⁵ simply and completely upon his relationship with God. This doctrine flowered in a society which had from infancy

⁴ Ibid., pp. 77-78.

⁵ Brace, op. cit., p. 19.

been hierarchical, and which continued to be hierarchical, and which manifested itself in the medieval concepts of nobility and episcopacy. And yet, at the same time, that nobility and episcopacy recognized that each human being was a product of the Creator, and that each human being had not only rights over those of other human beings, but also obligations to all other human beings.

The first Truce of God was written in 989 A. D. The year 1000 saw the great awakening in which the Church purified itself and its enthusiasm started the Crusades. The military spirit of feudalism led her to success in epic undertakings which testify to the energy and vigor of spirit and the health of society. This year saw the beginning of the reclamation of the forests and marshes, which continued up to the end of the twelfth century. The Order of Cistercians gave itself over to the reclamation of the land. The revival of commerce began in Venice on the one side and on the Flemish Coast on the other.⁶

The first crusade in 1096 A. D. marked the first recoil of Islam. In 1097 A. D. the Genoese fleet sailed to Antioch bearing the Crusaders' reinforcements and supplies. Two years later Pisa sent out vessels under orders of the Pope to deliver Jerusalem. From that time on the Mediterranean was reopened to western shipping. As in the Roman era

⁶Pirenne, op. cit., pp. 83-88.

communications were re-established from one end to the other of that essentially European sea.⁷ Western civilization emerged from the bonds that had held it immobile since the Islamic invasion.

During this process of emergence from the so-called "Dark Ages," the Catholic Church formalized and codified its doctrines into an established social order. A theocratic form of government had completely replaced the municipal regime after the seventh century. The populace was governed by its bishop and no longer asked to have even the least share in that government, and "everything indicates that the episcopal administration was in general beneficent and popular."⁸ In the dominance of the state by the Church may be seen a continuity of thought reaching back to the early river civilizations, and again the relationships are much the same. Economics and politics are subjected to the control of religion and the hierarchy of the Church supersedes all other class distinctions.

Because religion was the central institution of medieval society, an understanding of the doctrines of the Church is necessary to an understanding of medieval society. The basic writings of Thomas Aquinas are the bed-rock of medieval social thought, so the main points of those writings are summarized here.

⁷Pirenne, op. cit., p. 92.

⁸Ibid., p. 69.

Aquinas has based his "natural law" concept upon the relationship of essences and existences. Essences are qualities which are formulated in the rationality of the Creator. That is, there is a quality of "human-ness," to Aquinas. One can think of one specific man, or another specific man, or one can think of the abstraction of, simply, man; and although the abstraction, man, is incapable of existence, it is a reality of the mind. In order for existence to be, a specific must be; and yet the specific is not the abstraction, but the abstraction is of the essence, that which is common to all men--the nature of man.

Mankind exists specifically and individually. In addition, there is the abstraction of "human-ness" or human nature. Human beings are different from dogs by nature, in essence and in abstraction. This is the difference which stems from the will of the Creator and which governs the behavior of the created, according to Aquinas. The dog cannot employ sacraments nor offer prayers to deity. His nature precludes such behavior. Man can offer sacraments and offer prayers to deity. This difference in essence, in nature, expresses itself in God's gift to man of rationality, which only man, of all the known animals, shares with God, in the thinking of the Schoolmen.

The Thomistic thinking summarized above is the basis for the doctrine of equality which has permeated western thinking. This is the idea which has set man apart from

other forms of animal life. This rationality, this freedom to make decisions, presupposes alternatives and in doing so, forms the logical basis for morality, simple "goodness" and "badness." This rationality is also the basis for the Thomistic concept of natural law.

Natural law was held by Aquinas to be the result of the rationality of God. That since without essence existence cannot be, all creation tends to become that which the Creator intended when he set in motion the forces of creation. This is the natural law of Thomas Aquinas.⁹

The idea was perverted in later years, to a mechanistic code of cause and effect in the world of the birds and the bees and the sun and the stars; but Aquinas held that "goodness" is the fulfillment of the divine intent and that "badness" is the alternative, the choosing of behavior patterns which foil the intent of God.

Out of this interpretation of man's nature came the differentiation of this world and another world in which man would know completely the divine intent, that in this world man prepares for the next by developing behavior patterns which are in accord with the will of God. Goodness and badness do exist; because of man's errors, past and present, this world is not and cannot be Utopia.

⁹For a full treatment of natural law see Basic Writings of St. Thomas Aquinas, edited and annotated by Anton C. Pegis (New York, 1945), II, 772-780.

This Thomistic idea cannot be placed in its proper context without the doctrine of the fall of man--the banishment from the Garden of Eden, the necessity for man to earn his livelihood by the sweat of his brow. The niggardliness of this world was not held by the medieval catholic to be punishment for mankind's sins, but rather, he believed that by making bad decisions, mankind wasted his inheritance in the struggle for power and status with which he could stay his pride; he believed that once it was wasted, mankind could not by struggling replace it. That replacement was believed to be made possible by God himself in the person of Jesus Christ. Man's nature remains in this interpretation what it was in the beginning, a rational being, and in that rationality, the image of God. The atonement of Jesus Christ offered again to each human being the divine intent, but retained to man the ability to accept or reject that intent. This was the body of theology which led the medieval Christian of low status and class to accept his station in society as one of the conditions set forth by his Creator, to accept his powerless situation, his poverty, his abuse, the injustices heaped upon him, as a part of the preparation for the next world, as a "cross" to be endured through sacrificial living to the honor and glory of God.¹⁰ The Christian of the time recognized the power of the Church and did not resist it. He lived under

¹⁰Thomas Aquinas, op. cit., II, 772-780.

the domination of the nobility, but authority was not an evil stranger. The medieval Christian did not seek security in wealth, for security lay in the next world. He did not seek political equality, for he knew all men to be equal in the sight of God. The society of the medieval period then remained static and motionless under the absolute rule of the Church.

The Christian faith set forth certain goals for society, among them: brotherhood stretching beyond national borders, equality of rights among men, the condemnation of slavery (with reservations), natural community in the use of property, the dignity of labor, the duty of charitableness and almsgiving, and the purifying and perpetuation of family life.¹¹

The economic institutions of the time included that of just price (everything had an absolute value based upon the cost of production, labor, which in turn was based upon retaining the social stratification which existed). This just price was upheld by both ecclesiastical law and secular law. Also included was the prohibition against usury, which had been a facet of the religion since the time of the Old Testament. By the end of the twelfth century usury was forbidden to everyone within the Christian faith. Aquinas modified the idea by agreeing that interest was justifiable as recompense for loss and for profit missed.

