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The End of the Conflict Between Capitalism and Communism

THE QUESTIONS TO BE ANSWERED

In its August 1, 1988, issue, *The New Yorker* magazine published an article by William Pfaff about the Gorbachev reforms in the Soviet Union. The title of the article was "The Question Not Asked." The summer of 1988 was still fairly early in the upheaval occurring in the Soviet Union. Much has happened since then that was only prefigured in the first announcements of *glasnost* and *perestroika*. But the question that Pfaff said had not been asked in 1988 has still not been asked—or answered.

To make that question clear, I must quote some passages from the article. "The true problem" before Mikhail Gorbachev, Pfaff writes, "is not 'reform' of the system and of the economy. He must discover a new basis of legitimacy for Soviet society and for its government. . . . The question not asked, which *has* to be asked, is: What will become of the Soviet Union and the Soviet system if it abandons its intellectual and moral foundations as untrue?" Pfaff continues as follows:

. . . This is a revolution disguised as radical reform that is meant to save the system. That it cannot remain mere reform, however,

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follows from the fact that the intellectual foundation of the system is contradicted and jeopardized by the nature of the reforms that are required. Gorbachev refers to Lenin to justify his program, yet the program undoes Leninism.

Writing three years ago, Pfaff pointed out that Gorbachev at that point had somewhat obscurely described the purpose of his economic reform as "to assure, during the next two or three years, a transition from an overly centralized command system of management to a democratic system based mainly on economic methods and on optimal combinations of centralism and self-management." Pfaff follows that quotation from Gorbachev with another: "This presupposes a sharp expansion of the autonomy of enterprises and associations, their transition to the principle of profitability and self-financing, and the investment of work collectives with all the powers necessary for this."

Pfaff's comment on this is as follows:

Gorbachev is determined to renew his system but is constrained to do so in terms of a doctrine that, although it purports to be the most advanced and scientific description of reality that exists, actually does not account for how the modern industrial economy and industrial society work.

And toward the end of his article, Pfaff tells us that

... If one takes the language of Gorbachev and his fellow-reformers to mean what it means in the West—"pluralism," "democracy"—they could be said to be attempting, by indirection, to re-start that evolution. But neither in Leninism nor in czarism is there the liberal or constitutional political precedent that the Soviet Union needs—one to which people might refer in attempting to find a new course.

Finally, Pfaff concludes with this statement:

To break with that system [i.e., Marxism-Leninism] would leave Gorbachev and the reformers without a place to stand, a fulcrum from which to move society, a justification for their own power. They rule Russia by virtue of the Party, Leninism, Marxism. Yet the Party, Leninism, and Marxism are the problem.

I agree with Pfaff that Gorbachev and his fellow reformers cannot succeed if they explicitly renounce Party, Leninism, and Marxism. For more than seventy years now the people of the Soviet Union have been inculcated with commitment to and respect for the doctrines of Karl Marx and Vladimir Lenin and for the Party. This borders on religious reverence and fidelity. They have nothing prior in their history except the autocracy of the Romanovs, and to this they wish never to return. The question not asked, the question that must be asked, is therefore: To what doctrines and institutions can Gorbachev and his fellow reformers appeal for the legitimacy of their proposals?

If they fail to find the answer, their successors—and it is almost certain that they will have successors in this century or the next—must succeed in finding it, for the people of the Soviet Union must be given the intellectual and moral foundations that can legitimize the *reform* of the system of totalitarian communism, or what may have to be described as its *replacement* by other political institutions and other economic arrangements. If reforming the system cannot produce the desired results, then replacing it must be resorted to. But how can that be done without a complete rejection of Party, Marxism, and Leninism?

The actions taken by Gorbachev at the end of 1989 and in the first months of 1990 appear to have moved *perestroika* in the right direction, both politically and economically, without his having to justify the steps he has taken by appealing to the canonical texts of Marx and Lenin. Though he may have bypassed the question raised by Pfaff, there is another question to be answered.

Marx and Friedrich Engels, like others in the nineteenth century, were socialists before they adopted that form of socialism they called communism. When the Eastern satellites of the Soviet Union—Poland, East Germany, Czechoslovakia, Hungary, and Romania—threw off their Soviet yokes, they proclaimed the tendency of their own internal reforms to be in the direction of socialist democracies. Marx and Engels,

in *The Communist Manifesto*, declared progress toward democracy through the enfranchisement of the working class to be an indispensable step toward the realization of their socialist aims; and Lenin, in *The State and Revolution*, made democratic institutions inseparable from the ultimate realization of the socialist ideal.

In other words, Marx and Lenin were not wrong in all respects; nor were they entirely right. The Marxist-Leninist doctrine is not wholly true and sound; but neither is it wholly false and unsound. The millions upon millions of people who have lived under communism in this century have not been totally deluded, deceived, and misguided. Hence the other question to be answered by us as well as by Gorbachev is: What principles in Marxist-Leninist doctrine should be retained and what others should be rejected? The choice is not between the extremes of all or none, but rather in the middle ground of partial retention and partial rejection.

Should not the question to be asked and answered be rephrased as follows: In what limited respect should the Party be retained and continue to function in the Soviet Union; and what principles or propositions in Marxist-Leninist doctrine should be retained while others are rejected? To repeat, the doctrine of Marx and Lenin is not entirely sound, but neither is it entirely unsound.

There are elements in the doctrines of Marx and Lenin that have prevented (and always would have prevented) the Soviet Union from establishing the kind of economic equality that has always been stated as the communist ideal; that make it impossible to achieve political liberty and individual freedom for the people, to increase the supply of consumer goods to a point that raises the standard of living to an acceptable level, and to promote an economy with a plurality of competing private economic agencies or associations; in short, with government regulation of an economy that was for the most part privately managed and operated.

On the other hand, there are also elements in the doctrines

of Marx and Lenin, no less fundamental than the ones which have to be rejected, which can and should be retained to provide the intellectual and moral foundations that would legitimate the radical reforms that would amount in effect to the substitution of democratic socialism for totalitarian communism.

THE PLAN FOR THE ASPEN SEMINAR

I have described my state of mind as a result of reading the Pfaff article and thinking about it in the fall of 1988. This led me to offer to conduct a seminar at the Aspen Institute in the summer of 1989 entitled "Capitalism, Communism, and Their Future." The proposed seminar was oversubscribed; double the largest number that can be accommodated around the seminar table enlisted for it. I was asked to conduct the seminar twice in August 1989, with approximately twenty-five persons in each of the week-long meetings. This happened before the first streaks of dawn glimmered in the darkness of the Cold War.

In planning for the seminar, I produced a volume of readings which, in order to avoid undue length, provided the shortest possible excerpts from the fewest texts that would cover all the salient points we had to consider in order to reach agreement or disagreement about the solution to the Pfaff problem, as I had finally come to formulate it for myself. I should report at once that in both sections of the seminars we reached agreement and shared understanding, by no means completely, but to an extent that is not often achieved in Aspen seminars.

Appendix 1 of this chapter contains the table of contents of the volume of readings prepared for the seminar. In that table of contents, readers will find not only the headings for the six sessions of the seminar but also the names of the authors and the titles of the works assigned for each session. In the light of what happened in the course of the six days

of discussion, I would now revise some of the language used in the headings for the sessions. For example, I would head Session III with the words "The Self-Destruction of Totalitarian Communism and Its Capitalization"; and I would change the heading of Session VI to "Conclusion: Coexistence or Convergence, Reform or Replacement."

I did one other thing in preparation for the seminar. In assembling the volume of readings, I found that such basic words as "capitalism," "socialism," and "communism" were used equivocally by the authors included in the volume in a variety of senses and often by the same author in quite different senses. Unless these ambiguities were corrected and some uniformity of verbal usage were adopted by the seminar participants, our discussions would be unclear and would not get very far. I therefore prepared a "Dictionary and Thesaurus of Basic Terms," which appears as Appendix 2.

To that dictionary and thesaurus I would add only two points. The first is that the word "capitalism," when not modified by adjectives as in "private-property capitalism" or "state capitalism," designates a capital-intensive economy without specifying how the productive capital employed is owned and operated. The qualifying adjectives added to the word "capitalism" indicate just that—how the capital is owned and operated.

The second point I would add is that the common future of what is now private-property capitalism or state capitalism (which is identical with Marxist or totalitarian communism) can be described by two phrases. The first of these names the future development of the economy of the United States; the second, the future development of the economy of the Soviet Union. The first phrase is "socialized private-property capitalism." The second is "privately capitalized socialism."

When the full significance of these two names for future developments in the United States and the Soviet Union is grasped, it can be seen how these future developments converge toward a common future that will include not only the

United States and the Soviet Union, but all the capital-intensive industrial economies of the world.

Following this section will be a series of sections in which I will try, as briefly as possible, to summarize the basic insights that developed in the course of the six sessions of the seminar. In presenting this summary, I will quote, as often as necessary, crucial passages from the texts read and discussed.

LABOR AND CAPITAL AS FORCES IN PRODUCTION (SESSION I)

The evening before the first session of the seminar, the participants gathered for an introductory meeting. At that time, I had the opportunity to make some general remarks about the aim and conduct of the seminar. I will repeat here only four things that I then pointed out.

1. The word "future" in the title of the seminar was not to be interpreted as an interest on our part in predicting what will happen in the years immediately ahead. We were not to be engaged in forecasting events to come. Our concern was rather what should or must happen if the improvements that are needed in both the Soviet Union and the United States are to be accomplished in a sound fashion. If this is not accomplished by Gorbachev and his associates, then it will have to be achieved by their successors. The same holds true for the present and future administration of the government in the United States.

2. The basic terms in all practical problems are ends and means. What ends should be sought? What means should be chosen to attain them? Practicable, not utopian, arrangements and institutions should be the ideal ends sought in both the political and the economic order of affairs, and there should be consonance or harmony between the twin goals. When agreement is reached about the political and economic ideals to be sought, we can then move to the consideration of the means and the arguments pro and con with respect to them.

3. The ultimate question that we would try to answer as we reached the end of the seminar might be phrased in the following manner: Should we be satisfied with the coexistence of diverse polities and economies in the Soviet Union and the United States, or should we hope for their convergence?

In the case of the Soviet Union, should the changes to be made be the reform of institutions that now exist there, or should the changes be more radical than that and amount to a replacement of the existing institutions and arrangements by new ones?

In the case of the United States, should we go much further than we have so far gone in the direction that was first initiated at the beginning of this century by such leaders as Theodore Roosevelt, Woodrow Wilson, Franklin D. Roosevelt, and Harry S Truman; or should we continue to go in the opposite direction that we have followed under the leadership of Ronald Reagan and George Bush?

4. Finally, I pointed out that while the word "democracy" was used as an honorific term by all the participants, its precise meaning was not sufficiently understood. This, I suggested, would become clearer to them when they no longer used the term "socialism" as a term of opprobrium and came to understand that democracy and socialism, far from being incompatible, are really two faces of the same ideal—the political and economic aspects of a justly constituted society, one that would operate effectively to produce the conditions needed to enable all its members to lead good human lives. This point, as will subsequently be made clear, became the controlling insight of the seminar. It not only corrected the current mistaken identification of socialism with communism, but it also helped us to understand why totalitarian communism is the wrong means for achieving democratic socialism.

Like all introductory remarks at the opening of Aspen seminars, these four points probably fell on deaf ears. It would take the next six days of reading and discussion for the par-

ticipants to achieve the requisite understanding of them. The following session-by-session report of the seminar will show just how it was achieved, with a remarkably high degree of consensus among the participants.

It would be impossible to present this report in the form of the questions asked and the answers given in the course of each two-hour session. Instead, what must be presented is a summary of the main points that were carried away from each session. In this presentation the personal pronouns "I" and "we" will be used—"I" for the things I pointed out in the explication of the texts, "we" for the things that the participants and I were in substantial agreement about as the discussion proceeded.

On the next morning, we began our discussion with Chapter 5 in John Locke's *Second Treatise Concerning Civil Government* (1690). That is the chapter in which Locke advances his quite original labor theory of the right to property, a theory which should never be confused with Marx's labor theory of value. In fact, as I pointed out and we perceived, Locke's labor theory of property contained (more than 150 years before the publication of the *Communist Manifesto* in 1848) a refutation of the central mistake that Marx made in the formulation of the labor theory of value.

The seminar participants were given only Sections 24–29 of Chapter 5 to read, and for our present purposes I am going to quote here only Sections 26 and 27.

Though the earth and all inferior creatures be common to all men, yet every man has a "property" in his own "person." This nobody has any right to but himself. The "labour" of his body and the "work" of his hands, we may say, are properly his. Whatsoever, then, he removes out of the state that Nature hath provided and left it in, he hath mixed his labour with it, and joined to it something that is his own, and thereby makes it his property. It being by him removed from the common state Nature placed it in, it hath by this labour something annexed to it that excludes the common right of other men. For this

“labour” being the unquestionable property of the labourer, no man but he can have a right to what that is once joined to, at least where there is enough, and as good left in common for others.

He that is nourished by the acorns he picked up under an oak, or the apples he gathered from the trees in the wood, has certainly appropriated them to himself. Nobody can deny but the nourishment is his. I ask, then, when did they begin to be his? when he digested? or when he ate? or when he boiled? or when he brought them home? or when he picked them up? And it is plain, if the first gathering made them not his, nothing else could. That labour put a distinction between them and common. That added something to them more than Nature, the common mother of all, had done, and so they became his private right. And will any one say he had no right to those acorns or apples he thus appropriated because he had not the consent of all mankind to make them his? Was it a robbery thus to assume to himself what belonged to all in common? If such a consent as that was necessary, man had starved, notwithstanding the plenty God had given him. We see in commons, which remain so by compact, that it is the taking any part of what is common, and removing it out of the state Nature leaves it in, which begins the property, without which the common is of no use. And the taking of this or that part does not depend on the express consent of all the commoners. Thus, the grass my horse has bit, the turfs my servant has cut, and the ore I have digged in any place, where I have a right to them in common with others, become my property without the assignation or consent of anybody. The labour that was mine, removing them out of that common state they were in, hath fixed my property in them.

I pointed out, as the discussion of this text began, that the crucial words were “common” and “property.” The common included everything in the environment that belonged to no one, but was available to all for appropriation through the labor of hand and mind that anyone mixed with the common to make the product of this mixture that individual’s property, to which that individual alone had a right of pos-

session, excluding all others. The examples that Locke gives of primitive acquisitions of this sort were clear to all the participants.

