Updated Seventh Edition

PROPERTY AND PROPHETS

The Evolution of Economic Institutions and Ideologies

E.K. Hunt

with Foreword by Robert Pollin

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Foreword

Robert Pollin

I first learned of Kay Hunt's *Property and Prophets* in 1975 from Paul Sweezy, the great U.S. Marxist economist and co-editor of the journal *Monthly Review*. I was a beginning graduate student at the New School for Social Research in New York City, taking a course with Sweezy titled "Reading and Using *Capital*." We students were certainly learning how to *read* Marx's *Capital* from Sweezy. But what about *using* it?

We had many concerns, but among them was a practical matter. We asked Sweezy, if we ever actually became teachers ourselves, how could we provide our students with an accessible and still accurate presentation of Marx's economic ideas that was also relevant for the present time? We knew there were stacks of textbooks that explained neoclassical economics. But we did not know whether there was even one that explained Marxian economics, while also providing a fair presentation of neoclassical alternatives.

Sweezy's answer to us was immediate: "You need to go read Hunt and Sherman," referring to the alternative introductory economics textbook Kay Hunt had co-authored with Howard Sherman. Kay Hunt had written *Property and Prophets* on his own prior to his collaboration with Sherman, but had agreed to also include it as a single-authored, free-standing section of the larger textbook project. And even though we were mere first-year grad students, we did know enough always to take Paul Sweezy's advice seriously. We thus all went out to the Barnes and Noble bookstore on 18th Street and 5th Avenue and bought Hunt and Sherman. We then spent the rest of the semester devouring it alongside *Capital*. It quickly became clear to me that Sweezy was right (no surprise): Hunt and Sherman was a great tool for providing an introductory grasp of the major issues raised in *Capital*, and especially to see them in the broader scope of how both the discipline of economics and actual real-world economies have evolved with time. And besides, the book was written in a style that was accessible, and even

inviting, for beginners. This was no ordinary textbook. Among its strengths, the fact that Kay Hunt had written *Property and Prophets* on his own prior to his textbook collaboration explains why the textbook's treatment of the economic history and history of economic thought was far superior to any other general introductory work.

Property and Prophets presents its topic in a highly original fashion: as a contest of ideas among thinkers who were both interpreting the world in various ways and trying to change the world, in equally various ways. Precisely this struggle between interpreting and changing the world is what, in turn, generates "the evolution of economic institutions and ideology." So Kay Hunt was right on target in choosing this evolution as both the book's subtitle and its grand theme.

When I first read *Property and Prophets* in 1975, I obviously could not have known that one of the most sweeping evolutions of economic institutions and ideology in history was about to proceed over the next quarter century—that Soviet-style socialism would collapse as a prevailing doctrine among one-third of the earth's population, and variations on Keynesian social democracy would also be supplanted as ascendant economic philosophy in most of the rest of the world. One need only turn to chapter 4 of *Property and Prophets* to understand the dressed-up version of classical liberalism, sometimes known as "neoliberalism," that had become the newly dominant ideology by the end of the twentieth century. It is still the philosophy, as Kay Hunt puts it, that pictures "individuals as egotistic, cold, calculating, lazy, and generally independent of the society of which they were a part."

But *Property and Prophets* also tells another story: how struggles against unjust social orders have emerged in history and how, over time, the core ideas of these struggles get imparted into the writings of economists. *Property and Prophets* will thus continue as a beacon for a new generation of students interested in both interpreting and changing the world. Surely this is an auspicious moment for M.E. Sharpe to publish an updated edition of this venerable and still vital work.

Preface

This book combines a brief review of the evolution of some of the most important institutions of capitalism with analyses of recurring ideological defenses of capitalism and radical critiques of capitalism. The unique feature of the book is the method of interweaving economic history and intellectual, or ideological, history. It is my belief that neither conservative defenses of capitalism nor radical rejections of it can be adequately appreciated until one is aware of the existential context within which they arose. This book attempts to provide an introduction to the study of the relationship between economic history and intellectual history.

No methodological arguments about the nature and extent of direct casual relations between economic history and intellectual history are made. Rather, I have merely juxtaposed events and ideas in a manner that I hope will stimulate readers to ponder these issues and formulate their own conclusions.