¹¹Lewis H. Haney, History of Economic Thought, Third Edition (New York, 1936), pp. 154-160

These economic restrictions were based upon two postulates: first, economic considerations are insignificant because this world is but preparation for the hereafter; and second, economic activity is but one phase of human behavior and thus is to be judged in accordance with the rules of morality.¹² The Church judged human behavior and judged it harshly, not out of "feudal tyranny" or sacerdotal arrogance, but because it seemed to be indispensable to the preservation of society. In these ecclesiastical doctrines social stratifications were modified and controlled. Social power was indeed evident in the Church, but it also was restrained by the Church.

These economic conceptions were admirably adapted to the conditions of a period in which land was the sole foundation of the social order. Slavery by purchase was no longer deemed righteous; slavery derived from conquest was on the wane as the victors in war did not hold captive the conquered; wealth in money was scarce; feudalism was based upon manorial organization; and "Land had been given by God to men in order to enable them to live here below with a view to their eternal salvation. . . . The object of labor was not to grow wealthy, but to maintain oneself in the position to which one was born";¹³ and to look for glory not in this world but in the next.

¹² John M. Ferguson, Landmarks of Economic Thought (New York, 1938), p. 20.

¹³ Henri Pirenne, Economic and Social History of Medieval Europe, translated by I. E. Clegg (New York, 1937), p. 13.

The restriction of economic power did not imply that the medieval period knew not the use of credit. During the Middle Ages the landed aristocracy could not have maintained itself without credit; by means of credit society was able to survive the disaster into which it was periodically plunged by famine. But the Church was the indispensable moneylender of society. It possessed liquid capital, precious metals, offerings large and small. If a bishop had to make an extraordinary payment, whether for the purchase of an estate or in the royal service, he turned for help to the abbeys of his diocese. Monastic treasuries were called into requisition in times of dearth. They played the part of credit establishments for neighboring lords whose reserves were exhausted and who had to obtain the essential means of livelihood for cash. The prohibition of usury was respected, since the money lent did not by itself produce any interest. Thus the Church rendered a signal service to the agrarian society of the Middle Ages. It saved it from the affliction of consumption debts, from which the ancient world suffered so severely. Christian charity could apply here with the utmost rigour the principle of lending without remuneration.¹⁴

It was within this framework of religion and philosophy that the economic institutions of commercialism arose. The

¹⁴Ibid., pp. 47-48.

genius of the Germanic people brought forth a vast economic development centering in the cities. As industry developed there arose chiefly around ports of cross-roads the counterpart of modern cities, with free men working in industry rather than in agriculture and with a new class, the capitalists, being born.

The new class was recruited necessarily from among landless men, who lived on the margins of a society in which land alone was the basis of society. These were the individuals whom the manorial organization itself was unable to support--the younger sons of a man overburdened with children, the slaves owned by a lord in financial straits, the vagabonds of society. The Church's prohibitions and restrictions did not touch these people, and they were driven by necessity into commerce.

The accumulation of capital was easy. The savings of a little peddler, a sailor, a boatman, or a docker, furnished him with quite enough capital, if only he knew how to use it. And society protected him from the competition of the rich and the powerful, who were restricted by the Church's rulings. Once the merchant class had gained a toehold on the fringes of society, the temptation to run away from the life of a serf to the life of one gainfully employed swelled the ranks of that class. ¹⁵ The rising bourgeois desired a place in

¹⁵ Ibid., p. 50.

the sun, and their claims were confined to their most indispensable needs. Without liberty to come and go, to do business, to sell goods, trade would have been impossible. Thus they claimed liberty, simply for the advantages it conferred, and nothing was further from their minds than any idea of freedom as a natural right; in their eyes it was merely a useful thing. They possessed it. "They were serfs necessarily passing for free."¹⁶

This was the opening wedge in a society which is in the twentieth century to become ideologically equalitarian. It was here in the socially static medieval period that economic pressures and the desires for the fruits of commerce became as the small seedling rooted in the granite of a hierarchical society. The merchant groups developed financial power and military power as they were forced to protect their cargoes and inventories; they offered this financial and military might to the nobility in return for special privileges, which were quickly forthcoming. Merchants formulated guilds and leagues for the expressed purpose of protecting their markets. Prince and commoner, layman and cleric, the people of the times were enthralled by the untold material wealth which commercial ventures poured into Europe. This was the period when the nobility wore silks and satins for the first time; and the Christian Church

¹⁶Ibid., p. 53.

bedecked itself in gold and silver, damask and brocade. And this was the period when the man who had these evidences of a "high standard of living" for sale found himself a commander of men. In addition, the man who had the wherewithal to purchase these goods found that the device of credit placed him economically above the nobility and the episcopacy and both the lords and the bishops borrowed money. Economic power became social power.

The evidences of wealth and mobility also brought recognition of social differences and discontent, as both the desire and the inability to ameliorate a situation which no longer completely harmonized with men's needs became apparent.

The later medieval period bears a striking resemblance socially to that of the end of the Roman Empire. The scope of external commerce ceased to expand; trade was still active, but they lived on the past without trying to push horizons back. In Italy in the fourteenth century financial crisis was evident in the failure of the majority of the large banks. The population ceased to grow; the fairs dwindled in the face of more constant sales practices in the towns. It was the era of catastrophes--famine, 1315-1317 A. D.; the Black Death, 1347-1350 A. D.; the Hundred Years War ruined France and exhausted England; Germany writhed in anarchy; but the chief causes lay in the economic organization itself,

as economic power became abusive. Corvees weighed heavily on peasants. The lord had ceased to be a protector and became a collector. There were no new lands to clear. Serfdom remained and became more odious because it was by this time unusual and derogatory. The higher prices resulting from inflation following the Black Death made dues unbearable.¹⁷ Insurrections were attempted in order to shake off the remains of the manorial system. They were unsuccessful. The "haute bourgeoisie" had monopolized town government, and the application of economic power to government is the prelude to the twentieth century's graft and corruption. The journeyman was transformed into a mere wage earner and crafts came to know both the opposition of labor and of capital. Urban and rural society alike knew economic and social antagonism, but there were too many opposing forces for the conflicts to be resolved. "During the fifteenth century the wave that had risen in the preceding one fell back upon itself, to break against the inevitable coalition of all the economic and social powers which had united against the uprising."¹⁸ Certainly a new and different civilization was to rise upon the foundation and the ruin of the Medieval Ages.