I then concentrated their attention on a portion of the final paragraph of Section 27, which I reproduce here.

Thus, the grass my horse has bit, the turfs my servant has cut, and the ore I have digged in any place, where I have a right to them in common with others, become my property without the assignation or consent of anybody.

I expanded this one sentence for the participants by the following account of what Locke was, in effect, saying. Let the owner of the horse, grass, turf, and ore be Smith. How did he acquire the horse as his property? By going out into the wilderness, finding, capturing, and taming the horse that thus became, by right of his labor, his private property. Let us suppose that Smith, by his labor, has also staked out his claim to owning a plot of land on which there are grass, turf, and ore. Let us further suppose that, by his own efforts, he has cut down trees, fenced his land, and built some crude farm implements, such as a rake, a shovel, and a plow; and that he has also worked to make a harness for the horse he captured. With all these rightfully acquired possessions, appropriated by his labor from the common, Smith has himself for many weeks produced his own means of subsistence.

Then, one Sunday, while he is standing at his fence, along comes an itinerant, with a bag of personal possessions over his shoulder. Let his name be Brown. Smith asks Brown whether he would like to work for him next week, offering to give him room and board and a share of the wealth produced during the next six days of work. Brown finds the offer a fair one and accepts it, entering voluntarily into a labor contract with Smith. It is this voluntary contract that makes Brown the person referred to in the Locke passage quoted above as "my servant."

The word "my" here does not have the same meaning as

it does in the phrase "my horse" or "my grass." There, "my" refers to private property rightfully acquired by Smith. But Brown is not Smith's private property; nor in fact is the word "servant" satisfactory, for Brown should more properly be described as Smith's employee or hired hand.

During the next week, when Brown works for Smith, his employer decides not to do any work himself. He spends the entire week in his house reading books. All the labor involved in the production of wealth that week is done by Brown's labor on Smith's land, using Smith's horse and other instruments of production (such as shovel, spade, plow, etc.).

At the end of the week, the total wealth produced is, let us say, the quantity X. Smith gives Brown the share of that total wealth that he contracted to give him as Brown's wages for a week of work. Brown departs satisfied with Y, his agreed-upon share. This leaves Smith with Z, the residue of X that is left to Smith after Brown has been paid off.

I then pointed out that the instruments of production used by Brown in working for Smith are capital. We agreed that everything that can be used in the production of wealth, other than labor, is capital. We also agreed that money is not capital, but only an instrument of exchange and a source of purchasing power. Money, in and of itself, is not an instrument of production. We were thus quite clear about the two basic economic terms—labor and capital. We avoided the mistake of calling the labor power of men and women "human capital."

I then asked the group the \$64 question. During the week in which Smith did not labor at all, and all the work productive of wealth was done by Brown, did Smith rightfully earn—without laboring—the wealth Z that was left to him after he paid Brown Y out of the total wealth X produced that week? If the answer to that question is affirmative, I said to the group, then a number of things follow that we ought to acknowledge and agree upon.

First, one's own labor power of hand and mind is the only private property that is not acquired. It is each individual's

birthright of natural property. This fact makes unjust the ownership and use of human beings as chattel slaves. Only consumable goods and capital instruments can be rightfully owned as private property.

Second, if an individual puts into productive operation the capital he owns, then, even if he does not work himself, that contribution to the production of wealth rightfully earns for him whatever share of the total wealth produced that is not paid to the laborers involved for the work they do. The nonworking capitalist is *not* unproductive. In other words, wealth can be acquired either (a) by working to produce it or (b) by putting the capital one owns into production, or (c) by the combination of both factors. Smith could have labored himself, along with Brown, instead of reading, and then more wealth than X would have been produced, and Smith's share of the total would have been larger than Z.

Third, labor and capital are distinct factors in the production of wealth, and each deserves, by right, that portion of the wealth produced to which each contributes. Labor is the independent factor, in the sense that no wealth can be produced except by some labor input. Capital input by itself will not suffice. But the fact that labor is the independent and capital the dependent factor does not blur the distinct contributions that each makes to the production of wealth.

Finally, the wealth that is rightfully earned by the productive use of the capital one owns refutes the view that what an individual receives from the productive use of capital is "unearned income." The profits or dividends of capital are earned income in exactly the same sense that the wages or salaries paid to labor are earned income.

These insights, I pointed out, challenge the correctness of all the basic propositions in Marx's labor theory of value. If these insights are sound, then it cannot be correct to declare, as Marx does, (a) that all wealth is produced by labor and labor alone, either by living labor or by the labor congealed in machines and other capital instruments; (b) that the portion of the wealth produced taken by the owners of capital is

“surplus value”—an “unearned increment” that capitalists *steal* by their “exploitation of labor”; and (c) that capital, certainly the modern form of capital—the machines used in factories after the Industrial Revolution, not the simple hand tools used by laborers before it—cannot be rightfully acquired as private property.

I told the group that we would return to the third point (c) above later when we discussed Marx in the third session, but if we agreed on the first two points—(a) and (b)—we had already discovered serious mistakes in Marxist doctrine that should be rejected.

The seminar next turned to the discussion of a passage from Alexander Hamilton’s *Report on Manufactures* (1791). He wrote this as our first secretary of the Treasury. I quote below the paragraphs to which we paid close attention. First this:

The employment of machinery forms an item of great importance in the general mass of national industry. It is an artificial force brought in aid of the natural force of man; and, to all the purposes of labor, is an increase of hands—an accession of strength, unencumbered, too, by the expense of maintaining the laborer.

I pointed out an error in this statement. The introduction of machinery cannot always be regarded as equivalent to an increase of hands, because in technologically advanced industrial economies, some wealth cannot be produced at all without the use of machines. But at an earlier stage of the Industrial Revolution, it is true that any increase in the production of wealth that results from the use of machinery could have been produced by an increase in the amount of labor employed. In other words, machinery is a labor-saving device. This led us to understand the division of all economies into labor-intensive and capital-intensive.

We concentrated next on the following passage:

The cotton mill, invented in England within the last twenty years, is a signal illustration of the general proposition which

has just been advanced. In consequence of it, all the different processes for spinning cotton are performed by means of machines which are put in motion by water, and attended chiefly by women and children; and by a smaller number of persons, in the whole, than are requisite in the ordinary mode of spinning. And it is an advantage of great moment that the operations of this mill continue, with convenience, during the night as well as through the day. The prodigious effect of such a machine is easily conceived. To this invention is to be attributed, essentially, the immense progress which has been so suddenly made in Great Britain in the various fabrics of cotton.

The significance of the above, I pointed out, is its indication that with the Industrial Revolution, the total amount of capital employed by a nation became the more productive factor and the total amount of labor became the less productive factor.[1]* We agreed that, were this not so, the factories could not have effectively employed in the spinning industry women and very young children instead of men and, on the whole, a smaller number of workers than had been employed in spinning when that was conducted domestically.

We turned next to the *Preamble of the Mechanics' Union of Trade Associations*, promulgated in Philadelphia in 1827. Here, about twenty years before the *Communist Manifesto* was first published, we find a statement of the labor theory of value—that labor and labor alone produces all the wealth that society consumes. The Philadelphia Mechanics ask:

Do not you, and all society, depend solely for subsistence on the products of human industry? . . . Do not all the streams of wealth which flow in every direction and are emptied into and absorbed by the coffers of the unproductive [the nonlaboring owners of capital] exclusively take their rise in the bones, marrow, and muscles of the industrious classes [the laborers]?

The laborers are being exploited by capitalists who, being themselves unproductive, get wealth that is an “unearned

* Endnotes for this chapter begin on page 66.

increment," a "surplus value" stolen from labor. But if this were so, then what the Philadelphia Mechanics should have asked for is all the wealth that labor alone produces. But they did not do that. They asked only for their fair share. I called attention to the following passage:

.. It is neither our intention nor desire to extort inequitable prices for our labor; all we may demand for this shall not exceed what can be clearly demonstrated to be a fair and full equivalent. If we demand more, we wrong the society of which we are members, and if society requires us to receive less, she injures and oppresses us.

Their self-contradiction here caused us to ask ourselves whether the Philadelphia Mechanics really affirmed Marx's labor theory of value. I then pointed out other contradictions in the text. The writers observe that the introduction of machinery in the production of wealth has greatly increased the amount of wealth produced and, at the same time, "the demand for human labor is gradually and inevitably diminishing." A diminishing demand for labor with an increased production of wealth must mean that labor cannot be the sole producer of wealth; yet a little later, the writers still refer to "labor (the only source)." Still later, they contradict themselves once again by saying that everyone depends for subsistence "upon the employment of his skill, his labor, or *his capital*." I add the italics to stress the fact that labor cannot be the only source of the wealth produced if some individuals can obtain their subsistence from the employment of their capital rather than their labor power.

The one long text discussed in the first session was the whole of an essay by William Graham Sumner, a professor of sociology at Yale University, entitled "The Challenge of Facts," taken from a book of his, *The Challenge of Facts and Other Essays*, published in 1914. The essay was written at the end of the nineteenth century.

I included this essay in the readings for the first session because I surmised that most of my participants would find

themselves in agreement with it. I was correct in this anticipation. The essay is a forthright rejection of socialism. It begins with the words: "Socialism is no new thing." Later in the essay are the following passages:

... Socialists are filled with the enthusiasm of equality. Every scheme of theirs for securing equality has destroyed liberty.

The student of political philosophy has the antagonism of equality and liberty constantly forced upon him. Equality of possession or of rights and equality before the law are diametrically opposed to each other.

The newest socialism is, in its method, political. The essential feature of its latest phases is the attempt to use the power of the state to realize its plans and to secure its objects. These objects are to do away with poverty and misery, and there are no socialistic schemes yet proposed, of any sort, which do not, upon analysis, turn out to be projects for curing poverty and misery by making those who have share with those who have not.

I pointed out that many writers in the nineteenth century, John C. Calhoun and Alexis de Tocqueville, for example, had, like Sumner, thought liberty and equality to be incompatible; but Sumner, more explicitly than they, declares that

... we cannot go outside of this alternative: liberty, inequality, survival of the fittest; not-liberty, equality, survival of the unfittest. The former carries society forward and favors all its best members; the latter carries society downward and favors all its worst members.

Before going any further, I explained to the participants how to correct this great nineteenth-century error. When both liberty and equality are limited by the restraints of justice, they are not incompatible. The conflict is between libertarianism, which asks for unlimited liberty, and egalitarianism, which asks for complete equality and no inequality. It is never between limited liberty and equality combined with inequality.

The correct principles are: (a) No one should have more

liberty than justice allows, which is to say, no more than individuals can use, without injuring anyone else or the general welfare of society; and (b) No society should establish more equality than justice requires, combining that with as much inequality as justice also requires.

The core of Sumner's rejection of socialism, as he understood it, is his rejection of natural rights, as he understood them. Here are excerpts from the long passage in which that occurs.

Another development of the same philosophy is the doctrine that men come into the world endowed with "natural rights," or as joint inheritors of the "rights of man," which have been "declared" times without number during the last century. . . .

The notion of natural rights is destitute of sense, but it is captivating, and it is the more available on account of its vagueness. It lends itself to the most vicious kind of social dogmatism, for if a man has natural rights, then the reasoning is clear up to the finished socialistic doctrine that a man has a natural right to whatever he needs and that the measure of his claims is the wishes which he wants fulfilled. If, then, he has a need, who is bound to satisfy it for him? Who holds the obligation corresponding to his right?

Sumner here reveals his misunderstanding of natural rights (which are identical with the rights that were called "unalienable" in the Declaration of Independence and the rights that everyone now calls "human rights"). It lies in his use of the words "needs" and "wishes" or "wants," as if their meaning were equivalent.

Needs are natural desires, the same in all human beings, for they are inherent in human nature; and wants are acquired desires, differing from individual to individual as they are nurtured under different conditions and are affected by different environmental circumstances. We have a natural right only to those things that all human beings naturally need in order to lead a decent human life. This includes not only life and liberty, but whatever else anyone needs in order to engage

in the pursuit of happiness, when happiness is understood not as the psychological state of contentment one experiences when one's wants or needs are satisfied, but rather as a morally good life as a whole. Such rights are accompanied by the individual's obligation to make the effort to live well. The obligation to secure these rights falls upon organized society as a whole, since a just government should aim to secure all the natural rights of its citizens.

The first session came to end with almost everyone understanding that natural rights derive from natural needs, among them the need for a decent livelihood without which no one can live a decent human life. That raised a question about the different ways in which the right to a decent livelihood might be secured, and also a question about whether securing all natural rights—economic as well as political—would lead to socialism as well as to democracy.

THE SELF-DESTRUCTION OF BOURGEOIS CAPITALISM AND ITS TRANSFORMATION INTO SOCIALIZED PRIVATE PROPERTY CAPITALISM (SESSION II)

In the afternoon after the session is over, I reflect on the ground covered in the morning and make notes of the main points that I wish to remind the participants to carry over to the following day.

I need not repeat here the full summary presented. For our present purposes only two things should be noted. One is the understanding of democracy and socialism as the correlated political and economic aspects of a justly constituted society.

With constitutional government, political liberty comes into being, but usually only for some, not for all. The United States, for example, was first established as a republic, with political liberty extended only to the small portion of the

population that was then enfranchised as citizens. It remained in that condition until the twentieth century, at the beginning of which more than half the population was disfranchised—all the women, most of the blacks, and the poor in those states where there was a poll tax they could not pay. It slowly became a democracy with the Nineteenth and Twenty-fourth amendments, the latter in 1964 when the poll tax was abolished. But if in addition to establishing universal suffrage, a democracy should secure all human rights, then further constitutional or legislative enactments are needed to complete the progress toward the twin ideals of democracy and socialism.

That ideal is political equality, or the equal political liberty for all as required by justice—all with the equal political status and power of citizenship. Justice also requires the political inequality of citizens holding public office for a time, as compared with those not in office. To discharge the responsibilities of their offices, officials must exercise more political power and perform more functions than ordinary citizens. In short, a society is democratic if all, except the few who are justly disenfranchised (infants, the mentally incompetent, and felons), are political haves as citizens, and some—those in public office—have more political power than those not in office.

In the economic order, socialism parallels democracy in the political order. It stands for the ideal of economic equality, as democracy stands for the ideal of political equality. As we recognized in the previous day's discussion of Sumner, among the natural, unalienable, and human rights is the economic right to a decent livelihood.