My deep and lasting appreciation goes to all who have taught me, particularly Professors Sydney Coontz, Kiyotoshi Iwamoto, and Lawrence Nabers. Professor Howard J. Sherman has provided extensive suggestions and criticisms that have improved the book. I am also grateful to Professors William Davisson, Douglas F. Dowd, Laura Linebarger, Lynn Turgeon, Thomas Weisskopf, and Stephen T. Worland, each of whom read the manuscript in its entirety and made many valuable suggestions and criticisms. I also received valuable suggestions for the subsequent editions of this book from Fikret Ceyhun, Norris Clement, James Cypher, Richard Edwards, Reza Ghorashi, Kenneth Harrison, Clint Jenks, Ross La Roe, Victor Lippit, John Pool, Larry Sawyers, Eric Schutz, Dick Shirey, James Starkey, Howard Wachtel, Rick Wolff, Michael Yates, Steve Shuklian, Ginger Kiefer, and Debora Wrathall.

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CHAPTER 1

The Ideology of Precapitalist Europe

Human beings must exist in societies in order to survive. Unlike some species of animals, whose individual members can exist fairly adequately in relative isolation, human beings are not equipped by nature with the physical prowess to provide the material requisites of life by themselves. Humans survive and indeed prosper because by living in groups they have learned to subdivide tasks and to use tools. It was this division of labor and the accumulation of more and better tools (or capital) that made possible the impressive increases in humankind's control over nature, or increases in our potential to produce the material necessities of life.

This division of labor also resulted, of necessity, in a differentiation of the roles that the different members of a society occupy. This differentiation was probably purely functional in earliest times; that is, when productivity was low, all members of society lived near the subsistence level, and social class, or hierarchical differentiation, was absent. Increasingly elaborate divisions of tasks, combined with more sophisticated tools, however, led to higher productivity, which made possible an escape from the drudgery of everyday toil for at least a small part of society.

A small leisure class could be supported because with higher per capita productivity the labor of a smaller number of people could support the entire society at its customary standard of living or at an even higher standard. When this occurred, societies began to differentiate among their members according to social class. This hierarchical class differentiation was generally economic in nature. Those who worked were usually assigned to the lowest classes; those who escaped the burdens of ordinary labor were of higher-class standing. Although these higher-class people were no longer directly connected with the production of everyday necessities, they often performed rites, rituals, or extensive duties, some of which were undoubtedly beneficial to society.

Such a system would not have been able to exist for long if the majority of its members did not share common feelings about the proper way of conducting economic and social affairs. These common feelings and values,

which generally stemmed from a common world view, or system of metaphysics, justified both the division of productive tasks and the class differentiation that existed. These common feelings and values were expressed in ideologies.

An *ideology*, as the term is used in this book, refers to ideas and beliefs that tend to provide moral justification for a society's social and economic relationships. Most members of a society internalize the ideology and thus believe that their functional role as well as those of others is morally correct and that the method by which society divides its produce is fair. This common belief gives society its cohesiveness and viability. Lack of it creates turmoil, strife, and ultimately revolution, if the differences are deep enough.

This book is concerned primarily with our present economic system, capitalism. We sketch the broad outlines of the evolution of this system. In doing so, we focus on conflicts and social antagonisms and examine the ideologies with which the capitalist system attempted to mitigate these conflicts and to promote social cohesiveness. By way of background, we begin with the economic systems and ideologies of precapitalist Europe.

Ancient Greek and Roman Slavery

In ancient Greece and Rome, as many as 80 percent of the people were slaves. The slaves did all the manual work and even much of the clerical, bureaucratic, and artistic work of these societies. They were given just enough food and clothing for bare subsistence. The slave owners owned and utilized the entire surplus produced by the slaves above their own subsistence. Most of the economy was agricultural, aside from a few cities where the central government was located. On each agricultural plantation the slave owner was king and lived in splendid luxury, though he might also have a villa in Athens or Rome. In addition to his wife, who was treated as a valuable piece of property, he sexually exploited his slave women.

What sort of economic ideology existed? There were a few treatises, especially in the Roman period, on the best ways to plant crops, the best agricultural implements to use, and the best ways to supervise, control, and punish slaves. In addition, there were a large number of justifications for slavery. Even brilliant philosophers such as Plato and Aristotle argued that slavery was "natural," was the only possible system, and would exist forever. They argued that some men and women were born to be slaves and were inherently inferior, while others were born superior and were meant to be slave owners. Plato and Aristotle were not apologists; this was the dominant ideology and they simply took it for granted.

Slavery had many limitations, although it did result in many great public

works and the advance of science and culture. One limitation was the fact that slaves could not be given complex or delicate machinery of any sort. Most likely, they would break it up and would often use it for weapons to revolt. Moreover, agricultural organization had to be very simple, usually limited to one crop tilled with crude implements. As a result, much land was totally ruined and the agricultural product limited. Another effect of slavery was the view that all work was demeaning. Because this attitude spread even to invention, the Roman period saw little technological advance and the economy stagnated.