¹⁷Wallbank and Taylor, op. cit., p. 48.

¹⁸Pirenne, Economic and Social History, p. 206.

CHAPTER V

THE REFORMATION AND RENAISSANCE

The Middle Ages was characterized by universalism: the Roman ideal of one single empire under one head; one universal, divinely instituted church; intellectual life bound by the Age of Faith, one faith; universities of cosmopolitan spirit and all teaching the same restricted curriculum; theology discussed as the Queen of Sciences; and over all, the confining omnipresence of the manorial system, wherein the relation of the lord to the vassal was based upon the protection of the one unit, the manor. It was when this universalism broke down, when the imperial ideal dissolved, when church unity was shattered, when commerce outmoded the manor, when the otherworldliness of the monastery was crumbled by the humanism of the Renaissance, then the Middle Ages was truly past and the modern world was present.

The Protestant Reformation provides the keystone to the understanding of the period of transition known as the Renaissance. The Church of the Middle Ages had been a powerful institution. It wielded a powerful threat of excommunication. It held a monopoly on the sacraments, which

were recognized as the means to grace.¹ It set forth its doctrine and the secular authorities followed suit. It was the center of society and as such it wielded authority over its communicants--the whole of organized society.

And yet that society which the Church controlled crumbled in a crumbling social milieu. During the evolving of the forces which were to culminate in the Reformation, society itself was subject to evolving forces. Commerce, industry, individualism, social mobility, each had rubbed its own thin spot in the fabric of medieval universalism. The entire social order was weak and frayed at the seams. The serf who had looked to his lord for sustenance in bad years was not now a serf; he was now a citizen who lived in urban surroundings. He was independent--and hungry. The growth of international commerce and finance made rich men of princes and powers of nations, but it made starving paupers of landholding serfs. Considerable adjustment was to be necessary before the middle class could claim existence.

It is into this environment that the Reformation planted individualism. Individualism has been interpreted in several senses. First, individualism is a calm and mature feeling, which disposes each member of the community to sever himself from his fellow creatures, to willingly leave society at large. This presupposes little respect for

¹Tawney, R. H., Religion and the Rise of Capitalism (New York, 1926), p. 39.

tradition and authority. It is assumed that the individuals have interests which are only their own. This is not the individualism of the Reformation, but a term used by philosophers as far back as the early Greek civilization.

Second, individualism is applied to the relation of the individual to the State, the conflict between man in the primitive sense and man as ruled by law. This is the individualism of Hobbes which presupposes the State to be a voluntary association of individuals, each having equal power and each one politically identical with all the others.

The third sense of the word is that of atomism, in which each individual is a self-determined whole and any large whole is merely an aggregate of individuals, who, if they do so at all, act on each other only externally. In this philosophy there is no such thing as human society. Every man is concerned for himself alone. This atomism is a perversion of individualistic philosophy and cannot in reality apply to the social creature, man.

It is Hobbes' concept of individualism which arose in the Reformation and Renaissance. In order for this individualism to reach maturity, two things were necessary: the enhancement of the idea of the supreme worth of the individual, which Christianity provided, and the emergence of an economic system dominated by exchange. Not until the Reformation did both necessities appear simultaneously. Christianity had for a long time affirmed not a self-centered

but a God-centered individualism, the individualism of individual recognition in the eyes of God, but the manorial consumption-production unit maintained a group-centered economic system. With the growth of trade and commerce the individual could be economically successful outside the group. This made possible the institutionalizing of individualism. Political obligation became that of maintaining the liberty of the individual to seek his own salvation in his own fashion, instead of that of enforcing right action. The monarchy then was shorn of its function of demanding moral conduct from its citizens. The Church was weak and evasive; therefore of the social institutions only the profit motive remained to activate human behavior.²

Into this individualistic surrounding, the infant middle class fostered social conditions which supported Protestantism and freedom from the established Church. The merchant, the money-lender, the laborer in the cities, had never been a part of the established order of the medieval society and consequently had never known the rigid rule of the established Church. Therefore, when Luther, and more importantly Calvin, cut religion free from the established Church, they were providing these social outcasts with a form of religious expression which was just as mobile as the outcasts themselves. It was not the intention of the

²
R. H. Tawney, op. cit., p. 154.

Reformers to relax the mores of society, either in economics or in doctrine, but rather to strengthen the mores in both areas.

"Luther thought that a man should live by the sweat of his brow and that the unforgivable sins are idleness and covetousness."³ He also said,

It is certain that absolutely none among outward things, under whatever name they may be reckoned, has any influence in producing Christian righteousness or liberty . . . One thing and one alone, is necessary for life, justification and Christian liberty; and that is the most holy word of God, the Gospel of Christ.⁴

As Luther carried this argument to its logical conclusion he made unnecessary good works, the sacraments and the Church itself. Thus society was shorn of the only institution which had attempted to regulate man's craving for material wealth, for economic power, and for success in terms of this world. The Church became powerless to demand that man conceive a society in which brotherhood is a spiritual ideal, rather than an economic expedient.

Calvin approached even closer than Luther to modern capitalism. He recognized the economic advantages of accumulated wealth, credit and banking, large scale commerce and finance and other practical facts of business life, and he presented the first systematic body of religious teaching which can be said to recognize and applaud the

³Ibid., p. 83.

⁴Ibid., p. 87.

"economic virtues." Calvin stipulated that interest is lawful, provided: it does not exceed an official maximum; that even when a maximum is fixed, loans must be made gratis to the poor; that the borrower must reap as much advantage as the lender; that no man may snatch economic gain for himself to the injury of his neighbor.⁵ In Calvinism, then, is provided religious expression for those who had already felt the changing economic system. As Calvin's theories were absorbed, added to, and perverted during the next decades, they found fertile ground in the condemnation visited upon the Roman Catholic Church because of the ostentation, the authority, the policy of political alliances made by the Pope and his hierarchy. The rising middle class accepted Calvin's admonition to "follow thy calling with diligence; to live frugally and without display"⁶ as a commandment to the Church to live as they lived, with parsimony and diligence.

