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Economic Liberalism, Marxism and Critical Judgement

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ABOUT ST AUGUSTINE COLLEGE OF SOUTH AFRICA

The idea of founding a Catholic university in South Africa was first mooted in 1993 by a group of academics, clergy and business people. It culminated in the establishment of St Augustine College of South Africa in July 1999, when it was registered by the Minister of Education as a private higher education institution and started teaching students registered for the degree of Master of Philosophy and Doctor of Philosophy.

It is situated in Victory Park, Johannesburg and operates as a university offering values-based education to students of any faith or denomination, to develop leaders in Africa for Africa.

The name 'St Augustine' was chosen in order to indicate the African identity of the College since St Augustine of Hippo (354-430 AD) was one of the first great Christian scholars of Africa.

As a Catholic educational institution, St Augustine College is committed to making moral values the foundation and inspiration for all its teaching and research. In this way it offers a new and unique contribution to education, much needed in our South African society.

It aims to be a community that studies and teaches disciplines that are necessary for the true human development and flourishing of individuals and society in South Africa. The College's engagement with questions of values is in no sense sectarian or dogmatic but is both critical and creative. It will explore the African contribution to Christian thought and vice versa. Ethical values will underpin all its educational programmes in order to produce leaders who remain sensitive to current moral issues.

The college is committed to academic freedom, to uncompromisingly high standards and to ensuring that its graduates are recognised and valued anywhere in the world. Through the international network of Catholic universities and the rich tradition of Catholic tertiary education, St Augustine College has access to a wide pool of eminent academics, both locally and abroad, and wishes to share these riches for the common good of South Africa.

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About the Author

Professor Stegmann was born in Germany. In 1958 he obtained the Licentiate in Theology at the University of Munich and was ordained as a priest in the same year He attained the Doctorate in Theology in 1962 from Munich University and in 1972 a post-Doctoral teaching qualification for Christian Social Teaching from Bonn University. From 1978-1996 he was Professor of Christian Social Teaching at the University of Bochum. After his retirement in 1996 he came to South Africa where he helped to develop the Catholic Social Academy in Bethlehem, South Africa.

Originally the project was meant to serve the diocese of Bethlehem. It caught the interest of the Southern African Catholic Bishops' Conference. The Conference now supports the idea. In the framework of the academy, Professor Dr Stegmann worked for the great cause of reconciliation. By doing so he gave the best as a facilitator and as a mediator.

On 09 April 2002 Professor Stegmann received the Cross of the Order of Merit of the Federal Republic of Germany for promoting social co-operation, social co-existence and racial understanding

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Classical Economic Liberalism (Capitalism) and Approaches to a Critical Judgement

INTRODUCTION

Classical economic liberalism or capitalism reached its first peak in the 19th century. Not without reason, today, many people talk about the period of a 'Late Capitalism' or 'Post-Capitalism'. The cultural history of its roots, however, goes back to the distant past, to the Middle Ages. This medieval 'pre-history' of classical economic liberalism will be the first focus of our attention. Thereafter I will describe the essential features of the economic theory - more precisely: the essential features of the worldview - which is the basis of economic liberalism. It stems from Adam Smith, who founded classical economics and gave it a clear shape. Upon this basis grew and developed the economic system which is called capitalism. Thirdly, I shall outline its main characteristics, and then the most significant effects and consequences of the capitalist economy. Important approaches to a critical judgement of economic liberalism will conclude the chapter.

CULTURAL HISTORY OF THE ROOTS OF CAPITALISM

1. Scholastic philosophy: Importance of the *ratio* - distinction between 'consumption loan' and 'production loan'

The roots of the capitalist way of running the economy are to be found on different levels. A basic contribution was made by the 'rationalization and methodization of life', which goes back to Thomas Aquinas (1224-1274), one of the great philosophers and theologians in the Middle Ages. 'Ratio', reason, 'aiming at targets', 'striving for goals' were weighty and crucial key words in his thinking. Thomas Aquinas and his thought, called Thomism, had a formative influence on scholastic philosophy and on medieval philosophy as such. At the same time, Thomism and its key concepts indirectly influenced social and economic development. 'Aiming

at goals' and 'striving for targets', 'enquiry into cause and effect', into the linkage between cause and effect, cost and profit analysis are of significant importance in the market economy and make a fundamental contribution to the development of economic liberalism.

A particular consequence of this influence was the distinction between 'consumption credit' and 'production credit' - between *Konsumtiv-* and *Produktivkredit*, as Werner Sombart, a distinguished economist and social historian, called them. This distinction was introduced into economic ethics in the 14th century. To demand interest for 'consumption loans' needed by consumers to sustain their livelihood, was considered as usury and remained strictly forbidden. To get interest for 'production loans' taken by borrowers in order to let the loans work in business, to earn money and to make a profit, was allowed on the condition that the lender 'was directly involved in the undertaking - by profit or loss'. Without being willing to take this risk and, consequently, without a certain spirit of enterprise, the lender 'was not allowed to make a profit'[1]. The ban on consumption loans and the allowance of production loans were understandably a strong and important incentive for the development of the (capitalist) spirit of enterprise.

2. The Reformation and its concept of God and the human being

A weightier and more significant cause for the development of the spirit of capitalism was the Calvinistic doctrine of predestination. Next to Martin Luther, John Calvin (1509-1564) was the most influential religious reformer in the 16th century. According to Calvin, both the eternal salvation and the eternal damnation of the human being depend only on God's unchanging predestination. By predestination Calvin understood

> God's eternal decree by which he decided what, according to his will, will become of each individual man. For humans are not created unto the same purpose, but some are pre-destinated unto everlasting life, some unto everlasting damnation[2].

In the very beginning, before the creation of the world, God decided on the salvation or damnation of every human, and this predestination

was immutable and eternal. I quote the famous Westminster Confession of 1647, which took on this doctrine of Calvin and explained it:

> By the decree of God, for the manifestation of his glory, some men… are *predestinated* unto everlasting life, and others *foreordained* to everlasting death... Those of mankind that are predestinated unto life, God, before the foundation of the world was laid, according to his eternal and immutable purpose, and the secret counsel and good pleasure of his will, hath chosen in Christ unto everlasting glory, out of his mere free grace and love, without any foresight of faith and good works... as conditions, or causes moving him thereunto… The rest of mankind, God was pleased, according to the unsearchable counsel of his own will, whereby he extendeth or withholdeth mercy as he pleaseth, for the glory of his sovereign power over his creatures, to pass by and to ordain them to dishonour and wrath for their sin, to the praise of his glorious justice[3].

This doctrine of double predestination - 'some men are destined for salvation, some for damnation' - pushed the human desire for activities into the escape of ‘being busy with earthly affairs’, because religious works such as prayers and contemplation, sacrifices and asceticism, were no longer the means to gaining eternal salvation, as the medieval understanding of piousness had taught. Damnation and salvation were already ‘predestined’.

Later on, the double predestination doctrine, introduced by Calvin and formulated in the Westminster Confession, developed into the direct identification of success in one's working life or in one's business life, with 'being chosen by God and predestined to salvation'. This later 'bourgeois Calvinism' considered success in business life to be the proof of ‘the **certainty** of being in the state of grace’ and being chosen by God. Thus ‘success in the secular world became the sign of being chosen’ - not the cause, but the indicator, ‘the sign of being chosen’[4]. This Calvinist understanding of divine predestination in an absolute sense replaced contemplation, asceticism, prayer, pilgrimages etc, aiming at the heavenly world, which characterized medieval religiousness and piousness, by tireless secular activity aligned with earthly success.

Max Weber, a foremost social historian and sociologist, described this complex process in the following way. Very soon believing

Calvinists asked their ministers the question: 'Am **I** chosen by God? And how can I be **sure** of being chosen?' Do we have signs, which indicate who belongs to the chosen ones? The pastoral answer said: Good works, success in one's business and profession are not the cause, but 'the indicator of being chosen'. This reply meant that people do not create their predestination to eternal salvation, but they themselves create the **certainty** of their salvation. Thus, Calvinist belief has become a good example of the difference between logical and psychological human behaviour. The logical effect of the predestination doctrine should have been pure fatalism. If I am not successful in my profession, in business, God has not predestined me. That is my bad luck. I cannot change it. The psychological effect, however, was just the reverse one: tireless activity in business and profession, as the Latin slogan says: *Si non es predestinatus, fac ut predestineris* – 'If you are not predestined, do your best to become predestined'[5].

Finally, a further factor is to be added. Martin Luther (1483-1546), the great German religious reformer, understood a person's profession and work in a definitely religious sense. He gave work, profession, activities in one's secular life strongly religious accents and regarded 'the fulfilment of one's duty in profession and work' as the highest form 'which moral activity is able to achieve at all'[6]. This religious understanding of one's duties in profession and work, in the secular life as such, was not less crucial for the emergence of economic liberalism.

3. The new 'bourgeoisie' spirit

It would be wrong and an error, however, to see the cultural origin of capitalism only in the religious reformers' new understanding of God and the human being. The 'capitalist spirit' already shaped the main trading centres in Upper Italy, South Germany, and Flanders in the 15th century 100 years before Martin Luther and John Calvin lived. The great 'Capitalists' of that period were Cosimo de Medici (1398-1464) of Florence in Italy, Jacques Cœur (1395-1456) of Bourges in France, and Jakob Fugger (1459-1525), called 'The Rich', of Augsburg. They lived before the Reformation, and all of them were Catholics.

The capitalist style of running the economy did not get its crucial impulses from single religious reforms and a few religious reformers. It was the new mentality of the rising middle-class as a whole, the new frame of mind of the rising bourgeoisie, which influenced all fields of life, in particular the economic sphere. This new attitude of mind did not any longer appreciate contemplation and leisure; on the contrary, it deliberately focused the human desire for activity and achievement in the economic field. In this context I refer to the philosopher and historian Max Scheler (1874-1928). He distinguished two basic types of European people: the *ritterlicher Seinstyp* (‘knightly essence type’) and the *bürgerlicher Leistungstyp* (‘bourgeoisie achievement type’). The knights living in their castles in the countryside, enjoying knightly games and aiming at a 'lifestyle befitting their rank', had formed the upper strata of previous medieval society. Now artisans and traders and craftsmen living in towns replaced the knights. These traders and craftsmen were looking at the world primarily in terms of its utilization and profitability and were tirelessly striving for economic achievement[7]. This change began towards the end of the Middle Ages when the so-called 'bourgeois trading-class' was rising in many towns. More and more, people regarded economic achievement as the main - or even the sole - task and duty of their lives.

By the way, this is an example of the statement of Karl Marx and its proof and confirmation: 'Being, existence determines consciousness, convictions, attitudes of mind'; Marx means: the physical and intellectual and social world in which we are living shapes, even creates, our way of thinking, our values, our worldview. The worldview of a knight is very, very different from the worldview of a craftsman or trader.

ESSENTIAL FEATURES OF THE ECONOMIC THEORY AND WORLDVIEW OF CAPITALISM: PALAEOLIBERALISM – ADAM SMITH

Economic liberalism provided the intellectual basis for the capitalistic way of running the economy. The founder of economic liberalism was Adam Smith (1723-1790), a professor of logic and moral philosophy at Glasgow University in Scotland. His most important works are: *Theory of moral sentiments*, London 1759; and *An inquiry into the nature and causes of the wealth of nations*, London 1776. From 1778 until his death, Adam Smith was a member of the

supreme Scottish custom authority. Today this economic liberalism is often called Palaeoliberalism - old liberalism, according to the Greek expression *palaeo*, which means ‘old’ - in contrast to the new, the Neoliberalism of our time.

a) Outlines of the economic theory

The starting point of the economic theory of Adam Smith was the doctrine of the three production factors: land, capital, and labour. Only labour makes the two other factors fruitful and productive. Remember berries in the forest! Berries grow by themselves and do not need human work. These berries, however, only become significant and fruitful for people if they collect them; that is to say, if they invest work. According to Adam Smith, a weighty factor in this ‘making fruitful’ is the division of labour. Each producer makes only those products for which he possesses the best conditions and the most suitable equipment. One produces these goods, another (produces) those goods. This division of labour leads, therefore, to the necessity of bartering – I need one of your products, you need one of mine - and, consequently, to the problem of prices. Adam Smith distinguished between a 'natural price' and a 'market price'. The natural price consists in the costs incurred by producing the goods. The market price would be determined by supply and demand and would, in a situation of free competition, always fluctuate around the natural price.

b) Essential Features of the World View

The basic ideas of economic liberalism can be summarized in four points.

1. **The ‘natural’ order of the economy**

   Under the influence of the deistic philosophy of the Enlightenment, Palaeoliberalism believed in the 'natural' human being, in 'natural' forces, and in a 'natural' order of society and the economy. Just as the universe, the cosmos, is permeated and characterized by order and harmony, so also the economy possesses a natural and pre-given order, a 'pre-established harmony', in which everything runs correctly and well, if the natural forces are allowed to develop freely. The state must not intervene in this natural system through economic planning; otherwise everything falls

into disorder. Concern ‘for the general happiness of all rational and feeling beings’ is - according to Adam Smith – ‘God's business and not the business of humans’[8]. The eternal harmony placed by the creator into the order of being, his ‘invisible hand’ directing everything to the best for everyone, is hidden and cannot work whenever the natural forces, the single individuals, are tied and spoon-fed by the state and cannot develop freely.

The economist Jean Baptist Say (1767-1832), who spread the teaching of Adam Smith in France, asserted that the laws of the economy are not ‘the work of human beings’, but ‘result as certainly from the nature of things as the laws of the physical world’[9]; one does not invent them, one discovers them. Frédéric Bastiat (1801-1850), another French economist, embraced the same optimism. He compared the ‘celestial mechanics’, the *méchanique céleste* of the starry sky with the ‘social mechanics’, the *méchanique sociale*[10] of the natural economic order, which tells us of God’s wisdom.

2. The individualistic idea of freedom

Economic liberalism condemned the bonds of the medieval guild system, the medieval manorial system; it condemned the whole medieval feudalism, and proclaimed the freedom of the human being and his property, the freedom of contract and competition, the freedom of trade and industry. The state, Adam Smith demanded in 1776, should ‘completely take away all systems of preferential treatment and restraint’. Then ‘the obvious and simple system of natural liberty’ will be established on its own. This natural liberty will lead the economy from success to success. The expression of this demand for total freedom was the slogan *Laissez faire, laissez passer* – ‘Let them do, let them go’, forbidding the state from intervening in the economy. State planning and intervention disturb the economic process and have harmful consequences. Governments are ‘always and without exception the most wasteful squanderers’[11], because they spend other people’s money. State abstinence produces harmony and provides the best results for all involved. According to Palaeoliberalism, therefore, the crucial condition for a successful economy is the total economic freedom of the individual.

The tasks of the state are limited to protection of the country against external enemies, the creation of law and order and of legal security at home, and the establishment and maintenance of unprofitable, but indispensable public institutions, for instance schools, roads, etc.

3. Self-interest as the driving force in the economy - ‘altruism of egoism’

The natural motive in the economy, its driving force, taught Adam Smith, is self-interest. Never have we experienced ‘much good done by those who affected to trade for the public good’. But each one following ‘his own interest, frequently promotes that of the society more effectively than when he really intends to promote it’[12]. Consequently everyone promotes the common good, without knowing and intending it, if he pursues his own interest. Smith gave an example:

> It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We do not appeal and turn to their humanity, but to their self-interest. We do not talk to them of our needs, but of their advantages"[13].