Postponing for a moment the consideration of the various means by which this right can be secured, the clearest way of stating the parallelism and correlation of democracy and socialism is to say that a society is socialistic to the extent that it achieves in the economic order the same kind of equality that justice requires in the political order and which democracy achieves; all haves (that is, no have-nots, no persons

deprived of a decent livelihood), but among the haves, some *having more* and some *having less* according to the degree to which they contribute to the economic welfare of society as a whole. (Appendix 3 of the chapter contains a discussion of this subject from a previous book of mine that is now out of print.)

The second thing I stressed at the beginning of the second seminar session was the sharp distinction between the meaning of the word "socialism" as here used and the meaning of the word "communism." It is communism, not socialism, that is incompatible with democracy and with private-property capitalism.

I pointed out that the discussion of the texts assigned for the second session would soon make manifest that, in this century, the private-property, free-enterprise, and market economies of the United States, the United Kingdom, and Sweden were socialized. Another way of saying the same thing is that they all gradually became, in the twenties and thirties, "welfare states." The insights to be found in the *Communist Manifesto* not only led to the Russian Revolution of 1917 and the establishment of totalitarian communism in the Soviet Union. It also contained insights that led to the overthrow of the bourgeois capitalism that dominated Western industrial societies in the nineteenth century and their supplanting by the welfare states or the socialized capitalisms of the societies that became democratic in the twentieth century.

The second session opened with a discussion of those pages in the *Manifesto* in which Marx explains his prediction that the then regnant bourgeois capitalism would sow the seeds of its own destruction. Bourgeois capitalism operated under the governance of Ferdinand Lassalle's and David Ricardo's iron law of wages. The capitalist owners of the factories and employers of labor should seek to maximize their profits by paying labor bare subsistence wages—just enough to keep the laborers alive and able to reproduce the next generation of workers.

Since the owners of capital were the few and the workers

represented the great mass of the population with scant purchasing power, capitalism's increasing production of consumable goods for a dwindling domestic market would lead to overproduction and underconsumption. Though periodically lifted by unmet demand, after temporary failures, capitalism would soon overproduce again, leading to cycles of boom and bust. The final bust would bring about the complete collapse or self-destruction of unreformed bourgeois capitalism. The participants recognized that this was what Marx was saying in the following passage:

It is enough to mention the commercial crises that by their periodical return put the existence of the entire bourgeois society on trial, each time more threateningly. In these crises a great part not only of the existing products, but also of the previously created productive forces, are periodically destroyed. In these crises there breaks out an epidemic that, in all earlier epochs, would have seemed an absurdity—the epidemic of over-production. Society suddenly finds itself put back into a state of momentary barbarism; it appears as if a famine, a universal war of devastation had cut off the supply of every means of subsistence; industry and commerce seem to be destroyed. . . . The conditions of bourgeois society are too narrow to comprise the wealth created by them. And how does the bourgeois get over these crises? On the one hand by enforced destruction of a mass of productive forces; on the other, by the conquest of new markets and by the more thorough exploitation of the old ones. That is to say, by paving the way for more extensive and more destructive crises, and by diminishing the means whereby crises are prevented. . . .

Owing to the extensive use of machinery and to division of labour, the work of the proletarians has lost all individual character, and, consequently, all charm for the workman. He becomes an appendage of the machine, and it is only the most simple, most monotonous, and most easily acquired knack that is required of him. Hence, the cost of production of a workman is restricted almost entirely to the means of subsistence that he requires for his maintenance and for the propagation of his

race. But the price of a commodity, and therefore also of labour, is equal to its cost of production. In proportion, therefore, as the repulsiveness of the work increases, the wage decreases. Nay more, in proportion as the use of machinery and division of labour increases, in the same proportion the burden of toil also increases, whether by prolongation of the working hours, by increase of the work exacted in a given time, or by increased speed of the machinery, etc.

There are many passages in which Marx describes the utter misery of the working class, those men, women, and children whom he calls the "wage slaves" of bourgeois capitalism. The children went into the factories at a tender age and the rest of their lives was totally consumed by grinding toil—usually twelve hours a day and seven days a week. But instead of quoting these passages, I am going to cite passages written by Tocqueville in 1835 and by the American educator, Horace Mann around the middle of the century, in which the condition of the working class is vividly depicted by observers who are far from being Marxist communists. First, the passage in Tocqueville, taken from Volume 2, Book 2, Chapter XX of his *Democracy in America*, entitled "How an Aristocracy May Be Created by Manufacturers":

When a workman is unceasingly and exclusively engaged in the fabrication of one thing, he ultimately does his work with singular dexterity; but, at the same time, he loses the general faculty of applying his mind to the direction of the work. He every day becomes more adroit and less industrious; so that it may be said of him that, in proportion as the workman improves, the man is degraded. What can be expected of a man who has spent twenty years of his life in making heads for pins? and to what can that mighty human intelligence, which has so often stirred the world, be applied in him, except it be to investigate the best method of making pins' heads? When a workman has spent a considerable portion of his existence in this manner, his thoughts are forever set upon the object of his daily toil; his body has contracted certain fixed habits, which it can never

shake off; in a word, he no longer belongs to himself but to the calling which he has chosen. . . .

Not only are the rich not compactly united amongst themselves but there is no real bond between them and the poor. Their relative position is not a permanent one; they are constantly drawn together or separated by their interests. The workman is generally dependent on the master, but not on any particular master. These two men meet in the factory but know not each other elsewhere; and, whilst they come into contact on one point, they stand very wide apart on all others. The manufacturer asks nothing of the workman but his labor; the workman expects nothing from him but his wages. The one contracts no obligation to protect, nor the other to defend; and they are not permanently connected either by habit or duty.

The following passage comes from an essay by Mann included in a book of his writings published in 1867.

. . . The British manufacturer or farmer prescribes the rate of wages he will give to his work people; he reduces these wages under whatever pretext he pleases; and they, too, have no alternative but submission or starvation. In some respects, indeed, the condition of the modern dependent is more forlorn than that of the corresponding serf class in former times. Some attributes of the patriarchal relation did spring up between the lord and his lieges to soften the harsh relations subsisting between them. Hence came some oversight of the condition of children, some relief in sickness, some protection and support in the decrepitude of age. But only in instances comparatively few have kindly offices smoothed the rugged relation between British capital and British labor. The children of the work people are abandoned to their fate; and notwithstanding the privations they suffer, and the dangers they threaten, no power in the realm has yet been able to secure them an education; and when the adult laborer is prostrated by sickness, or eventually worn out by toil and age, the poorhouse, which has all along been his destination, becomes his destiny.

With these two passages before us, reinforcing everything Marx has to say about the misery of the working class under

bourgeois capitalism, I asked the seminar whether anyone in the room, if he or she could have chosen otherwise, would have chosen to be a factory worker under the conditions that prevailed everywhere in the nineteenth century, in Europe and the United States. These conditions persisted relatively unchanged until the second and third decades of the twentieth century. The answer was a resounding and unanimous negative.

We found evidence of the persistence of these deplorable conditions in Theodore Roosevelt's platform for his Progressive Party in 1912. In it were planks that called for one day's rest in seven for every wage worker, for the prohibition of child labor, for minimum wage standards for working women, for the prohibition of night work for women, for an eight-hour day in continuous twenty-four-hour industries, and for "the protection of homelife against the hazards of sickness, irregular employment, and old age, through the adoption of a system of social insurance."

Everyone recognized that many of the reforms proposed by Theodore Roosevelt were not legislatively enacted until Franklin D. Roosevelt's New Deal in the thirties. I pointed out that Big Steel in Pittsburgh was still operating the mills on two twelve-hour shifts as late as 1928 and that unemployment insurance, old age pensions, and Social Security entitlements came later than that.

We stayed a moment longer with Theodore Roosevelt, turning to his great "New Nationalism" address in Kansas in 1910. He began it by confessing that he would probably be "denounced as a Communist agitator" for talking about the rights of labor as well as the rights of capital and for proclaiming that "the object of government is the welfare of the people." To achieve this goal, Roosevelt insisted that human rights must take precedence over property rights.

... We are face to face with new conceptions of the relations of property to human welfare, chiefly because certain advocates

of the rights of property as against the rights of men have been pushing their claims too far. The man who wrongly holds that every human right is secondary to his profit must now give way to the advocate of human welfare, who rightly maintains that every man holds his property subject to the general right of the community to regulate its use to whatever degree the public welfare may require it.

A little later, he pointed out that the economic welfare of the citizens was indispensable to making democracy prosper, for without it most members of the working class were citizens in name only. "We keep countless men," he said, "from being good citizens by the conditions of life with which we surround them."

We turned from Theodore Roosevelt's "socialistic" proposals (socialistic, not communistic) to Franklin D. Roosevelt's establishment in this country of a welfare state by transforming bourgeois capitalism, reeling from the Great Depression, into socialized capitalism. I called the seminar's attention to one other text that had a bearing on FDR's "economic declaration of rights" in his Commonwealth Club Address of 1932, and in his "Economic Bill of Rights," which he delivered in his address to Congress on the State of the Nation in 1944.

That text was Monsignor John A. Ryan's treatise on *The Right to a Living Wage* (1906). This followed in the footsteps of two great papal encyclicals demanding relief for the plight of the working class. Mgr. Ryan made clear that the inventory of natural or human rights was incomplete unless it included the right to a decent livelihood, secured either through earning a living wage or by other means. [2]

The socialization of private-property capitalism (in different ways and in different degrees) in the United States under Franklin D. Roosevelt, in the United Kingdom under Clement Attlee, and in Sweden (or, to put it in other terms, these societies becoming welfare states in the twenties, thirties, and forties of this century) went a long way toward alleviating the misery of the working class. It was clear to all

of us that the alleviation or extirpation of that condition had been from the very start the controlling motivation in Marx's thought and program.

A careful reading of the *Manifesto* that he and Engels promulgated in 1848 revealed the steps they proposed for moving toward this objective before what they regarded as the final revolution would (by force, they thought) expropriate the expropriators, that is, take from them the ownership of capital which they used to exploit labor. It also revealed that the economic reforms enacted in the US, the UK, and Sweden involved the erosion of capitalist property rights called for in the closing pages of the *Manifesto*, by means of redistributive taxation, though the Western democracies did not adopt all of the ten measures set forth at the end of the *Manifesto*.

The first step in this direction, according to Marx and Engels, was a step toward democracy, by extending suffrage to the laboring masses. This occurred earlier in England than elsewhere, in the Second Reform Bill of 1867. "The first step in the revolution by the working class," the *Manifesto* declares, "is to raise the proletariat to the position of ruling class, to establish democracy." Then it goes on to say:

The proletariat will use its political supremacy to wrest by degrees all capital from the bourgeoisie, to centralize all instruments of production in the hands of the state, i.e. of the proletariat organized as the ruling class, and to increase the total of productive forces as rapidly as possible.

Of course, in the beginning this cannot be effected except by means of despotic inroads on the rights of property and on the conditions of bourgeois production; by means of measures, therefore, which appear economically insufficient and untenable, but which in the course of the movement outstrip themselves, necessitate further inroads upon the old social order, and are unavoidable as a means of entirely revolutionizing the mode of production.

We noted the following points in the foregoing passage. First, Marx and Engels did not realize the significance of the

fact that their advocacy of increasing “the total of productive forces as rapidly as possible” contained implicitly an acknowledgment that labor was not the *only* productive force in the economy. They were not advocating an increase in the quantity of the labor force at work, but rather an increase in the capital instruments employed productively. Only by regarding these capital instruments as “congealed labor” could they avoid contradicting their labor theory of value—that labor and labor alone produces wealth.

The second point we noted was that they did not abandon their ultimate revolutionary goal. They still anticipated that the proletariat would “wrest all capital from the bourgeoisie” and would “centralize all the instruments of production in the hands of the state.” In other words, private-property capitalism would ultimately be destroyed and would be replaced by state capitalism.

The third point and the one that bears on what actually did take place in the twenties and thirties in the three Western countries above is the step described by Marx and Engels as “despotic inroads on the rights of property.” I reminded the seminar that when Marx and Engels refer to “property” or “private property” they are never referring to the ownership of consumable goods, but always to the ownership of the means of production, the private ownership of capital, by individuals or by corporations, as contrasted with its ownership by the state.

Earlier in the *Manifesto*, they had written that the communist revolution could be summed up in a single mandate: *Abolish private property!* But later they describe what has been called “creeping socialism” in terms of inroads on the rights of private property before the ultimate goal is reached by its abolition. While private property still exists in societies that are being socialized economically, that socialization, by means of inroads on the rights of property, involves the erosion of those property rights by the enactment of some of the following ten measures, certainly by numbers 2 and 10, and,

in the case of number 3, by the erosion, not the abolition, of inheritance rights.

1. Abolition of property in land and application of all rents of land to public purposes.
2. A heavy progressive or graduated income tax.
3. Abolition of all right of inheritance.
4. Confiscation of the property of all emigrants and rebels.
5. Centralization of credit in the hands of the state by means of a national bank with state capital and an exclusive monopoly.
6. Centralization of the means of communication and transport in the hands of the state.
7. Extension of factories and instruments of production owned by the state; the bringing into cultivation of waste lands, and the improvement of the soil generally in accordance with a common plan.
8. Equal obligation of all to work. Establishment of industrial armies, especially for agriculture.
9. Combination of agriculture with manufacturing industries; gradual abolition of the distinction between town and country by a more equable distribution of the population over the country.
10. Free education for all children in public schools. Abolition of child factory labour in its present form. Combination of education with industrial production, etc.

Such enactments as the inheritance tax, the graduated income tax, ownership by the state instead of private corporations of certain economic agencies, establishment of national banks and credit facilities, establishment of free public schools, abolition of child labor, and the other welfare entitlements by which the national income is redistributed—all these have moved private-property capitalist societies in the direction of socialism.

Creeping socialism as thus accomplished does not, of course, go far enough, in the view of Marx and Engels. It is only a step in the right direction, alleviating the misery of the working class. Marx and Engels have another objective in mind, one that for them is of equal importance. That is the removal of class conflicts and the ultimate establishment of a truly classless society. We found this clearly stated in the last two paragraphs of this chapter of the *Manifesto*.

