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THE RISE OF THE MARBURG PHOENIX

Karl Vorlaender's Kantian/Marxian Synthesis

As Key in the Debate Over

Capitalism vs. Economic Democracy

By

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A THESIS

Submitted in Partial Fulfillment of the

Requirements for the Degree of

Master of Arts (in Economics)

The Graduate School

University of Maine

May, 1996

Advisory Committee:

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Mainstream economics has long avoided two issues pressing on the discipline and on society: Ownership of the means of production and ethics. While Adam Smith clearly presented his *Wealth of Nations* as a normative adjunct to his *Theory of Moral Sentiments*, he left alone the question of ownership. While Karl Marx presented a detailed critique of the theory and practice of capitalism, he failed to produce an explicit *ethical* theory to explain why capitalism is unacceptable.

In 1971 there appeared a work that would have great impact on the academic world, John Rawls' *A Theory of Justice*. Here was a large contractarian treatise explaining what justice was. Operating as Kantian agents in an "original position," people could supposedly find room for both capitalism and worker ownership in a society defined as "just" by Rawls. David Ellerman, whose innovative *Property & Contract in Economics* appeared in 1992, makes the case for economic democracy on Kantian grounds as well but with no prevarication (unlike Rawls): Only worker ownership can be ethically justified. Meanwhile Marxists, harboring no affinity for capitalism, are out in the cold without an explicit ethical system to back their views. After the horrors of Stalinism and State Socialism under the former Soviet Union, the Marxists have an amoral theory that can offer guidance in the economic realm to no one in the old Soviet Union.

Rawls' theory of justice is susceptible to Marxist criticism at one point in particular, though. Rawls claims that people in the original position would choose "primary goods" that "every rational man is presumed to want": rights and liberties, powers and opportunities, income and wealth, and self-respect. Marxists claim that Marx's historicist thesis can undermine the validity of choosing these goods; conceptions of rationality are determined by specific historical circumstances. Therefore, Rawls would have to show how his theory of (individualistic) rationality would not become obsolete as the old society with *its* idea of rationality metamorphoses into a new society with a *new* conception of rationality. Though Rawls cannot provide a conception of rationality that would transcend historical circumstance, Marxists are mired in the belief that they have no such conception in their heritage. But they have. If they will finally allow Karl Vorlaender the audience he deserves, they will see that Vorlaender has provided an ingenious Kantian/Marxian synthesis that explains why it is rational, on (neo)Kantian grounds, to select the communitarian values espoused by Marx. With this theory in their arsenal, Marxists can undermine Rawls' theory of justice, claim an ethical (Kantian) heritage, and unite with Ellerman in ending the debate over capitalism vs. economic democracy. Only worker-ownership (a.k.a. economic democracy) will be left ethically justifiable.

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And to my parents, Maria Elena and John J. McCarron, who taught me that there is right and wrong, and that I should strive to choose right.

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INTRODUCTION

"Chicago Rules" read the lead editorial of the *Wall Street Journal* on Oct. 13, 1993. Despite the latent pun, the last paragraph of the editor's commentary left no doubt: The "Zeitgeist" of free markets and, by implication, *laissez faire* capitalism has been shown to triumph worldwide. The work of two economic historians, Douglass C. North and Robert W. Fogel, have brought to light "the value of studying the economic past to learn what principles will serve the future." An accompanying article highlights the crucial findings of North's and Fogel's works and provides the foundation for the editor's interpretation of the significance of *Time on the Cross* [Fogel & Engerman 1974]. Thus we read that Fogel and Engerman's work shows that "American slavery didn't collapse for economic reasons, but because it was rejected politically" [*WSJ* Oct. 1993, A22]. The editor infers this crucial lesson from these two authors' work: As the lot of poor whites and slaves were roughly comparable, history teaches us that poor whites did not wish to be slaves and slaves wished to be free. If the editor is right to praise Fogel's work for teaching us "something basic about human dignity," then there is indeed deep irony in all this, which neither the editor nor Fogel has caught. One irony is that, by "Chicago's Rules," the economic difference between the lot of a slave and a wage worker has been interpreted to be that of degree, not principle.¹ While the editor might be correct to warn the Chinese of the existence of powerful historical forces elucidated by Fogel (and Engerman), another irony is that the editor would have the Chinese embrace a form of slavery no less contrary to justice: Wage labor.²

Modern students of neo-classical economics will most likely consider *Time on the Cross* by Robert Fogel and Stanley Engerman to be an impressive work for several

¹ Though this point will be elaborated in the body of the thesis, "The Libertarian Case for Slavery" by J. Philmore would be a good introduction to this reasoning. (Cf. Philmore 1982)

² It is appropriate to note, and not coincidental, that Marx saw the connection over 100 years ago. He called it "wage-slavery."

reasons. One is that the book must be taken as a prime factor why Fogel won the Nobel Peace Prize in Economics. A second was that innovative techniques in economics, statistics and applied mathematics were used, by one of the field's innovators, to analyze our country's "time on the cross" so as to "lay bare the economic, political, and social forces" that led to the "worst holocaust of our history" [Fogel & Engerman 1974, vol. 1, 3-4]. Indeed, the authors label their prologue "Slavery and the Cliometric Revolution." Awarding the Nobel Prize to Fogel for this work in cliometrics³ would give graduate and undergraduate students in economics good reason to take this landmark work as a model for professional scholarship. The "science" of economics can now, thanks to such trailblazing, reach its apogee in the advanced statistical and mathematical techniques made available by the ability of the high-speed computers that were coming into use over the decade of the 1960s. Because of these new analytical tools and computers, the authors were able to clear up some "myths" concerning that peculiar institution and objectively reveal such crucial findings as:

1."Slavery was not a system irrationally kept in existence by plantation owners who failed to perceive or were indifferent to their best economic interests."

4."Slave agriculture was not inefficient compared with free agriculture. Economies of large-scale operation, effective management and intensive utilization of labor and capital made southern slave agriculture 35 percent more efficient than the northern system of family farming."

5."The typical slave field hand was not lazy, inept, and unproductive. On average he was hard-working and *more efficient* than his white counterpart."(emphasis added)

9. "Slaves were exploited in the sense that part of the income which they produced was expropriated by their owners. However, *the rate of expropriation was much*

³ By cliometrics, I understand the use of quantitative and statistical techniques in the discipline of history in the attempt to provide numerical data for aiding historical analysis. This technique, naturally, can be combined with economic models in the field of economic history.

lower than has generally been presumed. Over the course of his lifetime, the typical slave field hand received about 90 percent of the income he produced."(emphasis added) [Fogel & Engerman 1974, vol. 1, 5-6]

When we recall that introductory economics textbooks emphasize that neo-classical economics is practiced as a "value-free" science, we can understand why students in upper-level courses (where such a book as this is likely to be taught) will fail to ask critical questions. For instance, under the authors' first finding above, it will be hard to imagine economics students' asking why it would *ever* be rational to keep the slave system in existence, even for owners. Could the continued existence of the slave system only be considered rational *now* because Fogel and Engerman have claimed to show that "the purchase of a slave was generally a highly profitable investment which yielded rates of return that compared favorably with the most outstanding investment opportunities in manufacturing"? [Ibid, 4] In other words, are we only to infer that the continued existence of slavery would have been irrational if it had not been as profitable as other "investment opportunities?" When one considers that the only form of rationality entertained in mainstream economics is instrumental rationality, then any method for maximizing profits may be seen as "rational."

Findings 4 and 5 stress the qualities that economists seem to admire most: efficiency, productivity, and - by extension - profits. Slaves, apparently, were highly productive and efficient inputs. Therefore, one might walk away with the impression that the slave system was not as unpalatable as we had previously thought, at least on economic grounds. And finding 9 lets us know that slaves were not subject to levels of expropriation as high as was formerly believed. On this logic, we could use calculus to "prove" that, as this level of expropriation approached zero, the degree of injustice inherent in the system would also approach zero. As we will see, the very thought of it

would have been absurd to Adam Smith, for whom justice was an unequivocal and absolute concept.

The authors in their epilogue make it clear that they have not provided such an analysis "to resurrect a defunct system." Rather, they were documenting the achievements of black Americans under the intolerable social conditions of slavery. In this way, Fogel and Engerman hoped to attack the replacement of "unfortunate sociological circumstances" for "biological inferiority" in scholars' explanations for the lack of achievement amongst African-Americans under slavery [259]. With the new-found methods of cliometrics at their disposal, newly collected data could incontrovertibly document "the record of black achievement under adversity." Of course, a lay person might ask how anyone can achieve anything when the person in question may not exercise free will.

This does appear to be important work. Scholars must at times examine issues as objectively as possible in order to gather all the relevant facts so that the truth may be ascertained.⁴ Indeed, recent work in gender and wage discrimination in the labor market provides an excellent case in point [e.g. Seguino 1993]. All of which raises one possible question: If econometric work, so revolutionary and potentially enlightening, can prove so useful, why could Fogel and Engerman's work be shown to be so shoddy?⁵ Did they not take their own trailblazing work seriously?

There is also another question that Fogel and Engerman never seem to incorporate into their analysis: The ethical question. Highly impressionable students sitting so passively in classes are not explicitly taught in this work to ask about the ethics

⁴ The concept "Truth," as explicated within the epistemology of the Marburg School, will prove to be pivotal in this paper. It will be further explored in Ch. 5.

⁵ For refutation after refutation of their empirical findings, see Richard Sutch, (1975, 335 -438). Let it be stated that no refutation, though explicitly promised by Fogel and Engerman, to this article by Sutch appears in the academic literature search.

of any aspect of slavery or even about the “peculiar institution” itself. Only if these questions are suspended can scholars exhibit the temerity to investigate such topics as a market for slaves as temporary hires. Thus the authors can report "that the ownership of men was incompatible with the shifting labor requirements of capitalist society is without warrant in fact" [Fogel & Engerman, 57]. Indeed, with their finding that "the east-west migration rate was slightly higher for slaves than for free men," students under the careful tutelage of Messrs. Fogel and Engerman would apparently do well to conclude that slavery could actually lead to some desirable results, economically speaking. In this case, the movement of people to where their labor was needed. If it took slavery to make this happen, why quibble with success?

The authors approach the myths describing the state of food, shelter, and clothing of slaves with the same scientific detachment with which they had approached the efficiency of the labor market for slaves. Thus, we read that so many of them were indeed well-fed [Fogel & Engerman, 109-15]. Equally important is the comparison of living conditions for slaves with those of the urban "free" workers. If slaves' housing seemed lacking by modern standards, so was that of working-class families in the North who lived in filthy and overcrowded tenements. Such a comparison might lead economists to conclude that the two systems of slavery and wage-contracts are both inhumane, as evidenced by the treatment of those who provide the source of wealth (if we care to subscribe to the classical economists' Labor Theory of Value). These pioneering experts in cliometrics teach us novitiates otherwise: Only slavery was inhumane. Therefore one may infer that the workers, being free, must have been in the unqualified "enviable" position. (Cf. the editorial in the *WSJ* cited above.)

The comparison between "free" workers and slaves, however, is not limited to the simple material rewards of labor. Slaves were also inputs to the production process

and could thus be studied scientifically with regard to economic motivations: The classic "carrot" and "stick." In Chapter Four of *Time on the Cross*, there is a section entitled "Punishment, Rewards and Expropriation." We read that "whipping could be either a mild or a severe punishment, depending on how it was administered" [Fogel & Engerman, 144]. A novice in the field might ask how whippings could be "mild," but the authors have an answer for that, too. Whippings only fell out of favor in the Northern United States around the beginning of the Nineteenth Century. In its place came a "powerful, new disciplinary weapon," firing [Ibid, 147]. Fogel and Engerman are sharp enough to note that firing could leave people "to starve beyond the eyesight or expense of the employer." With all their previous comparisons between slavery and wage-contracting, a person might now well ask why the authors don't see the inhumanity of the wage contract as well as the inhumanity of slavery.

Economics today does not teach its students to ask such normative questions. Economics today is considered a "science" with its laws supposedly subject to the same mathematical certainties as the physical sciences. As such, economics claims it can help businesses with their concerns, like management for example. This is not forgotten by Fogel and Engerman; they remind us that "much of the managerial attention of planters was focused on the problem of motivating their hands" [Ibid, 148]. Unfortunately, they tell us, "reliable data on the frequency of whippings is (sic) extremely sparse" [Ibid, 145]. An aspiring graduate student hoping to work under the prodigious wisdom and expertise of a Nobel Laureate might see a golden opportunity here. He or she might easily petition Mr. Fogel for the chance to fill this gap in knowledge. Perhaps with the right data, a student could combine sophisticated mathematical techniques with economic analysis to determine the optimal frequency of applying "the stick" (in this case, whippings) necessary to maximize the motivation of labor (here, actual slaves).

Think how businesses and their managers could use such vital knowledge in maximizing the efficiency and productivity of their workers. The possibilities are endless.

Economists are today's court advisors. They are asked to bestow their knowledge and advice of economic matters on policy makers at all levels. They teach future governmental administrators of all types and train future economists as well. Despite all the disclaimers in the prologue and epilogue of *Time on the Cross*, the authors have employed advanced mainstream economics under the tool of cliometrics in helping to perpetrate two major myths: namely, that (1) wage workers, unlike slaves, were "free" people, and that (2) economists can objectively and coldly analyze economic activity to uncover meaningful lessons. These two myths continue to prove destructive both to the economics profession and to society, rendering practitioners of the profession largely superfluous to society's well-being and rendering society all the worse for it. The fact is that economics was *not* designed to be "value-free" by its founder, Adam Smith. More immediately, analyzing slavery or the wage system without incorporating the normative value of justice leads to insane academic findings (like those found in *Time On the Cross*) and intolerable policy recommendations. Training graduate students in economics requires better.⁶ (One good place to start would be back to genuine Social Economics. See "Emphasizing the Social: Social Economics and Socio-Economics" [Lutz 1990, 303-318]). Future economists and economic policy advisors must be taught to address normative questions. Otherwise they (i.e. economists) might well become completely irrelevant for addressing perhaps one of the most pressing social concerns afflicting us now with the conclusion of the Cold War: The inhumanity of treating workers as though they were inanimate factors of production. The simple truth is that they are not.

⁶ It is a complete sham that only 3% of 212 graduate students surveyed at the most prestigious American graduate schools of economics said that it was very important to have "a thorough know ledge of the economy." See Klamer and Colander (1990, 17-18).

Chapter 1 of my thesis documents that Smith's primary concern in his economics was actually normative in nature. For Smith, the purpose of a just society was to effect an adequate provisioning of material needs so that society could become "civilized." Demonstrating that Adam Smith's principal motivation in writing *The Wealth of Nations* was normative - and not positive - will allow me to argue that my thesis is well within the Smithian tradition, and thus well within the proper purview of economics.

Chapter 2 compares and contrasts the work of John Rawls and David Ellerman, whose views on capitalism and economic democracy (i.e. worker-ownership) are less than compatible. First, I look at Ellerman's use of Kantian ethics in his critique on capitalism (defined by its most prominent feature, the hiring of labor). Ellerman curiously has much difference with Marxists, who are also vehemently opposed to capitalism. I believe that at the heart of the matter is the lack of a developed ethical heritage within the Marxist tradition. This is a gap to which the scholars of the Marburg School (circa 1870 to World War I) devoted their lives, especially Karl Vorlaender. As we shall see, their efforts resulted in far-reaching implications for political economy.