Its economic weaknesses, and accompanying political and social weaknesses, made the Roman Empire vulnerable to attack by the primitive Germanic and Slavic tribes. The empire collapsed in the West, and out of the chaos eventually arose the system of feudalism. The kings of the feudal states were mostly former chiefs of the primitive tribes that invaded the area.

Feudalism

The decline of the western part of the old Roman Empire left Europe without the laws and protection the empire had provided. The vacuum was filled by the creation of a feudal hierarchy. In this hierarchy, the serf, or peasant, was protected by the lord of the manor, who, in turn, owed allegiance to and was protected by a higher overlord. And so the system went, ending eventually with the king. The strong protected the weak, but they exacted a high price. In return for payments of money, food, labor, or military allegiance, overlords granted the fief, or feudum—a hereditary right to use land—to their vassals. At the bottom was the serf, a peasant who tilled the land. The vast majority of the population raised crops for food or clothing or tended sheep for wool and clothing. (See Clapham and Powers [1966] for a more complete discussion of these matters.)

Custom and tradition are the keys to understanding medieval relationships. In place of laws as we know them today, the custom of the manor governed. There was no strong central authority in the Middle Ages that could have enforced a system of laws. The entire medieval organization was based on a system of mutual obligations and services up and down the hierarchy. Possession or use of the land obligated one to certain customary services or payments in return for protection. The lord was as obligated to protect the serf as the serf was to turn over a portion of the crop to or perform extensive labor for the lord.

Customs were broken, of course; no system always operates in fact as it is designed to operate in theory. One should not, however, underestimate the strength of custom and tradition in determining the lives and ideas of medieval

people. Disputes between serfs were decided in the lord's court according to both the special circumstances of each case and the general customs of the manor for such cases. Of course, a dispute between a serf and a lord would usually be decided by the lord in his own favor. Even in this circumstance, however, especially in England, an overlord would impose sanctions or punishments on a lord who, as his vassal, had persistently violated the customs in his treatment of serfs. This rule by the custom of the manor stands in sharp contrast to the legal and judicial system of capitalism. The capitalist system is based on the enforcement of contracts and universally binding laws, which are softened only rarely by the possible mitigating circumstances and customs that often swayed the lord's judgment in medieval times.

The extent to which the lords could enforce their "rights" varied greatly from time to time and from place to place. It was the strengthening of these obligations and the nobleman's ability to enforce them through a long hierarchy of vassals and over a wide area that eventually led to the emergence of the modern nation-states. This process occurred during the period of transition from feudalism to capitalism. Throughout most of the Middle Ages, however, many of these claims to feudal rights were very weak because political control was so fragmented.

The basic economic institution of medieval rural life was the manor, which contained within it two separate and distinct classes: noblemen, or lords of the manors, and serfs (from the Latin word *servus* "slave"). Serfs were not really slaves, however. Unlike slaves, who were simply property to be bought and sold at will, serfs could not be parted from either their families or their land. If their lord transferred possession of the manor to another nobleman, the serfs simply had another lord. In varying degrees, however, obligations were placed upon the serfs that were sometimes very onerous and from which there was often no escape. Usually, they were far from being "free."

The lord lived off the labor of the serfs who farmed his fields and paid taxes in kind and money according to the custom of the manor. Similarly, the lord gave protection, supervision, and administration of justice according to the custom of the manor. It must be added that although the system did rest on reciprocal obligations, the concentration of economic and political power in the hands of the lord led to a system in which, by any standard, the serf was exploited in the extreme.

The Catholic Church was by far the largest owner of land during the Middle Ages. Although bishops and abbots occupied much the same place as counts and dukes in the feudal hierarchy, there was one important difference between religious and secular lords. Dukes and counts might shift their loyalty from one overlord to another, depending on the circumstances and the balance of power involved, but bishops and abbots always had (in principle at

least) a primary loyalty to the church in Rome. This was also an age during which the religious teaching of the church had a very strong and pervasive influence throughout western Europe. These factors combined to make the church the closest thing to a strong central government throughout this period.

Thus, the manor might be secular or religious (many times secular lords had religious overlords and vice versa), but the essential relationships between lord and serfs were not significantly affected by this distinction. There is little evidence that serfs were treated any less harshly by religious lords than by secular ones. The religious lords and the secular nobility were the joint ruling classes; they controlled the land and the power that went with it. In return for very onerous appropriations of the serfs' labor, produce, and money, the nobility provided military protection and the church provided spiritual aid.