The individual does not intend to promote the public good and does not know to what extent he is promoting it; the individual "intends only his own gain, and he is in this... led by an invisible hand to promote an end which was no part of his intention". If the individual economic participants follow their own interests they complement each other and, by doing this, promote the public weal. The confluence of many ‘single interests’ results - so to speak – 'necessarily' in the 'happy end' of the common good.

The doctrine that the natural interests and inclinations of the human being agree most exactly with the interests of the community as a whole stems from the Enlightenment theology of deism. It can be said of us, taught Adam Smith,

> that we are co-workers with the divinity', which leads us by the already mentioned 'invisible hand', and 'that, insofar as it lies in our power, we bring the plans of providence closer to their realization'[14].

Along the same lines, Johann Heinrich von Thünen (1783-1850), a famous German economist, taught in the 19th century that:

> the human being, while he thinks, 'he is only pursuing his own advantage', is 'a tool in the hand of a higher power' and is working 'often unbeknown to him, on a great and artificial edifice'[15].

The teaching of Adam Smith on – what I call - 'altruism of egoism', his conviction that the many individual interests would result in the 'happy end' of the public good, had the effect of a revelation on many of his contemporaries. The above-mentioned French economist Frédéric Bastiat, admired Adam Smith and praised this law as the 'most sublime revelation of the impartial providence of God with respect to all his creatures'[16]. Hermann Heinrich Gossen (1810-1858), a high-ranking German economist in the nineteenth century, taught that:

> as God has brought 'order into his worlds' through gravity, so has he created 'order among his people' through self-interest. Self-interest holds human society together. It is 'the bond that twines around all human beings and forces them in mutual exchange to promote the well-being of their fellow humans at the same time as their own well-being'. Unfortunately, self-interest has been so mistaken that it has been denounced as 'pleasure-seeking': 'The human being can go this far astray if he leaves unnoticed the revelations of the creator as he manifests them eternally and immutably and uninterruptedly in his creation and if in their place he takes human regulations as his guiding rule'[17].

4. Competition as steering wheel of the economy

According to Adam Smith, the numinous 'invisible hand of God' avails itself of a simple means, namely competition, in the transformation of egoism into altruism. Just as self-interest is the incentive and driving force of the economy, so competition is the steering-instrument. It steers the order of the economy and leads the different and manifold individual interests to harmony and the common weal. 'Everyone', we read in Adam Smith, 'as long as he does not violate the laws of justice, is left perfectly

free to pursue his own interest' and to let his business and capital 'compete with those of other people'. Since competition is the guarantor of the public good, the lust for subsidies on the part of many merchants who run after the state in order to obtain monopoly privileges must be fought. The exclusion of competition does indeed bring advantages to the interested producers and merchants. They can increase prices to the consumers disadvantage and gain a monopoly profit; but this is 'always against the interests of the community as a whole'[18]. Competition, therefore, properly working competition, is the steering wheel; it steers the economic process and the order of the economy as such.

Thus far the essential features of the worldview of the classical economic liberalism! Upon this intellectual and spiritual basis, the economic system grew and developed into what was called capitalism.

CHARACTERISTICS OF THE CAPITALIST SYSTEM

According to the simple meaning of the word, capitalism can be understood as an economic system, which is stamped and determined by capital – or to be precise, by the owners of capital - in such a way that this forms its distinguishing feature from that of other economic systems.

1. Separation of capital and labour

Capitalism is an economic system in which some people own the capital and are in charge of its disposal, whereas other people can only provide their capacity to work for the economic process. But this fact does not decisively characterize modern capitalism. In theory, the separation of capital and labour could result in a determination of the economy by labour, by the workforce - instead of the one-sided domination by capital. The capital owners would remain the owners and get dividends, interest and income, but would not determine the economic process. Such a 'labouristic' economic system would be the very opposite to the capitalist economic system. President Tito in the former Yugoslavia attempted to establish such a 'workers' control'. The system, however, did not succeed, as history taught us. It is also thinkable that – on the basis of the separation of capital and labour - both groups, the owners of capital **and** the employees without capital, enjoy equal rights and determine **together**

the economic process. In Germany, this co-operation on a partnership basis is called the 'economic co-determination'[19] of the workers.

2. Predominance of the production factor ‘capital’

Separation of capital and labour was the precondition, but as such not a sufficient feature of modern capitalism. The crucial factor was the predominant position of capital - more precisely: the predominant position of the owners of capital - and the fact that they used their predominance only for their advantage to an extent, which was unknown so far. This forms a second characteristic - and indeed a decisive essential of the high period of capitalism. Without doubt, Pope Pius XI had his eye on this situation when he criticized it in the Pastoral Letter *Quadragesimo Anno* of 1931. The separation of capital and labour

> as such is not to be condemned… but it violates right order whenever capital so employs the working or wage-earning classes as to divert business and economic activity entirely to its own arbitrary will and advantage - without any regard to the human dignity of the workers, the social character of economic life, social justice, and the common good[20].

3. Striving for the permanent increase of capital

Profit gained through economic activities is not meant to be consumed again, but to be added to the capital. Capitalism, therefore, cannot be described as the result of an increasing hedonism, as has happened sometimes. On the contrary, many capitalists, maybe most of them, worked and work as hard as possible – often to the limits of their physical capacity. What this third feature of capitalism shows is tireless endeavour for the maximum possible increase of capital. The question, what sort of businesses, enterprises, assets, etc. make up to this increasing capital, is mostly irrelevant for the real, the true capitalist. Perhaps he has never seen them. Oswald von Nell-Breuning SJ, a famous social scientist and theologian, doyen of Christian Social Teaching, who worked out the draft of the above-mentioned Encyclical *Quadragesimo Anno* of 1931, described this feature as follows:

> The main and primary goal of a true capitalist is ‘that after economic activities his assets will be expressed in a higher money figure than at the beginning’[21].

The business and its growth, the assets and their increase have become an end in itself – at least to a large extent.

4. Economic rationalism

The objective of permanently increasing capital is pursued by means of what is called 'economic rationalism'. Economic rationalism means that all material and personnel production factors are to be used as productively and economically as possible; in other words: 'minimum possible input - maximum possible output'. Rationalization aiming at the permanent increase of capital makes up the characteristic nature of modern capitalism, which began to develop when the medieval 'bourgeois trading class' was appearing[22]. This process of rationalization is, firstly, an 'inner' economic' issue. Scientifically calculated, rational methods of producing, buying and selling were introduced. For instance, complex and complicated production processes were divided and resolved into their single parts (key word: 'division of labour'). Afterwards these single parts were very often taken on and carried out by machines. Even the demand for goods could be rationalized. Made-to-measure-suits were replaced by off-the-peg-suits. The rationalization process, however, did not leave out the treatment of the workers either. The employers tried to make use of the capacity of their employees as much as possible. They looked for ways and found methods to gain from the workers - by suitable direction, special placing and treatment etc - the maximum possible work and performance. It is understandable, therefore, that they attempted, as far as they could, to eliminate ethical limits or social, humane restrictions on the rationalization process.

5. Maximum possible elimination of moral rules – 'ethical minimalism'

The most serious and far-reaching demand made by economic rationalism was to restrain, as much as possible, hampering influences of any kind coming from outside the economy. This fifth feature became of particular significance to modern capitalism. Social historians called it 'the most reckless and purely egoistical pursuit of individual economic interests'[23]. Ethical limits, social limits - coming from outside and therefore 'being alien to the economy' - were rejected to the greatest possible extent and

reduced to the minimum: correct keeping of contracts and respect for ownership. ‘Every limitation of economic interests and every regulation of economic activities by moral, or religious (or simply social and humane) rules of life’[24] should be excluded.

To sum up: Five features of modern capitalism can be summarized: separation of capital and labour, predominance of the production factor 'capital', efforts to increase permanently capital, economic rationalism, and maximum possible elimination of moral rules, that is 'ethical minimalism'.

EFFECTS OF THE CAPITALIST ECONOMY

The capitalist way of running the economy had diverse results, positive and negative ones. I single out three of the most important ones.

1. Huge increase of economic capacity and rapid rise in population

The industrial age has achieved enormous economic success. Market and competition developed their powerful and astonishing dynamics. The previous medieval economic, structured by social classes - by ‘workmen’s guilds’[25], as the Encyclical *Rerum Novarum* of 1891 says - was a so-called 'system of estates', a 'corporative order'. Each artisan and craftsman, each trader had to be a member of a guild. The carpenter belonged to the carpenters' guild, the baker to the bakers' guild, etc. The guilds themselves paid meticulous attention and took action so that the number of respective guild members did not increase too much. The medieval economic system (and society) was, therefore, a very static one and made new developments difficult, even prevented them. The abolition of this inflexible guild order and its transformation into a competitive economy, into a market economy, were important contributions to the development of modern industry and agriculture.

Market and competition showed powerful dynamics. Based on the progress of the natural sciences and attracted by the new possibilities and prospects of free competition in the market economy, people systematically seized the forces of nature, which had been hidden so far.

Technology, the foundation of the modern economy, developed rapidly; one invention and discovery followed upon another; and economic capacity increased to a degree unknown so far. A few figures may illustrate the issue. In 1750, 15.000 tons of pig iron (iron in the raw state) were produced in England; 70 years later the production reached 455.000 tons[26]. A second example: in Germany, where the 'industrial revolution' started a few generations later, the gross national product (GNP) amounted to 9 billion mark in 1851; only 50 years later it came to 30 billion gold mark, more than three times as much. Within the same period, the average income per person doubled from 260 to 521 gold mark.[27] 'And the living standard of even the lower strata of the population increased considerably'[28]. These few figures give an idea as to the huge increase in economic capacity and achievement.

What was closely linked to this enormous development, being partly its precondition and partly its consequence, was the quick rise in population. Advances in medicine and hygiene reduced the mortality rate of children and, at the same time, increased the span of life considerably. Between 1800 and 1900, the population of Europe grew from 187 million to 400 million, and the German population from 24 to 56 million[29.] The population more than doubled. The figures of this 'population explosion' do not take into account the millions of emigrants to America and other countries during the 19th century. The average life expectancy of people rose from thirty-five to seventy years of age. Without the progress of industry and agriculture, the increasing population could not have been nourished, and, on the other hand, the progress was only made possible on the basis of the growing population. In this way both, the production of goods and the population increased, mutually dependent, to a large extent.

2. Process of urbanization

The process of urbanization was another consequence of the capitalist way of running the economy. Three forms of this urbanization are to be distinguished: there was, firstly, the moving away from the countryside into towns; secondly, the migration from the mainly rural areas of Eastern Europe like Poland and East Germany into the Western conurbations such

as the Rhine-Ruhr region, Belgium, The Netherlands, and the North of France; and finally, the growth of small villages into towns and large cities. In 1871, two thirds of the German population lived in small villages (of less than 2 000 inhabitants), and only two million in towns. 60 years later, 22 million, that is one third of the population, lived in cities[30] - despite the fact that the birth rate in the rural areas was much higher than in towns, not to mention cities. Today, similar developments are taking place in many areas around the world. In the Ruhr city-landscape, the most industrialized region in Germany, more than one third of people are of Polish origin and even today they bear Polish surnames like Tilkowski, Musinski, Sawatzki, etc.

3. Emergence of the 'social question'

The capitalist way of running the economy had achieved a huge increase in terms of the capacity of industry and commerce. On the other hand, however, the deplorable impoverishment of masses of workers in the industrial cities must not be overlooked. This impoverishment was particularly oppressive and disastrous in the period when capitalism was at its peak.

It is true, during the first decades of the 19th century, poverty and misery were growing (in Central Europe) because, to a large extent, a developed economy was missing. The mentioned 'population explosion' and the abolition of the medieval 'system of estates' and its guild order had created masses of people desperately looking for work. But there was not yet a developed economy, which could provide jobs. Therefore, this so-called **pre-industrial social question** was not caused by industrialization or capitalism. On the contrary, the absence of an industrialized economy, the lack of sufficient jobs for the growing masses of people aggravated and worsened poverty and misery. Thus, in the early decades of the 19th century, this 'pre-industrial' social question was more a problem of unemployment than a problem of inhumane and unreasonable working conditions. There were no factories, no jobs. ‘The factory was not the cause of the misery’, social history says, ‘but the misery was a

prerequisite and a condition of the factory'[31], and many people felt and experienced factory work as a relief and advance.

Nevertheless, to a larger degree, the social question of the 19th century is to be described as a result of industrialization - more precisely: as a consequence of the (capitalistic) way industrialization was implemented and the economy was run. A first main area was what I call the **proletarian life condition**. Farmers, farm workers and whoever else moved away from the countryside into towns. They were no longer medieval bondsmen of their patrons, who had safeguarded their existence, however poor that existence was in times of need. Now, after the abolition of the medieval 'system of estates', they were free and no longer bondsmen, but they 'enjoyed' too the freedom to die of starvation. In the first volume of his main work *Das Kapital* (The Capital), Karl Marx described the desperate situation of the industrial workers in England's high period of capitalism. His descriptions are not a fiction; they are based on official reports of Royal Commissions. The mechanical application of the principle of supply and demand to the labour market and to the working people caused wages to depend completely on the changing state of the labour market. The huge supply of workers, however, really flooded the market. Having no possessions, the workers could employ no property in economic competition, but only their manpower.

Bishop Wilhelm Emmanuel von Ketteler of Mainz, the pioneer of the Catholic Social Movement (in Germany) and its most influential figure in the 19th century, analysed this situation. He regarded the proletarian life situation of the factory worker as the core of the social question; he pointed to the fact that human work had become a mere 'commodity'; and he adopted the *Eherne Lohngesetz* ('Iron Wage Law'), which was formulated by Ferdinand Lassalle, the founder of the (German) Social Democratic Party. Bishop Ketteler emphasized that the material existence of the worker depends on his wage;

> **in our time** this wage is determined by subsistence level, by what is vitally necessary in the strictest sense'; for the "wage is a commodity; every day its price is determined by supply and demand; wages hover round the minimum level for supporting life; when the demand (for work and workers) becomes

> greater than the supply, the wage rises over this axis; when the supply (of work and workers) is greater than the demand, the wage drops under this level[32].

Therefore, sometimes the wage is a little higher; sometimes it is lower. It depends on the changing supply of and demand for work, but not on what is required to support life.

Because his work capability was the only 'commodity' of the worker, he was forced to sell it at any cost. Being without material resources, he was always the weaker one in the competition struggle. It may surprise us that, in a stirring passage of his main work, even Adam Smith himself clearly referred to this initial inequality. With regard to the struggle between employers and employees, he wrote:

> It is not difficult to foresee which of the two parties must... have the advantage in the dispute, and force the other into a compliance with their terms... In all such disputes the masters can hold out much longer... Though they did not employ a single workman, they could generally live a year or two upon the stocks, which they have already acquired. Many workmen, however, could not subsist a week, few could subsist a month, and scarcely any a year without employment"[33].

The worker could not overcome this situation by himself because the pay he got was hardly enough to provide vitally essential goods. Besides, he never knew whether tomorrow anyone would still buy his 'commodity' called work. The uncertainty and instability of his economic existence, the so-called 'proletarian fate', became the worker's destiny.