When in the course of development class distinctions have disappeared and all production has been concentrated in the hands of a vast association of the whole nation, the public power will lose its political character. Political power, properly so called, is merely the organized power of one class for oppressing another. If the proletariat during its contest with the bourgeoisie is compelled by the force of circumstances to organize itself as a class; if by means of a revolution it makes itself the ruling class and, as such, sweeps away by force the old conditions of production, then it will, along with these conditions, have swept away the conditions for the existence of class antagonisms and of classes generally, and will thereby have abolished its own supremacy as a class.

In place of the old bourgeois society, with its classes and class antagonisms, we shall have an association in which the free development of each is the condition for the free development of all.

I told the seminar that we would return later to these twin objectives of the Marxist revolutionary program: the alleviation or, better, the elimination of the misery of the working class, and the ending of all class conflicts by the establishment of a classless society. At the present stage of our discussion, we would be content to observe that the socialist or welfare measures adopted by various Western democracies, which remained private-property capitalist societies, have moved them toward the ideal of economic equality that is the end at which all the various forms of socialism aim. This ideal, I reminded the seminar, is approached to the degree that any

society eliminates have-nots—those totally deprived of the essentials of subsistence, most certainly of a decent livelihood.

Before the second seminar closed, we looked at two more texts. One was Gus Tyler's article "On the Economic Divide" (1988), with special attention to the following paragraph:

The poorest tenth got 1.1 per cent of the national income in 1977. Tiny as that proportion was, it had shrunk by 1984 and has stayed down so that in 1988 the bottom decile is getting merely nine-tenths of 1 per cent of the national income. This represents a drop of 18 per cent in its share.

In the last decade, the number of have-nots, the seriously deprived, has steadily increased in the United States. For 20 percent of our population, average family income is less than \$8,000 per year—substantially below the so-called poverty line, under which people do not have what they need. Not only does this nation now have less economic equality than justice requires, it also has more inequality—a greater inequality between the have-mores and the have-lesses—than justice requires.

I also pointed out that the progress toward equality we have made since the turn of the century is more than phenomenal. It is like the crossing of a great divide. In the United States, as in all other societies before the twentieth century, the political and economic haves were everywhere the privileged few—those who were both citizens and owners of property. The deprived—the have-nots—were everywhere the many. For the first time in the twentieth century, the proportions of the total population have been strikingly reversed. In the societies that have moved toward democracy and socialism, we now have a privileged multitude. The haves, both politically and economically, are the many, and the have-nots, the seriously deprived, are the few.

The other text that we examined came from John Strachey's *The Challenge of Democracy*, posthumously published in *Encounter* in 1963. In it, Strachey points out that, while

the standard of living of the workers in the Soviet Union has steadily gone down, the standard of living of the wage earners in the Western democracies has steadily increased. [3] His explanation of this is as follows:

Why is it that Marx's prophecy of ever increasing misery, which must have seemed thoroughly reasonable and sensible when he made it, turned out to be wrong? I have no hesitation in saying that the explanation is to be found in the increasingly effective use of their democratic institutions by the mass of wage earners of the Western societies. It is democracy which has done it. The Western capitalist employers have not had a change of heart; they still work, and must work, their industries in order to make the maximum amount of profit. They do not like paying higher wages to their workers, or working these shorter hours. By and large they have been impelled to do these things by the wage earners themselves. It is the fact that the wage earners in the democracies have been able to organize themselves, both politically and industrially, that has done the trick. . . .

Slowly, but in the end inexorably, the pressure of the wage earners has driven the governments of the Western democracies to undertake a substantial redistribution of the national income by means of taxation. . . .

Personally I like having a TV set, a motorcar, a washing machine, and the other gadgets of a contemporary home in Western society. For that matter the high standard of life which is being achieved in one Western society after another consists in many other things as well as gadgets; it consists in things like decent housing, more leisure, and a good education for one's children. I want such things, don't you?

The truth is, of course, that these things are enormously important to every wage earner's family. What we can agree is that there is something low and limited about caring *only* for material benefits. If democracy brought *only* washing machines, TV sets, and motorcars, or even good houses, it would be a limited thing. For once one has got these material benefits, one has to learn to use them wisely, and that is even more difficult than getting them. One has to learn that, in the end, their real use is to increase one's freedom to develop as a human being. That is why I suggested that there is a dialectical interplay

between the use of their democratic institutions which the wage earners of the West have been making to get themselves material benefits, and the deeper, and in the end even more important, use of those institutions to increase human freedom. . . .

To face *that* fact would have involved recognizing that Marx's theory of ever increasing misery had proved to be wrong.

This is what I call being blinded by theory. I am not against political and economic theory. On the contrary it is indispensable to form the best theories which we possibly can about the way in which our societies work; otherwise we shall have no guide as to how to change and improve them. But it is essential to recognize that even the most brilliant theories are simply hypotheses designed to account for the observable facts of social life—hypotheses which must be scrapped the moment that these observable facts no longer fit the theories. What oceans of misery the world would have been saved if only the Communists—and everyone else too for that matter—had borne that simple principle in mind. Instead, everybody tends to cling desperately to the theories he has learnt. The Communists have carried this common human error to an extreme; they have been, and remain, "blinded by theory" to the point where in some cases they take no account of the real world at all. The results are disastrous, not only for them, but for all of us, and the greatest example of all is the clinging to the dogma that the wage earners of the Western democracies are sinking into ever increasing misery, when quite obviously their standard of life is steadily rising.

In concluding this report of the second seminar discussion, I must mention an illuminating intervention by my associate, James O'Toole, professor of management in the Graduate School of Business Administration at the University of Southern California. He pointed out the contribution made by Robert Owen in his effort to correct the mistake made by the bourgeois capitalists, in England in the nineteenth century, by their obstinately adhering to the iron law of wages in their treatment of their factory workers.

Owen was himself the owner of a factory in which he demonstrated the economic effectiveness of treating the labor

he employed in a quite different manner, paying higher wages, improving the conditions of work in the factories, shortening the hours of work, and consulting the workers about the conduct of the enterprise. All of his recommendations fell upon deaf ears and caused Owen to support the establishment of trade unionism as the only way to bring about the reform of bourgeois capitalism, a reform that he deemed both desirable and necessary for its survival as well as to rectify its injustice.

THE SELF-DESTRUCTION OF COMMUNIST SOCIALISM AND ITS TRANSFORMATION INTO PRIVATELY CAPITALIZED SOCIALISM (SESSION III)

I started the third seminar session with Professor O'Toole's discussion of Owen's attempt to reform bourgeois capitalism. Commenting on Owen's style of industrial management, Prof. O'Toole pointed out that today we recognize Owen's New Lanark as an example of what we have come to call the Japanese style of management. He also said that Marx was quite correct in dismissing Owen as a utopian socialist. Owen was utopian in hoping that the bourgeois capitalists of his day would act in terms of long-term enlightened self-interest instead of being solely motivated by short-term gains in profit for themselves.

I then returned to a matter that had been postponed the day before when we discussed Monsignor Ryan's argument for the natural right to a decent livelihood, obtained either by a living wage or by other means. The question that remained to be answered was: What are all the various means by which this right can be secured?

In the first place, a decent livelihood is either earned or obtained by other means. If it is an earned livelihood, it may be income in the form of wages or salaries, income in the form of the earned dividends from the ownership of produc-

tive capital, or it may involve, as we will find Louis O. Kelso advocating in his theory of binary economies, an income derived from the combination of wages and dividends.

In the second place, some portion of a decent livelihood may come not from earned income, but from welfare benefits or entitlements, such as Social Security and Medicare. In addition to these welfare benefits for all, there may have to be special welfare benefits for some, for those who have serious pathological disabilities and for those who, for a time, may be unemployed through no fault of their own. The larger the portion of a decent livelihood that comes from earned income, the less need be provided by welfare benefits. The ideal is a decent livelihood secured for all by means of earned income.

The uneasiness I detected on the faces of the participants caused by these considerations prompted me to add one further point of explanation concerning the difference between political and economic rights. When a government tries to secure or safeguard natural rights that are political in character, it adopts constitutional provisions or legislative enactments that restrain it from invading, transgressing, or violating these rights. For example, the first seven Amendments to the Constitution of the United States protect the individual's natural and unalienable right to civil liberty and freedom of action *from governmental impediments or interference*. The italicized words indicate what the government *should not do*.

When we turn from liberty to a decent livelihood, we see at once the difference between a political and an economic right. In the latter case, securing the right requires positive action and governmental intervention in the economy, not negative action or governmental restraint. That is why securing the right to a decent livelihood has so far involved and will continue to involve legislative enactments, such as minimum wage laws, rather than constitutional amendments of the sort we find in our eighteenth-century Bill of Rights (the first ten Amendments).

These matters being somewhat clarified, the third session

of the seminar began with a consideration of its title: the self-destruction of communist socialism and its capitalization. We saw at once the parallelism of this title with the title of the second session: the self-destruction of bourgeois capitalism and its socialization. The question this led us to ask ourselves was: What basic mistake was made by communist socialism that sowed the seeds of its self-destruction, comparable to the mistake made by bourgeois capitalism that sowed the seeds of its own destruction?

In other words, (1) what mistake did Marx and Engels make that had the same destructive effect on communist socialism that the obstinate espousal of the "iron law of wages" had upon bourgeois capitalism, and (2) what is meant by the capitalization of communist socialism to correct this mistake, paralleling the socialization of private-property capitalism to correct the basic mistake made by the bourgeois capitalists?

Before we attempted to answer these two questions, I reminded the participants of certain points that had been covered in our lexicon of terms. It is necessary to remember that the word "socialism," unmodified by any adjective, signifies an ideal or goal to be sought—a society in which all are economic haves and there are no have-nots. As we have seen, socialized private-property capitalism is one means of moving toward this end. Communist socialism, which is identical with state capitalism, is the means that Marx and Engels proposed for moving toward the same end. Accordingly, the phrases "communist socialism," "Marxist communism," and "state capitalism" all refer to one and the same set of means, quite distinct from the set of means referred to by the phrase "socialized private-property capitalism."

To answer the first of the above questions, we went back to a section of the *Manifesto* that we had not examined before. Here it is.

The distinguishing feature of Communism is not the abolition of property generally, but the abolition of bourgeois property.

But modern bourgeois private property is the final and most complete expression of the system of producing and appropriating products that is based on class antagonisms, on the exploitation of the many by the few.

In this sense the theory of the Communists may be summed up in the single sentence: abolition of private property.

We Communists have been reproached with the desire of abolishing the right of personally acquiring property as the fruit of a man's own labour, which property is alleged to be the groundwork of all personal freedom, activity and independence.

Hard-won, self-acquired, self-earned property! Do you mean the property of the petty artisan and of the small peasant, a form of property that preceded the bourgeois form? There is no need to abolish that; the development of industry has to a great extent already destroyed it and is still destroying it daily.

Or do you mean modern bourgeois private property?

But does wage labour create any property for the labourer? Not a bit. It creates capital, i.e., that kind of property which exploits wage labour and which cannot increase except upon condition of begetting a new supply of wage labour for fresh exploitation. Property in its present form is based on the antagonism of capital and wage labour.

The abolition of "bourgeois property" (the private ownership of capital, consisting in the means of production that have emerged since the beginning of the Industrial Revolution) leads necessarily to state capitalism. The capital instruments at work must be owned and operated. If not by private individuals and corporations, the only other alternative is collective ownership by the state.

What is the mistake that lies at the root of this radical transference of the ownership of capital to the state? It is the error that we discovered when we read and discussed Locke in our first session. It is the *labor theory of value*, the theory (1) that all wealth is produced by labor, living or congealed labor; (2) that the owners of capital are totally unproductive; and (3) that they exploit labor by taking from it an "unearned increment" or the "surplus value" that labor produces. The

profits of the capitalists come from thus exploiting labor; therefore, profit is theft. The following text from the *Manifesto* says all this, though as we saw, it says it not too clearly.

To be a capitalist is to have not only a purely personal, but a social, *status* in production. Capital is a collective product, and only by the united action of many members—nay, in the last resort, only by the united action of all members of society—can it be set in motion.

Capital is, therefore, not a personal, it is a social, power.

When, therefore, capital is converted into common property, into the property of all members of society, personal property is not thereby transformed into social property. It is only the social character of the property that is changed. It loses its class character.

Let us now take wage labour.

The average price of wage labour is the minimum wage, i.e., that quantum of the means of subsistence which is absolutely requisite to keep the labourer in bare existence as a labourer. What, therefore, the wage labourer appropriates by means of his labour merely suffices to prolong and reproduce a bare existence. We by no means intend to abolish this personal appropriation of the products of labour, an appropriation that is made for the maintenance and reproduction of human life and that leaves no surplus wherewith to command the labour of others. All that we want to do away with is the miserable character of this appropriation, under which the labourer lives merely to increase capital, and is allowed to live only insofar as the interest of the ruling class requires it.

In bourgeois society living labour is but a means to increase accumulated labour. In Communist society accumulated labour is but a means to widen, to enrich, to promote the existence of the labourer.

What is meant here by “accumulated labor”? It is the machinery produced by labor that Marx in other places called “congealed labor.” Only by thus calling machinery itself a form of labor can any sense be made of the statement that all wealth is produced by labor and also the statement that

the capitalists are unproductive even when they put their capital to work productively.

We saw that the text just quoted contained another fundamental point, also a mistake that underlies the Marxist abolition of the private ownership of capital. The *Manifesto* maintains that capital is collectively produced and collectively operated and, therefore, must be collectively, not privately, owned. What can this mean?

To answer that question, we turned to an essay by Charles Vail, an American socialist, who wrote a pamphlet entitled *The Socialist Movement*, published in 1902. We examined the following passage.

... In the days of individual production private ownership of the tools was necessary to secure to the laborer his freedom and the full product of his toil. But when the method of production was revolutionized and the tools were transformed into social instruments, they were not capable of individual ownership on the part of the laborers. The principle of private ownership, which had hitherto been the means of securing to the laborer his full product, became now the means of his servitude and exploitation. The changed conditions rendered what was once right a decided wrong. . . .

The hand tools that the laborer produces for his own use are privately produced and privately operated and therefore it is right that they should be privately owned. But the industrial machinery the capitalist owns involves many gadgets and elements that have been collectively produced by human society as a whole in the course of its long history, as, for example, wheels, levers, fulcrums, pulleys, screws, nails, leather, rope, and many other technological devices that are embodied in the industrial machinery. They have been collectively produced. The bourgeois capitalist has not paid for them, and, therefore, he has no right to own them. In short, modern industrial machinery cannot rightfully be a private possession.