And while the manor dominated rural life, late medieval Europe had many towns, which were important centers of manufacturing. Manufactured goods were sold to manors and, sometimes, traded in long-distance commerce. The dominant economic institutions in the towns were the guilds-craft, professional, and trade associations that had existed as far back as the Roman Empire. If anyone wanted to produce or sell any good or service, it was necessary to join a guild.

The guilds were as involved with social and religious questions as with economic ones. They regulated their members' conduct in all their activities: personal, social, religious, and economic. Although the guilds did regulate very carefully the production and sale of commodities, they were less concerned with making profits than with saving their members' souls. Salvation demanded that the individual lead an orderly life based on church teachings and custom. Thus, the guilds exerted a powerful influence as conservators of the status quo in the medieval towns.

The Christian Paternalist Ethic

The feudal lords, secular as well as religious, needed an ideology that would reflect and justify the feudal status quo. This ideology, which provided the moral cement holding feudal Europe together and protecting its rulers, was the medieval version of the Judeo-Christian tradition. This tradition evolved a moral code sometimes called the Christian corporate ethic, reflecting the fact that all of society was considered a single entity or corporation. To emphasize another feature of it, the Judeo-Christian moral code, as interpreted in the medieval period, will be called the *Christian paternalist ethic* in this book. It can be understood most easily by comparing society with a family. Those with positions of power and wealth can be likened to the father or

keeper of the family. They have strong paternalistic obligations toward the common people—the poor or, in our analogy, the children. The common person, however, is expected to accept his or her place in society and to be willingly subordinate to the leadership of the wealthy and the powerful in much the same way that a child accepts the authority of his or her father.

The Old Testament Jews quite literally regarded themselves as the children of one God (see Gray 1963, chap. 2). This relationship meant that all Jews were brothers; the Mosaic law was intended to maintain this feeling of membership in one big family. This brotherhood was one of grown children who acknowledged their mutual obligations, even though they no longer shared possessions.

From the confused mass of duties and regulations governing the early Jews, the most salient feature is the large number of provisions made for the prevention and relief of poverty. Their humane treatment of debtors was also notable. Each Jew was to be his brother's keeper; indeed, his obligations extended to caring for his neighbor's animals should they wander his way (Deut. 22:1–4). The first duty of all, however, and particularly of the wealthy, was to care for the poor: "Thou shalt open thine hand wide unto my brother, to the poor, and to the needy, in the land" (Deut. 15:7–11). An important element in this paternalistic code was the sanction against taking a worker's tools as a means of satisfying a debt: "No man shalt take the nether or the upper millstone to pledge; for he taketh a man's life to pledge" (Deut. 24:6). The same point was made elsewhere in the Old Testament: "He that taketh away his neighbor's living slayeth him" (Eccles. 34:22).

All Jews did not, of course, live up to these lofty professions. Great extremes of wealth and poverty existed that would have been impossible had the Mosaic law been strictly observed. Many of the prophets, who were often radical champions of the poor, eloquently denounced the rich for their abuse of their wealth, for their wicked, slothful luxury, and for their general unrighteousness. The important point is not that they failed to live up to the code, but that the moral code of this small tribe left so important an imprint on much of subsequent history.

The teachings of Christ in the New Testament carry on part of the Mosaic tradition relevant to economic ideology. He taught the necessity of being concerned with the welfare of one's brother, the importance of charity and almsgiving, and the evil of selfish acquisitiveness and covetousness. His emphasis on the special responsibilities and obligations of the rich is even more pronounced than that of the earlier Jewish writers. In fact, on the basis of a reading of the Gospel of Luke, one might conclude that Christ condemned the rich simply because they were rich and praised the poor simply because they were poor: "Woe unto you that are rich! . . . Woe unto you

that are full! for ye shall hunger. Woe unto you that laugh now! for ye shall mourn and weep" (quoted in Gray 1963, p. 41). However, on examining the other gospels, it must be concluded that this is probably Luke speaking, not Christ. Luke must be seen as the radical "leveller among the apostles" (Gray 1963, p. 42).

In the other gospels there are warnings that wealth may be a stumbling block in getting to heaven, but there is no condemnation of wealth as such. The most important passages in this regard deal with the wealthy young man who wants to know what he must do to attain eternal life (Matt. 19:16–26, etc.). Christ's first answer amounts to nothing more than a brief statement of the Ten Commandments. It is only after being pressed further that Christ goes beyond the binding, universal moral requirements to a counsel of perfection. "If thou wilt be perfect" (Matt. 19) begins the statement in which he tells the young man to sell whatever he has and give to the poor.