A second problem area of the social question was what I call **determination of work by others**, the absence of self-determination in work. In pre-industrial times, the individual, for instance a farmer or a craftsman, was relatively free to organize and do his own work. Now the worker had to subordinate himself to the ‘factory boss’, and his work had to be subordinated to the 'soulless' machine. The product of his hands seemed to the worker to be more and more without a soul. Karl Marx called this fact ‘self-alienation’[34]. On the other hand, the employers tried to make use of the capacity of the workforce as much as possible and treated their employees only as a cost factor. Regulations of economic activities and limitations of economic interests by moral or religious or

simply humane rules were excluded almost completely. Those rules coming from outside would be 'alien to the economy' and disturb the proper economic process. This attitude led to inhumane working conditions: over-long working hours, awful workrooms and factories, and child labour, were taken for granted. A social historian summarized the consequences as follows:

> ‘Biological decline’ due to malnutrition, frequent diseases, natal defects, and infant mortality; ‘moral decline’ due to alcoholism, promiscuity, jealousy, and bitterness: all in all an ‘ongoing decline in terms of civilization’[35] were awful and appalling effects of this 'determination of work by others' and 'proletarian life situation'.

A third problem area of the social question was related to and connected with the previously mentioned urbanization. The moving away from the countryside into the town, the migration from the rural regions of Eastern Europe into the Western conurbations, and the rapid changes of villages becoming cities produced **miserable housing conditions**. Old people in the Ruhr-region told me that they well remember the time when three miners had to share one bed. (Each of them could alternately use it eight hours a day or night respectively.) Until the end of the 19th century, these housing conditions had hardly lost anything of their harshness.

According to the market model of the opposing positions of supply and demand, of suppliers and consumers, finally, industrial **society** as a whole became **polarized** into the 'classes' of owners and non-owners of the means of production. Very often this splitting up developed into a **class struggle**, because the interests of these two big groups in society stood irreconcilably opposite each other. As the workers often felt themselves deserted by the state, the 'class struggle' also developed into a struggle against the state. This caused an attitude of **opposition** in principle **against the state** authority. It influenced and determined the programme of the socialist labour movement – even though not so much the actual political practice - until the beginning of the new century.

Under the burden of this historical reality, the successors of Adam Smith soon gave up his optimistic belief in 'natural harmony'. They removed economic theory from its pseudo-theological and social frame and based it only on the two principles of selfishness and cost-profit-

calculating. The economist David Ricardo (1772-1823) transferred Adam Smith's teaching on costs and prices to the labour market and formulated what Ferdinand Lassalle called later the **Iron Wage Law**: The price of labour and, consequently, wages tend to correspond with the 're-production' of the necessary workers, of the production factor 'labour'; that is to say, wages tend to correspond to the subsistence level. Whoever is hit by this misfortune must accept what the 'invisible hand' of destiny has determined. In the end, the situation cannot be changed. This doctrine became the theoretical economic basis of so-called **Manchester-Capitalism**; it was guided by ruthless pursuit of one's own profit and reduced ethical bonds to a minimum. In the context of the social question such an attitude of mind had to fail almost necessarily. The Manchester Liberals regarded need and misery 'as the normal atmosphere of an advanced society'"[36], as a temporary phenomenon of the industrial upturn, which could only be alleviated by alms and care for the poor.

APPROACHES TO A CRITICAL JUDGEMENT OF CLASSICAL ECONOMIC LIBERALISM

In order to gain approaches to a critical judgement of classical economic liberalism, I will pick out some characteristics, which the analysis of this economic system has proved to be essential. These main features are:

- the belief in a 'natural' order and harmony of the economy connected with its demand for maximum non-interference of the state;
- the tension-laden relationship between absolute freedom and free competition;
- above all, the economic rationalism linked with its far-reaching exclusion of social and moral rules and respective limitations.

1. The belief in a 'natural harmony' on condition of state non-interference

The demand for a maximum economic non-interference of the state, expressed in the slogan *laissez faire, laissez passer*, is not a rational one and not based on logical reasons. The demand stems from the worldview of Enlightenment philosophy and is a pseudo-theological assumption. It is based on the conviction that, similar to the universe, industry and commerce is a well-equipped cosmos endowed with a 'natural' order, with

a 'pre-established harmony'. In this well-ordered economic cosmos, everything runs perfectly and in harmony whenever the individual economic participants are allowed to act in complete freedom and the state authority does not intervene. With touching optimism, the old liberals believed that a happy age marked by universal prosperity would then begin for all strata of the society; the 'pre-established harmony' of the market would automatically lead to the realization of social justice.

However, just as the belief of the Enlightenment in completely perfect and undamaged human nature was recognized to be an utopian dream, so also the assumption of economic liberalism, that maximum state abstinence would enable, even establish a perfect economic and social order, very soon proved itself to be a serious and far-reaching error. In contrast to all optimistic expectations, poverty and misery became a terrible reality; the social question emerged; and the liberal capitalistic age was not able to overcome this situation. It failed completely.

This failure made a problem apparent, which the paloeliberal belief in harmony could not understand. Economic liberalism had overlooked the fact that competitive or market economy depends on **conditions**, which do not exist by nature and do not come into existence automatically, provided that the economy enjoys freedom from state intervention. One of those essential prerequisites for a successful market economy is a **well-working** competition.

2. The tension-laden relationship between absolute freedom and free competition

Classical economic liberalism demanded both absolute freedom of all economic participants **and** well-working and free competition **as well**. Its advocates, however, did not realize that absolute freedom in the market place allows, entitles and even stimulates monopolies and cartels to be built up. Absolute freedom to contract can and could destroy free competition. History teaches that this happened time and time again, up to the very present. Legitimized by absolute freedom, big companies in particular created monopolies and abandoned competition. Insofar as competition is lacking, the expected positive effects of the market economic system, predicted by the 'paleoliberal' economic theory, are

lost. Rid of competition, monopolists are tempted to increase their prices to consumers' disadvantage and to make a monopoly profit. This misuse of the legitimate principle of profitability is best prevented when each economic participant must permanently compete with fellow competitors in the marketplace. Competition forces the single enterprise to calculate its prices as low as possible in order not to be eliminated by fellow competitors, by the market. But real competition does not automatically result from the 'free play of forces'; on the contrary, the *Laissez faire* doctrine, the praxis of an absolute freedom is tempted to destroy this essential of the market economy. Because of that, the state authority and politics as a whole have the responsibility to enable, to establish, and to promote competition, and to safeguard it against restrictions exercised by a freedom which acknowledges no limits. Legislators and government must therefore create the legal framework for every economic activity, business, trade and industry. This framework 'has to prevent restrictions of free competition as much as possible and, at the same time, to control unavoidable monopolies… in order to make competition work most effectively for the consumers' benefit'[37].

3. Economic rationalism - 'ethical minimalism'

The principle of economic rationalism in its specific 'capitalistic' shape forms the central approach to a criticism from the ethical point of view. The principle 'minimum input - maximum output' demands that all material and personnel economic factors are to be used as productively and economically as possible. If this is understood and practised in an **absolute** sense, then hampering factors of any kind - in particular hampering factors coming from outside and being 'alien to the economy' must be eliminated as much as possible; as a result social limitations, humane considerations, and moral restrictions as well must be eliminated. Consequently, economic rationalism in an absolute sense means, at the same time, 'ethical minimalism'. Moral attitudes and ethical demands are only assessed in terms of their economic usefulness and profitability. Therefore the correct keeping of contracts, respect for ownership, enthusiasm for work, and similar attitudes will be most welcome. Ethical attitudes, which are of no economic advantage or perhaps an obstacle to

it, are rejected as 'alien to the economy' and, therefore, as an uncalled-for consideration.

It is obvious that this understanding of economic rationalism forms the main approach to a moral criticism[38]. Individual economic participants and enterprises rightfully try to make a profit, even a profit as large as possible. As a rule, individual interests motivate economic activities; self-interest is **the** driving force and incentive for the individual economic participants. With regard to what is called the national economy, however, the situation is completely different. The task of the national economy is to ensure the best possible provision for **all people**; in other words, the **'social aim and object' of market and competition** - to speak in terms used by economic liberalism – 'is the welfare of everyone, the public weal'[39], (a part of) what Christian Social Teaching calls the 'common good'. This distinction between the level of individual economic participants and their targets **and** the level of the national economy and its task is decisive and must not be overlooked or mixed up.

Absolute economic rationalism does not draw this distinction. It therefore contradicts itself and also demonstrates the absurdity of its rational principle. Economic rationalism rightfully aims at utilizing the available resources as economically and profitably as possible. But one has to continue asking: what is the aim of the increase in production and profitability **in the end**? Rationalism in its capitalist shape does not ask this basic 'to what end' question. It requires the profitable and rational utilization of the means; it does not ask: what is the rationality, the task of the economy as such? It does not ask for **the 'social aim and objective' of market and competition**[40], of economic activities as such. Because of that, absolute economic rationalism twists and distorts the concept of 'being rational'. Looking at human activity and action, not only Christian ethics, but at whoever wants to be responsible, asks: to what **in the end?** Whoever does not ask this question or – what is even worse – does not allow it to be asked, as absolute economic rationalism does not, turns such rationalism into something terribly senseless and irrational.

The activities of individual economic participants, however, do not **automatically** realize the best possible supply of all people, the public good, which is the task of the economy as such. History and modern

economics teach this. Even Adam Smith admitted that each citizen 'by pursuing his own interest **frequently** (that is: not always) promotes that of society...'[41] . The activities of individual economic participants will put the public good into effect only within an adequate framework, within a proper order. This framework includes the constitution, economic laws, the legal order of competition, and whatever are essentials of the political and moral convictions of the community. The framework is the area of responsibility of politics. The state has to establish a legal framework that makes economic participants act in business life as is demanded by the welfare of the community; this task is part of its economic policy; and politics has to ensure that economic participants observe the rules of the framework which are enacted to regulate their activities and the economy as a whole.

Absolute rationalism as understood by economic liberalism does not make this crucial distinction between the targets of individual economic participants and the task of the national economy, and it rejects regulations of nearly any kind, which come from outside the economy - including state intervention and moral rules. Because of that, it was not able to meet its optimistic expectations and to establish a humane social and economic order ensuring the welfare of everyone, the common good. In contrast, I repeat, poverty and misery became a terrible reality, and the social question emerged. Classical economic liberalism was not able to overcome this situation. Being faced with such problems, it almost necessarily failed (and will fail). In his Pastoral Letter *Laborem Exercens*, published in 1981, Pope John Paul II therefore rightfully says that an 'early capitalism' - I add: each economic liberalism embracing absolute rationalism and its 'ethical minimalism' - which forces human beings to conform 'to the whole complex of the material means of production' and treats them 'like an instrument' contradicts human dignity. For this reason, the 'great outburst of solidarity' which arose in the 19th century 'against the degradation of the human person and against the unheard-of exploitation in the field of wages, working conditions and social security for the worker' was completely 'justified from the point of view of social morality'[42].

In the last century, the worldwide economic crisis towards the end of the nineteen hundred and twenties and at the beginning of the nineteen thirties was, among others, a further result of economic liberalism or capitalism. At the same time, this crisis marked, in terms of the history of ideas, the birth of neoliberalism and Social Market Economy[43], even if the erection and establishment of the social market system took place only years later, after World War Two.

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The Social Question(s) of the 19th century and the Encyclical *Rerum Novarum* (1891)

INTRODUCTION

On the 19th of May 1891, Pope Leo XIII published the Encyclical *Rerum Novarum.* It was to become his most famous pastoral letter. The Encyclical begins with the Latin words *Rerum novarum cupidine*. Therefore it is called

Rerum Novarum. Unfortunately, there have been many and varied versions of the translation of the Encyclical. The best-known translation says: 'The desire for new things (which moves the nations...)'; others translate: 'The lust for revolution (which disturbs the nations...)' or 'The spirit of revolutionary change (which has long been predominant in the nations…)'. Here we see translations often provide an interpretation also. The version 'The desire for new things...' is more neutral; I therefore prefer it.

Rerum Novarum is the first wide-ranging and comprehensive Encyclical on the so-called "social question". Sometimes it was and is very difficult for the Catholic Church to deal correctly with certain issues, for instance: How is democracy to be judged? or What are the rights of women inside and outside the church? Concerning the social question of the 19th century, this was not the case. Historians speak of a thoroughly successful intervention'[1] in the modern world. With good reason in his Encyclical *Centesimus Annus*, published in 1991, Pope John Paul II praises *Rerum Novarum* because of

> its richness of fundamental principles which it formulated for dealing with the question of the condition of workers" (No. 3,1).

In Europe the so-called 'industrial revolution' and, above all, its deplorable social consequences had a determining influence on the development of the 19th century. In arguments with corporative conservatism, economic liberalism/capitalism and socialism/marxism a Catholic Social Movement emerged. But the new problems - the 'industrial revolution' and its unwelcome social consequences - caused a widespread debate and intensive discussions also in its own ranks and in the whole Catholic community. Different groups tried to solve the social problems in very different ways, and not infrequently they attacked each other fiercely. In this situation, Leo XIII published *Rerum Novarum*; it clarified and settled main issues and set the course for the future.

There have been four central topics of dispute within the Catholic community - and outside:

1. Is the social question, above all or only, a religious and moral problem caused by 'de-christianisation', by the decline in Christian faith; or is the social question an economic and societal problem, a problem of economic and social structures **as well**? (II)

2. Shall the present social misery be overcome by a complete and all-embracing reorganization of the existing economic system, of the existing market or 'capitalist' system, that is to say by a grand '**social reform**' according to the model of the 'corporative' social class society and its feudal 'system of estates' in the Middle Ages; or should the social misery be overcome only by eliminating the misuses and excesses within the existing order of a market economy, that is to say by a so-called 'partial' or 'selective' **social policy**? (III)
3. Is the resolving of the social question just a matter for **single individuals** and private groups in society, or is it also a task for the **state** and its policy? (IV)
4. Are the **workers** entitled **to help themselves** by joining together (for example, in trade unions) and by organizing the representation of their interests? (V)

In the following I shall describe these four issues. A second step of consideration will explain the respective answers which the Encyclical *Rerum Novarum* gave to the particular question, and so present the central statements of the Encyclical in the contemporary context of the 19th century. It was precisely because of those burning issues, that Leo XIII published his famous pastoral letter. By way of introduction, chapter one will give a short description of the social problems of the 19th century in general. As far as I can see, many countries industrializing their economies today come across problems very similar to those which European countries faced 150 years ago. A few years ago the Brazilian Bishop Joseph Karl Romer remarked on *Rerum Novarum*:

> For us this Encyclical 'is urgent and of great relevance and was almost a minor miracle', because today my country and many other countries 'are in a state, in a condition similar to the European situation towards the end of the 19th century'[2] Therefore, in my view, the Encyclical is anything but antiquated.

SOCIAL QUESTIONS OF THE 19TH CENTURY

1. The 'pre-industrial' social question

Very often in Europe and elsewhere, the social question of the 19th century is supposed to be **only** a consequence of the 'industrial revolution'. This opinion, however, is not quite correct. In many regions need and misery were growing to such a huge extent, because a

developed industry was almost completely missing. In the first decades of the century, advances in medicine and hygiene had reduced the mortality rate of children and, at the same time, increased the average life span considerably. The result was a huge 'population explosion'. Between 1800 and 1900, for instance, the German population increased from 24 to more than 56 million, more than double, and the population of Europe from 187 to 400 million - large numbers of emigrants to America and other continents not being taken into account[3].