Calvin also is responsible for deifying man's everyday labors into a "calling" whereby man's predestination is fulfilled and his foreordination is accomplished. In summary, Calvin preached labor and frugality and emphasized the value of economic endeavor in living the Christian life. Add to that the theology of Calvin that ownership of property is evidence of the grace of God and the transformation is

⁵Max Weber, The Protestant Ethic and the Spirit of Capitalism (London, 1930), p. 166.

⁶Ibid., p. 157.

complete. Economics ceases to be a temporary expedient in man's eternal life and becomes the central area of his religion.

The medievalist had believed that mankind used this life as a period of development for his spirit in order that he might live the good life in the hereafter. Calvin de-emphasized this spiritual development and substituted a period of materialistic seeking, predicated upon piling up treasures on earth because, even though gold cannot be transported to the next world, Calvin believed wealth to be evidence of the grace of God.

Another factor in the formation of masses of capital was the suspicion surrounding the economic activities of the Church. As the people of the Reformation era recognized the power in wealth they became covetous of the economic assets of the Church; they became suspicious of the international politics of the Roman Church; they saw nationalism grow by commandeering the wealth of the monasteries; and finally, they recognized the opportunity for self-enrichment by the kings, the nobility and the merchants, as these classes used the amassed wealth of the established Church. The Reformation was accepted by the Christians of the time, in part because they feared the economic power of the established religious order.⁷

⁷Harold Laski, The Rise of European Liberalism (London, 1936), p. 38.

The Reformation hastened the growth of humanism, which is the philosophy of the Renaissance, by abolishing papal jurisdiction, by relieving the people of clerical taxation; and by removing clerical property to the hands of the individual. Thus the Reformation also removed the economic power of the Church and placed it in lay hands.

The destruction of the Church's power left society's values subject only to the crumbling mores and the emerging state. The only institution which had claimed the existence of values above and beyond those of society became but a purveyor of pious platitudes, while an individualistic body politic and economic writhed in the confusions of a mutating society.

Meshed with the individualism of the Reformation is the humanism of the Renaissance. Humanism then meant what the terms "humanities" and "liberal arts" mean today. It was a philosophy of human knowledge, the transformation of the medieval heritage in the more secular spirit of the Renaissance and in the light of a more extensive knowledge of the classics. The great humanist writers of the Renaissance were Dante, Petrarch, Boccaccio, Chaucer and Erasmus. It was Erasmus who summed up almost all the main attributes of Renaissance humanism.

He coupled a detached view of human nature with faith in the dignity of man. He joined love of the classics with respect for Christian values. But, though he always considered himself a loyal son of the Church, he nevertheless helped to destroy the

universality of Catholicism. His edition of the Greek New Testament raised disquieting doubts about the correctness of the Vulgate and therefore of Catholic Biblical interpretations. His attacks on the laxity of the clergy implied that the wide gap between the professed ideals and the corrupt practices of the Church could not long endure. A famous sixteenth century epigram states: "Where Erasmus merely nodded, Luther rushed in; where Erasmus laid the eggs, Luther hatched the chicks; where Erasmus merely doubted, Luther laid down the law."⁸

The breakdown of universalism made possible the scientific advance of the Renaissance. This period contributed the criticism and modification of the knowledge of the middle ages and prepared the way for the seventeenth century men of science: Galileo, Harvey, Newton, and a galaxy of others. Leonardo da Vinci is a good example of both the shortcomings and the achievements of Renaissance science. His notes were quite unscientific and secretive, but he did have the true scientists's curiosity and passion for investigation. He also had boldness sufficient to make known his conclusions in an era in which heresy was a common charge.⁹

Once technology and invention had moved beyond the control of the priests of the Church and the temple, the accumulation of technical knowledge became the province of every man: movable type was used in Germany in 1440; gunpowder was brought from China in the fifteenth century; by 1400 the mining of metals had profited by technological

⁸ Crane Brinton, John Christopher, and Russell Lee Wolff, History of Civilization (Toronto, 1955), p. 455.

⁹ Ibid., p. 482.

advance until the productivity of investment capital became obvious; medical knowledge threw off the bonds of religious restriction; Copernicus revolutionized man's concept of the universe in 1543; and the stratified society which had known only hierarchy emerged mobile, dynamic, with its status structure based, not upon religion nor inheritance, but upon the lusty, infant science of economics.

As men of science examined the natural world about them they found order, not chaos. They found the regularity of astronomy; the order of the seasons, the relationship of space and time, the symmetry of the plant world; in short, the discipline of nature. This they assumed was the extension of Aquinas' principle of natural law: that all effects proceed from distinguishable causes; that if man could in his rationality bring order into first causes he could then order his world. The law of gravity was accepted as the eternal truth, applicable to all things in all time. They believed that God in his ultimate rationality had established principles of balance which made the world hang together. It was not extraordinary then that they sought natural laws which would control the economic power unleashed among men. The economic principles of the relationship between supply and demand, between production and consumption were looked upon as "natural law," the forces of the Creator protecting his creation.

To summarize: by the close of the sixteenth century modern science had been freed; political economy was

recognized as a social problem; nationalism had emerged; the Church had been relegated to a subsidiary position in the control of society; and man looked to the forces of nature for his security. Man had then an economic system which was predicted upon the encouragement of human greed, and man in his search for security accepted as law the relationships of the factors of the economic system. In reality, what he accepted as law was only fact, fact in and for a given place and a given time. To the people of the seventeenth century natural law had come to connote, not divine ordinance, but human appetites, and natural rights were invoked by the individualism of the age as the reason why self-interest should be given free play.¹⁰

This brought forth a society with two central institutions, the state and the market. John Locke emphasized that natural law is the recognition of the natural instincts of the individual; that property is private because the individual mixes his labor with it. Bodin saw natural law as the relation of man to man rather than of man to God. Hobbes saw the state as a voluntary association of individuals. Bacon put the Church under the dominion of the state and said that monarchy is a natural institution, based upon natural differences in power within the individuals, and that the monarch is the supreme judge of society, thus

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Ibid., p. 153.

completely obviating the position of the Church in the control of power. This was looking back to the Machiavellian concept of the state, an institution useful in itself and unconcerned with virtue.¹¹ Sir William Petty, John Locke and Sir Dudley North established the concept of money and markets as the controllers of society. Locke said that money has two values, one for exchange and one to supply yearly income, and that the competitive force will assure that money and the market will serve society.¹²

This is the mechanization of Thomas' natural law concept referred to in Chapter III. It is the extension of Divine Intent into the market place of men. It is a long and devious rationalization. To say with Thomas that the specific embodies the essence is not to say that whatever is will be. To say with Locke that the specific society of the Renaissance embodies eternal truth is to err.