The Christian paternalist ethic, with its parental obligations of the wealthy toward the poor, was developed more specifically and elaborately by most of the Christian fathers. The writings of Clement of Alexandria are a reasonably good reflection of the traditional attitudes of the early church. He emphasized the dangers of greed, love of material things, and acquisition of wealth. Those who had wealth were under a special obligation to treat it as a gift from God and to use it wisely in the promotion of the general well-being of others.

Clement's *The Rich Man's Salvation* was written in order to free the rich of the "unfounded despair" they might have acquired from reading passages in the gospels like those found in Luke. Clement began by asserting that, contrary to anything one might find in Luke, "it is no great or enviable thing to be simply without riches." Those who were poor would not for that reason alone find God's blessedness. In order to seek salvation, the rich man need not renounce his wealth but need merely "banish from the soul its opinions about riches, its attachment to them, its excessive desire, its morbid excitement over them, its anxious cares, the thorns of our earthly existence which choke the seed of the true life" (quoted in Gray 1963, p. 48).

Not the possession of wealth but the way in which it was used was important to Clement. The wealthy were given the responsibility of administering their wealth, on God's behalf, to alleviate the suffering and to promote the general welfare of their brothers. In decreeing that the hungry should be fed and the naked clothed, God certainly had not willed a situation in which no one could carry out these commandments for lack of sufficient material prerequisites. It followed, thus, that God had willed that some men should have wealth but had given them the important function of paternalistically caring for the well-being of the rest of society.

In a similar vein, Ambrose wrote that "riches themselves are not blamable" as long as they are used righteously. In order to use wealth righteously, "we ought to be of mutual help one to the other, and to vie with each other in doing duties, to lay all advantages . . . before all, and . . . to bring help one to the other" (quoted in Gray 1963, p. 49).

The list of Christian fathers who wrote lengthy passages to the same effect could be expanded greatly. Suffice it to say that by the early feudal period the Christian paternalist ethic was thoroughly entrenched in western European culture. Greed, avarice, materialistic self-seeking, the desire to accumulate wealth, all such individualistic and materialistic motives, were sharply condemned. The acquisitive, individualistic person was considered the very antithesis of the good man, who concerned himself with the well-being of all his brothers. The wealthy man had the potential to do either great good or great evil with his wealth and power, and the worst evil resulted when wealth was used either exclusively for self-gratification, or as a means of continually acquiring more wealth and power for its own sake. The righteously wealthy were those who realized that their wealth and power were God's gift, that they were morally obligated to act as paternalistic stewards, and that they were to administrate their worldly affairs in order to promote the welfare of all.

The Anticapitalist Nature of Feudal Ideology

The philosophical and religious assumptions on which medieval people acted were extensions of the Christian paternalist ethic. The many particular additions to the ethic were profoundly conservative in purpose and content. Both the continuity in and conservative modifications of this ethic can be seen in the writings of Thomas Aquinas, the preeminent spokesman of the Middle Ages.

Tradition was upheld in his insistence that private property could be justified morally only because it was a necessary condition for almsgiving. The rich, he asserted, must always be "ready to distribute, . . . and willing to communicate" (quoted in Gray 1963, p. 57). Aquinas believed, with the earlier church fathers, that "the rich man, if he does not give alms, is a thief" (Gray 1963, p. 58). The rich man held wealth and power for God and for all society. He administered his wealth for God and for the common good of mankind. Wealth that was not properly used and administered could no longer be religiously and morally justified, in which case the wealthy man was to be considered a common thief. Aquinas's and, indeed, most of the medieval church fathers' profoundly conservative addition to the Christian paternalist ethic was their insistence that the economic and social relationships of the medieval manorial

system reflected a natural and eternal ordering of these relationships—indeed, that these relationships were ordained by God. They stressed the importance of a division of labor and effort, with different tasks assigned to the different classes, and insisted that the social and economic distinctions between the classes were necessary to accommodate this specialization.

If one occupied the position of a lord, secular or religious, it was necessary to have an abundance of material wealth in order to do well the tasks providence had assigned. Of course, it took little wealth to perform the tasks expected of a serf. It was every person's duty to labor unquestioningly at the task providence had assigned, to accept the station into which one was born, and to accept the rights of others to have and do the things appropriate to their stations in life. Thus, the Christian paternalist ethic could be, and was, used to defend as natural and just the great inequities and intense exploitation that flowed from the concentration of wealth and power in the hands of the church and nobility.