John Rawls also employs Kantian thinking in laying the foundations of his theory of justice. Rawls, however, equivocates on the debate between capitalism and worker-ownership, stating that there can be justice under both. Marxists, according to Allen Buchanan, could attack Rawls for choosing an ethical theory of rationality that extols only individualistic, bourgeois values. The problem is that Marxists have no ethical theory of rationality to offer as an alternative to Rawls' theory. Or so they believe. If Marxists can provide such a theory to show why people in all societies, places and times would choose their values, then they will have what I believe to be an unassailable attack on the heart of Rawls' theory. Of course, if the theory were Kantian in nature as well, then Marxists would have a theory that brings them fully in line with the work of Ellerman and Rawls. As I believe Kantian ethics will continue to stand the test of time,

a Kantian/Marxian synthesis will have the necessary foundation for a similarly long life.

Chapter 3 then examines only one side of the debate concerning the theory of justice implicit in Marx's earlier works. To assume that Marx's earlier works contain no moral theory, implicit or otherwise, would only help my thesis. Thus, I have chosen to concentrate on the *other* side of the argument, viz. that Marx did have a moral theory built into his writings. Most of the focus will be on Peffer's recent and comprehensive book on the subject [Peffer 1990]. I will argue that while Peffer is on solid ground in extracting a cogent but implicit basis for a theory of justice from all of Marx's own writings, ultimately his work cannot stand for reasons so well elucidated by the Marburg School (especially Herman Cohen). Thus, I conclude that Peffer's attempt at a Marx/Rawls synthesis remains problematic.

Chapter 4 briefly explains how Eduard Bernstein initiated Revisionism within Marxism. The net effect of his work was to create an opening within the Marxist tradition for historical choice, contingency, and thus an opening for ethics. The significance of this theoretical development may be judged, in part, by the vehement attacks levelled against Bernstein by noted Marxists of the era. Most importantly, the room for choice - and by extension, the need for ethics - now allows the Marburg school into the debate.

Chapter 5 draws heavily upon the works of Timothy Keck [1975] and Harry Van der Linden [1988] to show why Marxism without a Kantian basis is ultimately flawed. Also, I will briefly relate Van der Linden's argument that Marxism with an ethical basis can "fill in the holes" and make Marxism a more compelling and much more practical theory [Van der Linden 1988, 252-53]. This then sets the stage for presenting

Vorlaender's Kantian/Marxian synthesis. To my knowledge, this has never been done in English before.⁷

The final chapter is devoted to my scholarly colleagues, who may wish to ask how all this theorizing might be relevant. Practical applications of this thesis include an argument as to why it is imperative to teach the option of worker-ownership to both business students and economics students. Moreover, in advising policy makers in other countries, an ethical alternative will now be seen to be the teaching of worker-ownership to those economies wishing to transform out of a regime of state socialism or capitalism. For professional academicians, we will now clearly see that, from the Aristotelian model of an acorn and an oak tree, an unethical basis at the site of production will result in major societal ills: "Downsizing," stress of employment insecurity, maldistribution of income, etc. all in the name of a chimerical desire to maximize utility. Thus, this thesis not only seeks to show why only worker-ownership is ethically justifiable; it also seeks to return economics to its Smithian roots, ethics. Only now, economists will do well to teach that economic agents must incorporate Kantian principles in their analysis of economic behavior. In this way, my thesis can be seen as an effort to restore relevance to the academic discipline of economics today.

⁷ Curiously, neither Van der Linden in his book nor Keck in his dissertation presents Vorlaender's Kantian/Marxian synthesis in an integrated, coherent fashion. Then again, perhaps neither recognized how this might be used to supplant the prevailing theory of justice in our time.

Ch. 1 RECLAIMING ADAM SMITH'S LEGACY:

PRACTICING ECONOMICS NORMATIVELY

A student beginning the study of economics will be taught from an introductory text, in painstaking detail, the difference between "positive" economics and "normative" economics.⁸ Economics can be practiced positively, it is argued, because we can apply economic theory to the relevant issues and thus predict the results of various policy options. Mastering the science of positive economics will thus allow the student to "distinguish persons with only good intentions from those who actually have a workable policy for attaining the desired goal" [Gwartney and Stroup 1980, 14]. Those who would enter the study of this academic discipline to help the poor or to fight for justice will soon learn that reality, as shown via the illumination of economics practiced positively, only allows for "sensible" (orthodox) policy – not for implementing one's "good intentions."

Such teaching, of course, only serves to make for "well-trained" economists. That is to say, to educate professionals who no longer seek to explore questions of social justice. If the student is lucky enough to persevere in the discipline and obstinate enough to keep asking the relevant and important questions, she/he will learn that there is no one economic theory that will yield *the* definitive answer in a value-neutral setting. The existence of one answer from economic theory would certainly be music to the ears of Monetarists – *especially if* such an admission were to be ceded by the schools of Marxism, Keynesianism, and Rational Expectations. Where the fallacy of composition dictates the need for the study of macroeconomics, a fallacy of decomposition dictates the need for the study of the various schools of thought on these matters: What is

⁸ I referred to the text, *Economics: Private and Public Choice* by Gwartney and Stroup (1980) because of its ready availability. However, one might also do well to consult Samuelson (1973, 219). Or the student might further learn the distinction between economics practiced positively, normatively or as an art by referring to Friedman (1953).

believed true for the aggregate (i.e. *the* study of [macro] economics) is seen to be erroneous when analyzed in its fractious components (i.e. the various views of macroeconomics). The monolith of economic theory falls apart. All this means that the practice of economics in a "positive" fashion is beset by theoretical divisions such that there can not be, for the student, "one" theory yielding "one" policy prescription. Reality is, therefore, not as discernibly uniform as the compromising authors of economic textbooks would have us believe.

Such confusion inflicted on students in regards to this issue is more than inappropriate; it is harmful. Indeed, the "science"⁹ of economics since its Classical British heritage has been pregnant with the patent and purposeful practice of normative economics. That this is often forgotten should not be surprising; the study of the history of economic thought is today seldom required for advanced degrees in economics [Rhoads 1985, 177]. Before the normative nature of this thesis can be accepted, it might be useful to explore the rich heritage of normative economics as practiced by the Scot who is usually acknowledged to be the founder of the science, Adam Smith. Though one could argue that the discipline has advanced greatly since the late Eighteenth Century, no one seriously argues that Adam Smith has become irrelevant.

⁹ The English word "science" is derived from the present participle of the Latin verb "scire," to know. Given this etymology, the American Heritage Dictionary (1970) defines "science" as, amongst other meanings, "any methodological activity, discipline, or study ." Webster's Third New International Unabridged Dictionary (1976), in addition to the standard definition describing the method used in the natural and biological disciplines, defines it as "possession of knowledge as distinguished from ignorance or misunderstanding." Thus, it seems that the concept of "science" does allow room, to use the words Jon Peil (who gives credit to William Letvin [1963]) for the "structure of a coherent explanatory system based on a small number of principles, which allow the explanation or prediction of different kinds of phenomena" in Peil [1989]. Nowhere in these definitions is there the compelling implication of positivism.

ADAM SMITH AND NORMATIVE ECONOMICS

This section is devoted to a discussion of Adam Smith's normative economic analysis. It will be demonstrated that normative questions about human behaviour have a fundamental impact upon theory and analysis – both normative and positive – in Smithian economics. Neither afraid to practice historical empiricism, nor hesitant to explore human nature, the "father of economics" will be revealed as a practitioner of normative economics in his magnum opus, *The Wealth of Nations*.

Smith's famous depiction of the baker in the marketplace, who only fulfills society's need for bread out of self-interest, has had an unrivalled impact on the science of economics and consequently on virtually all economic policy in the English-speaking world.¹⁰ A major consequence of the general acceptance of Smithian analysis (in this regard) has been the perception that only economists can devise rational social policy because economics is the only social science based on the reality of human nature (i.e. self-interest or selfishness). Benthamite utilitarian calculus allows us to carry this argument one step further: Acting out of self-interest could imply, in a world with only two choices and limited resources, seeking pleasure at the expense of someone else's pain. Such behaviour, however, has come to be viewed in economics as only "rational."

The ambiguous rationality of such behaviour can be better understood today thanks to the work done in game theory. Succinctly, the game of the "Prisoner's Dilemma" demonstrates why it can, in fact, be personally and socially irrational to act out of pure self-interest [Rapoport 1992, 173].

However, such a critique is not enough. It might be possible to justify self-interest's serving as the engine of economic activity if it were seen as compatible with ethics on an aggregate, societal level. The logic behind the fallacy of composition

¹⁰ For an illustration of the narrow interpretation haunting Adam Smith, see (for example) Fallows (1993, 61-87).

might be used in this context. For example, self-interest, irrational for one or two individuals, might be necessary for the whole of society. This would be in keeping with the economic practice of justifying policy on consequentialist (i.e. utilitarian) ethics. Yet, it is imperative, however, that one be aware of Smith's rejection of utilitarianism [Gill 1977, 286-87]. Only if self-interest were to be seen as both irrational and unethical will the bedrock of modern mainstream economic thinking be seen to be completely indefensible. This is especially the case when self-interest is seen as irrational *because* it is unethical. This last situation can easily be understood if one takes the time to entertain such a question; the logic has already been laid out by Kenneth Lux¹¹.

Lux notes that if society's needs are met by acting on self-interest alone, then why would it be irrational for someone to cheat? In fact, as he puts it:

[E]conomists came to conclude that from the standpoint of self-interest it would be *irrational* for someone *not* to cheat if they could be reasonably sure of getting away with it. [Lux 1990, 83]

If cheating is rational, then the unethical has also been made rational. This would be in defiance of Platonic thought, which posits that something unethical cannot be rational. Thus self-interest (here, cheating) must be seen as *irrational because it is unethical*.

A pressing manifestation of this seemingly abstruse theorizing would help illustrate the urgency of its acceptance. For example, the practice of self-interest (read: selfishness) in the name of rational economic advance is now having in China, during its current economic reformation, the effect that would logically follow from Adam Smith's mistake:

¹¹ The famous passage in the *Wealth of Nations*, referred to above, provides the theory for the economic actor's producing. The well-known example is the baker who bakes not from benevolence, but from self-interest. According to Lux, if Smith had told us that it is "not *only* from the benevolence of the baker, ... but also from self-interest..." [quoted in Lux 1990, 87] then the economic profession and the world after Adam Smith might have been quite different indeed; Carnegie, Morgan and Rockefeller would never have been able to cite the convenient marriage of self-interest and societal objectives as a justification for their accumulating behaviour.

Faith in the equality of socialism is vanishing. What has replaced it is an obsession with money. [*WSJ*, (Chen) 1995, 1]

The result is that "corruption is surging," crime is "at record levels," and a young lad now "can't figure out if there's good or bad." Were the source of this information a radical periodical commonly railing against the evils of capitalism, economists would dismiss it all as the work of naive idealists bent on disseminating their "truth." However, one seldom finds MBA's or Manhattan bankers levelling such charges against articles in *The Wall Street Journal*. More importantly, these phenomena and their causes were perceived and recorded by Smith in his final edition [1790] of his *Theory of Moral Sentiments*¹² [Dickey 1986, 587-90].

More cogently, it seems that Adam Smith did recognize this and sensed the danger of the allegory of his butcher–baker–brewer in the marketplace. Lux tells us of research uncovered by Lawrence Dickey showing that Adam Smith lived long enough to see his mistake. Unfortunately for his academic progeny, Smith corrected his error in the less influential (within the discipline of economics) of his two great works, *The Theory of Moral Sentiments*. As Lux relates to us:

According to his biographer, Smith himself had claimed that *The Theory of Moral Sentiments* was the better of his two books [Rae 1965, 436]. In the final years of his life he decided to undertake what amounted to a major revision of it – with a third of it newly written and a new part 6 added. This new revision came out in 1790, the year of his death. [Lux 1990, 106-7]

This revision, according to Dickey, clearly drew a distinction between that person who is a " 'citizen' insofar as he obeys the law" and "a truly 'good citizen' " who endeavours to promote by every means available to her/him the entire welfare of society as a whole [Dickey 1986, 591].

Of course, one might argue that Smith was either being contradictory or that his two books were meant to be taken as separate and autonomous works. But, as J. Peil tells

12 For a fuller argument that Smith did indeed link social probity to economics, see Pack (1991, 126).

us, scholarship in that era was holistic; for Smith, like his contemporaries, "economic processes were also studied as an aspect of society, which entity was considered to be a meaningful whole" [Peil 1989, 59]. If this is correct, it will be hard to argue that Smith intended to restrict the application of any virtue to only certain spheres within society. Thus, Smith states in the introduction of the final revision of *The Theory of Moral Sentiments* that his two books are "parts of a single project" [Ibid, 57]. The impact of morality on economic activity and outcomes is not to be discounted.¹³ Would that *The Theory of Moral Sentiments* in its final revision (or even *The Wealth of Nations* itself) were standard reading at graduate economic programs; "Das Adam Smith Problem" might not be as problematic as it currently seems.

Nor does it seem to me that Smith was being inconsistent without the revision discovered by Dickey. John Kenneth Galbraith's masterful diagnosis of the role of power in economic theory and practice, as elaborated in *American Capitalism* [1962], provides a key to understanding one possible goal of Smith's: namely, denying economic actors the requisite power to act unethically [Galbraith 1962, 28]. In advocating a competitive model, Smith can be said to have been advocating an economic (i.e. social) system under which the power to behave unethically in economic relations, as exemplified by the institution of the market, would be kept in check (automatically). Nevertheless, one end purpose of Smith's writing becomes clearer with the revision found by Dickey. It is quite telling and ultimately beneficial that Smith lived long enough to record his regret and to correct his error that people were acting out a lifestyle characterized by Thomas Carlyle as a "pig philosophy." I believe he was trying to explain people's behaviour under the policies of *laissez faire* which he advocated in order to mitigate the domestic economic

¹³ For an elaboration of Smith's opinion of the importance of morality in economic behaviour, see Evensky, (1992, 69-70).

dominance of the London trading houses and mercantilism in general.¹⁴ The norm he was trying to establish was ethical behaviour in the supplying of society's material needs through the social means of the competitive market. And in this light, the perfectly competitive market was *not* so much a description of "what is" as much as it was a recommendation of "what ought to be."¹⁵ Unfortunately, as Lux explains, acting only out of self-interest – even in a purely competitive marketplace – will not always produce the kind of behaviour Adam Smith was trying to promote.