Neither the market nor the State can control the mercantilism which was unleashed in the Renaissance. Mercantilism pointed up the obvious fallacy in expecting the market to control society as nations flexed their muscles and glared at one another, traded, pirated, and battled all over the seven seas. The period of mercantilism was the period of national struggle for power in which nations sought not only

¹¹ Erich Roll, History of Economic Thought (New York, 1942), p. 213.

¹² Ibid., p. 214.

to be economically strong but also to grasp strength at the expense of their neighbors. Economic strength in the seventeenth century meant to have and get money, metal money. It did not mean to have goods with which to feed and clothe, educate and care for the populace. A favorable balance of trade, discovering treasures in the New World, looting weaker traders, and milking colonies were accepted methods of attaining economic strength.

The remote and intangible causes of mercantilism were the Protestantism of the Reformation and the Humanism of the Renaissance as they centered the attention of man on his well-being on this earth, but the immediate factors were the political and economic transition to an exchange economy rather than a consumption economy, the rise of manufacturing, the English enclosures of land, the growth of the labor class and its attendant, job competition, silver in America, the national struggle for power and the expensiveness of war.¹³ For these reasons states sought to control trade, and the state in the person of the king outfitted merchants, created trading companies, provided finances and issued decrees in the attempt to maintain a favorable balance of trade. This would lead one to assume that the mercantilist period was one of restriction and curtailment, but such was not the case. Although the mercantilists did establish and

¹³Ibid., p. 123.

maintain barriers to international trade, the growing nations removed the hodgepodge of city and manorial restrictions which had made trade impossible, and widened the scope of commercial activity within the nations. Standard weights, measures and monies, as well as the increased transportation and communication facilities within national borders, caused a great expansion in the everyday commerce of the citizens' lives. The mercantilist period was one of expansion, and with that economic expansion came the expansion of power, the possibility that one man could seek to spread his influence over the world.

With this growing emphasis on commercial activity came the growing influence of the commercial "barons." The transition to an exchange economy from a consumption economy put economic power in the hands of the business man, and placed the emphasis upon capital--hard money--rather than upon the ownership of land. In practice, then, the businessman became the economically powerful member of society, as he held control of the factor of production which was opening new areas of economic endeavor. This control of capital rapidly spread from economic power into the area of political endeavor, and the capitalist used his financial power to aid or destroy the state, to further the goals of Mercantilism or to destroy it. This is the basic conflict which is to harass economics throughout modern times. The businessman finds that he has interests which do not coincide with those

of the state; that it may be to his advantage to import when the interests of the state demand exports; that he may make more money by financing the enemy than his king; and the question of the economic application of man's hard-won individualism becomes evident. This is the question which still plagues capitalism: where lies self-interest and where lies group interest?

CHAPTER VI

SOCIAL VALUES IN CAPITALIST THEORY

The individualism discussed in the preceding chapter has become so ingrained in western thinking that modern man is prone to take it for granted. However, it was not evident during twelve of the fourteen and one-half centuries since Rome fell into non-Latin hands. Though social values are a continuity through the ages, the individualistic and capitalistic systems of theory are a product of the age of the Renaissance, coming to maturity only after a period of growth extending over some five hundred years or more. "Individual liberty, individual opportunity, and individual property as the way to the greatest good to the greatest number are not timeless truths."¹ They are modern institutions created within western culture and within modern times.

Yet that individualism is the bedrock of capitalistic endeavor, embodying the "natural rights of man," the "enlightened self-interest," and the "doctrine of private property," which are essential to Adam Smith's capitalism. It was in the eighteenth century that man first saw himself not only as being created by Almighty God, but also as

¹Eugene O. Golob, The "Isms" (New York, 1954), p. 7.

being endowed by that Creator with certain "inalienable rights," among them, "life, liberty and the pursuit of happiness." Adam Smith molded these inalienable rights into the doctrine of enlightened self-interest. The same philosophical aura surrounded the concept of property. Whereas the medieval citizen had held that his property was a loan from God, subject to His will, and held in stewardship for Him, the individualist thought his property to be his, to be used for his welfare and as he saw fit. This opened wider the cleft between group interest and individual interest and intensified the power of wealth. The corollary of private property is the sacredness of contract. Private property has no meaning unless the utilization of that property is within the control of the individual, and that utilization is meaningless unless the owner is not only free to but also obligated to fulfill his own decision regarding that property.

In its modern context property is held to be both tangible and intangible, but just how intangible often escapes notice. Property consists in rights and relationships. The ownership of tangible property places the owner in a special relationship to others interested in the property. The ownership of a building determines which persons may enter that building. The ownership of labor determines who shall receive the productivity of that labor, and what may be demanded in return for the productivity of

laboring. The laboring man then has property for sale when he applies for a job, just as the capitalist has property for sale when he places a building on the market.

John Locke set forth this concept of private property. "Whatsoever a person had 'mixed his labor with and joined it to something that is his own' he thereby 'makes his property.'²" Locke also added a limitation which has been largely ignored, "as much as one can make use of to any advantage of life."³ David Hume became positively meta-physical when he wrote that the property which man receives, not only by labor, but also by fortune, is private property.⁴ Adam Smith broadens the scope of private property when he set forth, "The property which everyman has in his own labor was the original foundation of all other property."⁵ This traces the continuity between private property and the labor theory of value.

Since all economic relationships are concerned with property, complete and unregulated private ownership must be only anarchy. Adam Smith looked to the eighteenth century interpretation of natural law for the solution to this problem. Because Locke had described private property as a "right anterior to the existence of the State, (in which)

² Roll, op. cit., p. 153.

³ Ibid., p. 153.

⁴ Ibid., p. 154 .

the supreme power cannot take from any man any part of his property without his own consent,"⁶ Smith was forced to the mechanistic for solution. As was common among philosophers of the time, he tried to apply the same methods of reasoning to the social philosophies as were being used in the natural sciences. He sought a natural law which would govern a mechanical, finished machine, instead of the reality of a living, mutating system of values concerning a living organism called society. It is an honest error. Even the physical sciences have been guilty of assuming that what is known to be valid in and for one time and place must therefore be valid for all times and in all places. Only in the last generation has the error become apparent.