Just as the mistake made by the labor theory of value in

declaring the capitalist unproductive was exposed in our discussion of Locke, so the mistake of saying that industrial machinery cannot rightfully be private property can be corrected by remembering Locke's point that whatever is in the sphere of the common, or in the public domain, can be privately appropriated. Such private appropriations are protected by patent laws and regulations that usually have time limitations. When the time limit expires, whatever has been protected by patents returns to the public domain and is once again subject to private appropriation.

I presented the following concrete example to the seminar. Jones, a capitalist, is approached by White, an inventor, who offers him the design and blueprints of a new machine that incorporates many things that have long been in the public domain and that, therefore, can be appropriated by him. Jones thinks well of the new machine and offers to pay the inventor a fee for his device and also an annual royalty for a term of years. Jones then hires laborers to produce the machine whose design and blueprints he has bought from the inventor. He pays the laborers off each week for the work they do in building the machine. When they have completed their work, he owns the machine and can put it into productive operation by paying other laborers to operate it.

If there is any injustice in this whole series of transactions, it must be that Jones has not paid the inventor adequately or has not paid the workers fairly. It cannot lie in the fact that what he has paid for is privately rather than collectively owned. It cannot be that it must be collectively owned because it is collectively produced by all the work done by society in the past, and must now be collectively operated.

There was one more text in the *Manifesto* to which I called attention. It follows closely on the texts already quoted. It is as follows:

You are horrified at our intending to do away with private property. But in your existing society private property is already

done away with for nine-tenths of the population; its existence for the few is solely due to its non-existence in the hands of those nine-tenths. You reproach us, therefore, with intending to do away with a form of property, the necessary condition for whose existence is the non-existence of any property for the immense majority of society.

In a word, you reproach us with intending to do away with your property. Precisely so; that is just what we intend.

The importance of this text, I pointed out to the participants, is that it implies a third remedy, not found in the *Manifesto*, but consistent with its stated object of alleviating or curing the misery of the working class.

The first of the remedies actually proposed by Marx we discussed in the previous session—inroads on the rights of capital, or the erosion of private property rights by the ten measures that the *Manifesto* enumerates in its closing pages.

Marx's second remedy is more drastic. It is the one that we considered earlier in this session—the abolition of the private ownership of the means of production, not just the erosion of the rights of the owners. While the first remedy may only alleviate the misery of the working class, the second, in Marx's judgment, goes much further. It eliminates it, by eliminating the capitalist's exploitation of labor. That is why Marx chose it as the radical remedy for the misery of the working class.

Now here, in the text just quoted, we can see the opportunity for a third and quite distinct remedy, not recognized by Marx, but equally appropriate to his purpose—that is, neither the erosion of private property rights, nor the abolition of private property itself, but the extension of the ownership of capital from the few to the many.

But if the cause of the misery of the working class is the private ownership of capital instruments, then the abolition of private ownership is obviously the cure.

And if the cause of the misery of the working class is the uneroded property rights of the capitalist who, under com-

pletely laissez-faire conditions, pays the labor employed a bare subsistence wage, then just as obviously the remedy is to erode those rights, not abolish them.

But if the cause of the misery of the working class is that all or most of the capital available to a society is privately owned by less than one-tenth of the population, then the remedy which fits that cause is promoting the ownership of capital by a much larger proportion of the population.

The open letter written by Louis O. and Patricia Hetter Kelso to Mikhail Gorbachev, included in the readings for the fourth session of the seminar, recommends that he use the third remedy to achieve the reforms for which he is striving.

I told the seminar that we would discover the variety of ways in which the Kelsos think that all capital-intensive economies, that of the United States as well as that of the Soviet Union, can widely diffuse the ownership of capital equities and thus give to many members of society a double income (from earned wages or salaries combined with the earned dividends of capital profits). This is what "binary economics" recommends. A decent livelihood will thus become largely an earned livelihood; it will become less dependent on welfare benefits and entitlements. (See the discussion of binary economics by Prof. O'Toole in Appendix 4.)

To reinforce the critique of the Marxist doctrine that emerged from our close examination of the *Communist Manifesto*, I had included in the readings for the third session the first four chapters of Joseph A. Schumpeter's classic treatment of Marxism, *Capitalism, Socialism and Democracy* (1942). Here the seminar participants would find, I thought, a much more thorough critique, one that went beyond the *Manifesto* to *Das Kapital* and other Marxist writings. I learned, however, that the participants found Schumpeter very rough going. They did not profit from their reading of him as much as I had anticipated.

One more thing remained to be done in this third session. I had assigned for the second session the passage from

Tocqueville that described the misery of the working class as he observed it in America in 1831-32. But I had failed to assign the chapters in *Democracy in America* that were most relevant to the undesirable results of state capitalism under the dictatorship of the proletariat (the Communist party), results that Gorbachev's *perestroika* was trying to undo. To make amends for this omission, I concluded the third session and prepared for the fourth by calling attention to the great, almost indispensable contribution that Tocqueville had made to the solution of the problem with which the seminar began.

The stage is set by one paragraph in which Tocqueville refers to a new kind of oppression—tyranny or despotism—that he fears will develop in any nation that tends toward democracy, which for him means any nation that tries to establish an equality of conditions, especially economic conditions. Here is that paragraph.

I think, then, that the species of oppression by which democratic nations are menaced is unlike anything which ever before existed in the world; our contemporaries will find no prototype of it in their memories. I seek in vain for an expression which will accurately convey the whole of the idea I have formed of it; the old words "despotism" and "tyranny" are inappropriate. The thing itself is new, and, since I cannot name, I must attempt to define it.

The word that Tocqueville was looking for and could not find became current almost a hundred years later after the Russian Revolution eventuated in the state capitalism of the Soviet Union. It is "totalitarianism." State capitalism or Marxist socialism is totalitarian communism. Totalitarianism comes into existence when all the governing and managing power of a society, both its political and its economic power, is concentrated in the centralized bureaucracy of the state, the *aparatchiks* of the Communist party.

What word names the diametrical opposite of monolithic totalitarianism? It is "pluralism," the kind of political and

economic pluralism that preserves the liberties that democratic societies seek to maximize, even as they also aim to maximize, as far as justice requires, an equality of economic conditions.

Tocqueville refers back to the kind of pluralism that existed in what he calls the ancient regime; the aristocratic, feudal society of his own French past. In this feudal society, the many lords, barons, earls, marquises, and dukes were each secondary agencies of government, each with its own domain. The monarch was the sole ruler of the whole country, but his authority and power were checked and diluted by the nobles who were not only his vassals, but also the lords of their own domains.

Tocqueville draws from this historic example of feudal pluralism the lesson to be learned by the democracies of the present. Private associations of all sorts, profit and nonprofit corporations, private business organizations, labor unions, and competing political parties, must play the role that the feudal lords played in the ancient regime. They must function as secondary agencies of government, lessening the concentration of power in the central government. The multiplicity of private associations is the cornerstone of a pluralistic society in which the decentralization of power and authority operates in the balance against its centralized concentration. Abraham Lincoln aptly summarized the pluralistic principle when he said that the government should do for the people only that which the people, individual or collectively (that is, in private associations) cannot do for themselves.

The principle of totalitarianism is exactly the opposite. Everything, except perhaps the private association of the family, is a creature of the state. There is only one political party; there are no private labor unions; there are no private universities or hospitals; there are no private businesses or industrial corporations.

Can private associations exist and operate effectively in the economic sphere without the private ownership and man-

agement of capital? Can there be free enterprise and a free market economy without the operation of a plurality of private associations? Can Gorbachev achieve a higher standard of living, especially an abundance of consumer goods, for the people of the Soviet Union without the market economy and the free enterprise that require a plurality of private associations? In short, can Gorbachev achieve the results at which he and his fellow reformers aim without replacing totalitarianism with pluralism and without introducing private-property capitalism to replace state capitalism? [4]

With these questions to be answered the next day, the third session closed.

THE IDEAL OF THE CLASSLESS SOCIETY:
POLITICAL AND ECONOMIC EQUALITY
(SESSION IV)

In the previous session we had substituted a summary of the development of Marxist doctrine written by Professor O'Toole for Schumpeter's more extensive critique of it. Schumpeter provides us with further critical comments on Marxist errors, in addition to the two basic mistakes made by Marx, the errors we learned from our study of Locke's chapter on property [5]. In Schumpeter's judgment, Marxist communism is doomed to fail (1) because it is conceived in terms of a static, not dynamic, economy, and (2) because it is mainly managerial rather than entrepreneurial. It should be added here that Schumpeter also directs the second of these criticisms against Western private-property capitalism. That has become increasingly subject to the second criticism since Schumpeter's book was published, not to mention leveraged buyouts and junk bond sales.

Some of the participants had already read the dialogue between John Kenneth Galbraith and Stanislav Menshikov (*Capitalism, Communism and Coexistence*, 1988), which had been assigned for the sixth session of the seminar. In this

dialogue Galbraith argued, on the one hand, that to achieve the minimal conditions of economic equality in the United States (all haves, no have-nots), private-property capitalism would have to move further in the direction of socialism. Menshikov, on the other hand, expressed the opinion that Gorbachev's reforms could achieve, to some degree, free enterprise and a free market economy, accompanied by a modicum of decentralization, while still remaining what the seminar would recognize as a totalitarian regime, with private ownership of the means of production abolished and with the state the sole owner of capital. It was in these terms that Galbraith and Menshikov agreed in their closing chapters on the future coexistence of the United States and the Soviet Union.

Some of the participants asked why I thought that the position Menshikov advanced was not a feasible one—that achieving free enterprise and a market economy was simply not possible as long as the Soviet Union remained a totalitarian state, as it had to remain as long as its socialistic goals were to be accomplished by state capitalism. I went to the blackboard and put on it the following diagram.

Pluralistic Society with Competing Political Parties	Totalitarian State with One-Party Rule
Decentralized Private-Property Capitalism	Centralized State Capitalism
Private Economic Associations	No Private Economic Associations
Free Enterprise	No Free Enterprise
Market Economy	No Market Economy

I argued that there was no middle ground here—no mixture of free enterprise and a market economy with the nonexistence of private-economy associations and the nonexistence of the private ownership of capital. I also predicted

a different future from that predicted by Menshikov—no coexistence, but convergence toward a middle ground of the socialist economies of the Soviet Union and the United States. This called for more than minor reforms of the government and economy of the Soviet Union. It required the replacement of a totalitarian state by a pluralistic society, and of state capitalism by private-property capitalism. [6]

As a preamble to the new turn in the seminar that had been planned for this fourth session, I thought it helpful briefly to recapitulate the ground we had covered in the two preceding sessions.

In the second and third sessions, we had concentrated on only one of the two chief motivations of the Marxist revolutionary program. That was Karl Marx's deep and passionate desire to alleviate or eliminate the misery of the working class under the reign of bourgeois capitalism in England, the United States, and other Western nations.

In the second session, we saw how the alleviation of misery, if not its elimination, was accomplished in the Western nations by the socialization of their economies, adopting in various ways and in different degrees measures for the erosion, not the abolition, of the rights of private property (in other words, inroads on capitalistic profits in order to secure a better standard of living for the working class).

In the third session, we saw how the attempt to eliminate the misery of the working class by abolishing private property and establishing the dictatorship of the proletariat (the totalitarian state with all political and economic control in the hands of the Communist party) had been unsuccessful. It had failed to provide sufficient consumer goods in the marketplace and a decent standard of living for the working class. The fact that their misery had not so far been eliminated or even greatly alleviated was the prime motivating cause of Gorbachev's *perestroika*.

What I referred to above as a "new turn in the seminar" consisted in turning now, in this fourth session, to the second

of the two motivations of the Marxist revolutionary program. For Marx and Engels as well as for Lenin, class warfare or conflict in all the societies of the past was a historic social evil that had to be remedied. The only remedy for that evil was the establishment of a truly classless society.

To begin the discussion of this matter, I called attention to the following text in Strachey's *Challenge of Democracy*:

The first thing to realize is that for Lenin, as for Marx, the division of society into social classes is everything. And when I say "everything," I mean that phrase almost literally. For the Leninist, even more than for the Marxist, nothing in human life really counts compared with this division into social classes. Politics is the struggle for power between these social classes, and power is the power of the state. The state is simply an engine of coercion by the use of which any class which it at the moment in power controls by physical force the class or classes which are not in power. This whole conception derives directly, of course, from Marx's and Engels' formulation of the matter in the *Communist Manifesto* where they wrote that the state is "the executive committee of the ruling class."

The correctness of the Marxist and Leninist assertion that class warfare or conflict has plagued civilized societies from the beginning is amply confirmed by the facts of history. In antiquity, Plato, in his *Republic*, remarked that there have always been two cities, not one, the city of the rich and the city of the poor, and they are forever at war with one another. In the nineteenth century, an American reformer, Orestes Brownson (in an essay on "The Laboring Classes" written in 1840), anticipated by eight years the depiction of class conflict in the *Manifesto*. In our own century, Arnold J. Toynbee in his twelve-volume *A Study of History* singled out two causes for the decline of all historic civilizations: war and class. These are two forms of the same root evil: external conflicts between societies and internal conflicts within each society by virtue of its division into antagonistic classes.

The history of the West records a succession of class con-

flicts, changing with changes in the economy: chattel slaves vs. masters, dispossessed agrarian workers vs. landlord magnates, plebeians vs. patricians, feudal peons or serfs vs. feudal lords, the industrial proletariat vs. the bourgeois capitalists—in general, the have-nots vs. the haves.

At this point, I found it necessary to digress, reminding the participants of one point that had great relevance to the Marxist-Leninist ideal of a completely classless society. We had agreed earlier that justice calls for the establishment of a society in which all are political haves, all have the status and power of suffrage; and economically, all have the right to a decent livelihood secured. But we also agreed that, in both the political and the economic order, justice also requires that some have more and some have less (based in the political order on the greater political status and power of citizens in public office; and in the economic order on different degrees of contribution to the economic welfare of society as a whole). The ideal, in short, is a nonegalitarian socialism (see Appendix 5).