Nevertheless, at small bazaars where baubles and basic foodstuffs are peddled, one may discern a social institution where exploitative behaviour on the part of sellers can be kept in check by their atomized presence and performance. Attempts to charge exorbitant, "unnatural" prices are usually nullified by individuals' actions in the competitive marketplace; unethical behaviour due to the use and ownership of property is thereby thwarted. But what about *within* the productive units? (Recall Peil's comments above, where he states his belief that Smith studied economic processes as they fit into society as a whole.) *Even if* the producing unit sells in a perfectly competitive market, and *even if* no one producer/seller has the power to act unethically at the point of exchange, what checks her/his ability to act unethically at the site of production? For the moral philosopher credited with establishing the founding of economics as a science, the question of ethical behaviour at the point of production would be no less relevant than the question of ethical behaviour in the marketplace. As J. Peil tells us, "Smith tried to

¹⁴ For a detailed and well argued interpretation of Smith on this matter, see Pack (1991, Ch. 3).

¹⁵ Leo Rogin, *The Meaning and Validity of Economic Theory* (New York: Harper Brothers, 1956) p. 87. According to Rogin, the competitive economy was for the physiocrats and Smith an "ideal economy to be employed as a norm for criticizing the prevailing monopolistic economy."

understand production and distribution of wealth in the light of human and social value patterns" [Peil 1989, 59].

In fairness to Smith and later Classical economists, it must here be noted that consumption as an end in itself was indeed a major concern in *The Wealth of Nations*. But even here Smith was not writing without ethical, normative concerns. To see what Smith was attacking, we must recall what the Mercantilists were protecting.¹⁶

The Mercantilists emphasized production to the detriment of the general welfare. Smith, in contrast, seems to have stressed consumption [Prasch 1991, 343]. This is not to suggest, however, that Smith was advocating a "pig philosophy." Not at all. Possibly anticipating Maslovian concepts applied to economic thinking, Smith was careful to put his emphasis on consumption in its proper perspective. Smith does not see happiness or individual desires as the "end concern of society." Rather, Smith posits that in the midst of penury amongst the majority, no society will know happiness [Prasch 1991, 344]. In this regard capital accumulation, if it leads to a rising standard of material wealth, provides a civilizing effect on society. This fact alone might very well be the most important effect of a (rising) capitalist system [Prasch 1991, 348-9]. To reiterate, Smith tells us [Smith 1937, Book III] that rising standards of wealth, as would be manifested for much of British society in Smith's time in the ability to procure adequate "food, clothing and shelter," allows for a civilized society in which the chance for human dignity emerges [Prasch 1991, 344]. Thus, accumulation of wealth is a means; the end is civilized society. For only in a civilized society do the "rule of reasonable institutions and 'natural liberty'" become possible [Prasch 1991, 347].

¹⁶ While Keynes presents in Ch. 23 of his *General Theory* a balanced and reasonable doctrine of mercantilism and its design for increasing the wealth of nations, Spencer J. Pack reminds us (1991, 152-159) how the system of mercantilism had devolved into an apology for empire building at state expense. Smith's prescription for this social blight was free trade, domestically and internationally. Thus, it is the height of irony that today's transnational corporations employ the mindless slogan of "free trade" to build new economic empires, also at state expense.

This last point about "natural liberty" becomes pivotal in showing how Smith's celebrated work (i.e. *The Wealth of Nations*) possibly became even more normative than the author might have intended. There can be little doubt that Smith had wanted – Pack reminds us again and again in discussions of Smith's oratorical style – to lull the reader bit by bit into agreement on one reasonable point after another until the reader is obliged to concur with the ultimate aim of the book: namely, the dismantling of the mercantilist system which was enriching the few at the expense of so many.¹⁷

However, because of the political events in France and Britain after Smith's death, this concept of natural liberty would have to be further refined and elucidated. This necessitated not only a new, normative aspect in interpreting Smith's treatise, but some mental gymnastics on the part of Smith's followers as well in order to avoid a prison sentence or a long exile [Rothschild 1991, 78]. As Emma Rothschild explains, this idea of "natural liberty" would take on a new meaning after Smith's death, for the Revolution in France would cause immense shock waves in Britain. The end objective of natural liberty, which served as a prerequisite for competitive capitalism and rising incomes needed for their ultimately civilizing effect on society, came to be seen as a direct threat to the established order and possibly even the Crown. In a word, seditious [Rothschild, 1991, 78]. All this would seem hardly worth mentioning in any academic treatise if people had not unjustifiably suffered from "improper" interpretative references to his books. For our purposes, this information serves to illustrate how a highly respected treatise, praised earlier for its original scholarship in finding universal laws related to human nature and economic phenomena, became associated with "antisocial" interpretations over the years. And yet economists seem hesitant today, if not reluctant,

17 This becomes clear when one reads Pack (1991, 4) where he states his belief that Smith was biased against the rich and powerful and the rules these people set up to promote their social and economic interests. Later, on p. 108, Pack quotes Smith about the latter's "very violent attack...upon the whole commercial system of Great Britain."

to provide normative, historical analyses of Smith's work (which is cited to support their convictions concerning free trade and laissez-faire). Clearly, the father of economics himself was not so hesitant. As Pack explains, Smith would lay out the extent of liberty (or "freedom" – the two words Smith might well have used synonymously¹⁸); government can indeed restrict the liberties of individuals when their actions might jeopardize the security of society [Pack 1991, 55].

This in no way can be considered contradictory to Smith's view of minimal government. As Lux reminds us, all this liberty and freedom to act in the economic sphere, which can be equated to the freedom from the "restraints of a mercantile and aristocratic ruling system" [Lux 1990, 87], may only originate with an individual *as long as he does not violate the laws of justice* [Smith 1937, 651].

Lux is not alone in citing Smith's emphasis on justice. Indeed, Spencer Pack quotes Smith at length to conclude that "without justice, society would necessarily fall apart" [Pack 1991, 83]. Pack cites a Smith reference to illustrate the importance of justice, an intangible, yet critical noncommodity requisite for societal happiness:

Justice, on the contrary, is the main pillar that upholds the whole edifice. If it is removed, the great, the immense fabric of human society...must in a moment crumble to atoms. In order to enforce the observation of justice, therefore, Nature has implanted in the human breast that consciousness of ill-desert...as the great safeguards of the association of mankind, to protect the weak, to curb the violent, and to chastise the guilty. Men, though naturally sympathetic, feel so little for one another...in comparison for themselves; the misery of one, who is merely their fellow creature, is of so little importance to them in comparison even of a small conveniency of their own; they have it so much in their power to hurt him, and may have so many temptations to do so...[Smith, as quoted in Pack, 83]

It seems that a strong case can be made that Adam Smith, a moral philosopher first, saw a need for a consideration of justice as the foundation for all other human endeavours in

¹⁸ Dugald Stewart had to restrict the meaning of liberty only to the political sphere so that he could still advocate for "freedom" in the economic. For an elaboration, see Rothschild (1991, 82).

society. This being the case, it is time to see how Smith could – and did – weave conceptions of liberty, morality and justice into one coherent theory, under which his economic theory was to play an instrumental role.

LIBERTY, MORALITY AND JUSTICE OF ADAM SMITH

It will often be implied (if not actively preached) that the discipline of economics has been able to reach such heights, in part, because of the groundwork of Adam Smith. Who but a brilliant scholar could have taught us the secrets to the myriad social benefits to be gained from policies of *laissez-faire* and the free movement of capital and labour? It is sad to think that Smith's work is so often reduced to a shibboleth or two. And it is deeply disturbing to see so many of the Delphic oracles of our time (i.e. economists) trained to be ignorant of Smith's own works, especially as they relate to the normative questions of liberty, morality and justice. This section will review commentaries on Smith's system of justice by two scholars, Emily R. Gill and Leonard Billet, in an effort to elaborate upon Smith's perception of "justice." Moreover, these scholars' work will help us to understand how the economic system Smith advocated was purposefully designed to help humankind reach the end of a just society.

Analysis of justice for Smith begins with his analysis of morality: How do people know what is right and what is wrong?¹⁹ As Emily R. Gill explains, we can come to know, basically, through the mechanism of an impartial spectator, who can practice "sympathy." And it is "the operation of sympathy [that] gives rise to the objective, or at least intersubjective, judgements of the impartial spectator, by which the individual may, through social interaction, transcend the individual situations of both himself and others" [Gill 1977, 276]. From this we can see that the individual must look outside of his/her

¹⁹ Though Gill's analysis is obviously derived from Smith's *Theory of Moral Sentiments*, it is relevant to recall Spencer J. Pack's scholarship that shows why Smith's two books should be considered complementary.

personal judgements to answer the difficult moral questions. Moreover, as Gill makes clear, we need *objective* (or at least *intersubjective*) rules of morality to which everyone, presumably, would agree. The argument can be made that such objective rules of right and wrong, in order to be acceptable to all, must be based on reason. In fact, Smith himself does this. (See next paragraph.) This same strand of reasoning will be found to play a central part in Rawls' work²⁰.

From the need to look for standards of morality outside of one's self, Gill reasons that Smith's system of morality must necessarily comprehend "a concern for the opinions of others" and a desire to seek the approbation of others [Gill, 280]. Perhaps this is why Smith treated ideas about right and wrong as "connecting principles" [Billet 1977, 298] between humans in social contexts. According to Gill, morality in Smithian terms merely begins with the desire for others' approval and becomes an internal standard for behaviour. This takes morality from its personal, emotional roots to something impartial: reason [Ibid, 282]. The implication from Gill's reasoning is that morality, in Smithian terms, is neither ultimately subjective nor definitionally elusive. With a firm basis in sympathy [Gill 279-280], the role for the impartial spectator rests on external standards.

It becomes clearer that morality for Smith is even further removed from "fuzzy" concepts of right and wrong. As Gill continues, Smith recognized one such virtue, beneficence, without which society can become infinitely more disagreeable. However, whatever the market structure might be, there is simply no way to compel the baker to act out of this virtue. While Gill's analysis of Smith (in this regard) clearly shows that we would all be much better off if the baker would, in fact, act willingly out of this high virtue (and one calls to mind Kenneth Lux' work in this respect), we must ultimately rely on justice. As Gill summarizes Smith's conception of it:

²⁰ Gill (1977, 279) here cites the work of Lowi (1969).

Justice is a negative virtue, in that it prescribes that we refrain from hurting our neighbour; its violation is resented and may properly be punished. [Gill 1977, 283]

This helps us to understand why Smith said that the "prevalence of injustice must utterly destroy it (i.e. society)." [TMS, II, II, iii, pp. 124-5] Smith was being realistic when he observed that there was no shortage of selfishness amongst individuals. When we peruse Smith's long moral treatise, we can easily surmise that selfishness could hardly have seemed the weak side to human nature to him. Given the prevalence of human selfishness and the unreliability of beneficence, Smith relies on externally imposed justice to keep society from falling apart. And, after all, justice could only be seen as moral in the Smithian view to the extent to which it conforms to the impartial judgement of an outside spectator. Thus, Smith calls on justice to ensure what unreliable beneficence, practiced universally, would effect.

In this light, *The Wealth of Nations* can be better understood for its role in Smithian justice. If Galbraith is correct in asserting that the purely competitive market was a design by Smith to keep an economic actor's behaviour in check through free competition, then what we have is a normative structure. The free market can now be seen as an institution, externally imposed upon economic actors, whose purpose is to preclude the need to rely on other people's beneficence. Those who would act morally, that is to say out of beneficence, would be acting out of sympathy and in accord with the objective, reasoned views of an impartial third party. Codifying these views, which are to serve as the basis of justice, is the work of jurisprudence. *The Wealth of Nations* is thus a tome expounding how jurisprudence may be realized in the economic realm:

So the *Wealth of Nations* is most appropriately referred to as a work on jurisprudence or the 'theory of the general principles which *ought* (my emphasis) to run through and be the foundation of, the laws of all nations,' [MS, 503] with particular respect to the production and distribution of the 'comforts and conveniencies' of human living. [Gill 1977, 299]

Though we can't force the baker to act out of noble motives, we can forcibly prevent him from causing harm to society out of his base motives. We can insist that he produce and sell in an open, competitive marketplace. The relevance of this analysis can readily be seen when one asks what the consequences would be if some economic actor refused to act out of beneficence, escaped the jurisprudential reach of the competitive market, and became completely unrestrained in his/her economic behaviour.²¹ Injustice occurs.

Here we can see the normative nature of his better known treatise. As a book on jurisprudence, *The Wealth of Nations* was clearly Smith's attempt to provide an incarnation of that elusive concept, justice, for the economic sphere. As it furnishes the standards by which institutions are to be established or reformed for maintaining the requisite material conditions of life, it condones neither the exercise of rank avarice nor the existence of abject poverty. If Billet is right in paraphrasing Smith that "justice does not only preserve society, it makes society possible," then these two signs of injustice can only serve to tear society apart.

Though Smith treats justice as a prescription for action when morality fails, he astutely seems to leave both morality and justice as flexible concepts. As Gill explains, collective judgements of impartial spectators, which form our social consciousness, have a bearing on our perception of morality. Furthermore, the cycle is complete in that new perceptions of morality have a bearing on our future collective judgements [Gill 1977, 290]. For the purposes of this thesis, it is imperative to note this possibility ascribed by Gill to Smith. Namely, that a *new perception* of morality may influence our *collective perception* of right and wrong. Consequently, with a new morality comes the concomitant requirement for a new perception of justice. However, more is implied. It is also incumbent, as Theodore Lowi explains, upon the individual to make a "deliberate and

²¹ For an elaboration of such a scenario in American economic history, see Lux (1990, ch. 3).

conscious attempt... to derive his action from a general rule or moral principle governing such a class of acts" [Lowi 1969, 290]. In other words, if we can not act willingly out of benevolence, we must learn to willingly act out of justice.

Leonard Billet takes quite a similar view of Smithian justice:

Justice...is that part of the morally desirable which public force may legitimately be used to obtain. [Billet 1977, 304]

Moreover, for Billet not only is Smithian justice "*enforceable* by the state," but it is also "*due* to man." Even if justice, like moral sentiments and moral judgements, must be developed through social intercourse, this definition raises justice to the status of a virtue that deserves, *per se*, to be recognized as a human right. Or, to the extent to which it should be considered due to humans *qua* humans, *natural*. Indeed, Billet tells us that *The Wealth of Nations* is actually based on Smith's conception of justice, which operates on three tiers. As this perception of Smith's great work is seldom taught or disseminated, it is only right to quote Billet directly:

1. "Natural Justice" or the basic normative principles implied by human nature, which are or ought to be the basis of positive law and entitled to support by public force
2. The principles and system of general rules which are derived from natural justice, and which are or ought to be the immediate basis of positive law
3. The administration of positive law and order, i.e. justice as the impartial carrying out of the law. [Billet 1977, 305]

If this analysis of Smith's conception of justice is accurate, then Billet is indeed on firm ground when he asserts that *The Wealth of Nations*, though prescribing a positive and enforceable system for economic behaviour, was actually appealing to a higher standard of justice (i.e. natural justice) [Ibid, 305]. Such a comprehensively devised conception of justice allows Smith to attack economic practices of his time that he seems to have considered unjust: Combination laws against the workers only, laws against

allowing workers to relocate, the reaping by those who don't sow, mercantilism etc. This would seem to make inevitable Billet's conclusion that the *Wealth of Nations* is "primarily an explication, elaboration, and defense of the just principles which ought to guide the economic life of every community and which are offered as a contribution to the science of the legislator" [Ibid, 306]. Clearly, Gill would have to agree with Billet when the latter states his view that the *Wealth of Nations* is a work intended to serve as an incarnation of normative principles of justice. In other words, a work of jurisprudence.