So, in the light of the time, classical economics became a sort of economic geometry based on a series of logical deductions from presumably self-evident truths. These truths were no more than assumptions. It was assumed that man was an economic man, a hedonistic creature; that he would always desire a profit and seek to attain that profit by purely rational means; that he would have no other considerations, such as ethics or psychology; that he would be as unconcerned in this area of business about the First and Great Commandment as he was about the wealth of his nation. The second assumption was arithmetical: that as the whole is

⁶ Ibid., p. 155.

the sum of all its parts, so the group interest and the sum of the individual interests are equal; that there can be no conflict between an enlightened self-interest and the interest of the community. The third assumption: As water seeks its own level, so the economic system would find the proper and most efficient allocation of resources if it was "let alone." A good business was one that existed without artificial support. These three assumptions are without motivation, there is no operative in the system until the fourth assumption is presented. It is mechanistic: that like new laws of dynamics, and energy, competition would automatically produce adjustments in price, production, remuneration of capital and wages of labor, which would automatically in turn yield the best results for society; that is maximize production and minimize prices in an order of natural harmony.

This assumption of a mechanical order in nature brought forth astonishing fruit during its period of development. T. R. Malthus was a clergyman, one concerned with the plight of humanity, with the importance of man, with his condition in this world as well as the next, and even he denied the possibility of using human choice as a tool of success. He relied on "law," the Malthusian law of population. Malthus looked about himself and, with real regard

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Golob, op. cit., pp. 9-12.

for the people whom he saw, realized the abject poverty, the misery, the niggardliness of the life of the English poor. He saw the rising population and the slowly increasing agricultural production. He assumed these factors to be constant and immutable and drew his logical conclusion: therefore, population must inevitably be constricted by food supply. Hunger and starvation are the only result. He looked to nature for the check on that misery and found flood, plague and famine, and he added as a natural condition, war. He further deduced that, since hunger and starvation are inevitable, and since flood, plague, famine and war are natural, the capitalist is not responsible for the degradation of labor, it is the natural circumstance of labor.⁸

David Ricardo began with Malthus' theory and deduced even more: that no matter what the capitalist may do in regard to man's money wages, real wages must remain at subsistence level, else man will increase the size of his family, increase the labor supply and in doing so, depress wages to subsistence level.⁹

The mechanical law is put forth also by J. B. Say: there can be no overproduction because production finances its own consumption; any market glut is merely temporary maladjustment, which will cause factors of production to

⁸
Ibid., p. 14.

⁹
Ibid., p. 15.

shift to balance supply and demand; the consumer is lord of¹⁰ the universe, with producer balanced against producer.

It is understandable that this age should have produced these adaptations of mechanistic thinking. The preceding period had been one of swift development of principles of dynamics, gravitation, and energy. The rationality of man demanded that this new knowledge be tried and tested in all its facets. It is not peculiar that it should have been tested in the social science field.

Adam Smith, whose work was to be interpreted and misinterpreted through succeeding generations was a lesser offender in the natural law presentation. His An Inquiry Into The Nature and Causes of the Increase of The Wealth of Nations was set into a context of moral validity which has largely been forgotten by his successors. A glance at his life substantiates this statement.

The year of his birth, 1723, placed him chronologically within the period of the Enlightenment and at the beginning of the Industrial Revolution. The place of his birth, Scotland, placed him close to the geographical center of industrialism, which rose first in Britain. His cultural background made him in the beginning not an economist but a philosopher. He studied under Francis Hutcheson, who is said to have

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Oxenfeldt, Ibid., p. 437.

originated the ethical test of "the greatest good of the greatest number." Smith was given the post of professor of moral philosophy at Glasgow University in 1751, and in 1759 established his reputation with a book on ethics, Theory Of Moral Sentiments. Thus the major work, for which he is remembered today, was not the work of a technically trained specialist in economics, but the work of a philosopher who came to his subject with a broad background and a penetrating insight into conditions as they existed around him.¹¹

And yet, modern economists perpetuate the fallacy that justice is done to Smith, the man, when he is perpetuated only by a fragment of his philosophy.¹²

During the early period of capitalism Adam Smith was looked upon popularly as the patron saint of the established economic order, the guardian angel of things as they were.

Let any man propose a law that would restrain the right of a capitalist to crush his competitors, monopolize his industry, and charge all the traffic would bear, or the right of an employer to work men, women and children fourteen hours a day at near--starvation wages under miserable, dangerous conditions--let any man do so and businessmen, lawyers, politicians, judges on both sides of the Atlantic could be counted on to leap up crying: Adam Smith says no!--Let government keep its hands off business!--Laissez faire!

Yet the fact is that Adam Smith was as much a rebel as the author of the Declaration of Independence. And what he rebelled against was the established order of his day, an order that gave the most elaborate

¹¹
George Henry Soule, Ideas of the Great Economists
(New York, 1954), p. 48.

¹²
Ibid., p. 50.

governmental protection to the privileges of established businessmen. The ambition to destroy that system was the emotional drive that made him write his book.¹³

His sympathies were with workers and farmers; his distrust was with bankers and businessmen.

How then did he become the champion of economic privilege? It resulted from his interpretation of natural law.

He wrote:

All systems either of preference or of restraint being thus completely taken away by the implementation of laissez faire the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men . . . It is not necessary, or even desirable that the self-seeking businessman should have the public welfare in his mind . . . He intends only his own gain, and he is in this, as in many other cases led by an invisible hand to promote an end which was no part of his intention.¹⁴

This is the doctrine which is so perverted in modern capitalism. Modern capitalism has disregarded the phrase, "as long as he does not violate the laws of justice," and has denied the existence of Smith's "end which was no part of his intention." Rather the avid individualist of the twentieth century denies the necessity and desirability of that end which Adam Smith said was automatic. Herbert Spencer called the tune, in discord with Smith's love of labor and farmers:

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Gilbert Burck, "Adam Smith," Fortune, XLIII (July, 1946), p. 143, p. 178.

¹⁴

Ibid., p. 180.

The poverty of the incapable, the distresses that come upon the imprudent, the starvation of the idle, and those shoulderings aside of the weak by the strong . . . are the decrees of a large, far-seeing benevolence Under the natural order of things society is constantly excreting its unhealthy, imbecile, slow, vacillating, faithless members. . . .¹⁵

The contrast with Smith is evident: "No society can surely be flourishing and happy, of which the far greater part of its members are poor and miserable."¹⁶

In the light of these oft-ignored passages from Smith it is obvious that what passes for Smith's doctrine is not the same doctrine which Smith held in his life-time.