To try to eliminate such inequality between the have-mores and the have-lesseres would be an act of injustice. [7] Hence in a justly constituted society, one class distinction must remain. It would not be a perfectly classless society, for while all would be haves, some would have more than others. Whether this irremovable class distinction engenders a class conflict in society as grievous and bitter as the age-old class conflict between the haves and have-nots was a difficult question. There were differences of opinion that our discussion left unresolved. In any case, we did agree that the ideal to be attained could not be a completely classless society, but rather one that was only relatively classless, with the distinction between the *have-mores* and the *have-lesseres* remaining as a matter of distributive justice. [8]

After this digression, I called attention to a few other texts that clearly embrace classlessness as an ideal. One is a single sentence in the essay by Horace Mann that we had discussed

earlier. Using the word "property" to signify the ownership of capital, Mann declared: "Property and labor in different class are essentially antagonistic; but property and labor in the same class are essentially fraternal." I have often used this statement by Mann as an endorsement of Louis Kelso's binary economics: that as many persons as possible should become economic haves through two sources of earned income: wages or salaries on the one hand and dividends derived from the profits of capital on the other. Labor and property should be in the same hands. Society should not be divided into non-laboring owners of capital and nonowning laborers.

Exactly the same point is made in the following passage from Strachey:

What, then, will be the future of the Communist countries? Will they in fact develop into the "classless societies" which their spokesmen hold before them as the goal to be aimed at? I myself believe in the goal of a classless society as strongly as ever I did. It still seems to me that the organization of an economic and social system which does not result in men being separated from each other by the barriers of class—peasants from landlords, wage earners from the owners of the means of production, educated from uneducated, rich from poor—would be the greatest step forward that humanity could take. That is why I am and remain a socialist.

In the planning that I did to prepare for the seminar, I chose Lenin's Chapter 5 of *The State and Revolution* as the central text for the fourth session. Its analysis and argument was both inspired by and based on Marx's *Critique of the Gotha Program*. Taken together, these two documents constitute an essential component of Marxist-Leninist doctrine.

As the *Manifesto* and *Das Kapital* deal with the economic objectives of the revolution that Marx and Lenin spent their lives promoting, so these two documents deal with its political objectives. As the one aims at eliminating the misery of the working class by establishing state capitalism, so the other aims at removing class conflict and establishing the classless

society. And as the abolition of the private ownership of the means of production is the crux of the revolution in the economic sphere, so in the political sphere the crux of the revolution is the withering away of the state.

I was disappointed in the result of my choosing Lenin's *State and Revolution* as the central text for the session. The participants did not find what I thought they would in their reading of Chapter 5. They did not understand the significance I attached to this chapter, even when, with the book in hand, I read to them the title of the first part of its first chapter: "Class, Society, and the State: The State as the Product of the Irreconcilability of Class Antagonisms."

I added at once that Marx and Lenin must have had some very special and mistaken view of the nature of the state and of its origin, because though class antagonisms may be involved in all or most historic states, the state as such—the political community or civil society—is not itself the product of class conflict. Since most of the participants had been at an earlier time in one of my Executive Seminars in which we read Aristotle's *Politics*, Jean-Jacques Rousseau's *The Social Contract*, and Locke's *Second Treatise Concerning Civil Government*, they knew that the origin of the state lay in the political nature of man and the human need for political life and liberty, and that it served the purpose of securing these goods as indispensable to the pursuit of happiness or a good human life as a whole. [9]

To explain why I thought these two Marxist-Leninist documents were so important for Mikhail Gorbachev to interpret correctly in his concern with the future of the Soviet state in relation to its origins in the second decade of this century, and to also explain the significance of these two documents for me, I decided to summarize, as briefly as possible, the main points that deserved our close attention.

To this end, the first thing I did was call attention to their dates. Marx's *Critique of the Gotha Program* was written in 1875 and was first published in 1891, at a time when Marx

was acquainted with the civil societies of the two most advanced industrial nations, England and Germany, and when he thought of his projected revolution occurring there and not in a backward industrial country such as tsarist Russia. Lenin's *The State and Revolution* was written early in 1917 while Lenin was still resident in Switzerland, six months before the October Revolution that put him and Leon Trotsky in power.

Keeping these dates in mind, we are compelled to ask what vision of the state did Marx and Lenin have at the time they were writing. It could not have been the totalitarian state that came into existence with the dictatorship of the proletariat after October 1917. In the immediately succeeding years, the fledgling Communist party then in power was engaged in two struggles—one against the White Armies of the West who were attempting to undo the revolution, the other the forceful effort to wrest the ownership of the land and of other capital instruments from private capitalists, the "expropriators," and put them into the possession of the state. It therefore had to be the English and German consitutional monarchies, which at that time were oligarchies, not democracies, and in which the ruling class were the bourgeois capitalists of that day. In the populations of these two nations, the ruling few controlled the government, justifying Marx's epithet that the government was nothing but "the executive committee of the ruling class."

In these two nations, as in tsarist Russia, class warfare did indeed exist. The state or its government, controlled by the ruling class, did use coercive force at its disposal to crush the opposition of the disfranchised many—to put down riots and demonstrations, to suppress revolutionary movements, to prevent bomb-throwings and assassinations and to punish those who attempted such extreme measures. Against this background, the following points became clear.

Lenin distinguished between a first and lower stage of the Communist revolution and a second and higher phase. Since for him in the spring of 1917, the revolution was most likely

to occur initially in tsarist Russia, not in England or Germany, Lenin described the first phase as a dictatorship of the proletariat (that is, despotic rule by the Communist party in the name of the proletariat) to serve the two purposes already mentioned: to wage war against the capitalist, imperialist nations of the West that would try to counteract the revolution, and to seize by force the private property of the Russian capitalistic class—the landowning *boyars* and the industrial magnates—and to turn over to the Soviet state their capital holdings.

This, in Lenin's view, as it had also been the earlier view of Marx, was only a temporary measure, justified by its pragmatic expediency. While the government of the state was in the hands of the few and coercive force had to be employed by the government to serve its purposes, the dictatorship of the proletariat could not be regarded as the classless society that was the ultimate objective of both Marx and Lenin. Putting the possession of all capital into the hands of the state and all political power into the hands of the Communist party created a totalitarian regime, not the socialistic democracy that Marx and Lenin envisioned.

But this totalitarian regime, they thought, would be only a temporary measure, necessitated by the circumstances that existed in the early years of the revolution. Both Marx and Lenin thought this first and lower phase of the Communist revolution would be succeeded by a second and higher phase. This they described as the classless society that would come into existence when the state withered away—dwindled and disappeared.

In their use of the phrase "the withering away of the state," it is difficult to give a precise denotative reference to the word "state." For Marx, it certainly had to be the bourgeois oligarchies of England and Germany, in which the oppressors were the few capitalists and the oppressed many were the working masses. For Lenin, the reference could also have been the totalitarian state that came into existence with the first stage of the Communist revolution. The totalitarian state

in Russia in the third decade of this century resembled the bourgeois oligarchies that Marx had in mind. The class divisions and class conflicts were the same: between the few who were the oppressors; and the many who were oppressed; the few who used the coercive force of the state to impose their will upon the many.

Both Marx and Lenin disclaim the notion that the withering away of the state substitutes anarchy for a government exercising coercive force. But their disclaimers have almost no foundation in their vision of the classless society that will come into existence with the withering away of the state. As they conceive the classless society, the state as such will cease to exist; there will be no government that exercises coercive force to impose its will upon those subject to its power. In any tenable view of the meaning of anarchy, that is anarchy.[10]

The espousal of anarchy is one of two basic mistakes in the Marxist-Leninist doctrine concerning the withering away of the state. They commit a second basic error. That is the extreme egalitarianism in which they clothe the classless society that will come into existence when the state has withered away.

Though they both acknowledge the individual inequalities that exist in any human population, inequalities in endowment and in performance, they do not acknowledge that in a classless society, in which all are haves and there are no have-nots, there will still be a justifiable distinction between those who deserve to have more and those who deserve to have less. They did not anticipate Nikita Khrushchev's amendment of the maxim "from each according to his ability, to each according to his needs," by adding the principle of distributive justice that is expressed in the maxim "to each according to his contribution." [11]

Lenin carefully cautions his readers that he cannot assign a definite time for the transition from the first to the second stage of the revolution—the date when the totalitarian state

can be expected to wither away and be replaced by the classless society. His description of that classless society as a society that has no "political state," but in which only administrative functions are performed by the people, is contained in the closing paragraphs of Chapter 5 of *The State and Revolution*. I quote them below. Readers should note that by the words "Communist society," Lenin means the classless society that comes into existence when the class-divided state withers away (whether that be the constitutional monarchy governed by a bourgeois oligarchy or the totalitarian state governed by the dictatorship of the proletariat).

Accounting and control—these are the *chief* things necessary for the organising and correct functioning of the *first phase* of Communist society. *All* citizens are here transformed into hired employees of the state, which is made up of the armed workers. *All* citizens become employees and workers of *one* national state "syndicate." All that is required is that they should work equally, should regularly do their share of work, and should receive equal pay. The accounting and control necessary for this have been *simplified* by capitalism to the utmost, till they have become the extraordinarily simple operations of watching, recording and issuing receipts, within the reach of anybody who can read and write and knows the first four rules of arithmetic. . . .

From the moment when all members of society, or even only the overwhelming majority, have learned how to govern the state *themselves*, have taken this business into their own hands, have "established" control over the insignificant minority of capitalists, over the gentry with capitalist leanings, and the workers thoroughly demoralised by capitalism—from this moment the need for any government begins to disappear. The more complete the democracy, the nearer the moment when it begins to be unnecessary. The more democratic the "state" consisting of armed workers, which is "no longer a state in the proper sense of the word," the more rapidly does *every* state begin to wither away.

For when *all* have learned to manage, and independently

are actually managing by themselves social production, keeping accounts, controlling the idlers, the gentlefolk, the swindlers and similar "guardians of capitalist traditions," then the escape from this national accounting and control will inevitably become so increasingly difficult, such a rare exception, and will probably be accompanied by such swift and severe punishment (for the armed workers are men of practical life, not sentimental intellectuals, and they will scarcely allow any one to trifle with them), that very soon the *necessity* of observing the simple, fundamental rules of every-day social life in common will have become a *habit*.

The door will then be wide open for the transition from the first phase of Communist society to its higher phase, and along with it to the complete withering away of the state.

Lenin did not live to see how the totalitarian state developed under the despotic rule of the Communist party when first Joseph Stalin and then Leonid Brezhnev became its chairman. The pragmatic necessity for the dictatorship of the proletariat, to expropriate the capitalists and to safeguard the Soviet state against the White armies, had disappeared. Like any other nation, the Soviet Union needed a large military installation for its national security, but that could have been managed without resorting to totalitarianism in the organization of the state or despotism in the operation of its government.

It is reasonable to ask whether Lenin would have regarded the totalitarian state as it developed after his death, together with its despotic control by the Communist party, as a class-divided society that should wither away, to be replaced by the classless society that, for Marx and for him, was an ultimate objective of the Communist revolution.

Would he not have recognized that the bureaucrats of the Communist party had become what the Yugoslav writer Milovan Djilas called "the new class," a class that oppressed the working class, the disenfranchised masses, as grievously as the bourgeois capitalists had oppressed the proletariat at an earlier time? If the answer to these questions is affirmative,

then we must conclude that Lenin would have called for an end to the prolonged first phase of the Communist revolution.

What should replace the despotic rule of the Communist party? Certainly not a government that eschews the use of coercive force to enforce its laws. Even in a classless society, there will always remain a criminal element against whom the government must exercise coercive force. The notion that in a classless society the criminal element in the population will disappear is contrary to all recorded facts. In the Western societies that have approached, but not yet fully realized, classlessness, a criminal class still remains.

The notion that when the Communist revolution reaches its second and higher stage, a new type of man will emerge and there will be a whole population without any criminal class, is a utopian fantasy of the most extreme sort.

That being so, whatever society and government emerges in the Soviet Union to replace the totalitarian state and despotic rule by the Communist party, that state and government will have to exercise coercive force against criminals. It can do so without any loss of liberty, the view of Marx and Lenin to the contrary notwithstanding.

The replacement of the totalitarian state by a socialistic democracy that is pluralistic in its economic and political structure depends upon more than the correction of the errors made by Marx and Lenin in their theory of the first and second phases of the Communist revolution, leading to the ultimate establishment of a classless society. As the participants and I agreed earlier, state capitalism must be superseded by privately capitalized socialism; for without privately owned capital, the private associations indispensable for free enterprise, a free market economy and competing political parties, cannot exist or operate.

When I finished this detailed commentary on Lenin's *State and Revolution*, the fourth session of the seminar concluded with the consideration of an interesting point made by Strachey in his *Challenge of Democracy*. He asked about the role of political parties in a relatively classless society, and

observed that in the divided societies of the past, opposing parties represented the opposed interest of conflicting classes. The conflicting classes had different political and economic ends in view and so the opposition of the political parties that represented their interests was about conflicting ends. But in a society without class conflicts, there can be no opposition about ends, but only about the means by which the ends agreed upon by all should be achieved. Here is Strachey's statement of the matter.

What would be the probable character of the differences which would divide the political parties of a society which was both democratic and classless (which no major society in human history has yet been)? Perhaps one may catch a hint of what they might be from a remark which an eminent Indian official made to me the other day. He said that in present-day India what they needed was a "6 per cent party" and "an 8 per cent party." What he meant was that the true issue in Indian public life today was the speed at which India should push forward her economic development. Should she aim at raising her Gross National Product by say 6 per cent a year or by 8 per cent a year? This was the really crucial issue. . . .

This is the sort of economic issue over which rival political parties in a classless society would contend, once they were free to do so. But economic issues are not everything. Indeed in the highly developed societies they will be increasingly overshadowed by other issues. Such issues will be such things as these: how much education are our children to have, and what is to be its character—predominantly humanistic or predominantly scientific, or in practice, of course, what blend of the two? Or again: what is to be the attitude of the state to organized religion, favorable, hostile, or neutral? Is complete national independence and sovereignty to be maintained at all costs or should there be federations and mergers with other suitable nation-states? Or finally, how much control from a world organization can be accepted? The moment one thinks of it, one sees that there will be plenty for rival parties to dispute about in classless societies.

CONCLUSION: THE SOLUTION OF THE PROBLEM

The preceding sections have not given an exhaustive account of all the turns and twists in the seminar. What has been selected for presentation in this report has been controlled by the central focus of this chapter: the problem posed by William Pfaff with which the chapter began and which instigated the plan of the seminar in the first place. In my judgment, we have now either reached or closely approximated a solution to that problem.