And yet this conception of justice is incomplete without that quality deservedly attributed in Smithian analysis as natural to humans: Liberty. Billet tells us that Smith considers liberty essential to the comprehensive treatment of justice. It is the "general rule of social justice appropriate to the nature and society of man" [Ibid, 308]. Billet interprets liberty as "self expression" or "the possibility of fulfillment." In other words, the freedom to live as one thinks best for the ends one chooses *as far as this is possible*. Of course, justice should make it possible to exercise liberty in the economic sphere, where self expression is exemplified in labour. When Billet reminds us that Smith considered labour the ultimate source of wealth, we can readily see the connection between justice, liberty and labour: Smith must have been arguing that it was only just to allow people the liberty to manifest self expression for ends they themselves choose in ways they themselves select. Without such chance for self-expression, liberty is denied and justice is prevented. But this is not to say that morality has no part in the exercise of liberty. On the contrary, we must remember that it is morality which makes justice and liberty definitional and possible.²² If economic actors behave according to the reasoned, objective rules of an "impartial spectator" and to qualities collectively labelled as beneficence (generosity, kindness, compassion, pity and mutual friendship) – all made possible by the

²² See Evensky (1992, 61) for an introductory summary to the argument that morality makes a perfectly competitive economy function well.

working of sympathy of Smith's *Theory of Moral Sentiments* – then justice can become inherent and force unnecessary. With morality, the exercise of liberty is not problematic.

Thus, people would be "free" to choose work (i.e. self-expression) that they in their judgements find most rewarding. According to Billet, Smith hoped that such liberty would allow workers to gain as much as possible from their labour [Billet, 309]. An argument for the viewpoint of labour and labourers seems to become explicit when Smith introduces liberty into his moral analysis. If Smith's purpose was to design a normative structure under which people (as they express themselves and create all value through labour) ought to be free within the confines of justice to seek that work which gives them their greatest reward, *then any social setting that denies labourers the chance to practice self-expression or to reap the greatest possible rewards stands contrary to Smith's conception of liberty and, consequently, justice.*

What could possibly be the relevance of these absolute concepts (i.e. Liberty, Morality and Justice) to modern economic thinking? This can be seen by Billet's treatment of moral sentiments, economic activity and utilitarianism. We have seen how moral sentiments based on sympathy form the foundation for deriving normative principles of justice. Without these virtues, "competition becomes destructive." But, as Gill points out, while these virtues might very well have utility to offer society as they are being practiced, utility itself has no bearing on the propriety or impropriety of the original motives. From the Smithian framework of justice elaborated by Gill and Billet, consequences were never a consideration as to the "justness" of behaviour.²³ Justice, for Smith, begins with sympathy and moral sentiments, which lead us "to objective, or at least intersubjective" [Gill 1977, 276] criteria. From this we can see that considerations

²³ For a refutation of the primacy of utilitarianism in both Smithian and Rawlsian frameworks of justice, see Gill (1977, 292).

of utility alone were never meant to be bedrock of a normative economic system, as envisioned by its founder.

Moreover, from this analysis of liberty, morality and justice as defined and elaborated by Smith, one can readily see that these were absolute concepts indispensable for establishing a civilized society. And as absolute concepts, they can not admit of commensurability or trade-offs.²⁴ One finds it difficult to imagine Smith's trading off (i.e. compromising) justice against material gain. Rather just the opposite: Without justice, increasing the wealth of a nation would be problematic at best and well-nigh impossible at worst. Indeed, having seen how Smith has incorporated his normative economic scheme *into* conceptions for justice, we would have to doubt that Smith would accept the general commensurability of all "goods" from which humans can derive utility.

It is relevant at this point to note the confusion that economics as a discipline inflicts on students. Given Smith's elaborately comprehensive treatise on justice, morality, and liberty – with these qualities held to be "natural" to humankind – how can people be treated, in any context, as just another "factor of production"? Nonhuman factors of production cannot be considered innately deserving of liberty or justice. Thus, it is hard to conceive how the father of economics would reduce labour (i.e. humans) to the same considerations as land, machinery and capital under the corporate capitalism we have today. Under Smith's teaching considered as a whole, there are qualities innate and due to humans, *qua* humans, that could never be ascribed to impersonal "inputs." Or, conversely, humans can never be given, under any circumstances, the same status as things. Thus, humans can never be compared to the truly impersonal factors of productions. And from Smith's own teachings, we can see how making humans

²⁴ By these terms, I mean to say that more of one good cannot compensate for loss of some (or all) of the other good.

commensurable with the nonhuman inputs of production would have to be considered unjust.

Later, this paper will examine the very concept of justice for society as a whole as elaborated by John Rawls. But let it be noted here that Smith did make the connection between this elusive concept (i.e. justice) and the institutions – invented by humans for political *and* economic activities [Rogin 1956, 87]. Clearly, this is an issue present from the start of economics and worthy of study by its putative founder. As such, it certainly remains worthy of study by his putative followers.

Ch. 2 ELLERMAN, MARX, RAWL, AND KANT:

A FOUR-WAY FREE-FOR-ALL

ELLERMAN, KANT, AND THE (TRUNCATED) CASE FOR ECONOMIC DEMOCRACY

The focus of this section will be on the Kantian foundations of David P. Ellerman's thinking on the labor question. Ellerman rests his highly original ethical analysis of the institution of hired labor on Kant, a bedrock of Western philosophical thought, much as Rawls has done with his own analysis. The differences in the conclusions they reach concerning the hiring of labor must seem contradictory in light of the fact that both thinkers claim to rest their basic ethical case on Kantian principles. It will be the primary purpose of this first section to review Ellerman's treatment of Kant. Moreover, as Marxist thinking is to play such a crucial role in this thesis, this will also be the appropriate venue in which to consider how Ellerman sees his thinking in contrast to Marxists'. The second part of this chapter will briefly treat Rawls' theory of justice and one key Marxist attack of Rawls' theory. The third section briefly summarizes the state of affairs existing after the dust has settled from the internecine feud.

Ellerman's article "The Kantian Person/Thing Principle in Political Economy" (1988) is an attempt not to elaborate the formal meaning of Kant's ethical theory, but rather to give it substance in normative political economy [pp. 1110 and 1121]. As Ellerman understands it, the Kantian categorical imperative serves to ethically differentiate those entities that may ethically be used only as means from those that must be seen as ends-in-themselves. He gives us Kant's direct reasoning on the matter:

Beings whose existence depends, not on our will, but on nature,
have none the less, if they are non-rational beings,

only a relative value as means and are consequently called *things*. Rational beings, on the other hand, are called *persons* because their nature already marks them out as ends in themselves - that is, as something which ought not to be used merely as a means - and consequently imposes to that extent a limit on all arbitrary treatment of them (and is an object of reverence) [Kant 1964, 96]

On this basis, Ellerman adopts the following "person/thing principle":

Act in such a way that you always treat human beings as persons rather than as things. [Ellerman 1988, 1110]

By the adjective "Kantian" Ellerman claims to imply only historical reference. This might give us apparent cause to wonder why Ellerman so qualifies his grounding on Kant's thinking. Perhaps it is that another scholar, also invoking Kant's thinking, could reach conclusions different from Ellerman's (e.g. Rawls). Such might be the problem with any formalistic theory; providing substance can be fraught with dangers²⁵. Nevertheless, starting with Kant's axiom that rational beings are ends-in-themselves can easily lead to the proposition that no social status invented by any human society can alter this reality. This is, in fact, how Ellerman proceeds.

With regard to the labor question, Ellerman recounts the lengths to which philosophers will go in order to protect the idea of hiring (i.e. renting) humans. For example, following the Hobbesian heritage of political thought, Nozick argues that rational beings who can alienate the inherent power of self-rule may also alienate inherent liberty. Thus, Nozick says, we may indeed voluntarily sell ourselves into slavery [Nozick 1974, 331]. Such a scenario might well be the heritage of Hobbes' political philosophy. We may, according to this alienist tradition within Liberal thought, voluntarily place a monarch (or even, presumably, a despot) over ourselves to rule with a complete alienation

25 If the success of applying Kant's categorical logic can be judged by categorical answers, Ellerman seems to have had greater success than Rawls with regard to the "worker question."

of our sovereignty if that is what we in fact choose. For those of us in the late Twentieth Century who have witnessed meaningless elections around the world²⁶, such a rationale merely provides the needed excuse; to allow such usurpation of inherent rights in theory invites such usurpation of human liberty in practice.

Unfortunately, for Nozick and others of his sort, contemporary Western law does not allow us the freedom to sell ourselves into a lifetime of slavery.²⁷ However, we may sell ourselves in increments of *less* than a lifetime. Samuelson recognized this peculiar state of affairs in denying workers such "freedom".²⁸ Luckily, the issue for Samuelson and mainstream economists has merely been, up till now, reduced to a problem of degree - not of kind. Thus, we may rent ourselves out for a specified or non-specified period of time, as long as we don't say "life."²⁹ Allowing such a practice enables neoclassical economists to focus on the aspect of *efficiency* of a market whose ethical grounding is never questioned [Ellerman 1988, 1112] when, ostensibly, the prior and basic question is the ethical grounding itself.

The neo-classical treatment (or lack thereof) of the labor question is for Ellerman utter nonsense. Whether it be explicitly for a lifetime, implicitly for a lifetime, or even undetermined any time, *we can not alienate that which de facto remains within our natures*. It is for this reason that only self-rule in the political sphere is acceptable to us as children of the political Enlightenment of the Eighteenth Century; we hold that we may not

26 Indeed, the recent landslide by Saddam Hussein comes to mind. However, examples where the military or megalomaniacs have claimed to be elected "for life" by the "people" abound. E.g., in Latin America.

27 Besides the Orwellian paradox contained within such thinking and its specious rhetoric, we may take pleasure in the fact that neo-classical economics has provided us with the means (i.e. discounting to the present value) to get the price just right.

28 "Since slavery was abolished, human earning power is forbidden by law to be capitalized. A man is not even free to sell himself; he must *rent* himself at a wage." (Samuelson 1973, 52)

29 There is one scholar, however, who has explicitly recognized that there is no difference in principle between selling labor by the day, the year or the life. Thus, he believes he has carried the free-market case to its logical conclusion in laying the "true moral foundation for economic and political slavery." See J. Philmore (1982).

alienate, but only *delegate*, our natural right to rule ourselves. Unable to even consider electing a "president for life," we insist on the right to choose our own political leaders at regular intervals (of some sort). Ellerman has merely transferred this same thinking to the economic sphere, albeit two hundred years after this tenet of inalienability became entrenched in American political thought.

Ellerman's original insight, here, is to base this transfer of a deeply held tenet of political thought to economic thought on the basis of Kantian thinking. It would seem to require no special erudition or intellectual perspicuity to understand why a person, treated as an end (at least theoretically) by means of democratic governance in the political sphere, should also be treated as an end (in the Kantian sense) also by means of democratic governance in the economic sphere. The gift of this revolutionary analysis is to show just how workers are treated as mere means when the rewards from economic activity are being distributed but as full ends when juridical punishment from economic activity are being doled out.³⁰

Ellerman argues that people are treated as things in the production process, as land and capital³¹ are treated. Indeed, Ellerman argues explicitly how the law accepts this legal status of labor as things in the production process - with no special claim on the positive and legal fruits of production - **until** the worker tries to argue that he was simply an "input" in the process of committing a crime. Under those circumstances, a worker suddenly regains his/her humanity. The point here is that only when a laborer is an

30 For instance, if A rents a van and a worker from a moving company, the worker receives his/her wage, which is set by the firm. This wage does not vary with the profit of the moving company and this worker does not labor under managers responsible to him/her; the worker is merely an input into the production process. However, if A were to rent the van and the worker for the express purpose of moving stolen goods, the worker would not be allowed to claim in court that he/she was "just doing my job" (i.e. was just an input, like the van, in the production process). Suddenly, the law recognizes that the person has responsibility for his/her actions and must bear full responsibility. The payment of a set wage "relieves" the workers of any equivalent responsibility on the job.

31 Let it not be said that I am unfamiliar with the tautological nature of the definition of "capital." See Hunt (1992, ch. 16). I use the term only as a residual; if it's not land or labor and if it's used in the production process, I call it "capital."

"input" to a crime do we see the law assigning *legal responsibility* on the basis of *de facto responsibility*. For Ellerman, this double standard is unquestionably fraudulent. Responsibility in the production process is always attributable to humans and always attributable only to humans - whether the fruits of a production process are illegal *or* legal. Sending a gun to jail would be ludicrous; assigning blame to someone not responsible would be unjust. By the same token, assigning the fruits of production to inanimate capital must be considered both ludicrous *and* unjust. Only people can be held responsible and, being held responsible, only they can be the just holders of rights. Thus, as the earlier consideration of Adam Smith's collected teachings on justice has shown, Ellerman now also reasons that laborers cannot be treated, in theory or in practice, on a par with inanimate factors of production.

The implication for analyzing the production process is nothing less than revolutionary. As laborers (and managers) are the only human factor in the production process³², only they can be held *de facto* responsible. Being held legally responsible for negative "rewards" emanating from the production process, managers and workers should also be held responsible for the positive rewards as well. The payment of a wage (or salary) removes the workers from the full rights originating in the generation of positive rewards due to the production process itself. Extending this analysis to the creation of negative "rewards" from the production process in no way weakens the argument:

Persons have the *legal role of things* or non-persons from the viewpoint of action if the persons bear no legal responsibility for the results of their actions within the scope of that role.
[Ellerman 1988, 1116]

32 For Ellerman, this does include the roles of managers to the extent to which they are selected and subordinate to worker/owners (Ellerman 1988, 1115). Considering traditional capitalist firms, Marx and Smith found that profit **was not** a return to management. Thus, managers for them would have had to be considered means to the owners' pursuit of profits.

As the law makes so clear, humans cannot evade responsibility. However, things can. Thus, Ellerman concludes that humans are put into the status of things, both in law and in economics, when they are denied the full responsibility for both the positive and negative results of the production process. Clearly, workers in a capitalist corporation cannot exercise full responsibility for the positive results of the production process (though they may be laid off or fired for negative results). It is, in fact, owners of inanimate capital that retain the legal "right" to claim the (positive) residual from production.³³ Workers in such firms do not; they take what is given to them. Exercising no responsibility for the production process - and thus no right to residual claimancy - they cannot claim to be functioning as persons at the locus of production. This, then, is the tie with Kantian thinking.