Any account of medieval social and economic thought must also stress the great disdain with which people viewed trade and commerce and the commercial spirit. The medieval way of life was based on custom and tradition; its viability depended on the acceptance by the members of society of that tradition and their place within it. Where the capitalist commercial ethic prevails, greed, selfishness, covetousness, and the desire to better oneself materially or socially are accepted by most people as innate qualities. Yet they were uniformly denounced and reviled in the Middle Ages. The serfs (and sometimes the lower nobility) tended to be dissatisfied with the traditions and customs of medieval society and thus threatened the stability of the feudal system. It is not surprising, therefore, to find pervasive moral sanctions designed to repress or to mitigate the effects of these motives.

One of the most important of such sanctions, repeated over and over throughout this period, was the insistence that it was the moral duty of merchants and traders to transact all trade or exchanges at the "just price." This notion illustrates the role played by paternalistic social control in the feudal era. A *just price* was one that would compensate the seller for his efforts in transporting the good and in finding the buyer at a rate that was just sufficient to maintain the seller at his *customary* or *traditional* station in life. Prices above the just price would, of course, lead to profits, which would be accumulated as material wealth.

It was the lust for wealth that the Christian paternalist ethic consistently condemned. The doctrine of the just price was intended as a curb on such acquisitive, and socially disruptive, behavior. Then, as now, accumulation of material wealth was a passport to greater power and upward social mobility. This social mobility was eventually to prove totally destructive to the medieval

system because it put an end to the status relationships that were the backbone of medieval society.

Another example of this condemnation of acquisitive behavior was the prohibition of usury, or the lending of money at interest. A "bill against usury" passed in England reflected the attitudes of most of the people of those times. It read in part:

> But forasmuch as usury is by the word of God utterly prohibited, as a vice most odious and detestable . . . which thing, by no godly teachings and persuasions can sink in to the hearts of (divers greedy, uncharitable and covetous persons of this Realm . . . be it enacted . . . that . . . no person or persons of what Estate, degree, quality or condition so ever he or they be, by any corrupt, colorable or deceitful conveyance, sleight or engine, or by any way or mean, shall lend, give, set out, deliver or forbear any sum or sums of money . . . to or for any manner of usury, increase, lucre, gain or interest to be had, received or hoped for, over and above the sum or sums so lent . . . as also of the usury . . . upon pain of imprisonment. (quoted in Huberman 1961, p. 39)

The church believed usury was the worst sort of acquisitive behavior because most loans on which interest was charged were granted to poor farmers or peasants after a bad crop or some other tragedy had befallen them. Thus, interest was a gain made at the expense of one's brother at a time when he was most in need of help and charity. Of course, the Christian ethic strongly condemned such rapacious exploitation of a needy brother.

Many historians have pointed out that bishops and abbots as well as dukes, counts, and kings often flagrantly violated these sanctions. They themselves granted loans at interest, even while they were punishing others for doing so. We are more interested, however, in the values and motives of the period than in the bending or breaking of the rules. For it is the values of the feudal system that stand in stark, antithetical contrast to those that were shortly to prevail under a capitalist system. The desire to maximize monetary gain, accumulate material wealth, and advance oneself socially and economically through acquisitive behavior, was to become the dominant motive force in the capitalist system.

The sins that were most strongly denounced within the context of the Christian paternalist ethic were to become the behavioral assumptions on which the capitalist market economy was to be based. It is obvious that such a radical change would render the Christian ethic, at least in its medieval version, inadequate as the basis of a moral justification of the new capitalist system. The ethic would have to be modified drastically or rejected completely

in order to elaborate a defense for the new system. Attempts to do both are explored in later chapters.

Summary

Economic systems organize human effort to transform the resources given in nature into usable articles, or economic goods. Ideologies are systems of ideas and beliefs that provide moral justification for the economic and social relationships within an economic system.

The Christian paternalist ethic was used to justify the feudal economy and its attendant social and economic relationships. This ideology contained elements that were antithetical to the functioning of a capitalist market system. In later chapters we examine the ways in which men attempted to substitute new ideologies for the older Christian paternalist ethic or to modify this ethic in such a way that it could be used to provide a moral justification of a capitalist market economic system.

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CHAPTER 2

The Transition to Early Capitalism and the Beginnings of the Mercantilist View

Medieval society was an agrarian society. The social hierarchy was based on individuals' ties to the land, and the entire social system was based on an agricultural base. Yet, ironically, increases in agricultural productivity gave the original impetus to a series of profound changes. These changes, occurring over several centuries, resulted in the dissolution of medieval feudalism and the beginnings of capitalism. Before we examine this transition to capitalism, however, we should define the essential features of a capitalist economy.