Before I restate the problem and propose what I think is its solution, I wish to call attention to the essay by Professor O'Toole which was the centerpiece of the fifth session of the seminar. I have already commented on the book by Galbraith and Menshikov that had been assigned for the sixth session. I have given our reasons for maintaining that the future of private-property capitalism in the West and state capitalism in the Soviet Union lies not in their coexistence, but in their convergence toward a common set of economic arrangements.

What I now wish to report is the culmination of the discussion in the fifth session of Professor O'Toole's essay, entitled "From Marx to Madison: Socialism's Cultural Contradictions."^[12] That is best summarized in the essay's closing paragraphs:

... Pluralism thus becomes the only effective mechanism for reconciling the adversarial issues found in a modern society—conflicts between those who seek greater political and market freedom and those who seek equality and economic security, between those who want greater industrial efficiency and economic growth and those who desire a higher quality of life.

All the great domestic political and economic issues facing any advanced nation—including the Soviet Union—can be mapped as conflicts between groups with these different values and goals. The genius of Western democracies is that they have

arrived at ways of getting as much of all of these values as possible. A pluralistic society attempts to satisfy all competing interests. Because no system is perfect, all the various constituents in a democratic society will never be fully satisfied. Yet, because the system treats the values of all the constituents as legitimate, democracy is the only condition that modern men and women accept as just: . . .

But the only way to find the centre is through the turbulent, conflict-ridden pluralistic process. The citizens of Western nations have learned to pay the price of political turbulence, flux, and tumult in order to achieve the continual economic renewal, social justice, and institutional legitimacy that emerge from Madison's miraculous process. Now the question is whether the entrenched leaders of the Marxist states will accept the unpredictability and uncontrollability of democracy in order to overcome the technological stasis, social injustices, and institutional illegitimacy of their societies. They will not *want* to do so—that is certain—but, ultimately, they may be *forced* to accept democracy as the international cultural revolution creates irresistible pressures for change.

To proceed now with the solution of the problem that initiated the seminar, let me quote the summary statement of it given in the first section of the chapter: In what limited respect should the Communist party be retained and continue to function in the Soviet Union, and what principles or propositions in Marxist-Leninist doctrine should be retained while others should be rejected?

The answer to the first interrogative clause is immediate and obvious. If political pluralism is to be achieved as the needed replacement for monolithic totalitarianism, the Communist party, if it remains at all, must become merely one of several competing and opposing factions in the political arena. This has now been decreed, and seems likely to happen.

The second interrogative clause also has a quick answer, one that was given in the first section: The solution of the problem cannot be found in terms of all or none, but rather in terms of partial retention and partial rejection. The Marx-

ist-Leninist doctrine is not wholly true and sound, but neither is it wholly false and unsound.

That quick answer now needs to be spelled out in some detail. What are the correct and sound elements in the Marxist-Leninist doctrine that Mikhail Gorbachev should retain and to which he should appeal in his effort to persuade the people of the Soviet Union to adopt the policies of *perestroika*? What is fallacious and unsound in the Marxist-Leninist doctrine that Gorbachev should unhesitatingly reject and be able to give clear reasons for rejecting?

In its sessions the seminar succeeded, I think, in putting its finger on the points that have to be rejected by Gorbachev if he is to succeed in raising the standard of living of the great mass of the Soviet people by filling the marketplace with a more plentiful supply of consumer goods; and also if he is to succeed in giving the Soviet people the political liberty that is in increasing demand throughout the world and has already produced radical changes in Hungary, Poland, East Germany, Romania, and Czechoslovakia. Gorbachev's success in these efforts still leaves him with a problem that may cause his downfall—the problem of the growing ethnic nationalism and demands for independence in the Baltic provinces, in the Ukraine, Georgia, Armenia, and so on. But the remarkable succession of events that occurred with startling rapidity in the summer of 1989 plainly show that when the power of the Communist party is drastically reduced or completely overthrown, as it was in the above four satellites of the Soviet Union, socialist democracies tend to emerge in place of totalitarian despotism.

In all but the recent decade of the last seventy years, the world has seen, in the Soviet Union and in the United States, a dogmatic, quasi-religious devotion to doctrinal extremism. The extreme right wing of the Communist party in the Soviet Union, the faithful zealots of the party line, swear their allegiance to a literal interpretation of the words of Marx and Lenin as if they spoke the truth in every respect. The zealots

treat the writings of Marx and Lenin, all composed before the advent of the Russian Revolution, as if they were sacred Scripture, in the same way that fundamentalist Christians quote the Bible. There is the unvarnished literal truth, inflexible, incorrigible, and final.

The extreme right wing of the large conservative faction in the United States, the fanatical anticommunists of the McCarthy era and ever since, reject Marx and Lenin as wholly wrong, mistaken in every respect. There is no truth at all to be found in their writings. The fact that the constituents of this faction have not read the basic Marxist and Leninist documents, the fact that they could not give anything like an accurate account of their content, does not deter them from rejecting the caricature of what communism stands for which they suppose these documents to contain. They simply do not know what motivated Marx and Engels to propose revolutionary measures in the first place, nor do they recognize that we in the United States have adopted many of these measures in making the economic improvements that have occurred in this country.

In between these two extremes is a middle ground to be occupied by those, in the United States and the Soviet Union, who are or can be persuaded that political and economic problems are never likely to be solved by proposals that are either wholly true or wholly false.

In my long experience of conducting Aspen seminars, in which the *Communist Manifesto* is read and discussed, I have always begun by saying that Marx is more right than wrong, but that his correctable errors are of the first importance in our effort to get at the truth. I have had no difficulty in persuading the participants to read and discuss the *Manifesto* with that in mind.

From the evidence of what has happened in Hungary, in Poland, in East Germany, in Romania, and in Czechoslovakia, it can be fairly assumed that a large portion of the people of the Soviet Union are similarly persuadable. The unpersuadable zealots in the Communist party, who adhere to the

party line with religious fervor, are likely to remain a problem that Gorbachev must deal with. He must choose between scuttling them or being himself scuttled by a popular uprising against them.

What is the retainable validity in the Marxist-Leninist doctrine, its unrejectable insights and proposals?

The first things to be mentioned are the two prime motivations of the revolutionary proposals by Marx and Lenin. Can anyone gainsay the truth in the insight that the misery of the working class in the nineteenth century and the mistreatment of proletariat labor by the bourgeois capitalists of that era and in the first decades of this century was a problem that justice required mankind to solve? Can anyone gainsay the truth in the insight that class divisions, class conflicts and warfare, which have been going on in civilized societies from their beginning, are a social evil that prudence required mankind to remedy? Must not everyone who answers these questions affirmatively also acknowledge their indebtedness to Marx and Lenin for devoting all their efforts to putting these matters at the top of mankind's agenda, as well as indebtedness to them for whatever is sound in their proposals for dealing with them?

That Marx was right in predicting the self-destruction of bourgeois capitalism by its adherence to the iron law of wages is a matter of historical record.

That he was also right in his proposals of two measures for the alleviation of the misery of the working class—by inroads on or the erosion of the unregulated rights of the private owners of capital and by the widest possible diffusion of the private ownership of capital—is also attested by the successful adoption of these two measures in the economic reforms which have occurred in this century in the United States, in the United Kingdom, and in Sweden.

These reforms have not yet gone far enough to create the economic equality that is the goal of socialism, a society in which all are economic haves and there are no economic have-nots. They have been accomplished in different ways and in

different degrees in all the democratic societies in which all (with justifiable exceptions) are political haves and there are no political have-nots. But in these societies, the apparent motion is toward the realization of the Marxist-Leninist ideal of a classless society.

These are the points that Gorbachev can certainly stress in claiming that *perestroika* is faithful to the teachings of Marx and Lenin. They are also the points with respect to which he should be able to win the support of the Western societies that have reformed private-property capitalism and have established welfare states.

What, then, in Marxist-Leninist doctrine must be rejected as mistakes to be corrected if *perestroika* is to serve the ends Gorbachev has in mind for it? We have discovered all of them in the course of the preceding sessions of the seminar. Let me list them in the order in which we discovered them.

1. Marx's labor theory of value, the theory that labor, living labor or the labor congealed in machinery, produces all the wealth a society consumes and uses; and that the private owners of capital who derive income without working for it are totally unproductive.
2. Marx's assertion that capital instruments cannot rightfully be owned and operated by private individuals or corporations and, therefore, that capital must be owned and operated by the state.
3. As an inexorable consequence of the state capitalism that Marx advocated, the establishment of a totalitarian state, in which all political and economic power is concentrated in the central government, called by Marx "the dictatorship of the proletariat," as carried on by the despotic regime of the Communist party.
4. The Leninist doctrine of the withering away of the state (either the bourgeois oligarchy in the West or the dictatorship of the proletariat in the Soviet Union) on the march to the establishment of a classless society. This

has not yet occurred in Russia and is not likely to occur there or elsewhere except by steps in the direction of political and economic justice that eliminate political subjugation and economic deprivation and that institute pluralistic societies that are both democratic and socialistic.

5. The utopian fantasy of a society existing without any government at all, one that exercises coercive force to maintain peace and harmony and to prevent and punish criminal conduct; in short, the espousal of philosophical anarchy implicit in Lenin's doctrine of the withering away of the state.
6. Finally, the Marxist-Leninist misunderstanding of what justice requires with regard to equality and inequality, political and economic. Not only does it require that all should have, but it also requires that some should deservedly have more and some have less.

When the six mistakes in Marxist-Leninist doctrine are corrected, what is the positive picture that emerges?

The verdict of history, looking back at the rise and fall of communism in the twentieth century, will be that communism chose the wrong means to establish socialism as a desirable goal. This will be seen as the reason for its miserable failure and its total rejection.

When a relatively classless society and a nonegalitarian socialism has come into existence, both East and West, it will not be thought that communism projected a wrong goal for the social revolution it initiated—socialism conceived as a society in which the right to a decent livelihood is secured for all and all economic have-nots have been eliminated. It will be recognized that socialism as a desirable end could not be achieved by communist means—the abolition of the private ownership of capital, replaced by the totalitarianism of state capitalism. [13]

The positive side of the picture can be further stated as

follows. Human beings have natural needs that should be fulfilled, and they have innocuous wants that also deserve fulfillment. A society that aims at nonegalitarian socialism serves basic human needs by securing the right to a decent livelihood for all. Private-property capitalism, not state capitalism, is the effective means for producing enough consumable wealth and providing a decent standard of living to satisfy all the reasonable wants of its members.

In conclusion, one question that may arise in the minds of readers deserves an answer. If it is true that the recorded history of civilizations is a history of class conflicts and class warfare, is not the forthcoming desirable establishment of classless societies the end of history? [14]

To answer that question, let us assume that all the present threats to the viability of this planet are removed by drastic measures for protecting the environment from irreversible lethal changes. Let us assume that mankind has centuries of time ahead for the continuance of life on earth.

On that assumption, here is the answer. With the establishment of classless societies, the first great epoch in human history will come to an end—the epoch that began with the rise of cities and the emergence of civilized life, enduring from 6,000 years ago to the present. The second great epoch of civilized life on earth will then begin when the first classless societies are established in the next century or two.

The end of class conflicts is not the end of history, though it is the end of one historical epoch. The future holds a second in store, for as long as mankind continues to live on earth, human circumstances will continue to change.

ENDNOTES

1. The equivalent of the addition of machinery to an increase of hands has another profound significance. When I

asked the participants whether the addition of power-driven machinery to the productive forces at work resulted in (a) making the economy more productive, or (b) making the laborers that worked with the machinery more productive, or (c) both in differing degrees, they argued for some time about these three alternatives. I then pointed out that if an addition of machinery was equivalent to an increase of hands, then the correct answer must be a, not b or c, because one laborer's productiveness added to the productiveness of another laborer does not result in the latter's becoming more productive.

2. The economic components of a decent livelihood, obtained by a living wage together with other sources of income, including welfare benefits, are: "... a decent supply of the means of subsistence; living and working conditions conducive to health; medical care; opportunities for access to the pleasures of sense, the pleasures of play, and aesthetic pleasures; opportunities for access to the goods of the mind through educational facilities in youth and adult life; and enough free time from subsistence-work, both in youth and in adult life, to take full advantage of these opportunities." M. J. Adler, *The Common Sense of Politics* (1971), p. 25.

3. Strachey makes the following comparison of the condition of workers in Western democracies and of workers in the Soviet Union:

Compare the position of a wage earner in a factory which is owned by a Western-type, private, profit-making, joint-stock company, but who possesses full democratic voting and trade-union rights, with the position of a wage earner in a Communist-type state-owned factory, without the right to choose either the kind of government which he prefers or to organize a political party of his choice, or to form his own trade union, or to strike for better pay if he thinks he can get it. Which of the two men has the better chance of getting for his own consumption a high proportion of the values which he produces? I have no doubt that experience has now shown that the wage earner with dem-

ocratic rights, even if he works in a privately owned factory operated for profit, has the better chance.

Readers should be informed that Strachey was at one time the leader of the Communist party in Great Britain. *The Challenge of Democracy* is, in a sense, a retraction of Strachey's pro-Communist apologia in an earlier book, *The Coming Struggle for Power* (1932), in which he predicted the triumph of Soviet Communism throughout the world.

4. At the beginning of this section, we asked what is meant by a phrase implied in the title of the third session: the capitalization of communist socialism. We now have the answer. The capitalization of socialism results from replacing state capitalism with private-property capitalism. The socialization of private-property capitalism and the private-property capitalization of socialism are two faces of the same movement toward an economy that is both just and expedient, that is, effective in the production of a decent standard of living for all.

5. The two basic mistakes are the labor theory of value and the notion that modern industrial capital cannot rightfully be a private possession.

6. Even as we talked, Hungary, Poland, Czechoslovakia, and Romania were moving in that direction during the summer of 1989; and now, as I write these words in the autumn of 1989, the mass protests in East Germany and the mass exodus to the West betoken the same direction of change there.

7. At this point, I digressed to report Nikita Khrushchev's amendment of the Marxist slogan "From each according to his ability and to each according to his needs." That the common needs of each should be served is certainly a principle of justice, for natural rights have their basis in inherent natural human needs. But Khrushchev went a step further. He added a second principle of justice: "to each according to his contribution." Applying this principle would

obviously create a class distinction between the have-mores and the have-lesses.