However, this is but one half of Ellerman's argument based on Kantian principles. "Just as a thing cannot be responsible, so a thing cannot make decisions" [Ellerman 1988, 1118]. It is at this juncture that Ellerman brings to light the long-lost *alienist* tradition in Liberal thought, under which humans can supposedly alienate the right to self-governance. Had Americans accepted this Hobbesian argument, our forefathers might have saddled us with an American monarchy. Instead, the men in Philadelphia chose to believe in the tradition of inalienability, under which the right to governance can never be alienated, only delegated. To deny humans the right to make decisions, or the option to delegate this right, is to reduce humans to the status of things:

Persons have the *legal role of things* or non-persons from the viewpoint of decision making if the persons are not a legal party, directly or indirectly, to the decisions made about the services performed within the scope of their role. [Ellerman 1988, 1118]

33 This "right" to claim the positive benefits from production, or to unilaterally effect fundamental decisions about the workforce after the realization of negative "benefits," is known as *residual claimancy*. As Ellerman notes, there is no reason why *labor* cannot hire *capital* and thus become the residual claimant. (Ellerman 1992)

As the only humans in the production process, workers and managers must make myriad decisions every day. In the traditional capitalist firm, managers acting on behalf of the owners make decisions; workers, of course, do not. If Ellerman's argument about the inalienability of human qualities seems insidious, we have only to remind ourselves of our democratic heritage. Citizens delegate, to those who ask, the power to make decisions on behalf of the citizenry. Workers never make such a delegation, explicitly or implicitly, within a capitalist firm.³⁴ Thus, with respect to the decision-making activities of a traditional joint-stock firm, *workers are again reduced to the status of things*. Happily, Ellerman allows for a positive economic implication in all this. People could regain the lost part of their humanity in the production process if managers were to manage in the name of the workers, who would only *delegate* the authority to make decisions to managers whom they (i.e. the workers) select. This is, in fact, illustrated by the institution of worker self-management.

ELLERMAN AND MARX:
A CONFLICT IN MEANS WITH A HARMONY OF ENDS

Though Ellerman and Marx might well be separated by new insights of economic thinking³⁵ and decades of historical experience, the simple fact is that both scholars object to the capitalist form of ownership. How, then, can it be that Ellerman has as many (seemingly) insurmountable differences with Marxist thinking as he does with Neoclassical doctrine?

34 Nor were slaves ever "asked" to delegate that which is inalienable. This thinking clearly shows *why* slaves were reduced to the role of things. Cf. the introduction to this thesis.

35 For example, we have the insights offered by Nozick, Samuelson and Philmore. Equally cogent is the American heritage so well displayed in Ellerman's thinking. No one in the U.S. would attempt to overturn the ethical thinking of inalienability that undergirds the Founding Fathers' thinking. Thus, its transference to the economic realm was facilitated immensely by this cultural heritage. It is not to be held against Marx that he would have found this heritage foreign.

In a nutshell, Ellerman's perception is that Marxist theory and praxis have tended to treat labor as much like an input as has mainstream economics.³⁶ From the vantage point of our time after the fall of the Iron Curtain, this trait of the Soviet economy seems recognized as transcending ideology. In any debate concerning the propriety (ethical or economic) of state socialism, Ellerman would have the upper hand; Marx never explained how to progress beyond the capitalism of the nineteenth century. Nevertheless, Ellerman does indeed give Marx his due when he reminds us that "Marx's conviction was most certainly against wage labor itself..." [Ellerman 1992, 66]. With this in mind, let us briefly consider how Ellerman can conclude that Marxism has treated labor no better, in theory, than neoclassical economics.

As put briefly, Ellerman leads us through the example where Marx argues in Ch. 7 of Volume I of *Capital* that the capitalist, even in a perfectly competitive marketplace, exploits workers by extracting surplus labor. In Marx's classic example, capitalists crudely take value out of workers' hides by compelling them to work several hours per day beyond his subsistence or "reproduction." Indeed, if one were to take the limiting case of slavery (where truly subsistence wages were historically paid), this logic might well seem entirely defensible, based as it is on the Labor Theory of Value. Ellerman re-works this famous scenario from *Capital* to show that the capitalist could just as easily "exploit" an inanimate factor of production, the spindle [Ellerman 1992, 62]. The result of re-working this famous example would provide little comfort to Marxists: Where the unique properties of labor (i.e. humans) are not brought to bear, economic analysis can lead to specious results. (It is equally hard to imagine how this criticism of Marxist economics would console mainstream economists. Does labor in the neo-classical paradigm differ as a "factor of production" from land or capital?) In any case, Ellerman holds that it would be hard for an economist of any persuasion to argue that a machine

36 See Braverman (1974, 12-13).

has been "exploited." Besides the empirical (Marxian) insight gained from the concept of surplus value, nothing can be alienated from inanimate objects, and yet workers are alienated from both labor power and *their wills*.

Ellerman seems to forget that Marx did in fact attribute a unique characteristic to labor in its capacity as one input in (industrial) production amongst several inputs: Labor is the only "commodity" that can reproduce its own value and create still more (value). With improving technology and education, labor's inherent use-value in producing other commodities even rises. It is this insight, at the core of Marxian analysis, that results in the fundamental contradiction of capitalism: As capitalists replace labor with more and more machinery, the rate of surplus value (roughly akin to profits in vulgar economics) falls. Ellerman's example of the spindle's being exploited in theory much like labor might seem viable when the analysis is limited in time to the production day. However, a spindle will eventually wear itself out while labor will eventually reproduce more labor[ers]. (As we will soon see, Ellerman faults Marxist methodology for this very reason, viz. the failure to take time into account when considering modern Marxian value theory.) Nevertheless, Marxist economic analysis does remain limited in failing to entertain other inherent attributes of humans that apply in *all* social spheres. Ellerman never ceases to emphasize that workers, *qua* people, have qualities that are inalienable, whatever the nature of the institution (political or economic) may be or whatever a contract may say (implicitly or explicitly). To attribute the unique ability to re-create one's own "value" in production, and then some, is to continue the analysis on the grounds of production. Limiting the scope of economic analysis to production, or exchange, restricts the analysis to a field of thought unaccustomed to treating workers as anything more than inputs. When we consider Smith's work in justice and ethics, this seems odd. And Ellerman does indeed rely heavily on ideas born during the Enlightenment (e.g. inalienability, delegation, self-government, etc.) in examining the workers' lot.

Ellerman highlights what he sees as the inadequacy of modern Marxian methodology in his analysis of Marxian value theory. At the core of modern Marxian analysis of value theory is, according to Ellerman's logic, the failure to emphasize and build on labor's uniqueness [Ellerman 1992, 64]. The result is a modern theory of Marxian value whose conclusion is achieved by definition:

It [modern Marxian labor theory] does not explain any role of labor as either a source or measure of value since 'Marxian value' is simply **defined** as labor content." (emphasis Ellerman's)
[Ellerman 1992, 66]

As easy to derive would be a "corn theory of value and exploitation" as Robert Paul Wolff makes clear [Wolff 1984, as cited in Ellerman 1992, 64].

Perhaps worse, Marxian value theory can devolve into a price theory under the treatment of neoclassical scholarship [Ellerman 1992, 64]. Treated as such, Marxian value theory cannot account for market prices. How can this be? The answer, says Ellerman, is time. Marxian values diverge from actual market prices because Marxist practitioners do not take into account the effect that time has on goods. In the corn model used as the basis of this analysis, corn available at the beginning of the growing season can be differentiated from corn harvested at the end of the growing season. The value used in mathematical computation to account for this difference is the interest rate. On the basis of this reasoning, Ellerman claims that modern Marxian value theory will coincide with market prices when the model is recalculated using the interest rate.³⁷ If a theorist were to posit that the interest rate should be zero, value in the model would be fully reduced to labor value. Any deviation from this norm because of a non-zero interest rate would then have to be considered some kind of "exploitation" (Ellerman's quote). What we have at the end of this analysis is a new exposition of the old just-price theory [Ellerman 1992, 65].

³⁷ For a full mathematical elaboration, see Ellerman (1992, ch. 13).

Let us recall at this point that Ellerman indeed gives credit to Marx for going beyond a mere criticism of capitalism on the basis of a just-price (or a just-wage). It is clear from Marx's writings that a just-wage was not the final end he was advocating in the progression of human development. However, as modern Marxian value now stands, it is simply a value theory and "would only be a critique of exploitatively low wage rates, not a critique of the wage labor contract itself" [Ellerman 1992, 67].³⁸ This, then, is the outcome of a system of thought where inalienable human qualities recognized in other facets of human existence magically become alienable under economic analysis. While Marx did realize that labor was unique as compared to all the other factors of production, in the end labor remained in Marxist economic thinking basically a factor of production.³⁹ In contrast, the moment of Ellerman's thinking is culminated in the Labor Theory of Property, which shifts the ground of the entire debate from an empirical question (with all its uncertainties) to a normative question (with all its certainty). Yes, both capital and labor are productive for Ellerman, but that isn't the point. The point is that only people, *qua* people (in a Kantian sense), can be held responsible. Thus, people must be held responsible in the production process for *both* the positive and negative rewards from the production process. Only labor can be assigned this responsibility; capital cannot.

Perhaps this unfortunate state of affairs will persist as long as there is no objective theory or conception of rationality compatible with Marxist thought that will give to labor a meaning and definition in no way dependent on - and yet entirely inclusive of - the production process. Unless such a theory emerges or can be derived, Marxists and Ellerman will most probably remain at odds with one another over theoretic analysis

38 Ellerman faults modern Marxian value theorist for dropping from their input-output model Marx's role for power relations between capitalists and workers (1992, 64). He particularly takes issue with the work of Michio Morishima (1973).

39 Indeed, such thinking was realized in the Taylorism of the Soviet Union. See Braverman (1974, 17).

while simultaneously striving for the same goal: An end to capitalism and progression beyond it.

RAWLS, KANT, AND THE QUESTION OF JUSTICE

What is justice?⁴⁰ In Western thought, the answers start with Plato. This is because for our purposes, Platonic thinking united justice, truth, ethics and reason in an integrated theory. This connection will prove crucial to the discussion of the search for a theory of Marxist morality in Ch. 4. We can clear up possible confusion here by using Plato's thought to connect morality with justice. With D.D. Raphael's definitions, the connection can be established in the following manner.

Moral philosophy is, according to Raphael:

philosophical inquiry about norms or values, about ideas of right and wrong, good and bad, what should and should not be done. [Raphael 1981, 8]

Thus, moral philosophy may be seen as idealistic inquiry about good or bad that would take place in Kant's sphere of noumena (i.e. ideal concepts). From here, Raphael divides moral philosophy into two main fields: Philosophy of knowledge and philosophy of practice. The latter is "concerned with the critique of assumptions about norms or values, which are mostly used to guide practice" [Ibid, 8]. Raphael places ethics under this "philosophy of practice." As Platonic justice may be seen as a morally harmonious ideal state both within the soul and within the body politic, ethics (by Raphael's definition) may

40 For reasons that will be evident by the end of this thesis, the theory that justice comes out of the barrel of a gun will not be treated here.

be considered the tool that philosophers would employ to reach this (morally) ideal state of justice.⁴¹

We have seen in Chapter 1 what justice was for Adam Smith. It suffices here merely to reiterate his commitment to justice and the implication this had for Smith's design of an economic system. Marx saw justice as a derivative of "society's basic productive processes" [Buchanan 1982, 57] where the owners of the means of production would have the power to decide what is just. However, under communism conditions of scarcity will be so ameliorated that "there'll be no need for principles of justice for production or distribution" [Buchanan 1982, 57 & 60]. So, until we reach the ideal state with communally owned means of production -however defined - might makes "right" (for Marx). This leaves us, for the purposes of this thesis, with Rawls' conception of justice.

RAWLS, KANT, AND JUSTICE

In the last 25 years or so, John Rawls' *A Theory of Justice* has proved momentous in its impact upon the academic world. To partially illustrate the impact within economics, the comment of one leading social economist is relevant here: "For the specialist in social economics, a monumental event occurred in 1971 with the appearance of a great book that was immediately recognized as one of the major classics of social philosophy" [Worland 1977, 345]. As this thesis is concentrating only on the normative question of the social relations at the locus of production, Rawls' conclusions concerning matters of production and distribution are of special interest. Space limitations preclude a lengthy treatment of Rawls' prodigious *opus*. For our purposes, I will briefly examine

41 Indeed, "an ethical judgement that is no good in practice must suffer from a theoretical defect as well, *for the whole point of ethical judgements is to guide practice*" (emphasis mine) (Singer 1984, 2).

the concept of justice, the original position, Rawls' use of Kantian thinking to undergird his theory⁴² and his conclusions for economic institutions.

The primary subject of justice in Rawlsian thought is the "basic structure of society," defined as:

[The way in which the major social institutions distribute fundamental rights and duties, and determine the division of advantages from social cooperation. By major institutions I understand the political constitution and the *principal economic and social arrangements*. (emphasis mine)
[Rawls 1971, 7]

How can we tell whether there is indeed justice in this basic structure? Through the mechanism of the hypothetical "original position." The original position is a limbo where people must agree on principles of justice before entering society. We are said to be deciding upon principles of justice under a "veil of ignorance." We do not know who we will be, what our specific life plans will be, or in which generation we will be born. According to one interpretation [Wolff 1977], we humans are to place ourselves in a role of rational agents so that we can divest ourselves of all trappings in this world (of appearance). Only in this manner can we function as noumenal selves and reach for the principles of justice in a setting most closely resembling Kant's "kingdom of ends" [Wolff 1977, 114]. Indeed, Rawls says he has designed his original position so that it would serve as a "procedural interpretation of Kant's conception of autonomy" [Rawls 1971, 356]. Thus, as rational Kantian agents, we have no conception of our own individual "good" though we simultaneously possess a rational life plan whose details only become known upon entering society. However, this conception of rationality is to be considered "thin." As Michael Howard tells us:

42 I am aware of the long debate in the literature as to whether Rawlsian beings in the original position are or are not truly Kantian. For purposes of this thesis, I grant Rawls the benefit of the doubt. Interested readers may wish to pursue this matter further by starting with Oliver A. Johnson (1974) and Stephen L. Darwall (1976).

The notion of rationality in the concept of a rational plan of life is rather thin. It imposes on the parties in the original position minimal constraints of consistency, and optimization of their wants. *But it contains no presumptions on behalf of other people, or of morality...*(emphasis mine)
[Howard 1985 a, 48]

As I interpret Howard and Rawls in this context, the rationality possessed by these Kantian noumenal agents is silent about morality. Moreover, as Rawls posits that "various desires can be fulfilled without interference" [Rawls 1971, 93], I infer that this concept of rationality in the original position was designed to be objectionable to no one (i.e. "thin").

Though we do not know our particular conception of our own personal "good," Rawls does assert that there is a certain class of goods, called primary goods, that we will want more of. This is so because these are in fact goods we will all want, whatever our life plans will be. These primary goods are: Liberty, income and wealth, power and authority, and the special case of self-respect. According to Rawls, it is "rational" to want these [Rawls 1971, 62]. However, as Michael Howard posits, "the assumption of ignorance of the parties in the original position concerning the contents of their plans of life is an *individualistic* assumptions which makes it *impossible* to make determinate choices between alternative forms of societies from the original position" [Howard 1985 a, 48]. Indeed, Oliver Johnson, in criticizing the Kantian "autonomy" of Rawlsian people in the original position, makes a similar point [Johnson 1974, 62]. This individualistic nature of Rawls' people would seem to prevent the attainment of justice for Adam Smith. As Gill tells us:

The operation of sympathy gives rise to the objective, or at least intersubjective judgements of the impartial spectator, by which the individual may, through social interaction, *transcend the individual situations of both himself and others*. Thus, moral rules develop.
[Gill 1977, 276]

It must not be overlooked that Smith's notion of sympathy lies at the heart of this. Still, Rawls posits that people in his original position possess a "sense of justice" even though they are "mutually disinterested" in that they do not "take an interest in one another's interests" [Rawls 1971, 13].