In order to have any real understanding of The Wealth Of Nations it is necessary to place it in its valid context of Smith's total philosophy, of which capitalism is only a part. Throughout Smith's works there is to be found a constant restraint on economic power.

Prudence, self-interest, is an essential characteristic of a good man, especially in the economic sphere Above prudence restrained by justice there is a higher ethical principle, benevolence, which relates to . . . personal relationships.¹⁷

Adam Smith did not advocate the unleashed selfishness of man. He did not seek the bestiality of animals competing for the kill, but he fully recognized the reality of the individual, and, in addition, the individual's responsibility

¹⁵Ibid., p. 180.

¹⁶Ibid., p. 180.

¹⁷Glen R. Morrow, The Ethical and Economic Theories of Adam Smith (New York, 1923), p. 8.

for those around him. Adam Smith stated that when the privilege, the power, the accumulated wealth of government is removed, then the individual, limited by his morality, serves society in seeking his own best interest. The argument is enmeshed with Locke's natural law concept. Moralists who found benevolent as well as selfish impulses in the individual were inclined to regard society as a natural union; while those who reduced all activities of the individual to self-interest were obliged to regard the social union, not as natural, but as imposing a restriction upon the freedom of the individual and therefore contrary to nature. In both cases however, the fact of social unity is explained by using the individual as the primary element.¹⁸

Adam Smith fully recognized the dual nature of man, that he is an individual and that he is also a member of society; but Smith set forth not only self-interest, but also sympathy--a dualism of virtue. Smith was reverting to both Hutcheson and Hume in this concept.

Hutcheson wrote:

The moral judgment must be distinguished from judgments of pleasure or pain, for the characteristic quality of the moral judgment is its disinterestedness. The perception of advantage or disadvantage can never reverse the moral judgment, hence is something distinct from it. Natural good is therefore individual and is

the object of interest and self-love, but moral good is desired because of love for the welfare of mankind.¹⁹

Hume wrote:

When a man makes a moral judgment he must depart from his private and particular situation, and must choose a point of view common to him with others; he must move some universal principle of the human frame, and touch a string to which all mankind have an accord and symphony . . . called sympathy, or benevolence, or humanity.²⁰

These values are the foundation of Smith's philosophy and are evident in early classicism. Their importance cannot be overstated, because they recognize the social as well as the individual factor in the development of economics. Capitalism might be able to remove its "back from the wall" under contemporary attack if it would take note of this foundation laid by Adam Smith.

Lest the present-day individualist think that Smith did not apply these moral considerations to capitalism, another quotation from his work will serve as clarification.

In the race for wealth, and honor, and preferments, one may run as hard as he can, and strain every nerve and every muscle, in order to outstrip all his competitors. But if he should jostle, or throw down any of them, the indulgence . . . is at an end. It is a violation of fair play which society cannot admit of.²¹

Man in virtue preserves his own welfare, but he does it conscious of the relation of his own welfare to the good

¹⁹Ibid., p. 24.

²⁰Ibid., p. 25.

²¹Ibid., p. 48.

of the whole. This is the "natural jurisprudence" upon which all law is founded, according to Adam Smith. He recognized another morality, too, a morality yet higher than natural jurisprudence.

Although self-interest regulated by justice is recognized as an essential element in virtue, yet there are other and nobler virtues. These are the positively beneficent ones, such as generosity, charity, benevolence, and pity . . .²²

Within this framework of nobler virtues Smith's capitalism takes on a different character than that usually assigned to it. The Wealth of Nations set out to explain how the wealth of a nation is increased and how it is distributed. The only source of wealth, Smith maintained, is the creation of utility resulting from labor and resources. This was in opposition to the mercantilist doctrine that a nation's wealth is the result of a favorable balance of trade, an influx of metal money. Smith realized the relationship between the wealth of a nation and the skills and capabilities of the population, the proportion of the population which is actively engaged in the production of wealth. Smith pointed out the advantages of mechanical power and specialization of labor, which are so much a part of western thinking that their revolutionary aspects can hardly be imagined. He proposed that specialization does not arise from different qualities of talents,

as Plato held; but that specialization arises from diversity of occupation, and is the result of man's innate tendency to barter and to trade.

This brings up the question of the function of markets. Smith accepted the difference between value-in-use and value-in-trade; the principle of supply and demand would set the value-in-trade as expressed in money, but that all value stems from the utility which the good possesses. Smith's markets were conceived as having so many buyers and sellers that no one of them could affect the price; having an homogenous product, which assured competition on the basis of price alone; having easy entrance and exit into and from industry in order to allow resources to flow in response to supply and demand; and having a fully informed economy in which the purchasers of goods would know both price and quality, and therefore would be able to judge the relative value of competitors' products.

This market was to result in the fair and equitable distribution of goods and money, which occurred through the channels of wages, profit and rent. Smith held that the laborer should receive the full value which he produced, but that he could not do so because some of the price of the goods had to be apportioned for profits. Otherwise, the capitalist would have no source of income, from which he could save, and thus provide the accumulated funds which

are invested in machinery and other capital goods. Therefore, profits are a necessary cost of production.

The more capital a nation could accumulate, the higher its wages would be, since the accumulation of capital increases the productivity of a nation. But Smith did not hold that wages necessarily reached the highest possible level. He saw that the poor had a very high birth rate, and thus increased the supply of labor. If the productivity of a nation remained constant or decreased, the increase in the supply of labor would result in a diminution of the real wage--the law of supply and demand applied to wages. The necessary condition for advancing wage levels was an advancing economy, one in which productivity grows faster than population. Smith also noted the inequality in power between the laborer and the capitalists, which made possible the capitalists usurping the productivity of labor in order to pre-empt an unearned profit. Smith also saw rent as an unearned profit, occasioned only by the fact that the quantity of land is limited while the population tends to grow. Therefore the man who has the power to control land demands payment for its use. Smith accepted this situation in society, but saw no economic justification for it.

One of Smith's most penetrating analyses was that of international trade. To him, any barrier to trade was in effect a barrier to the utilization of the natural advantages of specialization, and therefore reduced the wealth of all

nations involved. Barriers could justifiably be erected only as a matter of military defense, and then as a temporary expedient only.