8. I should record here, but cannot report in detail, a fairly extended discussion of the ways in which class conflicts arising from this one remaining class distinction might be ameliorated, as, for example, by reducing the gap or chasm that exists between those who have more and those who have less, especially in the economic dimension. This holds true for the Soviet Union as well as for the United States.

9. Many of the participants had also read Chapters 5 and 6 in my book *A Vision of the Future* (New York, 1984), the first on "State and Society," the second on "Government and Constitution." I recommended to them that, for the present purpose, they also read an earlier book of mine, *The Common Sense of Politics*, especially Chapter 6, "The Necessity of Government," and Chapter 7, "Concerning the Goodness of the State." I pointed out that Part Three of that book was concerned with a new political ideal, one that had emerged in the nineteenth century and for which we are indebted to Marx—the idea of the classless society.

10. In *The Common Sense of Politics*, Chapter 8 deals with "the anti-political philosophers," in whose number are Marx and Lenin as well as such self-confessed anarchists as Kropotkin and Bakunin. One section of that chapter argues, successfully I think, against the utopian fantasy that a peaceful and harmonious society can exist without government, one which, if it is constitutional government, must exercise, in the words of the great German jurist Hans Kelsen, a monopoly of authorized force. I append here that section as whole.

The limited power of human reason is a case in point, and one that has a direct bearing on the question about the necessity of government. No matter how free it is from the pressures and prejudices of conditioning circumstances, the finite intelligence of man does not enable him to know with infallible certitude the answers to all questions, especially not the solutions to the problems that confront him in the sphere of action. Hence even

if men were to be as fully rational as they might be under the best of circumstances, disagreements would still arise among them concerning the solution of problems that confront them when they try to live together socially and act in concert to achieve any common purpose.

Carry this one step further and suppose that the emotions or desires of men were completely controlled by reason or intelligence, so that men would never come into conflict except as a result of the inability of reason to reach agreement about all practical matters. It would then still remain true that the authority of government would be indispensable for social life; for, as we have seen, authority is needed to decide matters about which reasonable men can disagree. If each individual were to retain the complete autonomy of heeding no voice except that of his own reason, his being able to act cooperatively with others would come to an end the first time that the group fell short of unanimity about the solution to a problem.

The situation just imagined is, of course, plainly contrafactual. Reason is not only fallible and uncertain in its judgments about practical matters; it is also severely limited by the independent and often contrary impulses of desire or emotion, which it cannot control. Man is not a purely rational being but a rational animal, with appetites and drives that can impel him to act against the counsels of reason and can even subvert or color the judgments of his intelligence. This is a species-specific property of human nature, not a product of conditioning circumstances.

Given any social environment imaginable, even one completely devoid of all the institutions within our experience so far, men would still be so constituted that they would come into conflict with one another as the result of clashing drives or desires, and not merely because reason is unable to achieve unanimity about all practical matters. This being the case, government, with the authority to adjudicate disputes and to enforce the judgment of a tribunal, is indispensable to a peaceful resolution of the conflicts that would arise in any imaginable society, man being what he is or even what he might be under the best of circumstances.

It is human nature that makes government necessary, not

the institution of private property as the anarchist claims. To whatever extent he agrees with the political philosopher that social life is better for man than the life of the isolated individual and that peace is better than war or violence, he has accepted premises that work against his contention that government must be abolished for the benefit of man or for the improvement of the human condition.

What fundamental tenets are shared by those who, however else they differ, call for the abolition of government and of the state as we know it?

1. They hold that the maximization of freedom requires the complete autonomy of the individual, each heeding only his own private judgment, each obeying himself alone.

2. They hold that the maximization of equality involves the sovereignty of the individual, no one in any way being subject to direction or dominance by anyone else.

3. Therefore, they hold that government, being incompatible with the autonomy and sovereignty of the individual, necessarily prevents the maximization of freedom and equality.

4. Denying or dismissing the distinction between *de jure* and *de facto* governments, they regard government as nothing but an instrument of coercive force, enabling those who hold the power of government to tyrannize over or subjugate others. Since coercion, like aggression or violence, is inherently evil, government itself is inherently evil.

5. Repudiating the state which involves one or another form of centralized government, they assert, on the positive side, that men can live peacefully and fruitfully together through purely voluntary and undirected acts of cooperation; and they envisage this as happening with the maximum of decentralization and fluidity, the cooperation occurring in small leaderless groups or with leaders emerging and changing from moment to moment as the occasion warrants.

6. They anticipate the objection that their vision of the anarchic society does not fit the nature of man, by denying that man has a fixed nature independent of social and cultural conditioning. They hold, on the contrary, that man as he now is and as we now know him is the product of the historic institutions of the state and government; and that, with the destruc-

tion of the state and government, a *new* man—or man as he *can* be—will emerge.

This doctrine contains an admixture of truth and error. Let me try to make the separation which will eliminate the error and preserve the truth. I start with the denial of human nature.

It is true that many human traits are a product of nurture or a selective development of human potentialities by conditioning circumstances; but it is not true that man as a species has no genetically determined properties that will persist as long as the species persists, without being affected by the changing external circumstances of the physical or social environment. To suppose that, apart from a conditioning environment, man is a wholly plastic or indeterminate blank, to be given this or that determinate character by the circumstances under which he lives, is to regard man as unlike any other species of living organism.

11. This error of extreme egalitarianism is the fatal flaw in the doctrine that Chairman Mao thought was based on the teachings of Marx and Lenin. It was what led to the Cultural Revolution that China, after ten years of unspeakable horrors and disasters, finally abandoned.

12. The essay was published as a feature piece in Encyclopaedia Britannica's *Book of the Year 1989*. I disagree with Professor O'Toole on only one point. I think that Tocqueville is a much better, more penetrating exponent of democratic pluralism than Madison. As any reader of *Federalist No. 10* can find out for himself, James Madison, like many others of the Founding Fathers, was no democrat. They were proponents of liberty, *not* equality. (On this point, see Part 4 of my commentary on the Constitution, *We Hold These Truths* [1987], which is entitled "The Emergent Ideal of Democracy.")

Madison regarded the plurality of factions in society as the cause of many mischiefs, but as long as liberty is preserved, factions cannot be eliminated. However, their effects can be controlled. In *Federalist No. 10*, Madison argues for those measures in the Constitution that he thinks will serve to con-

trol the worst effects of factions. They are the constitutional provisions that place dominant political power in the hands of the landowners and manufacturers. These provisions made our eighteenth-century constitution antidemocratic; they have since been amended as, in the course of time, our Constitution gradually became democratic. In my judgment, O'Toole's essay would be more accurate by dropping Madison out of the picture, even at the expense of abandoning its catchy alliterative title.

13. The second of the two seminars here being reported ended on August 25, 1989. Eight months later, a third seminar on the same subject was held in the first week of May 1990, at the Aspen Institute at Wye, in Queenstown, Maryland.

In view of the extraordinary events of the intervening eight months, in the Warsaw Pact nations in Eastern Europe and also in the Soviet Union, the discussion proceeded along somewhat different lines. The basic changes that in the earlier seminars we thought should happen to realize the hopes of *perestroika* had in fact begun to happen and were continuing to do so. The changes in the East appeared to be on a line of convergence with the political institutions and the economic arrangements of the West. Toward the end of the third seminar, the participants reached a substantial agreement about this convergence. I would like to report the main points of that agreement.

We began by a common understanding that technological advances always consisted of new machines, improvements in old machines, or some new devices, including machines for storing, retrieving, and processing information. All technologically advanced economies in varying degrees are capital-intensive economies in that degree. In consequence, they should also become homogeneous in their political institutions and economic arrangements, if political and economic justice is to be achieved and, at the same time, these societies are to become economically efficient and prosperous.

This homogeneity contrasts strikingly with the political and economic heterogeneity among these nations until the last eight months. In regard to what details will this new homogeneity develop?

1. All will aim at democracy and socialism as ideals to be realized: haves without have-nots in both the political and the economic order.
2. None will be state capitalism: none will be completely centralized economies.
3. None will be totalitarian regimes: all will be pluralistic in their political institutions (free elections with contending parties) and in their economic arrangements (competing private corporations and other agencies owning capital, operating in a free market).
4. All will be mixed economies with a private and public sector, with a tendency to increase privatization of the economy.
5. All will be regulated market economies; none will be laissez-faire. All will have commercial as contrasted with state banks; all will have regulative central banks; all will have regulated stock markets for the purchase and sale of stocks representing shares of equity in capital holdings.
6. The factors of supply and demand will be operative in all, and so in all there will be problems of inflation, variable interest rates, unemployment, and profitable vs. unprofitable ventures.
7. In all, more and more persons or families will have income derived both from the earnings of labor and also from the earnings of the capital they own.
8. In all, the division in kind between the haves and the have-nots will gradually disappear, but there will always remain the division in degree between those who have more and those who have less, and these societies will, therefore, be nonegalitarian democracies and so-

cialisms. All will also, therefore, have the problem of reducing the gap that separates those who have much more than enough from those who have barely enough.

9. In all, there will be a portion of the population that may turn out to be unemployable because of deficiencies in native ability or deficiencies in education, or both.
10. In all, some welfare entitlements will remain, not only because of the existence of unemployables, but also because earned income will be insufficient to provide all the goods and services comprising a decent livelihood to which everyone has a natural right.
11. From all of these societies, unsocialized bourgeois capitalism and Marxist totalitarian communism will have completely disappeared.
12. Because of their political and economic homogeneity, these societies will tend to form political and economic unions that can be described as unions of socialist democratic republics in which a multiplicity of joint enterprises crossing national boundaries will exist and between which customs and immigration barriers will cease to exist.

Using names that are now employed in the United Nations, the homogeneous societies referred to above are, for the most part, the states of Western and Eastern Europe, the Soviet Union, the United Kingdom, Canada, Australia and New Zealand, the United States, and Japan.

With the heterogeneity that existed until 1990, the nations just named divided into what journalists called the "First World" and the "Second World," using the phrase "Third World countries" for the rest of the countries represented in the United Nations.

We should now use the phrase "First World" to cover what, before the last quarter of 1989, was called the first and

second world, the political and economic homogeneity of which is imminent, reserving the phrase "Third World" for the less technologically advanced and less industrialized countries that represent the have-not populations. Revising this endnote in the late summer of 1990, we must now use the phrase "Second World" for the despotically ruled, oil-rich Arabic and Islamic nations of the Near East. The conflicts and tensions between the First and Second worlds, rooted in racial and ethnic animosities as well as in control of the world's petroleum, are so threatening to the peace of the world that amelioration of the conflict between the first and the Third World—between the have and the have-not nations—will have to be postponed.

Point 7 in the foregoing enumeration bespeaks the triumph of Kelsonian binary economics over the errors of Marxism. Binary economics recognizes that capital as well as labor are productive forces and proposes that earned income be derived by as many as possible from two sources, not one—from both the wages of labor and the dividends due privately owned shares of capital.

To maximize the present tendencies toward the homogenization of the First World, certain words and phrases must be washed clean of their unfavorable connotations (that is, the opprobrious affects attached to them), such as "privatization" and "private ownership" in what were formerly the Warsaw Pact nations and in the Soviet Union; and such as the word "socialism" in the United States, the United Kingdom, Canada, and Australia.

To that end, the Western countries named above must understand that the socialism to be realized is nonegalitarian; that in all societies of haves without have-nots, some will justly get more and some will justly get less.

The Eastern countries named above must also be assured that Locke's principle of limitation upon the right of appropriation will apply to private-property capitalism—that it will be so regulated that no one will be permitted to acquire so

much capital at any time that nothing is left in the Gross National Product for others to acquire enough. Since the size of the GNP is never likely to be infinite, enough must be left by those who can rightfully take larger slices out of it for everyone else to appropriate smaller slices.

14. The phrase "the end of history" is the one used by Francis Fukuyama, the deputy director of the Policy Planning staff of the U.S. State Department, as a title for a mistitled, misguided article that was published in *The National Interest* (Summer 1989) and excerpted in the *New York Times* (August 27, 1989, IV, p. 5). It caused a flurry of discussion that it did not deserve, discussion that was as misguided as the article itself.

Appendix 1. The Reading List

Session I. Labor and Capital as Forces in Production

John Locke	<i>Second Treatise Concerning Civil Government</i>
	<i>Preamble of the Mechanics' Union of Trade Associations</i>
Alexander Hamilton	<i>Report on Manufactures</i>
William Graham Sumner	<i>The Challenge of Facts</i>
Mortimer J. Adler	<i>A Vision of the Future</i>

Session II. The Self-Destruction of Bourgeois Capitalism and Its Socialization

Karl Marx and Friedrich Engels	<i>Manifesto of the Communist Party</i>
John A. Ryan	<i>A Living Wage</i>
Theodore Roosevelt	<i>The New Nationalism</i>
	<i>The Progressive Party Platform of 1912</i>
Alexis de Tocqueville	<i>Democracy in America</i>
Charles H. Vail	<i>The Socialist Movement</i>

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| Franklin D. Roosevelt | <i>The Commonwealth Club Address</i> |
| Henry A. Wallace | <i>An Economic Bill of Rights</i> |
| Gus Tyler | <i>On the Economic Divide</i> |
| John Strachey | <i>The Challenge of Democracy</i> |

*Session III. The Self-Destruction of Communist Socialism
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| Joseph A. Schumpeter | <i>Capitalism, Socialism and
Democracy</i> |
| Karl Marx and
Friedrich Engels | <i>Manifesto of the Communist Party</i> |
| John Strachey | <i>The Challenge of Democracy</i> |

*Session IV. The Ideal of the Classless Society: Political
and Economic Equality*

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| Horace Mann | <i>The Importance of Universal,
Free, Public Education</i> |
| John Strachey | <i>The Challenge of Democracy</i> |
| Mortimer J. Adler | <i>A Vision of the Future</i>
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| V. I. Lenin | <i>The State and Revolution</i> |
| Louis O. Kelso and
Patricia Hetter Kelso | <i>Open Letter to Mikhail
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Session V. The Emergence of a Homogeneous World Economy

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| James O'Toole | <i>From Marx to Madison:
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| Gus Tyler | <i>The Rise and Fall of the Great
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Session VI. Conclusion: Coexistence or Union?

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| John Kenneth Galbraith and
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