If the future members of society do not know who they will be in that society, they would first want to decide - unanimously - on principles of justice. These principles are to be chosen for the basic structure under this veil of ignorance while people still are in an initial situation that must be characterized as "fair" [Rawls 1971, 12]. Under such a scenario, Rawls hopes to show that principles so derived would indeed be just. In this way, society will enact justice as fairness.

The last point is that from these assumptions about the original position and their denizens, two principles of justice emerge:

First Principle (a.k.a. The Liberty Principle)

Each person is to have an equal right to the most extensive total system of equal basic liberties compatible with a similar system of liberty for all.

Second Principle

Social and economic inequalities are to be arranged so that they are both
a) to the greatest benefit of the least advantaged consistent with the just savings principle, (a.k.a. **The Difference Principle**) and
b) attached to the offices and positions open to all under conditions of fair equality and opportunity. [Rawls 1971, 60-61]

These principles are "lexically ordered"; no application of the second principle can ever compensate for deficient application of the first principle. That is to say (simply put), equal liberty takes precedence over any other consideration.

Howard sees these lexically ordered principles as sufficient conditions for tolerating inequities in income, wealth, power and authority [Howard 1985 a, 37]. This can happen because of a "narrow" interpretation of the Difference Principle, which excludes self-respect from the index of primary goods. As the "broad" interpretation - which does include self-respect as a primary good - may be attributed to Rawls, Howard then proceeds to reason that even with certain restraints⁴³ on the Liberty Principle, Rawls would not likely include the means of production under the second principle [Howard 1985 a, 42]. That is to say, social and economic inequalities would be much less tolerated under the broad interpretation (where self-respect *is* a primary good) than under the narrow interpretation. The only way around this would be to impose Norman Daniels' restrictions on the Liberty Principle [Howard 1985 a, 42]. People at the top of society, economically speaking, would see their income or wealth redistributed, at least in part, in order to help safeguard the worth of liberty for those at the bottom. However, in that case the nature of liberty would itself have to be revised [Howard 1985 a, 43-46]. With the nature of liberty now being questioned, so would be the priority of the Liberty Principle over the Difference Principle, thereby confounding the lexical priority established by Rawls. The choice between conceptions of liberty would be indeterminate without a fuller theory of the good⁴⁴ [Howard 1985 a, 48-50]. The result of such a modification would be that there would exist no fully determinate basis for a just society

43 Such constraints were devised by Norman Daniels (1975, 253-281). Daniels would redistribute resources so that the worth of liberty for those with fewer material resources would not be compromised. A clear example of this concept would be the case of publicly funded legal defenders. The only way to ensure the worth of liberty for all citizens would be to redistribute income and wealth in order to provide attorneys for those without them. As a second example, the "liberty" to run for office is severely hampered by the need to buy media time in the marketplace; those with more material means have more "liberty." (To wit: the recent campaign of Steven Forbes.) From such considerations I infer that Daniels would emphasize equality over liberty.

44 Under this scenario where the Rawls' lexical priority has broken down, the clash between competing conceptions of the good becomes clearer. The person who has worked especially hard all his/her life to amass millions will most likely have a conception of the good different from the person who has consciously worked less hard in order to be able to enjoy the best things in life (which, for this person, are thought to be free). For example, the multi-millionaire might strongly desire to buy the publicly owned river bank where the other person used to take his family for picnics in the public park along that same riverbank.

as Rawls conceived it. This takes us back to a state of nature where no common ethical values bind individuals. We are left on one side or the other of the class divide.

I find this latter analysis of Howard's quite cogent, and yet quite disturbing. I believe he is correct when he argues that these assumptions of Kantian beings and their life plans *are* arbitrarily individualistic. And with no way to put restraints on people's liberty with their privately owned means of production (i.e. firms), I readily accept that we are thrown back into a class war. Rawls' attempts to redistribute income through his proposed "transfer branch" of government and to redistribute wealth (and thereby power) through his proposed "distribution branch" [Rawls 1971, 276-277] are of no use; there would simply be no check on the (mal)distribution of income at the locus of production. Without such a check, how can we be sure that Rawls' distribution branch would be effective under a government whose legislators might still prove as amenable to campaign donations as they are now? Indeed, Emily R. Gill argues that Smith again would not support a scheme of justice that would rest so heavily on any governmental branch, be it a "distribution" branch or a "transfer" branch [Gill 1977, 275-76].

Another critic of Rawls, Adina Schwartz, argues that Rawls' conception of the "good" is not as non-controversial as he leads us to believe [as cited in Howard 1985 a, 51; Buchanan 1982, 142]; Rawls puts more emphasis on wealth and liberty than some people would care to see. For instance, wealth might not be a "primary good" to a religious ascetic. And, for a socialist, liberty might be in conflict with equality. Rawls, apparently, has violated his own methodology in actually giving us a "thick" (i.e. a quite objectionable) theory of primary goods in the original position. Allen Buchanan can deflect Adina Schwartz' first objection: Wealth could be so broadly defined as to incorporate a non-individualistic variety. Access to public libraries, beaches, or concerts can constitute wealth of a non-individualistic kind.

However, Buchanan cannot deflect Adina Schwartz's second objection against Rawls' conception of the "good," as defined rationally. The problem is that Marxists do not have a conception of rationality with which to combat Rawls' conception. I quote the key passage from Buchanan:

If the Marxian can show that the enriched Rawlsian conception of rationality is becoming as obsolete as the society which engendered it gives way to a new society with its own distinctive conception of rationality, this would render the Rawlsian conception of rationality useless as a basis for principles of justice intended to apply to future social arrangements. But... *Marx did not develop a socialist or communist conception of rationality.* (emphasis mine) [Buchanan 1982, 144]

Buchanan is saying that even if Rawls tried to enrich his conception of rationality to defend it against Marxist attacks, there would be little need. For Marx, conceptions of rationality⁴⁵ were "historically limited social products" [Ibid]. Marx's theories could never explain why something is rational independently of a society's class system (as defined by the social relations obtaining at the locus of production). Thus, Marxists cannot successfully attack Rawls on this point. And as Howard's incisive analysis concluded, we would simply have to make do in a class-divided society with no sense of right and wrong or with a sense of right and wrong relative to our own class.

Equally important, if Rawls theory can stand in its entirety, then Marxists would have no successful attack against Rawls' positions concerning economic institutions. Oddly, there is little in Rawls on Ellerman's question of economic democracy (i.e. classless social relations at the locus of production). The reader may easily conclude that, with proposed transfer and distribution branches of government, we could have an ethical and just society under either corporate capitalism or worker-ownership [Rawls 1971,

45 According to Webster's Third International Unabridged Dictionary, *conception* may be defined as "the capacity, function, or process of forming ideas or abstractions or of grasping the meaning of symbols representing such ideas or abstractions" while *theory* may be defined as "a judgement, **conception**, proposition, or formula formed by speculation or deduction, or by abstraction and generalization from facts."

266]. This would put him distinctly at odds with Ellerman over the question of economic democracy.

SIFTING THROUGH THE WRECKAGE

Justice is the first virtue of social institutions, as truth is of thought. A theory however elegant and economical must be rejected or revised if it is untrue; *likewise laws and institutions no matter how efficient and well-arranged must be reformed or abolished if they are unjust.* (emphasis mine) [Rawls 1971, p.3]

Thus, we have seen two Marxist attacks on Rawls' theory of justice. The first leaves us in an Hobbesian state of nature in which we're simply left to choose sides; whichever faction can gain control over governmental organs can control society and, of course, the means of producing wealth. There would be no prior ethical justification regarding the ownership of anything. Whatever is, should be.

The second attack, however, is as weak as Rawls' theory itself. As Rawls has not been able to provide a theory of rationality to which no one could object, his theory (of rationality) is subject to the charge that it arbitrarily favors individualistic values to the exclusion of communitarian ones. However, this Marxist criticism "bites itself in the tail."⁴⁶ That is, Marxists can hardly fault Rawls' for a biased (ethical) theory of rationality when they have no such theory themselves to offer in its place. Marxists cannot offer a theory from their legacy of historicism to tell us why people would choose, on a rational basis, a communitarian conception of the good over the (competing) conceptions of the good available to people in Rawls' original position. Thus, for the purpose of this thesis, the question of Rawlsian justice under corporate, joint-stock capitalism remains unresolved.

⁴⁶ I have to thank Prof. Howard for this phrase; that sums it all up.

Ellerman, however, would not accept any justification for any system other than economic democracy. Thus, his position is incompatible with Rawlsian justice. This should put Marx and Ellerman on the same side of the fence. But as we have seen, Ellerman had his own differences with Marxists. The primary one, for the purposes of this thesis, is that Marx attacked capitalism with a scientifically applied Labor Theory of Value. That is, capitalism was demonstrated to be exploitative on cold, hard empirical grounds; we could, in principle, take measurements under Marx's economic categories to "see" the exploitation [Shaikh 1994]. Ellerman, using Kantian logic, has shifted the grounds of the whole debate. Now, the wage contract system is unacceptable for normative, ethical reasons. Empirical attacks against capitalism no longer seem as forceful or relevant as they once did. After all, Ellerman can accept the idea the capital is productive; that's why workers use it. But now the issue of capital's productivity has been rendered moot by an innovative normative analysis under which inanimate capital can never be ethically equated to workers.

The basic difference in the conclusions Ellerman and Rawls draw from their respective treatments of Kantian thinking can be brought into sharper relief by the scholarship of Agneta Sutton [1979]. For Sutton, Rawls has confused natural rights theory with contractarian theory. Under the former, it would simply be impossible to trade away one's natural rights under any social agreement. (Thus the conclusions concerning *delegation* of authority that Ellerman draws from his reading of Kantian logic.) Under the heritage of contractarian thought, there exist (at least) two possibilities. Either people may agree to define what is acceptable by comparison to the concept of "right" under natural law, or people may agree to define what is "right" because of utility. The first option would seem to be more in harmony with natural rights doctrine. Thus, Rawls can allow for justice under worker ownership as Ellerman can. However, under Rawls' contractarian scheme, people may agree to allow for a social condition (i.e. an institution) because it

can be useful. To paraphrase Marx, capitalism has delivered the goods. But that people have agreed to it so far does not necessarily make it (naturally) right. Under the gift of (neo)Kantian critical idealism, we can hopefully discern what can be rationally justified as right and thereby shed more light on the ethics of the current social "contract." As Marx and Ellerman would argue, capitalism would not be included as an institution meeting ethical criteria. But up till now, only Ellerman can make the case on such ethical grounds.

The stakes here are high. If the Marxists only had a theory of rationality, the attack against Rawls' conception of rationality would stand. And if a Marxist theory of rationality were also *ethical*, then the "feud" between Ellerman and Marxists could be substantially mitigated. The outcome would be that Rawls could then be held to his words: If an institution is found to violate principles of justice, no matter how efficient, it would have to go.

Is there an ethical theory of rationality within the Marxist tradition? My thesis is that there is, but the theory has lain dormant for decades. Before I adduce this theory, I will first examine a recent effort to construct a Marxist moral theory by Rodney G. Peffer.

Ch. 3 PEFFER, MARX, AND A MORAL THEORY

Was there any developed moral theory - implicit or explicit - in Marx's writings? Entertaining this question has filled volumes. One scholar, John McMurtry, sees "an entire, if inchoate, *moral system*" with a prodigious power due to its scientific control and potential for universal liberation (emphasis original) [McMurtry 1981, 189]. Within this system McMurtry finds the basis for the possibility of a Marxian personal morality [Ibid, 181-84] and with it a comprehensive "ethical schema" that covers just about every choice and action a person must entertain every day. Even if McMurtry's position can be judged fully tenable, it suffers from the same drawbacks that other Marxist scholars meet in this field: namely, that Marx's moral theory is neither fully formed nor explicit.

In his position McMurtry is supported by other scholars [Tucker, 1969; Kamenka, 1969]. Allen W. Wood finds that justice, for Marx, is a function of time and place; the justice of institutions is not to be judged on "abstract or formal principles of justice, good for all times and places, or on implicit or hypothetical contracts or agreements used to determine the justice of institutions or actions formally and abstractly" [Wood 1971-72, 257]. According to Wood, Marx and Engels would therefore deny that there can be a sense of "eternal justice." Wood tells us that Marx and Engels "did take seriously the concept of justice" but also thought that this concept was typically misused or "mystified" for ideological purposes [Ibid 245].

John E. Elliot has argued against Wood on several grounds: Laborers were historically cornered into selling their labor power through primitive accumulation [Elliot 1987, 11]; a fair's day pay is *not* given for a fair day's work [Ibid]; Wood misquotes Marx on the justice of the wage transaction [Ibid 12]; workers do not in fact receive the true value of their labor power [Ibid]; a just wage can never follow from the unjust totality of the capitalist production process [Ibid 13]. In seeking to weaken Wood's landmark work,

Elliot proceeds to establish that moral indignation was indeed a concern of Marx's in his attack on capitalism [Ibid 19-20]. Capitalism was morally reprehensible as it stifled human self-realization in making humans the objects of others' wills [Ibid 20-21]. While Elliot might differ with Wood over the moral content of Marx's critique of capitalism, Elliot still must admit several failings of Marx's theory:

- 1."Marx's account of the future society does not carefully explicate institutions and procedures for adjudicating potential conflicts between individual liberty and social planning." [27]
- 2."Marx does not explicitly prescribe self-realization as a moral standard." [29]
3. Marx does not give a reason to attribute moral content to the innate desirability of self-realization. [30]
4. The indirect evidence "for the issue of the status of self-realization as a moral category in Marx's analysis...though not definitive, is compelling." [31]

There could be a bit of a conflict within Marxist thinking: While capitalism might well be attacked for failing to provide for the self-realization of workers, Marx cannot give an explicit (moral) reason why self-realization should in itself be valued. I believe that Elliot has shown yet again that though Marx might have included moralist tones in his writings, he still can attribute to Marx no explicit theory of morality.

Given the class system and oppression that developed in the Soviet Union starting with Stalin and continuing right on through Brezhnev, I believe Jeffrey Reiman is correct when he says that Marxists are helpless against such oppression without a "theoretical defense" (i.e. without a theory of justice) [Reiman, in Nielsen and Patten, 1981, 317]. However, even if capitalism should be the state of human society burdened by antagonistic relations before progressing into a society free of such relations (i.e. socialism), Reiman would be on dubious ground to imply that capitalism is the prime reason why Marxists need a theory of justice. For it is also true that antagonistic relations,

under which "social positions are structured such that people cannot be both fully just to all their fellow human beings *and* survive in their social positions" [Ibid] have plagued humankind throughout state imperialism, feudalism, slavery, Soviet State socialism, and capitalism. Thus, Marxists need a transhistorical theory - *not* a historical theory dependent on "developing material conditions."⁴⁷ While capitalism has laid the necessary social, materialist, and productive groundwork so that humanity can only progress to a higher stage, a transhistorical theory would indicate whether the path chosen needs to be altered or reconsidered in its entirety. That capitalism has created the conditions for social production only insures, according to Marx, that we don't regress to earlier forms. It is no guarantee that we move forward.⁴⁸ This is another advantage offered by Kantian thinking; Kant's critical idealism can be used to transcend any material or historical conditions to provide a *telos* and the reasons to strive for that end. As we will see, the scholars at Marburg were able to put this gift of Kant's to good use.