When viewed in retrospect, Adam Smith sought to remove from mankind the system of status, power and privilege which had hamstrung humanity from time beyond memory by removing government-created monopoly. His repeated emphasis on the value of the farmer, the laborer, the artisan indicates his respect for the great mass of mankind. It is true that his theories have brought forth a new concept of status, that which results from saving and obtains purely through wealth, and thus creates capitalism's own privileged class, the capitalist; but Smith at no point in his writings holds privilege to be good per se. He sought to broaden the economic system to include more and more of the poor through unrestricted commerce. He sought to make government truly a servant of the people, not the creator of privilege. He denied land and nobility as the most productive factors of the economy and placed in their stead a skilled and able populace. Over all he placed the values of "generosity, charity, benevolence and pity."

CHAPTER VII

CONCLUSIONS

From the foregoing chapters it is evident that economic values cannot be separated from other social values, and particularly is status a mingling of religious, political and economic values.

Also evident is the fact that although man has developed equalitarian ideals, nowhere in the history of western civilization is there an equalitarian society. Society implies order, and order has as a functional relation power. Therefore, mankind must live and work subject to the control of others, at least to some degree. This is government, and in the early civilizations government arose out of necessity.

Man early joined religion to government. In the Babylonian monarchy as well as the river civilization the concept of an intimate relationship between government and religion is obvious. Since status is the concomitant of power, this relationship made it possible for the ruler to use his social power for the control of private enterprise and to direct the activities of the people. The religious values were mingled with other social values. The priests controlled wealth because of their position in the religious hierarchy, both in the earliest cultures and in the medieval system.

In these cultures social stratification and social power were functioning institutions, clearly delineated and static. These institutions were directed and controlled, and each class had privileges, responsibilities and duties assigned by the gods.

In Israel the pattern reflects the continuity of thought, but because of the isolation of Israel the development was peculiar. The group nature of society was recognized in Israel, but stratification was on the family or clan structure rather than on an inherited monarchy. This religious concept of brotherhood placed a rigid limitation upon the desire for individual power, and the prohibition against usury prevented the advancement of one upon the misfortune of his brother.

Greece and Rome intensified the concept of stratification with the doctrine of men of gold, silver, brass and iron. The result was an extreme concentration of wealth and little religious control.

By the time the Christian church had become strong in medieval Europe, status was firmly entrenched, both in the concept of social class and religious hierarchy. Yet in the concept of stewardship and obedience, all political and economic values were subjugated to religious values. In this circumstance the church again controlled ownership of land, extension of credit, prohibition of usury, and the machinations of the state. Thus there was in the Middle Ages no clash of values.

Only in the latter stages of the period did the rising middle class and the changing economic possibilities foretell the crisis which was to come as the Reformation and the Renaissance brought forth the human ideal of equalitarianism. In Protestantism all Christians became "brothers" rather than "father and child." Thus the hierarchy of the church, which had conveyed status directly, was pushed from the central position in society. The American and French Revolutions battered the European class structure, and status then became an institution which is almost indescribable to the layman, but which remains an important factor in western culture. Wealth remains as the most easily distinguished evidence of status, and contemporary capitalism faces the problem which results: Why is wealth desired?

In earlier civilizations wealth had been consumption goods, goods which were desired either to satisfy biological cravings or rational cravings. Wealth had been goods held in stewardship for God. Wealth had been the prerogative of status. However, with the development of an exchange economy rather than a consumption economy, wealth becomes an intangible.

One of the chief emotional differences between man and other forms of animal life is that in man some values are essentially boundless and incapable of complete satisfaction.

Man's desire for the intangibles of status and power seems to fall in this category, and "in modern society, the first¹ means to power is wealth."

So long as consumption was the purpose for which economic activity was pursued, economic values were tangible. Man wanted land to till, horses to ride, cereal to eat. His desire for status was satisfied by the hierarchy of inherited nobility or the episcopacy, and the economic values were sought within the stratification of church and state.

The exchange economy, however, is predicted upon the insatiable appetites of man. Man is only insatiable in intangible values. There are natural limitations on the amount of food one can eat, the number of books one can read, the amount of music one can hear, the number of rooms one can live in. There are no such natural limitations on the desire for intangible wealth. Stocks, bonds, and money are intangible wealth. In amounts above that necessary to satisfy biological cravings this wealth is desired for the status and power it confers. When wealth was conceived as land, one man may have wanted all the land he could hold, work, and defend, but he did not seek to till the world. When the American culture was rural, cattle barons were the epitome of power, yet they, too, had to supervise an

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Bertrand Arthur William Russell, Power: A New Social Analysis (Toronto, 1938), pp. 10-20.

organization which could rope, tie, brand and ship struggling, bawling beef on the hoof. The contemporary man of wealth knows no such limitations. Wealth today may mean land, but it may mean promissory notes which are to be paid out of the income provided by labor done in the future. It may mean gold, but it may also mean stocks representing ownership in an oil company which hopes to locate a valuable natural resource. It may mean wheat in the granary, but it may also mean the stored labor in a mechanical harvester.

The corporation has made the definition of wealth even more vague. The contemporary investor can fill safety vaults with paper which represents almost limitless productive capacity, which he may never see and certainly does not want to own. He desires a share in the income of that productive capacity, and for that he is willing to risk his personal fortune. He merely clips the coupons which are transferable into dollars and thus the relationship of property becomes a paper relationship.

The corporation as an intangible, artificial being can hold no human values, but the life of the corporation has come to hold real value in society, expressed by the price of its negotiable instruments on the exchange. Yet if the corporation charter were destroyed, the tangible values of land, machines, and men would still exist and be capable of production of tangible goods.

Capitalism assesses all values by the interplay of so-called "natural laws" of supply and demand, self-regulating markets, and money and monetary systems. Exchange economics is predicated upon the assumption that every value can be expressed in dollars and cents; all transactions are money transactions. However, status cannot be so easily bought and sold. For this reason, capitalism as a system cannot define its values.

In its American development capitalism began in a situation in which there was a strong state and a strong religion. Capitalism was expected to provide material values within a society which knew beyond question what the ultimate values of that society were: individualistic democracy and protestant Christianity. Capitalism in the United States grew up with Protestantism and democracy. Capitalism recognized only a decided, hedonistic, rational man.

Only recently have philosophers learned that mankind is not a decided, hedonistic, rational creature. Man is now known to be living a life of transition; a life in which he seeks security, the simple extension of civilization in which he may live; a life in which he seeks to advance his culture; a life in which he still holds the social values born in the earliest civilizations; a life of swift change in which he knows not how those values are to be fulfilled.

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