The disbanding and abolition of the medieval economic system structured by social classes - by ‘working men's guilds’, as the Encyclical *Rerum Novarum* says (No. 2) - the disappearance of this so-called 'corporative order' or 'system of estates', and the transformation of this feudal economic system into a market economy with free competition, were important contributions to the development of modern industry and modern agriculture. In the Middle Ages each trader, artisan and workman had to be a member of a guild. The carpenter belonged to the carpenters' guild, the baker to the bakers' guild etc. The guilds themselves paid meticulous attention and took action such that the number of respective guild members did not grow too large. So medieval society was a very static one and made new developments difficult, even prevented new developments. The abolition of this inflexible guild system and the introduction of free trade and competition - I repeat - made important contributions to the development of modern industry. At the same time, however, these two factors dissolved the previous social security of many people and intensified the consequences of the above-mentioned 'population explosion'. Attempts of various governments ‘to adjust the population to the economic volume’[4] by restricting weddings, or to deport ‘the surplus of the rural proletariat to America’[5] highlight the extent of pauperism.

So this ‘**pre-industria' social question** was not caused by industrialization. On the contrary, the lack, the absence of an industrialized economy and, in consequence, the lack of sufficient jobs aggravated and worsened poverty and misery. Thus, until the middle of the century, the social question was more a problem of unemployment than a problem of inhumane and unreasonable working conditions. ‘The

factory was not the cause of the misery', a social historian said, 'but the misery was a prerequisite and a condition of the factory'[6]. Many people experienced factory work as a relief and advance.

2. The social question as a result of industrialization

Nevertheless, to a large degree the social question of the 19th century is to be described as a result of industrialization - more precisely: as a consequence of the way industrialization was implemented. A first area was the '**determination of the work by others'**[7]. In pre-industrial times the individual, for instance a farmer or an artisan, was relatively free to organize and to do his work. Now the worker had to subordinate himself to the 'factory boss', the work had to be subordinated to the 'soulless' machine. '"The product of his hands seemed to the worker to be more and more without a soul'[8]. Karl Marx called this fact 'self-alienation'[9]. On the other hand, employers tried to make ruthless use of the capacity of the workforce as much as possible and handled employees only as a cost factor. Especially in the early period of the industrialization, this led to inhumane working conditions: over-long working hours, awful workrooms, and child labour were taken for granted[10]. An interesting detail regarding this widespread child labour: a Prussian general complained that in industrial areas child labour made many recruits unfit for military service. In eighteen hundred and twenty nine, King Friedrich Wilhelm III of Prussia therefore instructed his ministers to remove this evil[11].

A second field of problems was what I call '**the proletarian life situation**'. After the liberation of the peasantry from their subjection to the landed nobility and the introduction of freedom of trade in the first quarter of the century, farmers, farm workers and many other people moved from the countryside into towns and were no longer the medieval bondsmen of their patrons and subservient to them. These feudal patrons had been their masters but, at the same time, also safeguarded their existence, however poor that existence was. The new class of the emerging industrial work force was free; but the workers also 'enjoyed' the freedom to starve. In the first volume of his main work *Das Kapital* ('The Capital'), published in 1867, Karl Marx described the desperate

condition of the industrial workers in England's high period of Capitalism. His descriptions are not a fiction; they are based on official reports of Royal Commissions. The mechanical application of the principle of supply and demand to the labour market (and to the working people) caused the wage to depend completely on the changing state of the market. A huge supply of workers, however, really flooded the market. Having no possessions, they could employ no property in economic competition, but only their manpower. Because the worker's capability to work was his only 'commodity', he had to sell it at any cost. Being without material resources, the worker was always the weaker one in the competition. He could never overcome this situation by himself because the pay he got was hardly enough to provide the goods vitally necessary. And he never knew whether tomorrow someone would still buy his 'commodity' called work. In the past, to a certain degree, the above-mentioned feudal system of estates had given protection in cases of emergency. Now, the uncertainty and instability of economic existence, the so-called proletarian fate, became the worker's destiny. A social historian summarized these problems as follows:

> 'Biological decline' due to malnutrition, frequent diseases, natal defects, and infant mortality; 'moral decline' due to alcoholism, promiscuity, jealousy, and bitterness: all in all, the 'ongoing decline in terms of civilization'[12] were awful and appalling consequences of this 'proletarian life situation'.

A third problem was related to and connected with *urbanization*: the already mentioned moving from the countryside into the town, migration from the rural areas of Eastern Europe (Poland, East Germany) into the Western conurbations (Ruhr-Region and Rhine-Land in Germany, Belgium, the North of France), and the change of villages into cities produced **miserable housing conditions**. Old people in the Ruhr-region told me that they well remember the time when, for instance, three workers had to share one bed in a tiny room. (Each of them could alternately use it eight hours a day or night respectively.) Until the end of the 19th century, those housing conditions hardly lost anything of their harshness.

According to the market model of the opposite positions of supply and demand, of suppliers and consumers, finally, industrial **society** as a

whole became **polarized** into the 'classes' of owners and non-owners of the means of production[13]. Very often this splitting up developed into a '**class struggle**' because the interests of these two big groups in society stood irreconcilably opposite each other. As the workers very often felt themselves deserted by the state, the 'class struggle' also developed into a struggle against the state. This fact caused an 'attitude of **opposition** in principle'[14] **against the state** authority. It influenced and determined the programme of the socialist labour movement – if not so much the actual political practice - until the beginning of the twentieth century.

THE SOCIAL QUESTION: *ONLY* A PROBLEM OF RELIGION AND CHARITY OR *ALSO* A PROBLEM OF ECONOMIC AND SOCIAL STRUCTURES?

1. Church as an outstanding power of social order

Beginning from the second quarter of the 19th century, a Catholic Social Movement had been emerging in Germany. Various roots fed this movement. The religious renewal after the so-called secularization of 1806 (when the German Church lost their territories and estates and was no longer part of the previous political system) and the end of the liberation struggles against the French Emperor Napoleon, the emergence of Romanticism and its spiritual influence, and the ideas of French Traditionalism came across the social question from different starting points. What was common to them was the conviction that the Church is an outstanding power, if not **the** power, to create and ensure social order, the conviction 'that state and society cannot simply exist without religion'[15]. The slowly developing Catholic Social Movement did not adopt all ideas of these very different lines of thought. But this common conviction became a part of the body of thought of the rising Social Catholicism, stood its ground and massively influenced the movement for quite a long time.

2. The social question - only a religious problem

Because of that, until the 1860s, the members and supporters of the Catholic Social Movement - like the majority of Catholics on the whole - considered the social question to be, above all, a religious and charitable problem and expected that, primarily, the pastoral work of the Church

would solve this problem. I just mention a few examples: In 1841 the famous Tübingen based *Theologische Quartalschrift* ('Theological Quarterly') - up to today a highly respected theological periodical - warned that 'the social storms' can only be averted 'by promoting the blissful influence of the Christian religion'[16]. In 1850 the Mainz based newspaper *Der Katholik* ('The Catholic') declared, only the Church had 'the vocation and the sole sufficient capacity'[17] of resolving the social problems. The Munich based *Historisch-politische Blätter* ('Historic-political Papers') – the leading periodical within the Social Catholicism in the middle of the century - and the annual conventions of the Catholic laity shared the same conviction. They expressed their hope saying: 'Our cathedrals will survive (and defeat) their ailing neighbours'[18] – 'ailing neighbours' meant the tall factory chimneys and the economic-technical development of the modern age on the whole.

The pioneer of Social Catholicism and its most influential figure in the 19th century was Wilhelm Emmanuel von Ketteler, Bishop of Mainz from 1850 to 1877. In his early days, he too, put special emphasis on the religious and moral dimension of the social question. In 1848, Ketteler, then member of the Frankfurt National Assembly and a parish-priest, gave famous Advent sermons on *Die grossen sozialen Fragen der Gegenwart* ('The great social questions of the present time') in the Mainz cathedral. He firmly declared in these sermons:

> Our social disease is 'a necessary, a compelling after-effect of the break with Christ… Our social misery does not lie in the external hardship, it lies in the inner way of thinking'. Only 'return to Christianity' is able to heal the social disease. 'The more powerless the doctrine of the world is to help the more powerful is the doctrine of the Church'[19].

3. The social question – also an economic and societal problem

Until beyond the middle of the century, this assessment of the social question as a problem of religion and charity was predominant in the Catholic community. Besides that, however, there were already some people of rank, who realized that the social misery was a question of economic and societal structures as well. Social critics of the already mentioned Romantic period - such as Franz von Baader, to mention one

important name - regarded the mass poverty, i.e. poverty on a massive scale, then called ‘pauperism’, and the class conflict between rich and poor, as its main features, and they regarded the dissolution of the ‘corporative' social class structure of the Middle Ages, “the disbanding of the medieval 'system of estates"”, to be its main cause. ‘By dismantling the serfdom system’, the lower section of the population ‘became just poorer and more in need of help and protection – even in the richest and most industrialized states’[20].

Also, Franz Joseph von Buss, one of the outstanding figures of early Social Catholicism, pointed to the economic and societal dimension of the social problems. As a member of the state parliament of Baden, in 1837 he analysed the social question and underlined the following four main headings:

- uncertainty and instability of the workers' economic existence, because of the changeable and often changing new capitalist economy,
- inhumane working conditions causing serious health damage,
- deprivation of political rights and dependency on the ‘factory boss’,
- social misery and mass poverty, which the workers cannot overcome by themselves, because their wages provide only the minimal living income[21].

This was the first socio-political speech ever given in a (German) parliament - more than 10 years before Karl Marx and Friedrich Engels published the Communist Manifesto in 1848.

Like the majority of his Catholic contemporaries, the young Ketteler had considered the social question to be primarily a problem of religion and charity. In 1850 he was appointed Bishop of Mainz and had to confront and deal with the growing social problems in his diocese. From this experience and impressed by the activities of Ferdinand Lassalle in his diocese, who founded the Social Democratic Party, Ketteler learned that a 'change in the way of thinking', religious renewal and church charity **alone** could not and cannot master and overcome social misery. He realized that reforms of the economic and societal conditions and structures were no less imperative than a 'change in the way of thinking'. For the first time he expressed his new assessment in the famous publication *Die Arbeiterfrage und das Christentum* (‘The Worker

Question and Christianity') of 1864. In the years which followed, a large number of copies of this book have been published. Ketteler regarded the proletarian life situation of the factory worker as the core of the social question; he pointed to the fact that human work had become a mere 'commodity'; and he adopted the 'Iron Wage Law'.

Ferdinand Lassalle, the just mentioned founder of the Social Democratic Party (in Germany), had formulated the 'Iron Wage Law'. Ketteler took it over, gave reasons and explained it: the material existence of the worker depends on his wage;

> **in our time** this wage is determined by the subsistence level, by what is vitally necessary in the strictest sense; for the 'wage is a commodity; every day its price is determined by supply and demand; the line which it is varying around is the minimal living income; whenever the demand (for work, for workers) is greater than the supply, the wage rises over this axis; whenever the supply (of work, of workers) is greater than the demand, the wage drops under this line'[22]. Because of that, sometimes the wage is a little bit higher than the subsistence level; sometimes it is lower. It depends on the changing supply of and demand for work.

This new approach of Ketteler's assessment of the worker question showed that he too - as the mentioned Romantic social critics and Buss - and parts of Social Catholicism, influenced by Ketteler, no longer saw the social misery only as a problem of religion and charity but also as an economic problem, in fact even as a problem of the whole society. They realized that its solution did not only require a 'reform in the way of thinking' but also a comprehensive 'reform of social conditions and structures'.

4. Rerum Novarum: religious *and* socio-economic nature of the social question

In 1891, Pope Leo XIII published the Encyclical *Rerum Novarum.* With regard to the different and sometimes contradictory assessments of the social question, he clearly declared and explained his position. By way of

introduction, the Pope analysed the social question. He did not overlook nor fail to see ‘a general moral deterioration’ (No. 1,1) and the fact, that ‘public institutions and the laws have repudiated the ancient religion’ (No. 2).

The Encyclical, however, puts special emphasis on the economic and social factors: on ‘the growth of industry, and the surprising discoveries of science’, and on ‘the increased self-reliance and the closer mutual combination of the working population’ (No. 1,1). In addition to these two positive factors, Leo XIII mentioned four negative ones: ‘the enormous fortunes of individuals and the poverty of the masses’ (No. 1,1), ‘the concentration of so many branches of trade in the hands of a few individuals’, the scandal that this ‘small number of very rich men have been able to lay upon the masses of the poor a yoke little better than slavery itself’, and finally that ‘the ancient workmen's guilds were destroyed in the last century, and no other organization took their place’. Because of that, ‘it has come to pass that working men have been given over, isolated and defenceless, to the callousness of employers and the greed of unrestrained competition’ (No. 2). This harsh analysis reminds me of Karl Marx and shows that Leo XIII put himself on the side of those in the Catholic Social Movement who assessed the social question also as a problem of economic and societal structures.

FROM THE ALL-EMBRACING *SOCIAL REFORM* TO THE PARTIAL *SOCIAL POLICY*

After these roughly sketched remarks on the social misery in the 19th century, the proposals of Social Catholicism to overcome the misery and the position of the Encyclical *Rerum Novarum* on the social question, shall come into focus. There was a first alternative: shall we overcome social misery by an entire and all-embracing reorganization of the existing order, that is to say by a grand '**social reform**' according to the medieval example of the 'corporative' estate and guild model, according to the medieval feudal system, or shall we overcome the social question only by eliminating the misuses and excesses within the existing economic order, within the system of a market economy, and because of that, by a 'partial' reform, that is by a 'partial' or 'selective' **social policy**?

1. Solution of the social question by a 'social reform': renewal of the medieval 'system of estates'

The supporters of the concept of a 'corporative' society based on estates decisively influenced the developing Social Catholicism. As I have mentioned already, in the early 19th century the social critics of Romanticism regarded the disappearance of the 'corporative' social class structure of the Middle Ages to be a crucial cause of the social question. In order to solve this problem, they demanded to integrate the new stratum of the factory work force into a renewed societal order, which should somehow be structured according to the medieval social 'system of estates' such as Nobility, Clergy, Commoners, etc. Franz von Baader, one of the most important Romantic social critics, underlined this, because 'the freedom of the social life' depends completely on a 'corporative' structure[23] of society. The above-mentioned 'Historic-political Papers', for a long time the leading periodical within Social Catholicism, propagated the integration of factory workers into a social class order similar to that 'system of estates' that existed in the Middle Ages[24]. The majority of the emerging Catholic Social Movement was therefore convinced that somehow, only the renewal of a 'system of estates', of a 'corporative' society, would overcome social evils.