Definition of Capitalism

If an individual could be transported through space and time to England of the late eighteenth century, Japan in the early twentieth century, and the contemporary United States, and could compare what she or he saw, chances are that the many striking differences among these three societies would seem to be much more significant than any similarities that were observed. Yet despite vast, numerous differences, the underlying economic system in each of these three societies is essentially the same. Each has a capitalist economy. It is clearly very important to be able to identify the essential features of a capitalist economy if one is to understand the economic similarity of these culturally diverse social systems and to understand the evolution of the capitalist economic system.

Capitalism is defined by three essential features that are always present in a capitalist economy. First is the ubiquity of monetary exchange. For the vast majority of people in capitalism, one can get the things one wants and needs only if one has money with which to buy these things in the market. Second, capitalism always has at least four clearly identifiable socioeconomic classes: the class of wealthy capitalists, the class of small business people and independent professionals, the class of working people, and the class of destitute persons who live by various welfare programs or by theft, prostitution, or

whatever means are available. And third, in a capitalist economy the pursuit of profits determines what will be produced, how and where it will be produced, and by whom and for whom it will be produced.

The first feature of capitalism, the ubiquity of market exchange, renders most human economic interdependencies cold and impersonal. Each person must rely on the productive efforts of a great many people, and many people, in turn, rely on any given individual to perform his or her productive functions. This interdependency is not experienced as a real human connection among people, however. It is experienced only as a dependence of each individual on money with which to buy commodities in the market.

The second feature, the class structure of capitalism, requires a separation of ownership and control of productive resources (natural resources, tools, machines, factories, etc.) from the working people who use these productive resources to create the commodities that satisfy society's needs and wants. The capitalist class is composed of individuals with sufficient ownership of productive resources. The income from this ownership (in the form of interest, stock dividends, rent, and profit) will sustain them at their customary standard of living independently of how productively or unproductively they spend their lives. The working class has no significant access to or ownership of productive resources. Individuals in this class must sell control of their power to labor (i.e., get a job) as their only means to escape sinking to the destitute class.

Between the capitalist class and the working class is a middle class of small businesspeople and independent professionals. Individuals in this class own and control some productive resources and receive monetary returns from this ownership. Their ownership is not, however, sufficient, as it is for capitalists, to exempt them from working. Small businesspeople and independent professionals must also work in order to get by.

Finally, the lowest class in every capitalist society is the destitute class that lacks any significant ownership and, for a wide variety of reasons, cannot sell their power to labor. In any capitalist society, income from ownership and the wages of workers are considered to be the only socially respectable sources of income. The destitute class must depend on the somewhat "less than respectable" sources of income such as welfare, charity, or the fruits of quasi-legal or illegal activities in order to get by. The stigma that becomes attached to members of this class motivates all propertyless individuals to try very hard to secure employment even if working conditions and wages are poor.

The third feature, the allocation of resources through the quest for profits, follows from the nature of the socioeconomic classes of capitalism. All productive resources are owned and controlled by the capitalist and middle classes, with the capitalists controlling big businesses and the middle class

controlling many small businesses. Nearly all of the creative, productive endeavors in a capitalist society are done by wage earners who are hired by these businesses. The motivation for hiring the worker is a simple one: If the worker creates more value for the business than he or she costs the business in wages, then the worker will be hired because he or she will contribute to the capitalist's profits. This is, in general, the only reason for hiring a worker to engage in productive activity in a capitalist society. Therefore, which workers will produce what commodities is not determined by any evaluation of human, social, or individual needs, but solely by the criterion of what is profitable to the capitalist. There is no reason to suppose that the two criteria of social needs and profitability will always be in conflict with each other, nor is there any reason to suppose the two criteria will always be in harmony. When the two conflict, profit, not human needs, determines production in capitalism.

The capitalist system is drastically different from the feudal system of medieval Europe. In this chapter we examine some of the most important changes that occurred in the period that saw the dissolution of feudalism and the slow, gradual evolution of the essential institutions of capitalism.

Changes in Technology

The most important technological advance in the Middle Ages was the replacement of the two-field system of crop rotation with the three-field system. Although there is evidence that the three-field system was introduced into Europe as early as the eighth century, its use was probably not widespread until around the eleventh century. Yearly sowing of the same land would deplete the land and eventually make it unusable. Consequently, in the two-field system, half of the land was always allowed to lie fallow in order to recover from the previous year's planting. With the three-field system, arable land was divided into three equal fields. Rye or winter wheat would be planted in the fall in the first field; oats, beans, or peas would be planted in the spring in the second; and the third would lie fallow. In each subsequent year there was a rotation of these positions. Any given piece of land would thus have a spring planting one year, a fall planting the next year, and none the third year.