To argue that there can be no solid basis for constructing an explicit or implicit moral theory from Marx's writings would only make much easier the central argument of my thesis: viz., that Volaender's work has filled a gaping hole. Therefore, I will not take the time to review such arguments. Rather, I believe it would present the most difficult challenge to this thesis to review in some depth one of the more comprehensive attempts to construct such a Marxian moral theory, specifically a recent book by R.G. Peffer. In doing so, I will try to show where the work of the neo-Kantian Marburgers can present not only a "tighter" theory but also a more solid theory.

47 By "historical," Reiman (1981, 319-320) means two things. First is that "the actual normative requirements of justice should change as material conditions change." His second definition implies the possibility of writing a sociology of justice "given the developing material conditions."

48 I realize that this point surely warrants elaboration, and it will receive such in Chapters 3 & 5 where I will treat in some depth the work of the Marburg school.

Peffer's *Marxism, Morality and Social Justice* [1990] represents one of the most ambitious and comprehensive attempts to extract moral foundations from Marx's thought in order to build a Marxist Moral and Social Theory. Entertaining as it does several themes (amongst others) of (1) morality within Marx's writings, (2) Marxist critiques of justice and rights, (3) the relation of Rawlsian thought to Marx's thought, and (4) the attempt to construct a Marxist Moral and Social Theory, Peffer's *opus* may be regarded as an attempt to answer the criticism detailed by Allen E. Buchanan in *Marx and Justice*: namely, the lack of a Marxist ethical theory that Marxists could offer as a substitute for Rawls' own theory. While Peffer's work will be seen to be as insightful as it is exhaustive, it will ultimately have to be considered lacking for reasons enumerated at the end of this section.

(IMPLICIT) MORALITY WITHIN MARX'S WRITINGS

Peffer's approach is to take us, in historical order, through six stages of Marx's writings in order to demonstrate Marx's moral views. The various stages correspond to the following dates:

1. Radical Liberalism (1841-1843)
2. Revolutionary Humanism (1843)
3. Original Marxism (1844-1845)
4. Transitional Period (1845-1847)
5. His "Works of Maturation" (1847-1858)
6. His "Fully Mature Works" (1858-1883) [Peffer. 35]

In the first stage, Peffer explains that Marx had no problem "making explicit moral judgements" when he was railing against Prussian censorship [36]. Moreover, in

attacking those who would equate religion and morality, Marx tells us that "Morality recognizes its own universal and rational religion" [Marx, "Comments on the Latest Prussian Censorship Instructions," as quoted in Peffer, 36]. As Peffer astutely notes, Kantian sentiments are clearly being expressed in this passage. Peffer further cites the end of Marx's article "On a Proposed Divorce Law" (a contribution to the *Rheinische Zeitung*) as further evidence that Marx has sympathy for Kantian thought. By focussing on Marx's own words of "conscious subordination," Peffer explicates Marx's likely implication that "the choice of moral principles must be made on the basis of one's own rational reflection and must not be subordinated to any outer authority" [37]. To bolster this interpretation as Kantian, Peffer also cites Marx's contemporaneous use of Kantian terminology (e.g. "autonomy" and "heteronomy"). All this, with further mention by Marx of a "deeply ethical nature" and "ethical rationality" in regard to the proposed divorce laws [39], are presented as evidence of Marx's genuine interest in ethics, if not outright sympathy with Kantian ethical thinking. While Peffer might have laid some groundwork (as far as it can be taken) for a Marxist moral theory, it would be instructive to first look at the later historical stages (listed above) to see how far Marx did in fact explicate a complete ethical theory that would motivate his "mature" writings.

Peffer defines Marx's second period of "Revolutionary Humanism" as the latter half of 1843, during which Marx wrote *Critique of Hegel's Philosophy of Right* and several other shorter contributions to the only issue of *Deutsche-Franzoesische Jahrbuecher* [41]. Peffer argues that this period is substantial for several notable changes:

1. Marx's change in his normative political position: Marx is said to have abandoned any advocacy for a bourgeois democratic state to a type of communal society for which Rousseau provided a model.

2. Marx's acceptance of political activity, and force if necessary, to effect social change.
3. Marx's use of terms such as "dignity," "degradation," and "dehumanization of human beings" to air his moral convictions. (Peffer credits the writings of Feuerbach's for such language.)

When Peffer informs us that Marx from the beginning had "accepted the values of the Enlightenment and the French Revolution - enjoyment, liberty, equality, and fraternity - *in addition to the value of moral autonomy...*" [emphasis added] [41], we can more readily appreciate Marx's conversion with regard to his views of bourgeois society. For in *Critique of Hegel's Philosophy of Right*, Marx notes that under bourgeois society there is a dichotomy between "man as citizen" and "man as egoistic individual" [42]. Such a split in human psyche can easily serve as the basis for an attack on the ethical justification for bourgeois society: How can such a society be justified when personal ethics is separated from civic life?

While defending the concept of universal suffrage as a necessary condition for realizing an ethical polity, Marx also refrains from proffering this (i.e. universal suffrage) as a *sufficient* condition. As Peffer so astutely notes, Marx's comments on page 202 of *Critique of Hegel's Philosophy of Right* clearly lay the basis for emphasizing *as well as equating* the individual good with the common good. Peffer:

As with Rousseau's conception of the general will, this can be interpreted as a prescription that everyone accept the moral point of view, that is, that everyone vote on the basis of the *common good rather than their individual good* or, more precisely, *that they come to think of the common good as their individual good*. (emphasis added) [43]

Again we can see here clear inklings of a foundation for an ethical theory of rationality within Marxist thought. Unfortunately, it is not enough; this is neither a comprehensive theory nor is it compatible with Marx's later writing concerning own philosophy of history - historical materialism. Peffer, to his credit, realizes that Marx was not trying to construct a complete moral theory. Instead, Peffer's aim is to highlight Marx's own concern with such a normative concept as "intrinsic human dignity." However, the conflict with Marx's later words on the inevitable march of human history would stand, with this thinking, unresolved.

Marx's third stage, which Peffer calls "Original Marxism," is dated at 1844, when Marx is said to have developed his own, original theories regarding "Hegel's problematic of objectification, alienation, and the transcendence of alienation to the historical development of human nature through human productive activity..." [47] With Marx's formulating and focussing on his materialist theory of history, Marx lets go of explicitly normative terms in favor of language that appears to be more objective (though still, according to Peffer, quite laden with values): "impoverishment," "misery," "well-being," "debasement," etc. [Ibid] Moreover, there is no longer, for Marx, an autonomous moral realm. From this point on, morality is strictly *sociological*; that is, morality for Marx is no longer to be used as an external evaluative criterion for assessing given states of society. Rather, morality for Marx is now to be seen as a product of the economic substructure and as a tool for the ruling classes to ensure that production continues smoothly within the existing societal framework. Thus, for Marx morals have become "scientific" in the empirical sense.

Nevertheless, Marx strays once again into the normative when he evaluates Hegelian alienation of objects created by the masses only to be kept from them. This alienation, this loss to the masses of the use and control of objects intentionally designed and made by their will, is described by Marx himself as an "error, a defect, that which not

ought to be" [Marx *Economic and Philosophical Manuscripts*, p.219 as quoted in Peffer 1990, 51]. Peffer ascribes this moral assessment to "three primary moral principles," described in the *Manuscripts*, of "freedom (as self-determination), human community, and self-realization" [Peffer 1990, 51]. Put succinctly, the loss of these three moral principles leads to such social evils as the loss of any meaningfulness in one's work, the lack of a feeling of community, and the absence of an opportunity for self-realization. Or, as Peffer summarizes:

Thus, on Marx's view, one is alienated when one's essential human capacities are blocked or thwarted, when those potentialities that must be fulfilled for human wholeness, health, and happiness go unfulfilled. [53]

While the summary above clearly lays groundwork for moral thinking within Marxist thought, both Marx and Peffer stumble upon closer examination. Peffer tells us that

Underlying this view are a descriptive-explanatory thesis and an evaluative one. [53]

The descriptive-explanatory thesis posits that humans are naturally "communal and creative beings...that - unless corrupted by social arrangements or other contingencies - they will spontaneously coöperate among themselves and enter into creative activities" [Ibid]. However, such a statement would seem fundamentally flawed to the neo-Kantian philosophers of the Marburg school in a nice piece of irony: It is the ethicists who see a total lack of realism in this unmotivated outburst of "spontaneous coöperation."⁴⁹ As Van der Linden notes, "whereas Marx stresses spontaneous communal activity and

49 We mustn't think, however, that it is only members of the Marburg School who have recognized this. As Kai Nielsen and Steven C. Patten comment on Stanley Moore's *Marx on the Choice Between Socialism and Communism*, "There is no justification, Moore argues, for believing that such a transition from socialism to communism must take place, or is even likely to take place, on the basis of Marx's historical materialist methodology" (Nielsen & Patten, 13). (It is worth noting that Moore sees communism as a phase beyond justice, though socialism would not be.) It is also for these reasons that Nielsen & Patten remark that, "This meshes very nicely with Buchanan's arguments about the utopian strands in Marx's thinking."

coöperation, as well as creative labor, as the crucial aspects of our true being, Kant emphasizes our capacity to act on principle, i.e. our autonomy" [Van der Linden, 245]. In removing any hint of the spontaneous generation or existence of higher human ideals, the neo-Kantians of Marburg have reintroduced a more realistic scenario: the need to make choices over the long haul. As Van der Linden puts it: "...the Kantian view is that there is no sudden break in moral progress; rather, the moral ideal sets an infinite task along gradualist lines" [Van der Linden 1988, 267].

The evaluative (i.e. moral) thesis posits a norm: It is good that humans flourish so that they may fulfill their "species-being" in the exercise of "free, creative activity." But as Peffer notes, this too eventually falls short in the attempt to provide an adequate moral theory; Marx's theory of "alienation and associated values" provides no "principle of distribution of the good" [Peffer 1990, 54] and without it, we are only left with a vision of the good life but no way to get there (cf. Van der Linden above). Now, true Marxists may object that such a theory will not be needed under communism because considerations of justice will be irrelevant where induced scarcity and egoism have been eliminated. However, as Peffer argues, this position would prove to be of little help to those arguing that it is time to progress from capitalism to the next stage, socialism. [55]

Marx's fourth stage Peffer calls *Marx's Transitional Works (1844-1847)*. It is into this category that Peffer places *The Holy Family* (1844-1845), *The German Ideology* (1845-1846) and the "Theses on Feuerbach" (1845). According to Peffer, it is in this fourth stage that Marx develops the groundwork for empirical and "social scientific theories" that earn for Marx the right to call his work "scientific." Along these lines, Peffer quotes at length from *The Holy Family* to argue that Marx lays out a "social-scientific" explanation for the ultimate victory of the proletariat over capitalism's intolerable social conditions [56]. In the same passage, however, Peffer sees Marx's "implicit moral views" with his emphasis of the inhumanity of bourgeois society. In *The German Ideology*, Marx more

systematically elaborates his materialist view on history while he simultaneously continues to spell out further the principles that serve as the basis for his moral judgements. While Marx at this point has definitively arrived at the moral and idyllic final state of society (communism) Marx also advocates force in order to reach the end state [57]. There seems to be a contradiction here: namely, calling on the proletariat to disregard any moral impulses at all in order to effect the revolution in order to form an ideal society based on "implicit morals." Perhaps Marx can be forgiven for this; his failure to provide a comprehensive moral theory to motivate the proletariat would naturally lead his prognosis for society to such an end. However, for the followers of Marx it would be peculiar to refuse such a moral theory after having been offered one by the Marburg School.

Nevertheless, Peffer cites more passages (p. 155 and 156) from *The German Ideology* as a "veritable gold mine of Marx's moral views" [59]. Within these cited passages, however, the "goal of humanity-in-society is (or should be) *self-activity*" [Ibid]. By this, Peffer interprets Marx to mean that individuals are no longer at the whim of the needs generated by the forces of production or by any limitations brought about with no intentional planning or willing. Moreover, Marx's

commitment to the value of human community is manifested in his claim that the formerly divided and isolated individuals will, under communism, be 'united individuals' who freely and coöperatively control social production, whose instruments are 'made subject to each individual, and property to all.' [Peffer 1990, 59-60]

We will find that here Marx does indeed appear amazingly to foreshadow, or to at least lay some explicit groundwork, for Karl Vorlaender's synthesis.

It is important to note at this point that, in arguing for genuine personal freedom so that "the individual [will] have available the (social) means of cultivating his or her gifts to their full potential" [61], Peffer infers that such freedom can only occur within a "genuine community," i.e. one untainted by corrupting social conditions. Quoting Marx,

Peffer tells us that "in the real community the individuals obtain their freedom in and through their association." But Peffer is quick to add that this is not to say, as is so often attributed to Marx by critics, that Marx opts for a totalitarian view of society. Society is to be arranged for the full flowering of people's individual self-actualization. However, lacking a Kantian basis to explain why people should opt for this state of affairs, Marxist theory will remain lacking when asked to answer the question, "Why?"

Peffer treats the final two of the six stages together because he believes that Marx's thinking from these two periods will be most familiar to readers and also because any breaks in moral thinking are not as obvious as they were in the earlier four stages. Nevertheless, Peffer denotes the final two periods of Marx's thought as *works of maturation* (1847-1858) and *fully mature works* (1858-1883). Peffer draws the theoretical dividing line with the completion of the *Grundrisse* in 1858. His fully mature works (after 1858) do make "less explicit moral proclamations," it is true [65], but Peffer contends that they are no less full of moral judgements than many of his works from the four earlier stages.

The crux of Peffer's observations, for our purposes, has to do with alienation in the process and result of production. As Peffer interprets it, "alienation is primarily a matter of subordination or domination by something outside the individual's control" [66].⁵⁰ The "something" external to the individual is, of course, social production. In this process of alienation, people are the means; social production for someone else's profit is the end to which these means (i.e. people) are subordinated. Moreover, this alienation also serves to separate people from one another, thus preventing the flowering of a true, human community.

Along almost Kantian lines, Peffer notes that alienated labor violates the Enlightenment value of freedom in that such labor "serves an alien will and intelligence"

⁵⁰ One may not be faulted for noting a similarity with the Kantian concept of "heteronomy."

[Marx, p. 117 of the *Grundrisse*, as quoted on p. 69 of Peffer]. From this one poisoned seed, it becomes impossible to establish a true, human community. Only under true communism, according to Marx, will labor become free of this alienation. That is to say, labor will serve the ends that they, as producers, decide. One such end might be the decision to opt for working less instead of producing more. Here, Peffer cites G.A. Cohen in arguing that capitalist societies, as they are based on the profit motive, simply have no choice but to increase production. As it is true that so many on the globe still must do without so much, it is also true that this last consideration of a lack of such a choice under capitalism constitutes another argument in favor of discarding corporate joint-stock capitalism and adopting some other form.