In the decade before the publication of *Rerum Novarum*, the Austrian social reformer Karl von Vogelsang developed this concept to its culmination. His vision aimed at a 'corporative' re-organization of society. The structuring principle of society should not be - as in the capitalist order - the ownership or non-ownership of capital, but the special kind and the importance of the respective work for society. In his concept, therefore, Vogelsang added to the medieval social classes or estates - such as Nobility, Clergy, Trade, Artisan and Craftsman, Farmer etc – 'the social class of those who are involved in big industry'[25]. This social class of those involved in big industry would include employers **and** employees. Vogelsang demanded, 'to constitute a new kind of co-ownership' on the basis of being employed in the respective enterprise. He called it an 'ideational co-ownership'[26] in contrast to real ownership. By setting up this special form of co-ownership on the basis of their work

in the business, the factory workers should be integrated into the associations of big industry and should decide respective personal and social affairs together with employers. In this way, he hoped to integrate the factory workers into a renewed 'corporative' society.

2. Solution of the social question by 'social policy': elimination of misuses within the existing economic system

It was Bishop Ketteler who introduced the inner-Catholic alternative to the all-embracing 'social reform' according to the medieval 'system of estates' model. In his early days, as we have seen above, he was a determined opponent of economic liberalism. Addressing Catholic workers in 1869, however, for the first time he declared that one might regard the 'absolute freedom in every economic field' to be 'necessary' and 'beneficial'[27]. In a memorandum of the same year to the (German) Catholic Bishops' Conference, Ketteler no longer demanded the abolition of the existing ('capitalist') economic system, but 'to temper it, to search for remedies for each of its bad consequences, and also to let the workers share in what is good in the system, in its advantages'[28]. Thus, Ketteler gave up the concept of **all-embracing** 'social reform' according to the medieval 'corporative' society, which until then the majority of the Catholic Social Movement had supported. At the same time he opened the way to the *'***partial***'* reform, to the *'***selective***'* social policy within the existing economic system, eliminating only its misuses and excesses, and showed the new direction to Social Catholicism.

The socio-philosophical reasons for the new policy were given by Georg von Hertling, professor of philosophy at the universities in Bonn and Munich and since 1876 spokesman of the Catholic *Zentrums Partei* ('Centre Party') on social issues in the national parliament. Hertling emphasized that there is 'no one and for all valid rule' for the relationship between capital and labour. The medieval 'corporative' social class society and its guild system had also huge disadvantages. This feudal order 'failed just when... the upturn of the industrial economy set new problems'. The aim, therefore, is not 'to build up and shape a completely new society in order to restore the disturbed relations between capital and labour'[29]; rather we must 'heal the disadvantages which the modern big-

industrial production has caused to the working people'[30]. So two different concepts were on the table: all-embracing 'social reform' according to the medieval example of a 'corporative' social class order, of a 'system of estates' society, and the 'partial', 'selective' social policy within the existing economic order, eliminating only its misuses and excesses.

3. *Rerum Novarum*: social policy – no class struggle – just contracts of employment

In 1891, the Encyclical *Rerum Novarum* took up the decision in favour of the 'selective' social policy, which parts of the (German) Catholic Social Movement had introduced, and tried to clear up the mutual relations between employers and employees. On the one hand, Pope Leo XIII rejected the opinion that the class struggle is an unchangeable and unalterable historical law, because capital and labour 'are intended by nature to live at war with one another'. 'The exact contrary is the truth'. In spite of their opposing interests,

> these two classes should exist in harmony and agreement' just as the different parts of the body; for 'each requires the other: capital cannot do without labour, nor labour without capital'" (No. 15).

On the other hand, Leo XIII urged 'the workman to carry out honestly and well all equitable agreements freely made' (No. 16). For me it is more than remarkable that the Pope bound the fulfilling of such a contract not only to its free conclusion but to its equitable and just contents **as well**. This requirement of equitability and justice is higher, 'more imperious and more ancient than any bargain' (No. 34,3) voluntarily made. The employers must treat their employees humanely and not 'use human beings as mere instruments for making money' (No. 33,1). They must not forget 'that their work people are not their slaves, that they must respect in every man his dignity as man'. It is 'shameful and inhuman to treat men like chattels to make money by, or to look upon them merely as so much muscle or physical power' (No. 16).

In this way, the Encyclical said **'No' to the class struggle** and **'Yes' to the free and just contract of employment**. Regarding the question as to whether an all-embracing 'social reform' of the existing economic order

according to the medieval 'corporative' society or a 'partial', 'selective' social policy within this order, eliminating only its misuses and excesses, should solve the social problems – the presented statements show clearly that *Rerum Novarum* indicated the socio-political way.

THE NECESSITY OF AN ECONOMIC AND SOCIAL POLICY BY THE STATE

As important for the emerging Catholic Social Movement as the alternative "all-embracing 'social reform' or 'selective' social policy" was the question: Is the solution of the vast social problems just a matter for **single individuals** and private groups of society, or is the solution of the social question also the responsibility of the **state** and its policy?

1. Refusal of state interventions

Until the eighteen hundred and sixties, the majority of Catholics considered the social question mainly as a problem of religion and charity[31]. Because of that, they expected first and foremost that the pastoral work of the Church was to solve it and refused interventions of the state. In the first convention of the Catholic laity in 1848 in Mainz, the young Ketteler declared:

> You will see that the solution of the social question is reserved to the Catholic Church; for the state, by taking measures, whatever it wants, will not be able to solve the social question"[32].

This opinion was the common conviction of the majority of the emerging Catholic Social Movement.

2. Solution of the social question – also a task of the state

Already in his repeatedly mentioned speech of 1837 in the state parliament of Baden, however, Franz Joseph von Buss had recommended comprehensive political-economic and socio-political measures of the state: to ensure a balance between agriculture, trade and industry; to train the workers better and, in particular, to enact far-reaching labour laws in favour of the workers and safeguarding them. The employers have to be obliged to pay their workers only in cash and not in factory products and to observe a quarterly period of notice. The working hours of adults should be limited to 14 hours at most. Health authorities ought to supervise

factory buildings. ‘The state authority must prevent evil and, if it turns up nevertheless... the state must limit it’[33]. He therefore demanded to enact a *Fabrikpolizeiordnung* (‘factory police regulation’); an *Ackerbaugesetz* (‘farming law’), a *Handelspolizeiordnung* and a *Gewerbeordnung* (‘laws governing trade and industry’)[34]. By doing this, Buss was the first one to point the way to a modern social and economic policy and he anticipated what two generations later, people and politics had to strive hard for again.

When he changed his assessment of the social question in the middle of the 1860s, Ketteler too - meanwhile Bishop of Mainz - gave up his refusal of state interventions. In his repeatedly mentioned address of 1869 to Catholic workers, Ketteler presented and explained his new position on economic ethics. Among other things, he demanded laws concerning the reduction of working hours, observance of Sunday as a day of rest, and prohibition of factory work for children, who should attend school[35]. In the memorandum of the same year, addressed to the (German) Bishops' Conference, he demanded labour laws such as regulations of the working hours, closing of unhealthy factories and workrooms, state aid for people unfit for work, and above all, ‘control of the implementation of the labour laws by state factory inspectors’[36]. Thus Ketteler considered that the alleviation of the social misery was a task of the state also and pointed Social Catholicism in the new direction, the new way - also with regard to the fiercely discussed question of state interventions.

The demand ‘to start solving the social problems by legal measures of the state’[37] was emphatically taken up by the ‘Christian Social Associations’ which had been founded in the 1860s in the Rhine-Ruhr region. Ten years later, these associations formed a powerful movement with about 200.000 members. The conventions of the Catholic laity, too, asked for ‘the help of the state and of its legislation in order to eliminate thoroughly the existing social misery’[38].

The Catholic community on the whole, however, still did not generally accept the understanding of the necessity of state intervention. On the contrary, the so-called 'cultural struggle' in the 1870s and 80s - when the German state oppressed the Church and banned religious orders

- massively intensified the Catholic aversion to state power and state intervention.

3. *Rerum Novarum*: responsibility of the state for economic and social policy

In this tense and tension-laden situation, when the reasons for and against state interventions were hotly debated, the Encyclical *Rerum Novarum* said the official 'Yes' of the Church magisterium to the necessity of an economic and social policy by the state. Pope Leo XIII started from the general statement that

> 'the first duty' of the state authority is 'to make sure that the laws and institutions… produce of themselves public well-being and private prosperity', in other words, 'to consult for the common good… and this by virtue of his office, and without being exposed to any suspicion of undue interference' (No. 26). - The state 'must duly and solicitously provide' - Leo continued – 'for the welfare and the comfort of the working people'" (No. 27,1).

He gave two arguments:

> firstly, 'it is only by the labour of the workingman that states grow rich'. Justice therefore demands, 'that they who contribute so largely to the advantage of the community may themselves share in the benefits they create (No. 27,2). Secondly, the workers, 'who are, undoubtedly, among the weak and necessitous, should be specially cared for and protected by the state' (No. 29,2). Whenever, therefore, 'the employers laid burdens upon the workmen which were unjust, or degraded them with conditions that were repugnant to their dignity as human beings; finally, if health were endangered by excessive labour, or by work unsuited to sex or age – in these cases… it would be right to call in the help and authority of the law' (No. 29,1).

Another aspect turned up when the Encyclical rejected the socialist demand, 'that individual possessions should become the common property of all' in order to remedy and overcome 'the present evil state of things' (No. 3). On the one hand, 'when a man engages in remunerative labour, the very reason and motive of his work is to obtain property, and to hold it as his own private possession'. The transference of individual possessions into common property would 'strike at the interests of every

wage earner'. The Socialists 'deprive him of the liberty of disposing of his wages and thus of all hope and possibility of increasing his stock and of bettering his condition in life' (No. 4). But what is even more serious 'is that every man has by nature the right to possess property as his own.' This is one of the **chief points of distinction** between man and the animal creation" (No. 5). The right to possess private property is not a present given by a state authority; it 'is from nature, not from man'. The State, however, has 'to regulate its use in the interests of the public good' (No. 35,2).

Concerning single socio-political laws, the Pope demanded 'the cessation of work and labour on Sundays and certain festivals' (No. 32,2), the regulation of 'daily labour… that it may not be protracted during longer hours than strength admits', the prevention of unjust work by 'a woman or a child' (No. 33), and finally, the guarantee of a just wage. As 'benchmark figures' of this just wage he referred to three points:

- a minimal living income sufficient for 'procuring what is necessary for the purposes of life' (No. 34,2) of the worker (minimal living wage),
- sufficient wage to enable the worker 'to maintain… his wife and his children' (family wage)
- and the possibility to make savings, 'to study economy' and 'to put by a little property' (No. 35,1), as the Encyclical says.

With regard to the fiercely discussed question, whether the solution of the social problems is just a private matter for single individuals or a public responsibility, the Encyclical *Rerum Novarum* clearly agreed with the supporters of public interventions and called also upon the state authority to contribute to the solution of the social question - a type of task which in the meantime has been taken for granted, but which for a long time, was anything else but taken for granted.

SELF-HELP OF THE EMPLOYEES BY JOINING TOGETHER AND ORGANIZING THE REPRESENTATION OF THEIR INTERESTS

As controversial as the issue of state intervention was the entitlement of the workers to join together and to organize the representation of their interests.

1. Bismarck and Big Business: against worker organizations

In 1872, the (Imperial) Chancellor Otto von Bismarck had introduced the so-called 'Socialist Act'. His main motive was reasons of state. He was afraid that an organized work force and trade unions would weaken German economy. The 'Socialist Act', which was in force until 1890, had banned and, to a great extent, broken and destroyed the workers' organizations. Big business supported Bismarck. In 1877, the 'Central Association of German Industrialists' stated in a resolution to the national parliament:

> It is unacceptable to squeeze an organization (of workers) in between the employers and employees. The existing order of society depends on *super-ordination and subordination,* and the worker is not entitled to claim an exception. He is *subordinated* to the employer and owes obedience to him[39].

Henri Axel Bueck, secretary general of the 'Central Association of German Industrialists', was one of the most powerful and influential supporters of this rejection. In 1990, he asserted that

> 'an organization of the work force' does not bring 'social peace, but struggle, the rule of rough force, of rough violence'. The employers, therefore, will never be willing 'to negotiate with representatives of this organization on the basis of equal rights, on the basis of equality... Never will they do so - insofar as **never** can be said at all'[40].

2. Social Catholicism: support of worker associations

In contrast, there were also followers of Social Catholicism who very early supported the right of the workers to join together. Already in 1835, Franz von Baader recommended that, if the 'factory bosses' come together 'in meetings and associations' in order to drop the wages, the employees too 'should found associations... against their wage bosses'[41]. In his repeatedly mentioned speech of 1837 to the state parliament of Baden, Franz Joseph von Buss also demanded 'to found associations among the workers'[42], and in 1851 he suggested, 'to establish free trade unions'[43]. He made it the task of the emerging *Vinzenz-Vereine* ('Vincent-Associations') to bring so-called *Sparladen* ('saving shops') into being. So a 'Christian brotherhood between more or less propertied classes of the nation'[44] would emerge. Of course, Buss did not think of trade unions in the modern sense. Behind his proposals, however, one could clearly see

the idea to improve the conditions of the employees by self-help associations aiming at cooperative societies, at consumer cooperatives and aiming at trade unions.

Since the middle of the 19th century, the association concept, the idea to establish co-operatives, was more and more discussed. Apart from some periodicals of the Catholic Social Movement, there was again Bishop Ketteler who made every endeavour to found co-operative businesses. In these so-called *Produktivassoziationen* ('production associations'), the employee - being a member of the co-operative - also would be 'employer', 'entrepreneur'. Therefore, he would get a double income: the ordinary wage of a worker and a dividend, a share of the enterprise's profit'[45]. Because the idea of establishing 'production associations' did not succeed, in the following period, Ketteler firmly supported the organization of the workers. He called trade unions - without exception – 'rightful, legitimate and beneficial, lest the working class should be squashed by the power of the centralized money'[46]. In his last socio-political publication, Ketteler regarded 'trade unions' as the way 'to strive for a general organization (of the work force)'[47]. At the 1877 convention of the Catholic laity, Christoph Moufang, who was Ketteler's aid for many years, considered 'the establishing of worker associations to be absolutely imperative in order to organize the working class in a really just and Christian way'[48]. In the same year, Franz Hitze, the successor to Ketteler as leader of the Catholic Social Movement, holder of the first chair of Christian Social Teaching at a German university (in Münster) and a prominent social politician in parliament, defended the right of freedom of association of the workers, because 'a single and isolated employee is always defenceless against the employer'[49].

3. Emergence of Catholic worker associations and Christian Trade Unions

Around the middle of the century, the first Catholic worker associations emerged almost parallel to so-called *Gesellenvereine* ('Journeymen Associations'). Adolph Kolping (1813-1865), who was beatified a few years ago, founded these journeymen associations in the 1840s.[50]. Before

Kolping studied theology and became a priest, he was a shoemaker and himself suffered the social misery of the travelling journeymen. Today these associations form the international *Kolpingwerk* (‘Kolping Society’) and are spread nearly all over the world.

In reaction to the liberalization of the mining industry in the eighteen fifties, with help of so-called ‘red chaplains’, Catholic *Knappenvereine* (‘Miner Associations’) were established in the Ruhr region. To date, the Ruhr region is the most industrialized region in Germany. Since the 1860s, ‘Christian Social Associations’ had emerged in the Rhine and Ruhr area. They stretched beyond the work force to the middle class and numbered some 200 000 members in 1870[51]. In the following decade, the previously mentioned 'cultural struggle' and the 'Socialist Act' also brought a violent end to many of these Christian Social Associations. In place of them, worker associations were organized on the parish level. In 1889, a survey numbered 232 associations with 52 000 members[52]. After the 'Socialist Act' was repealed in 1890, the first local ‘Christian Trade Unions’ emerged. Towards the end of the century they were almost as strong in some regions as the trade unions with a socialist bias[53].