A dramatic increase in agricultural output resulted from this seemingly simple change in agricultural technology. With the same amount of arable land, the three-field system could increase the amount under cultivation at any particular time by as much as 50 percent (White 1962, pp. 71–72).

The three-field system led to other important changes. Spring sowing of oats and other fodder crops enabled the people to support more horses, which

began to replace oxen as the principal source of power in agriculture. Horses were much faster than oxen, and consequently the region under cultivation could be extended. An increase in the area under cultivation enabled the countryside to support more concentrated population centers. Transportation of people, commodities, and equipment was much more efficient with horses. Greater efficiency was also attained in plowing: a team of oxen required three people to do the plowing; a horsedrawn plow could be operated by one person. The costs of transporting agricultural products were substantially reduced in the thirteenth century when the four-wheeled wagon with a pivoted front axle replaced the two-wheeled cart.

These improvements in agriculture and transportation contributed to two important and far-reaching changes. First, they made possible a rapid increase in population growth. The best historical estimates are that the population of Europe doubled between the years 1000 and 1300 (Miskimin 1969, p. 20). Second, closely related to the expansion of population was a rapid increase in urban concentration. Before the year 1000, most of Europe, except for a few Mediterranean trade centers, consisted of only manors, villages, and a few small towns. By 1300, there were many thriving cities and larger towns.

The growth of towns and cities led to a growth of rural-urban specialization. With urban workers severing all ties to the soil, specialization increased and this, in turn, increased the output of manufactured goods. Interregional, long-distance trade and commerce were another very important result of this increased specialization.

The Increase in Long-Distance Trade

Many historians have argued that the spread of trade and commerce was the single most important force leading to the disintegration of medieval society. The importance of trade cannot be doubted, but it must be emphasized that this trade did not arise by accident or by factors completely external to the European economy, such as increased contact with the Arabs. On the contrary, as was shown in the previous section, this upsurge in trade was prepared for by the internal economic evolution of Europe itself. The growth of agricultural productivity meant that a surplus of food and handicrafts was available for local and international markets. The improvements in power and transportation meant that it was possible and profitable to concentrate industry in towns, to produce on a mass scale, and to sell the goods over a widespread, long-distance market. Thus, the basic agricultural and industrial developments were necessary prerequisites for the spread of trade and commerce, which, in turn, further encouraged industry and town expansion.

The expansion of trade, particularly long-distance trade in the early period,

led to the establishment of commercial and industrial towns that serviced this trade. And the growth of these cities and towns, as well as their increased domination by merchant capitalists, led to important changes in both industry and agriculture. Each of these areas of change, particularly the latter, brought about a weakening and ultimately a complete dissolving of the traditional ties that held together the feudal economic and social structure.

From the earliest part of the medieval period, some long-distance trade had been carried on throughout many parts of Europe. This trade was very important in southern Europe, on the Mediterranean and Adriatic seas, and in northern Europe on the North and Baltic seas. Between these two centers of commercialism, however, the feudal manorial system in most of the rest of Europe was relatively unaffected by commerce and trade until the later Middle Ages.

From about the eleventh century onward, the Christian Crusades gave impetus to a marked expansion of commerce. Yet the Crusades themselves cannot be viewed as an accidental or external factor to European development. The Crusades were not undertaken solely for religious reasons, nor were they the result of Turkish molestation of pilgrims, for the Turks continued the Moslem policy of tolerance. Developments on the Moslem side did lead to increased attacks on Byzantium, but the West would normally have sent only token aid since it had no great love for Byzantium. One of the basic reasons for the Crusades may be seen in the internal developments of France, where they had their most powerful backing. France had been growing stronger, it had more trade relations with and interest in the East, and it needed an outlet for social unrest at home. Additional propaganda for the Crusades came from the oligarchy of Venice, which wanted to expand its own Eastern trade and influence.

The development of trade with the Arabs, and with the Vikings in the North, led to increased production for export and to the great trade fairs that flourished from the twelfth through the late fourteenth centuries. Held annually in the principal European trading cities, these fairs usually lasted for one to several weeks. Northern European merchants exchanged their grain, fish, wool, cloth, timber, pitch, tar, salt, and iron for the spices, silks, brocades, wines, fruits, and gold and silver that were the dominant items in southern European commerce. (For a more complete discussion of the rise of trade and commerce, see Dillard 1967, pp. 3–178.)

By the fifteenth century, the fairs were being replaced by commercial cities where year-round markets thrived. The trade and commerce of these cities were incompatible with restrictive feudal customs and traditions. Generally the cities were successful in gaining independence from the church and feudal lords.