4. Rerum Novarum: foundation of "working men's associations" – "a law of nature"

It was in this situation that *Rerum Novarum* was published in 1891. In a general way, Pope Leo XIII encouraged the workers to join together and to found associations. These ‘workmen's associations are most important’ (No. 36,2). In connection with that, the Encyclical describes the freedom to associate together and to form a coalition as a natural law.

> For to enter into a 'society' of this kind is the natural right of man; and the State must protect natural rights, not destroy them; if it forbids its citizens to form associations, it contradicts the very principle of its own existence (No.38,1).

In this way defending the employees' right to join together and to found trade unions, the Pope took a clear stand, and he did so at a time when the German police had just banned and still persecuted worker organizations. Concerning the strike issue, Leo XIII regarded the

prevention of strikes by ‘the removal in good time of the causes which lead to conflicts’ as 'more efficient and salutary' (*magis efficax ac salubre* / No. 31), but basically also recognized strikes as a last means in social conflicts.

Rerum Novarum did not deal with the issue of the worker participation in economic decision-making[54]. According to the understanding at that time, the right of ownership and the contract of employment excluded any co-determination of the workforce in the respective enterprise. Capital and labour, however, should ‘maintain the equilibrium of the body politic’ similar to ‘the symmetry of the human body’ and its ‘members’. In order to introduce this *aequilibritas* (No. 15), as the Latin expression reads, this 'balance of power', Leo hoped and desired that the ‘workmen's associations… should multiply and become more effective’ (No. 36,2); they should look after their interests within the parameters of justice, ‘must make’, as the Encyclical says, ‘every lawful and proper effort’ (No. 45).

CONCLUSION

In the introduction to this essay I quoted the Brazilian Bishop Joseph Karl Romer. I repeat his remarks on the Encyclical *Rerum Novarum* of a few years ago:

> Today my country and many other countries "are in a state, in a condition similar to the European situation towards the end of the 19th century". Because of that, "for us *Rerum Novarum* is urgent and of great relevance and was almost a minor miracle"[55].

Now we are asked to decide whether we agree with the Brazilian Bishop and share his assessment, that ‘*Rerum Novarum* is urgent and of great relevance’ also for many countries of today.

Four issues have been the focus of this essay - problems, which in the 19th century were essential in Europe and, looking at the so-called 'Third World' and the developing countries, are similarly important today:

- the understanding of the social question as a mere religious, moral problem **or** as a problem of economic and social structures **as well**;
- all-embracing corporative 'social reform' according to the example of the feudal 'system of estates' in the Middle Ages **or** 'partial', 'selective' social policy within the existing (market) economic order;

- necessity of state intervention to solve the social questions - **yes or no?**
- **self-help** of the work force by joining together (in trade unions) and organizing the representation of their interests.

Referring to these four subjects, I have tried to explain crucial problems of the 19th century and to describe the answers Pope Leo XIII gave to these questions in the Encyclical *Rerum Novarum*. In my view, with farsightedness and courage, he set the course and made decisions which today are taken for granted, which, however, more than a hundred years ago were anything but taken for granted. With regard to the present time, the Encyclical encourages us to take up the problems of today with the same farsightedness and courage; and *Rerum Novarum* shows that **one** target, **one** goal should always be kept in mind and held on to: the idea of social partnership. Human beings want to understand themselves, want to be understood and want to meet each other as partners also in the economic life.

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Karl Marx, Marxism and Approaches to a Critical Judgement

(After the Fall of 'Really Existing Socialism')

INTRODUCTION

In 1991, one year after the breakdown of the German Democratic Republic, the Berlin based daily paper *Neues Deutschland* ('New Germany') invited its readers to a seminar on the issue 'Marxism and present time or: How alive is Karl Marx?' In this context the Communist newspaper asked the question: "What is lasting of the Marxist approach after the 'really existing socialism' has collapsed?" "Is Marx "a dead dog" or do we just need the demand "Get back to Marx?"[1] In July 2002 the Johannesburg based *Sunday Times* published a contribution to the same discussion. With regard to current economic problems in many countries, the author starts his article emphasizing: 'Communists of the world, rejoice. Marx was right'[2]. We are therefore not exotic people when we deal with Karl Marx, and in my view it is really useful to ask him and Marxism critical questions, and to ask those questions in particular after the collapse of Marxism more than one decade ago.

Heinrich Karl Marx was born in 1818 in the city of Trier/Germany, close to the Luxembourg border. His parents, of Jewish origin, converted to Christianity and, in 1824, had their children baptised in the Protestant church.

> By the way, two interesting remarks: Young Marx attended the same high school that Jesuit Father Oswald von Nell Breuning attended 70 years later. Oswald von Nell-Breuning was a distinguished theologian, a foremost social

scientist and doyen of Christian Social Teaching. As a young lecturer he worked out the draft of the Encyclical *Quadragesimo Anno*, published in 1931, which had a great influence on modern Christian Social Teaching. After World War Two von Nell-Breuning was an aide of various German Chancellors and governments and influenced their social policy to a considerable extent. A second remark: On Easter 2002 Reinhard Marx – not related to Karl Marx – director of the Catholic Social Academy KOMMENDE in Dortmund for a number of years and a leading advocate of Christian Social Teaching, was appointed bishop of Trier.

Karl Marx studied law, philosophy and history at the universities of Berlin, Bonn and Jena. In Berlin he went to lectures of the famous philosopher Georg Wilhelm Friedrich Hegel. He became familiar with Hegel's dialectical method that thoroughly shaped his later way of thinking. In 1842 Marx worked as a freelance journalist of the opposition daily newspaper *Rheinische Zeitung* ('Rhineland Newspaper') in Cologne and was, for a short time, its editor. After the newspaper was banned, he migrated to Paris in 1843, became acquainted with the French Early Socialism and formed a life-long friendship with Friedrich Engels. Engels was the son of a rich businessman in the city of Wuppertal in the Ruhr-Region, the most industrialized region in Germany. In 1845 Marx was expelled from France and moved to Brussels. Three years later he and Engels published the legendary *Manifesto of the Communist Party*. The 'Manifesto' was to become the basis of the many Communist parties all over the world (including South Africa where the Communist party is a part of government). In 1849 Marx moved to London where he worked out his famous work *The Capital* and lived until his death in 1883.

According to Karl Marx and Marxism respectively, the solution of the 'social question' of his (and any) time is neither the task of ethical powers as Early Socialism emphasized nor task of state interference; it rather results from a long historical development process transforming private ownership of the means of production into common property. One only needs to wait for the proceeding intensification of the process. The end will be the Communist classless society. This process proceeds according to natural law necessity. It is impossible in a short treatise to describe and explain the whole system of Marxism exhaustively. Therefore I shall just focus on some of its key issues: the Marxist Anthropology; Historical Materialism or Economic Determinism,

(which constitutes the Marxist Philosophy of History); the Marxist Value Doctrine, Wage Theory and Surplus Value Doctrine; the theories of Concentration, Impoverishment and Revolution connected with the Value Doctrine; the system of a centrally planned and controlled economy in countries ruled by Marxist parties; the Contradiction between Revolutionary Action and Development according to Natural Law Necessity; and finally the atheistic character of Marxism. In a second step of consideration, I will point each time to what – in my view – is right in his theories and ask critical questions.

MARXIST ANTHROPOLOGY

The starting point for understanding Marxism is the conception of the human being. Karl Marx unfolded his conception of man mostly in his early writings. The original right status, the first right shape of the human being consists in forming a unity with the whole of the surrounding world, in being united with things of nature and fellow humans; the original right state of the human being does not consist in living one's life as a mere and isolated individual, but in 'an identity of nature and human'. Truly human life is only possible in a unity of the human being with nature and society. Being in isolation, humans and things of nature miss the meaning of their existence.

The means, the medium of unifying the human being with nature and society into a unity, which transcends all individualization, is work. By working, man stamps his essence into things of nature. By working, humans grow together with the things to a unity because they make their marks on them and give them something of themselves, something of their identity. At the beginning of human history, in the so-called Early Communism, this unity of the human being with nature and society was a reality. 'Then man was unbroken with himself and could objectively express one's human essence by working'[3].

The unity of the human being with nature and society has been destroyed, according to Marx, by an elementary disaster of human history, by the 'Sinful Fall' of private ownership. Private ownership binds everyone to oneself, isolating and separating people from each other. Consequently, working has lost its purpose: If the means of production – more precisely, if the ownership of the means of production - on the one hand and work on the other are separated, the working human being does not experience self-realization in using one's energy

for work, but self-alienation. Self-alienation was to become one of the key terms in Marxist analysis. What reasons does Marx give for this thesis? The products of work, which the workers put their mark on and something more, something of themselves, belong to another person, to the capitalist, and have been alienated from them. 'The realization of the worker in his product, which is not owned by himself', causes him to regard his work as 'existing outside of himself, independent, alien to him; it becomes a power of its own' and 'makes the life he gave the product hostile and alien to him'[4]. The capitalistic society produces the highest degree of alienation. 'There the human being is only a commodity, nothing else'. One's capacity for work and humans themselves consequently 'have become a commercial commodity totally subject to the capitalistic market laws'[5].

Also the capitalist, however, who owns somebody else's products of work, which are not marked by the seal of his nature, has been self-alienated. He is just mistaken about his situation, because he possesses those goods and can use them, although he did not produce them.

Therefore, only the proletariat is truly aware of self-alienation; and only the proletarians are able to recognize the direction of the historical process and to contribute - by their fighting - to overcome self-alienation. Marx attributed this capacity to the proletarians. Later on Lenin transferred it to the (Communist) party, which became the highest authority in the field of recognizing the truth and determining the direction of the political struggle. Stalin finally transferred this capacity completely to the Politburo of the Communist party, which means to himself.

A short remark on the key word 'sinful fall' of private ownership! According to Thomas Aquinas, the great theologian and philosopher in the Middle Ages, the introduction of private ownership had become necessary after the sinful fall of Adam and Eve[6]. Given the peacefulness, selflessness and mutual understanding in paradise, all goods would have been in common use and, therefore, they would have been common property. So Thomas saw the sinful fall and original sin respectively in the recklessness and egoism of the human being. Marx, on the other hand, saw the sinful fall in a particular social structure, in the feudal and capitalistic society, which caused the above-mentioned evils like alienation and egoism.

MARXIST PHILOSOPHY OF HISTORY: ECONOMIC DETERMINISM OR HISTORICAL MATERIALISM

Marxist philosophy of history intends to show the way of overcoming the just-mentioned self-alienation of the human being. This task is carried out by the economic determinism or historical materialism (which is the same). Economic determinism or historical materialism depends on two key sources: on the dialectics of Hegel and on materialism as taught by the – also German - philosopher Ludwig Feuerbach.

Georg Friedrich Wilhelm Hegel (1770-1831), the main representative of idealism, taught a kind of pantheism: the many and multifarious and diverse forms of reality and the stages of the historical development of reality are phases or stages, which the divine world spirit is passing through in its process of self-unfolding. Therefore Hegel does not know a personal and transcendent God. The self-unfolding process of the absolute world spirit proceeds in a dialectical triple-step of thesis, antithesis, and synthesis. The particular starting phase of the thesis produces a counter-movement that causes the change to the antithesis. Counter-forces become effective also in the antithesis and lead to the synthesis. Thesis and antithesis are combined in the synthesis and form a new unit in the sense of being 'abolished', 'replaced' and 'kept up', ‘preserved'. So step 1 is included in step 2; steps 1 and 2 form step 3 in the double sense of 'replaced' and 'preserved'. This third phase, the synthesis, is in its part again the first stage, the thesis, of a new triple-step in the ongoing dialectical process of history.

According to Hegel this dialectical process forms a law of development that does not only determine the self-unfolding of the absolute spirit, the self-unfolding of the divine world mind, but it is in force for all spheres of the existing reality.

Apart from Hegel's dialectics the influence of the philosopher Ludwig Feuerbach (1804-1842) is equally important to understand the economic determinism of Marx. Feuerbach reshaped Hegel's idealistic philosophy in a deliberately anthropocentric sense. His basic thought is: not the absolute divine world spirit – as Hegel emphasizes – nor abstract ideas, but the human species, human beings, their sensuous needs, desires and inclinations are the real and true reality. These human needs, desires, inclinations are the creators of history and the driving forces and incentives to societal development. ‘Everything

spiritual is an illusion'[7]. Religious ideas are mere projections and only desired ideals; no reality corresponds to them. *Der Mensch schuf Gott nach seinem Bilde* ('Man created God according to his image') reads the inscription on the Feuerbach statue in Nuremberg. Humans created God, and they create God by making him to be like themselves. God is just a human projection. In this way the pantheism of Hegel was changed and became a kind of 'pananthropism' (the Greek term *Anthropos* means 'human being').

Marx combined Hegel's theory of the dialectical development process and Feuerbach's pananthropism into a system that can be called 'economic determinism' or 'historical materialism'. He replaced the absolute world spirit in Hegel's pantheistic philosophy by technical-economic facts, in particular by the productive forces and relations of production. The particular technical production methods, the forces of production – Marx counts climatic, geographical and technical factors as well as human 'working skills' and human 'production experience'[8] – create the corresponding 'relations of production'; in other words, the productive forces shape an economic and social order that corresponds to them. Forces of production and relations of production are the *ökonomische basis* ('economic basis') and shape for their part the so-called *ideologischen Überbau* ('ideological superstructure'). Part of this 'ideological superstructure' is the 'legal and political superstructure' as well as the *gesellschaftlichen Bewusstseinsformen* ('forms of awareness and consciousness of the society') such as politics, law, arts, philosophy, morality, religion, etc. Marx did not hesitate to emphasize:

> By acquiring new productive forces humans change their production methods, and by changing the production methods… they change their social conditions. The hand-mill produces a society of feudal lords, the steam-mill produces a society of industrial capitalists[9].

The 'superstructure' and its development, history as such, are determined by the 'economic basis'. In this way Marx attaches an importance to the current relations of production, the current 'economic basis', as no other system does.

Marx presents the classical and, at the same time, shortest summary of this central thesis of the historical materialism in the preface of his work *Zur Kritik der politischen Ökonomie* ('On criticism of the political economy'):

> In the social production of their lives human beings enter into certain, necessary conditions that are independent of their wills, relations of production, which correspond to a certain development stage of their material productive forces. The totality of these relations of production forms the economic structure of society, its real basis; a legal and political superstructure arises above it, and certain forms of social awareness correspond to this economic basis. The production methods of the material life shape the social, political and mental process of life as such. It is not the human mind nor consciousness of humans that shape and determine their existence, rather, on the contrary, their social existence, their social conditions shape and determine their mind and consciousness. At a certain stage of their development, the material production forces of the society come into conflict with the existing relations of production or with the relations, the distribution of property, which is nothing else than their legal expression… An epoch of social revolution is the result. By changes of the economic basis the entire huge superstructure radically changes more slowly or more quickly… Roughly Asian, ancient, feudal and modern bourgeois production methods can be called progressive epochs, progressive stages of the economic formation of society. The bourgeois relations of production are the last antagonistic form of the societal production process… but at the same time, the productive forces, which develop in the bosom of the bourgeois society, create the material conditions to solve this antagonism. This form of society brings the pre-history of the human society to a close"[10].

I summarize: according to historical materialism, it is not the human mind, nor human consciousness that determine social conditions and the course of their changes; on the contrary, it is the social conditions, the productive forces and the production methods that shape and form the human mind and consciousness. The spiritual superstructure – ideas, consciousness, thinking – is only produced by the (economic) basis. It does not possess independence. The superstructure just reflects, just mirrors the conditions of the basis[11].

Approaches to a critical judgement

Economic determinism is right in emphasizing the fact that the relations of production, the economic and social conditions, do influence human thinking and human spiritual and cultural life in the broadest sense of the word. By their nature humans are related to creation, to the reality surrounding them, to the

society – related to them by the creator. Because of that the human being is addressed and influenced by societal factors. The human being does not exist only as an individual, as a 'Robinson', but as a ‘political animal’ (*zoon politikon* according to the Greek philosopher Aristotle), and as a "social animal" (*animal sociale* according to Thomas Aquinas, the medieval philosopher and theologian); in other words, the human being is a creature who in terms of one's mere existence as well as in terms of the different fields and forms of activity depends on human society, is part of and related to it and therefore influenced by this society. Not least the economic conditions, the forces and relations of production are part of this society. Idealistic and spiritualistic world-views overlook these facts partly or even completely. Because of that, Marxism rightly attaches particular importance to the economic conditions, to the forces of production, to the society.

However, one has to ask: **what determines** the history of humankind, and what shapes world history, human society and economic conditions **in the end?** Is it processes, acting according to the law of nature - and consequently blindly, or is it mental and spiritual decisions of human beings? In asking this question, the main objection to economic determinism is being raised. Marx claimed that history up to now, and also everything that happened in philosophy, arts, law, religion and in the whole history of ideas, depends on and results from the particular economic and social conditions of the respective time and is clearly to be explained by them. This claim is a pure assertion. Reasons in detail are missing. Whatever the ancient philosophers Plato and Aristotle, what Jesus of Nazareth, what the theologian Thomas Aquinas and the philosopher Kant, what the poet Goethe, what the musician and composer Mozart, what the mathematician and physicist Einstein and the great artist Picasso have thought, said, done and achieved – does all that exclusively derive from and depend on the existing relations of production, on the particular economic and social conditions of the time?

Distinguished social scientists such as Max Weber (1864-1920), Werner Sombart (1863-1941) and Ernst Troeltsch (1865-1923), to mention just a few of them, deliberately adopted economic determinism as a working hypothesis in order to research into particular historical phenomena and developments. Their studies, for example the famous work by Max Weber on the origin and development of capitalism and the influences of Protestant

ethics[12], rather prove the opposite: ideas influence and determine the historical and social reality much more than anything else. Ernst Troeltsch, a notable historian and sociologist, dealt in a life-long research with the origin, spread and transformation of Christian churches and their teachings[13]. He reached the conclusion that it was impossible to get by on the Marxist thesis of economic determinism. Economic and social conditions promote or hamper factors for the spread of faith, but they are not the cause of its origin in humans' heads and hearts. His conclusion too says: ideas have determined the historical and social reality more than everything else.

MARXIST VALUE DOCTRINE – WAGE THEORY – SURPLUS VALUE DOCTRINE

Karl Marx thought he could express the main characteristics of the capitalistic epoch in the so-called value doctrine, wage theory and surplus value doctrine. He puts the value of a product exclusively down to the work that has to be done to produce it. "Consumer items or goods have only a value because human work is concretized or materialized in them". This statement does not refer to what is actually needed to produce the one and the same item and to what may be very different (due to the particular production situation), but it is about the working time that is – as Marx said - "on average needed or by the society needed" (*"im Durchschnitt notwendige oder gesellschaftlich notwendige Arbeitszeit*[14]"). The value of a commodity therefore depends on the amount of working time that was or is needed by society in order to produce it.

The owner of the means of production buys the capacity for work of the dependent wage-labourer as a commodity. He gives him only as much pay, as the worker needs to keep himself and his species alive. According to Marx, therefore, wages are nothing else than the costs of the 're-production' of the workers and their capacity for work, the costs of bringing up and sustaining the workers, the work force, needed by the economy of a particular time. This fact was called 'the iron wage law':

> The average price of the wage-labour is the minimum of wages, which is the amount of food necessary to keep the worker as worker alive. What the wage-labourer earns by his work is therefore just enough to re-produce again his bare life"[15].

The wage, however, does not meet and does not correspond to the full equivalent of the workers' performance and output, but only to a part of this

equivalent; for the human capacity for work is the only commodity, which is able 'to produce more value than it is worth and possesses itself'[16]; more precisely: the human capacity for work is able to produce more than what is needed to re-produce itself. Marx called this part of the worker's performance and output the so-called *Mehrwert* ('surplus value' or 'added value'). According to Karl Marx, this 'surplus value' consists in the difference between the value of the work (that is the value of the work products) and the value of the worker (that is the value of things and efforts needed to re-produce the work force and their capacity for work). The capitalist employer keeps back this difference; in other words, he keeps back the surplus value, and uses it for creating new capital, for accumulating capital.

Friedrich Engels described the connection between value doctrine, wage theory and surplus value doctrine as follows:

> The capitalist employs his worker. In a certain time the worker works and produces as much as corresponds to his weekly wage. Assuming that the weekly wage of a worker corresponds to three working days, the worker starting on Monday has replaced the entire value of the paid wage to the capitalist on Wednesday evening. Does he stop working? Not at all. The capitalist has bought his weekly work, and the worker has to work three more weekdays. This surplus work of the worker is the source of the surplus value, the source of the profit, the source of the permanently increasing capital. Here we have the solution of all the contradictions. So the origin of the surplus value… is quite clear and natural. The value of the worker is being paid, but this value is much less than the value that the capitalist can manage to get from the worker's capacity for work. This difference, the unpaid work, makes up the share of the capitalist"[17].

Approaches to a critical judgement

The next section will deal with the wage theory of Marx. Here the value doctrine is the focus of attention. The value doctrine, stating that the 'value' is causatively and exclusively created by human work, contains some crucial reductions and shortcomings. The doctrine, firstly, restricts the term 'work' to those directly involved in the production. The more distant and nearer preparations for the work (for example, production planning, financing, blueprints and designs, the choice of economical and cost-saving production methods, marketing etc as well as procuring and providing capital) are not part

of the Marxist concept of ‘work’ and not taken into account by his value and surplus value doctrine. Marx did not know the ‘entrepreneur’ as a creative figure in the economy, but only the ‘capitalist’ as owner of a business or the ‘employer’ as a legal partner in the contract of employment. The headword *Unternehmer* (‘entrepreneur’ who 'undertakes' something) is not even to be found in Marx's main work *The Capital.*

On the other hand – and that is the main point – one must object against the Marxist doctrine of work value, that items or goods, which exist in almost unlimited amount and into which no work is put and must be put, are not valueless at all. Think of rain or sunshine; without them growth would be impossible; or think – at least in the past - of air in order to breathe. Admittedly we know that today some of those goods which were called ‘free’ or non-commercial goods in the textbooks of economics one generation ago, must be treated and purified by increasing costs. I just mention air pollution, pollution of the environment. These examples point to right insights, which the doctrine of work value emphasizes.

The Marxist doctrine of work value is right in underlining the fact that only those things or goods respectively get an **economic** value – ore precisely: a **commercial** value - and fetch a price into which efforts must be put to provide them, either one produces them first of all or brings them along for being consumed. For instance, as long as a particular fish you like to eat swims in the sea, the fish is – not absolutely, but – in economic terms valueless; it is commercially valueless. Only after being caught the fish enters the economic circulation and fetches a price that increases more and more until the fish dealer sells it because more and more work has been invested from the high sea to the shop counter. Goods simply available – without efforts and at any time – are not valueless, as I previously mentioned, but they do not fetch a price; they have consequently no commercial value. This fact shows that the concept of value alone as an economic category is of little use. Therefore modern economics mainly focus on price fixing. Whether something fetches a price, depends not only on the amount of work needed to produce the good, but above all, on the demand for it. Of course, goods must be produced and made available by work. However, goods must also be in demand so that they get an **economic value** and fetch a price.

The main error of the Marxist doctrine of work value is the fact that the doctrine makes the quantity of work, which is needed to create commercial value, absolute and disregards or overlooks that ‘usefulness’, ‘utility’, in a word ‘demand’ are prerequisites, a *conditio sine qua non* that somebody desires the produced goods and is willing to pay a price for them. Marx makes the ‘effecting cause’ (in Latin: *causa efficiens*) of human work to create a commercial price absolute; and he disregards that only the ‘aiming or purposive cause’ (in Latin: *causa finalis*) gives the objective and direction to the ‘effecting cause’. Of course, goods must be produced and made available by work. But they must also be in demand so that they have a commercial value and fetch a price. Without usefulness, utility, scarcity, without demand for a product, work would not, by manufacturing a product, create a commercial value that could fetch a price.

From what has been said, the conclusion follows that the creation of economic, commercial value must not only be considered in terms of production, i.e. with regard to the ‘effecting cause’; it has to be considered in terms of demand too, with regard to the ‘aiming or purposive cause’. For that reason, every economic theory and economic practice, one-sidedly based on the Marxist doctrine of work value, logically makes the figures of the production plan a fetish and does not take sufficient account of the demands and the needs of the consumers. Maybe such an economy carries the production plan through, but 'the thousand little things of every day life', which the consumers look for, are missing and not available. The Eastern block economies proved this failure every day. One could buy a car, if it was provided by the central plan, but no spare parts were available.

MARXIST CONCENTRATION – IMPOVERISHMENT AND REVOLUTION THEORY

The connection between the materialistic conception of history or economic determinism and the already mentioned doctrines of value, wage theory and surplus value is formed by the sequence of the Marxist concentration, impoverishment- and revolution-theory, which are based on each other. At the same time they describe the course of the proletarian struggle against capitalism.

According to Karl Marx, the desire for increase of capital inherent in the capitalist system leads to an ongoing rationalization and mechanization of the work processes. The result is a growing ‘concentration’ into big production units and a growing ‘centralization’ of capital in the hands of a few owners. Due to their technical and economic capacity, the small enterprises are inferior to the big ones in the tough competition; more and more small and medium businesses therefore fall by the wayside and are destroyed.

This concentration move makes an ever decreasing number of capitalists contrast with a permanently increasing ‘industrial reserve army’ of proletarians. On the one hand, intermediate economic strata are destroyed in the ousting competition and drop into the proletariat, on the other, labour-saving machines make workers dispensable and replace human labour. In the Communist Manifesto, Marx described this situation:

> The modern industry changed the small workshop of the patriarchal master craftsman into the big factory of the industrial capitalist. Crowds of workers, herded in the factory… are not only slaves of the bourgeoisie class, of the bourgeoisie state, every day and every hour the machine, the overseer enslaves them… The former small middle-classes, the small industrialists, traders and men of private means, craftsmen and farmers, all those classes fall down into the proletariat. They fall down partly because their small capital is not enough for operating the big industry and loses to the competing bigger capitalists, partly because their skills are depreciated (and replaced) by new production methods. Thus the proletariat is recruited from all population classes"[18].

Also, the excess pressure of the ‘industrial reserve army’ squeezes the wages together and forces the workers to undercut each other in struggling for jobs.

Finally, their growing number and the increasing impoverishment make the proletarian masses take revolutionary actions. The extreme worsening of their class condition causes the workers to rise up. Because the proletariat is in a vast majority, the revolution will succeed. The proletarians take over the already concentrated means of production and the ‘expropriation of the expropriators’ is carried out. In the view of Marx, revolution and establishment of the ‘dictatorship of the proletariat’ are the transition into a class-less society and, at the same time, the last phase of the development process that goes off according to the natural laws of necessity. In this way, Karl Marx forecasts that

the increasing dictatorship and concentration of the economy play a crucial role in the proletarian struggle against capitalism.

Approaches to a critical judgement

With regard to the prediction of this issue, right and wrong insights mingle again. **The diagnosis of Marx was right**. As one of the very few observers of his time, Karl Marx foresaw that absolute economic freedom as understood by classical economic liberalism would result in economic dictatorship. About 80 years later, the Encyclical *Quadragesimo Anno*, published in 1931, addressed this economic dictatorship in words no less sharp:

> 'Free competition has committed suicide; economic dictatorship has replaced a free market. Unbridled ambition for domination has succeeded the desire for gain; the whole economic life has become hard, cruel and relentless in a ghastly measure'[19].

But not only Marx and the Encyclical share this insight; supporters of Social Market Economy and neo-liberal economists also consider the control of cartels and monopolies, and social and economic legislation by the state as a strong framework for free competition as absolutely necessary[20]. Today it is commonly taken for granted that state policy has the responsibility to establish and safeguard both free competition and social welfare by a legal framework.

Regarding other issues, however, **the predictions of Karl Marx, his prognosis, did not become a reality**; the historical development even went in opposite ways. The economic development did not only lead to the predicted concentration of production in large-scale enterprises, but at the same time the number of small and medium enterprises also increased to a remarkable extent, particularly in developed countries. Many of those enterprises are essential even for large concerns, for instance, as repair shops or places of pre-production, as suppliers of products, which big enterprises cannot or do not want to be concerned with for reasons of profitability. According to a recently published study, for example, in Germany 98% of about 105 000 businesses are 'small and medium enterprises with less than 500 employees', and only '2 100 or 2% are large companies'. These small and medium enterprises employ 'somewhat less than 60%' [21] of the whole work force. This is not peculiarly German; the situation is more or less the same everywhere. Marx did not foresee this trend of development at all.

With regard to another issue, Marx predicted a constantly increasing impoverishment of the proletariat in industrialized countries. Instead of this forecast the standard of living of the work force has also considerably improved in those countries. The so-called 'Iron-Wage-Law', asserting that the wage is always fluctuating around the subsistence level by physical necessity, has proved to be wrong. It might have been true in particular periods of the 'Early and High Capitalism'. Concerning this situation, without doubt, Marx gave decisive incentives to awaken the conscience and to sharpen responsibility for the work force and so to alleviate and smooth social problems. But history did not confirm the 'Iron-Wage-Law' as the prognosis of the economic and social development in the future. In contrast to the forecast of Marx, in developed countries not only the total wage grew considerably, but also the percentage of wage; and the number of owners of capital, the number of owners of productive property did not decrease but increased – even if up to now, the number is admittedly still too small.

In the developed countries, finally, the senior employees and executives and the so-called 'middle-class' did not drop into the proletariat – contrary to what Marx predicted. The group of so-called 'social climbers' 'increased steadily in terms of numbers as well as of importance'[22]. The splitting up of those involved in the production process into the owners of capital and proletarians, as Marx did, revealed a gap that became constantly more visible. He did not foresee that the running of enterprises was passing more and more from the owners of the means of production into the hands of the management. These influential executives and managers do not provide the capital, consequently they are neither owners of the capital, nor can they be called workers in the sociological sense of the word, because in conflicts between capital and labour they are usually on the capital side. Regarding essential issues, the forecasts of Karl Marx did not become a reality.

MARXIST ECONOMIC SYSTEM: CENTRALLY PLANNED AND CONTROLLED ECONOMY

The economic system in countries such as the former Soviet Union or the German Democratic Republic, which were ruled by Marxist parties, is called 'a centrally planned and controlled economy'. I deliberately avoid the expression 'socialist economy', since I would first have to explain it. This would not be

easy because people understand it very differently. Friedrich Engels, the friend of Karl Marx and co-author of the Communist Manifesto, first used the term 'centrally planned and controlled economy'. In the 1920's, Walter Eucken, a high-profile economist, introduced the term into the literature of economics.

The expression 'centrally planned and controlled economy' describes an economic system in which a central state authority plans and controls the whole national economic process as well as the activities of the individual economic participants. This is its crucial characteristic. The central authority draws up the economic plan, directs the economic process and determines economic activities: production and consumption, wages and prices, investments and income, etc. The single economic units are executors of the plan: their managers are officials of the state. Its central authority plans and controls both the micro-economic and macro-economic processes. The economies of the former Eastern block states or the communist German Democratic Republic are illustrative examples of such a centrally planned and controlled economy. However, these economies and other economies like these were and are unable by nature to meet the needs of the people. This failure was one of the main grounds for the economic collapse of the Eastern block states ruled by Marxist parties. I will give a few reasons:

1. Exclusion of the self-interest of individual economic participants

A major problem of 'centrally commanded economies'[23] – as the pastoral statement *The Common Good*, published by the Catholic Bishops' Conference of England in 1996, calls them – is the fact that the self-interest of individual economic participants is not taken into account. The motives of self-interest do not exclude other motives. For example, a father wants to provide for his family as best as possible and therefore makes every effort to earn an appropriate income in order to do so. Thus economic activities are – to a great extent – inspired by individual objectives and interests. Self-interest is the driving force and incentive to economic achievement. Self-interest is not the same as selfishness and should not be confused with it - of course, it can degenerate into selfishness. But self-interest is basically a natural human attitude. The demand to put aside human desires and ambitions would be an inhumane

demand. Self-interest is a main driving force behind all our activities – economic activities included.

A centrally planned economy is an obstacle to that and excludes, to a large extent, this economic and generally human function of personal advantage as a driving force for economic activities. Income and prices fixed by the central state authority determine the degree to which the needs and desires of the individuals can be fulfilled – at least insofar as this fulfilment depends on the amount of their income. The economic plan, drawn up by the central state authority, has already fixed those data in advance, without taking into account the individuals' real activities, efforts and achievements. This fact excludes the principle of self-interest as the driving force and incentive to economic achievement.

In the past, centrally commanded economies tried to replace the 'achievement principle' – through the back door, so to speak – by introducing bonus systems and by fixing high targets that had to be met. However, according to my own experience in the former German Democratic Republic, ruled by the Marxist *Sozialistische Einheitspartei Deutschlands SED* (Socialist Unity Party of Germany), neither high fixed quotas nor cleverly thought out bonus systems for the realization of centrally planned economic targets could replace the principle of self-interest as the main incentive to economic achievement. The history of the past decades has taught us that those attempts did not succeed. The fact that the system did not take into account the self-interest of the economic participants was the main reason for the economic breakdown of the centrally planned economies of Eastern Europe and the former Soviet Union.

2. The problem of a lacking rational economic calculation

Another difficulty experienced by centrally controlled economies is the problem of a 'rational economic calculation'. The rational economic principle aims at utilizing the limited economic resources as economically as possible. Valuable resources must not be used to produce less valuable goods. In a market economy, price – if not fixed or manipulated by a state authority or by monopoly arrangements or by single powerful suppliers – shows the consumers' appreciation for different goods, enables us to

compare their value and, in this way, indicates big or little demand for those products. In a centrally commanded economy, price cannot do this job; it cannot play a role in indicating the value of goods. The central plan of the state authority stands in the way of that. Already in advance, it determines the volume of output and fixes prices. This economic system therefore lacks an automatic indicator, which constantly reflects consumers' wishes and directs the factors of production to the most economic use. Poor economic utilization and the squandering of economic resources are the unavoidable results.

Each centrally planned and controlled economy has to confront both these difficulties. According to my experience in the German Democratic Republic, ruled by the Marxist 'Socialist Unity Party', these grave shortcomings were the main grounds for the economic collapse of the former Eastern bloc states. By their nature, such economies are unable to meet the demand of the people. The English Bishops rightly emphasize in their above-mentioned statement 'The Common Good' of 1996 that those economies are 'inefficient, wasteful, and unresponsive to human needs. Nor have they fostered a climate of personal liberty'[24]. The so-called 'really existing socialism' in countries ruled by Marxist parties and which has broken down, is concrete proof of the failure of a centrally planned and controlled economy. Not least for this reason, the slogan going around East Germany during and after the 1989 peaceful revolution was: 'If the DM (*deutschmark*) does not come to us, we shall move to the DM'. The DM was the symbol of a Social Market Economy.

CONTRADICTION BETWEEN REVOLUTIONARY ACTION AND DEVELOPMENT ACCORDNG TO NATURAL LAW NECESSITY

Karl Marx regarded the replacement of capitalism by the future socialist society as the result of a development process proceeding according to natural law necessity. 'Actually one only needs to wait for the ongoing intensification of this process'[25]. On the other hand, Marx passionately appealed to the proletarians and demanded from them to overthrow the existing order by force. This active intervention of the working class and, above all, the appeal for revolution 'however contradict the development from the capitalistic to the socialist society, which would exclusively be determined by economic

factors'[26]. In particular the Communist Manifesto and its appeal for the proletarian struggle contrasts with Historical Materialism, which uses natural law necessities as an argument. This shows the rift in Marxist theory. As a philosopher of history Karl Marx emphasized that the development into the communist future society is a process proceeding according to natural law – not to be influenced from outside. On the other hand, Marx was a revolutionary unlike anyone else and demanded to overthrow the existing capitalist society by force. Exactly this revolutionary sense of mission was the decisive reason for the great impact of Marxism in history. Never did the multitude of proletarians read *The Capital* nor did they know the inner structure of Marxist theory. But many believed in and clung to its promises: freedom and equality, prosperity and happiness for the work force enslaved by capitalism. Only personal experience in Communist countries and recent history shattered these hopes.

MARXISM AND ATHEISM

The atheistic character of Marxism was and is of central importance to believing people in particular. In countries, ruled by Marxist parties, scientific atheism was taught in schools and universities; and believing people and churches were often only tolerated and not infrequently persecuted.

Three levels of atheism in the philosophy of Karl Marx, three aspects, must be distinguished. His atheism is 'ontological' or fundamental in nature, it is ethical in nature, and it is anthropological in nature.

1. Ontological' or fundamental atheism

According to economic determinism, the material relations of production are the actual and true reality. Part of that theory is the atheistic character of Marxism – more precisely: its 'ontological', its fundamental aspect. If law, morality, religion and anything similar are mere products of the economic basis and only reflect it, then also the idea of a personal god, the personal god himself, and the divine as such are products and a reflection of the economic basis. With regard to that, Marx goes along with his teacher, the philosopher Ludwig Feuerbach. According to Feuerbach, all religious ideas are mere desired ideals of the human longing without any reality. In the view of Marx too, therefore, god and religion respectively are only products of exploited human beings and

consequently products of a wrong social order, of slave-owning societies called feudalism and capitalism.

> "The human being creates religion". Religion is 'self-awareness and self-feeling of humans who did not yet gain themselves, who are not yet their own masters, or who already lost themselves again". State, society, social conditions "produce religion, produce a wrong world-awareness because they are a wrong world". From this thesis the logical consequence follows that such products - called god or religion – will not be in the future class-less society of Communism because exploitation will be eradicated. For they are only products of a wrong society, of a society based on exploitation. "Religion is nothing else than the illusory sun that moves around people as long as they do not move around themselves"[27].

What was previously said in the criticism of economic determinism[28] (see chapter II: Marxist Philosophy of History: Economic Determinism or Historical Materialism, p 5-9) also applies to 'ontological' atheism and need not be repeated. The thesis that religion, God – like law, arts, philosophy, etc – are nothing else than products of the social situation of the time and result from its particular economic conditions is a mere assertion. Economic conditions exert an influence and can promote or hamper faith, but human beings, their convictions and decisions are primarily determining.

2. Ethical atheism

Marxist atheism is ethical in nature because, according to the conviction of Karl Marx, religion prevents the liberation of the exploited human being. In the introduction to *Zur Kritik der Hegelschen Rechtsphilosophie* ('On Criticism of Hegel's Philosophy of Law'), published in 1844, Marx wrote the famous and often quoted statement: *'Religion ist Opium des Volkes* ('Religion is the opium of the people'). Religion – Marx formulated

> "the religious misery is both an expression of the real misery and a protest against the real misery. Religion is the sigh of the distressed creature, the feeling of a heartless world… It is the opium of the people… Religion is nothing else than the illusory sun that moves around people as long as they do not move around themselves". God, the beyond, eternal life, etc are

> substitute ideas for missing humane conditions in this present world, are illusions the exploited take refuge in. But according to Marx, humans must redeem themselves, have to overcome the exploitation themselves, here and now, in this world, today – and must not flee from this exploitation and take refuge in a seemingly granted salvation - sometime, somewhere in a so-called hereafter. Consequently, religion prevents the liberation from misery and is the opium of the masses. "Critcism of religion is therefore criticism of the valley of misery whose halo is religion", and the fight against religion is "a fight against that world whose spiritual aroma is religion… The abolition of religion as the illusory happiness of the people is a demand of its real happiness"[29].

The Marxist thesis "religion is the opium of the people" is right with regard to the fact that religion can be misused and intended as the opium for the exploited and has been intended for them in the course of history. The thesis is also right in stating that those deprived of their rights can themselves understand and have understood religion as the opium and a final refuge in apparently hopeless, inhumane situations.

But **this must not happen**. It is a mere assertion that religion is only a product of the sighing creature. Christian faith, on the contrary, wants to be – and therefore should also be – the incentive and driving force to get rid of exploitation and oppression, to change unjust conditions. Belief in God, hope of happiness, which Jesus promised those hungry for justice, must not prevent the fight for justice, freedom, humane conditions of life in this world. On the contrary, it is the task in particular of Christians to be ‘collaborators’ in building a ‘new world of universal peace and justice’[30]. Every activity of human beings ‘to better the circumstances of their lives through a monumental amount of individual and collective effort’, the Pastoral Constitution of the Second Vatican Council underlines, ‘accords with God's will’. Humans ‘are created to God's image’ and ‘received a mandate… to govern the world with justice’. The Christian message, the Council continues, does not deter them ‘from building up the world’ nor does impel them ‘to neglect the welfare of their fellows’. On the contrary, they are ‘more stringently bound to do these very things’[31]. The attainment of eternal salvation ‘was and is in principle, according to Christian teaching, dependent on the performance

of one's responsibility for the concrete future of humankind within this world'[32]. In this sense, we must understand the unity of love of God and love of one's neighbour; in this sense, according to the gospel, the Heavenly Judge will ask us in the final judgement only about our relationship with our fellow humans, about our contribution to the creation of a more humane world: I was hungry, thirsty, naked, sick… - maybe it should be added nowadays: I was unemployed, a refugee, unborn; what did you do; did you help me (see Mt 25, 31-46)? Therefore, in particular, the Christian faith demands all our efforts for a humane social order.

In addition to that, one has to ask whether there is only such a self-alienation, 'which can be overcome by social means and endeavours', as Marxism supposes and asserts. Christian faith is and desires to be a meaningful power and directive in those 'borderline situations of human existence' like guilt, human failure, death, evil as such 'that cannot be answered only by social efforts and activities'[33]. In this respect, Christian faith fills a gap, a 'white patch', which Marxism is unable to fill.

3. Anthropological atheism

Added to the ethical and fundamental atheism is finally an anthropological aspect, which results from the Marxist conception of man. According to Marx, the human being becomes a **human** being only by work; humans make, create themselves by work.

> "The entire world history is nothing else than the production of man by human work". So human beings have a "clear and irresistible proof of their birth: by themselves". Because of that, "the question of an alien being, the question of a being above nature and man… has virtually become an impossible issue"[34].

Closely connected with this human self-creation by work, which makes the question of a higher being useless, meaningless and 'virtually impossible', is a second anthropological aspect: the demand of Marx for an absolute human autonomy.

> "A being only proves to be independent as soon as one stands on one's own feet, and one stands only on one's own feet as soon as one owes one's existence to oneself. A human being, who exists by the grace of somebody

else, considers oneself as a dependent being. I totally exist, however, by the grace of somebody else, if I owe not only the maintenance of my life to him, but if he has also created my life; if he is the source of my life, and my life does necessarily have such a foundation outside myself, if it is not my own creation"[35].

This point, this different understanding of the human origin and destiny, this different view on the relationship between God and humankind **forms the fundamental opposition between Christian faith and Marxism**. The opposition between Christian faith on the one hand and the 'ontological' and in particular anthropological atheism of Marx on the other is the crucial and lasting difference. According to Christian understanding, the basic ground and final aim of the human being is the transcendent reality of God, i.e. the absolute God beyond every visible and created reality; according to Christian conviction, God is origin and destiny of the human being – and not the product of exploitation and consequently the 'wrong world view' of a 'wrong world'. And the human being is not almighty, has not put himself/herself into existence and is not autonomous; humans owe their existence to the divine creator and are responsible to him.

CONCLUSION

In 1965 Roger Garaudy, Professor of Philosophy and then member of the Politburo of the French Communist Party, described the Marxist position in a way, which can deeply impress:

> Marxism integrates the marvellous 'Communion of Saints' by secularizing it… Marxism transfers the perspectives of an eschatological kingdom, called 'the Kingdom of God' in Christianity, from the eschatological to a combat level. Whenever somebody deliberately works and fights in order to win happiness on earth for himself and all humankind, whenever somebody is willing to sacrifice his life in this work and struggle and, by doing this, makes it meaningful, then this human being, still alive, gains immortality. For ever he has left his traces in this world; he has contributed something of his own to the future of all; his deeds have influenced the destiny of the entire humankind; his actions continue not only

in the memory of the people, but also in their lives… Do we have a more noble certainty of immortality?…

This gives us the possibility to understand clearly the real meaning of Marxist atheism… Revelation of transcendence takes place every day, whenever human work is being done, either in scientific research or artistic creation… either in a social revolution, which brings exploitation and self-alienation to an end, or in a national liberation movement, which fights against oppression and human depersonalization. Transcendence is the experience, through which humans become aware of their own being God coming into existence"[36].

According to Christian understanding, the real foundation and final destiny of the human being is the absolute God beyond all visible and created reality. Here lies the essential difference between Christian faith and Marxist philosophy. On the other hand, Christian faith is not only open and receptive to every reasonable kind of planning and shaping the future of the world, but considers this planning and shaping – as the highly distinguished theologian Karl Rahner firmly states - "to be a task, which is part of the human nature created by God and which humans are obliged to carry out"[37]. The attainment of eternal salvation, our eternal salvation is bound to and dependent upon the commitment to a humane social order, upon the commitment to justice, freedom, and humanity. In the final judgement, the Heavenly Judge will therefore only ask, according to the gospel, about one's relationship to fellow humans: I was hungry, thirsty, naked, sick… What did you do; did you help me (see Mt 25, 31-42)?

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