While Peffer seems to do a thorough job extracting moral and normative viewpoints from Marx's own works, Peffer himself reminds us that "Marx never developed the philosophical basis for a full-fledged moral theory" [35]. This in itself should lead scholars interested in the field to wonder whether Marx's own moral views would have to be supplemented by some ethical philosophy *external* and yet possibly *compatible* with Marxist thinking. Indeed, it is to the credit of the Marburg School that such a course of action was thoroughly elucidated. The compatible system was, of all things, based on Kantian ethics.

PEFFER'S CRITIQUES OF JUSTICE AND RIGHTS

Peffer is not alone in his observation that Marx was opposed to the concept of rights in general, as rights are "integrally related to the conception of man as the egoistic individual" [325]. For in the transition from capitalism to communism, it is asserted (by Marx) that the egoistic individual will become the "autonomous but communal individual of communism" [Ibid]. Before there can be any further elaboration on this last point, a particular objection concerning the actual historical possibility must be entertained. It is

said that the actual, historical manifestation of communism is unlikely, as communism would have as one prerequisite the end of scarcity [318]. While that does not seem about to occur any time soon, we can argue on the basis of neo-Kantian thought from the Marburg School that would question its relevance. With the aid of a universal, ethical conception of rationality (cf. Buchanan 1982, 144) based on Kantian ethics, we can argue that the egoistic individual will have to become an (morally) autonomous individual *and* that the end of scarcity need not stand in the way. This is so because the moral ideal of communism outlined by Marx is to be set as an infinite moral task [Van der Linden 1988, 254]. The implication, now seen to be more reasonable under the guise of an ethical ideal, is that the final stage of human society might never be fully realized. And yet, ethics requires that we try to continue moving toward that goal. The result, if even only moderately successful, can only be advancement in the human condition.

Some potential confusion within Marx's position on rights should now be clarified. In the ethical state towards which Marx would have us move, the need for rights will have become superfluous. The reason is that the egoistic individual, who evinces a need for rights, will then become the "autonomous but communal individual of communism" [Peffer 1990, 325]. However, under Kantian ethics the ideal ethical state is not *beyond* rights as Marx had argued. Rather, the next state after capitalism towards the ideal (i.e. socialism) is actually the logical outcome of the "rights of man," as Herman Cohen posited [Van der Linden 1988, 254].

There might always be the objection amongst Marxists that morality is nothing but ideology.⁵¹ The specific, defining characteristics (as given by Peffer) of ideology masquerading as morality are:

51 For an orthodox reading of this perception, see Louis Althusser, *For Marx*, trans. Ben Brewster, pp. 227-231.

1. generated by a class society or by a member of a class or social group that is generally sympathetic to the ruling class and/or the social status quo
2. unscientific
3. illusory
4. an inverted representation of reality
5. a result or component of "false consciousness"
6. systematically misleading
7. socially mystifying
8. representing the interests of a ruling class as the common interest of society
9. serving to justify the social status quo and/or the interests of a ruling class
10. functioning to maintain the social status quo and/or defending the interests of a ruling class. [Peffer, 237]

It will be interesting to compare Vorlaender's synthesis with these defining characteristics of ideology. My contention is, of course, that Vorlaender's synthesis, buttressed by the epistemology explicated by the Marburg School, will hold up.

At this point we recall that the central thesis of this work is that there can be no justice under capitalism. For Marx, there was; justice was for him a function of the economic structure and laws of society [Buchanan 1982; 56, 57 & 60]. In that respect, Rawls' claim that there can be justice under capitalism can be compatible, ironically, with Marx's thought. However, Rawls of course does not mean justice in some relative sense; Rawls sees his concept of justice to be valid for all people in today's society. It is on these grounds that Peffer can argue that Rawls is no more ideologically committed to capitalism (including welfare state capitalism) than he would be to some "democratic form of socialism" [Peffer 1990, 378]. Thus, justice must rest on a conception of rationality with which no one (in Rawls' hypothetical original position) could take objection. Marxists in fact do take objection. According to Buchanan, Marxists do not agree with Rawls' "thin economic conception of rationality" with which people in Rawls' original position are operating [Buchanan 1982, 144]. That is, Marxists do not see why people in the original position would necessarily choose primary goods that would help each person attain his/her conception of the good life. With a tightly woven and highly

rational ethical theory, Marxists could present an unequivocal position on which their ideal plan for society could be ethically justified.

PEFFER LAYS THE GROUNDWORK FOR HIS MARX/RAWLS SYNTHESIS

Peffer makes clear on p. 368 of his *opus* that he sees enough similarities (eight, in fact) between Marx and Rawls that "an attempt to synthesize their views is not totally wrongheaded." It is the last similarity that I find problematic:

Both believe socialism to be morally preferable to capitalism,
given certain (not totally implausible) empirical assumptions.
(emphasis original) [Peffer 1990, 369]

This statement needs more elaboration than Peffer gives it here. What exactly do we mean by "socialism?" In the late Nineteenth Century, when visionaries such as Karl Marx, Eduard Bernstein, Herman Cohen, and Karl Vorlaender were preparing the theoretical landscape, scholars could be forgiven for the purely prescriptive use of the term. However, in the late Twentieth Century, with the gift of hindsight over the history of the Soviet Union, Yugoslavia, certain Western European democracies, and the Basque Mondragon Coöperatives, nonchalance with the term creates only more confusion. Yes, ownership of the means of production can be "socialized," but does that mean *all* means of production or just the "commanding heights?" By "socialized," do we mean (absentee) ownership by the state, or ownership by the local community, or ownership only by those producing wealth within the enterprise? And even if the workers still decide how and what to produce, are the means of production to remain the property of the "people" through the agency of the state? Peffer's claim that Marx and Rawls both find socialism to be morally superior to capitalism (admittedly, given certain empirical assumptions)

seems doubtful inasmuch as Marx never fully explicated what the next stage after (classical) capitalism would be.

In line with the above, Peffer claims that the disagreements between Rawls and Marx "are based almost entirely on *empirical* rather than *evaluative* considerations" [Peffer 1990, 369]. One such evaluative criterion, I believe, has to do with the conception of the "good," as this is the fulcrum around which the Marxist criticism of Rawls is centered. Peffer defends Rawls' Kantian depiction of people in Rawls' original position on the one hand [372], while he simultaneously claims that these people cannot be egoists "because they do not know *their vision of good in the real world nor even what type of person they are*" (emphasis added) [371]. There seems to be some confusion here, however. I believe that Kantian ethics and (neo)Kantian social ethics would leave little ambiguity as to the type of people they are and will be after leaving the original position. Kant gave us the vision of the ethical in the personal sense; the scholars at the Marburg School expanded this vision to the social sense, and specifically to the structure of social relations at the locus of production. If we ever hope to have the chance for living the good life in a well ordered society, we must know what type of people we should be - in all social settings.

Allen Buchanan's interpretation, with which Peffer agrees, centers on the role Rawls would have the state play in settling differences between individuals and groups as they pursue their own (differing) conceptions of the good. The common complaint against Rawls is that this is a bias against communitarianism and for individualism [Sandel, *Liberalism and the Limits of Justice*, as given by Peffer on p. 372]. In Buchanan's words:

If the parties know that participation in community is in fact an important ingredient in human flourishing and know that their own conceptions of the good may include a prominent role for participation in community, then they will take this into account in their choice of principles of justice. *If, as I have argued, individual rights can play a valuable role in protecting communities* then the

parties will appreciate this fact and it will influence their choice. But if this is so, then in order to argue that parties in the original position would choose a principle establishing individual rights, one need not assume that the parties' conceptions of the good are *individualistic*. All one need assume - and all Rawls does assume - is pluralism: the parties know that different individuals or different groups may have different conceptions of the good; whether they be individualistic or communitarian conceptions of the good is not known. It appears, then, that communitarians who have criticized the hypothetical contract method have mistaken its assumption of pluralism for an individualistic bias. (first emphasis added, second emphasis original) [Buchanan, "Assessing the Communitarian Critique of Liberalism," as quoted on p. 373 of Peffer]

It clearly appears at this point that both Rawls and Buchanan might have recognized a conflict possibly inherent in pluralism. (Rich people whose vision of the good life might seek to buy up communal land for private use.) Why must there be some gap between individual ideals and communitarian ideals? If the answer is that they might have "differing conceptions of the good," then the work of Herman Cohen and Karl Vorlaender should help Peffer, Rawls, and Buchanan reconcile the conflict.

As for the issue of "evaluative considerations," I contend that the scholars at Marburg proved just the opposite. With a Kantian/Marxian synthesis, the evaluative considerations between Rawls and Marx will be highlighted. Specifically, it is not enough just to set up a new distributional or transfer branch of government if people may still be used in the production process merely to generate surplus value for others. Either such use of people is ethically acceptable or it isn't; Rawls (and Peffer⁵²) cannot have it both ways.

52 See Peffer (1990, 436-437). Here his equivocation can easily be seen. On the one hand, he declares that Sweden, a basically capitalist country with the "fifteen families," still meets some criteria of social justice better than any other form of capitalism now extant. While Peffer does indeed also declare that a socialist society probably would meet some of these criteria better (than a capitalist society), I see no reason for hedging. Either people are being treated as objects in the production process or they are not; no amount of redistribution through governmental organs can change this.

Moreover, as Eduard Bernstein was sharp enough to note one hundred years ago, you could have a whole economy run by worker-owned co-ops and still lacking in justice if some are allowed to operate as monopolies or oligopolies while others fight for bread crumbs in competitive markets. The point is to design a production system and distributional system to make sure that these things don't happen. This work, however, is concerned only with the ethical question concerning the structure of social relations at the locus of production.

Peffer does at last address this issue, which he lists as the Eighth Marxist objection to Rawls theory, which "demands *political* democracy but not democracy in the *social and economic realm* (e.g. democracy in the workplace)" (emphasis original) [Peffer 1990, 370]. As has been already interpreted within the previous chapter of this treatise, Peffer interprets Rawls' theory as merely compatible with economic democracy. On this interpretation, Rawls established no *prima facie* case for democracy in this social context [396]. This does, of course, run counter to the work of the Marburg School, Karl Vorlaender, and this thesis.

Moreover, Peffer raises an inconsistency that Rawls apparently has failed to address. Having built a theory to justify capitalist society with various mollifying welfare programs, how could Rawls then make the claim that there could be simultaneously a *prima facie* case for economic democracy while we also could have justice under (welfare) capitalism? Peffer asks two questions in analyzing this issue: (1) Is there reason to believe that Rawls *does* - or at least *should* - perceive there to be a *prima facie* assumption in favor of social and economic democracy? And (2) if so, on what grounds - if any - is this *prima facie* assumption overridden according to his theory? [396] Peffer then proceeds to argue that Rawls would not be inconsistent in failing to choose participatory autonomy⁵³ as a value or principle "because morally autonomous agents are not logically required to recognize any particular moral value or principle...(!)" (exclamation point added) [Peffer 1990, 397-398] It is simply astounding that someone should claim that Kantian thinking can be stripped of rationality and any "particular moral principle." Against this let it only be said that Mr. Peffer and Mr. Rawls will indeed

53 Peffer explicates the difference of "moral good" and "non-moral good" in his chapter 4. On this basis, *moral autonomy* is defined along Kantian lines. It involves binding one's self to the moral laws so that they become one's own. In the process, becoming the author of moral laws renders one free of alien or heteronomous influences (e.g. prudential motives, irrationality, natural inclinations, or, as I posit, someone else's will *especially if that will is disconnected from the unity of the moral law*). *Freedom*, as defined by Peffer, can be divided into positive ("freedom to...") and negative ("freedom from...") freedoms (Peffer 1990, 127). From here, economic democracy is equated to "positive freedom" or, in the words of other writers, "participatory autonomy" (Ibid, 397).

benefit immeasurably from the teachings of the Marburg School, as the neo-Kantians of that era labored masterfully to apply the individualistic ethics of Kant to *all* social contexts in the certainty that morally autonomous agents *are* logically required to recognize particular moral principles.⁵⁴ For Peffer could never conclude that the Marburg School's commitment to political democracy "is not as strong as one might assume," as he does about Rawls [399]. Moreover, as we shall see, the Marburg scholars made their positions on capitalism and worker-ownership unequivocally clear, such that Peffer could never claim to see "an incompatibility between certain other moral values - primarily negative liberty - and full-fledged social and economic democracy" as he sees in Rawls⁵⁵ [Ibid].

Peffer's last word on the subject, before he actually explicates his Marxian/Rawlsian synthesis, is that there is indeed a *prima facie* case for social and economic democracy. The less cogent reason (for Peffer) is instrumental; such social arrangements help in fostering the "intrinsic good of self-respect" [401]. His more compelling reason is that democracy in all social contexts "is valuable in that it satisfies the intrinsic value of participatory autonomy, or - more generally - freedom (as self-determination)" [Ibid]. His first and weaker argument seems consequentialist and so perhaps not so consequential. The second argument, however, is on the right path. Unfortunately, it is eventually lacking without an elaboration along Kantian lines.

54 For an explication of this point, see Van der Linden (1988, 140).

55 Peffer tells us that Rawls argues for political democracy "not as a matter of principle but, rather, on grounds that adherence to it is the best way to ensure that other principles of social justice are met." [Peffer, 399] As Peffer notes, this is an *instrumental* justification of self government and "not a claim that self government and the underlying value of 'participatory autonomy' are intrinsically valuable." [Ibid] Again, Peffer misses the mark, as apparently does Rawls. Institutions allowing for political democracy, economic democracy, social justice - all the things with which economists should be primarily concerned - necessarily follow from (neo)Kantian social ethics. A society without these qualities, which may be said to have their own intrinsic worth, might well be a society fundamentally lacking an ethical structure. Looking for "economic" solutions to such a society's ills is simply like shovelling sand against the tide.

Freedom for Kant also commanded obligation. If you want to be (morally) autonomous, you must be the author and follower of the moral law. Herman Cohen argues:

[T]here is no freedom without law, and no free personality without a community rooted in law." [Cohen, "Critical Epilogue" as quoted by Van Der Linden 1988, 254]

Van Der Linden interprets socialism *not* as the negation of rights, but rather as the logical outcome of the rights of human beings [Ibid]. This is only the inevitable outcome, I would argue, of putting Kant's personality principle into practice.

"Participatory autonomy" might very well bring the positive freedoms that Peffer likes [397], but there is also the other side to this equation: obligation. Ignoring this leads to dubious positions in theory and untenable positions in practice. At the locus of production, it is simply impossible to have autonomous beings who do not take responsibility for their decisions and actions in the economic realm. We do not live in a world of limitless quantities of goods, like clean air and water, forests, good agricultural land, etc. Efficiency still must be encouraged and, therefore, waste must be discouraged by some system of sanctions.

Democracy in any social setting is never a *sufficient* condition for the building of a just state. Rather, a commitment to democracy must be complemented with an equally deep commitment to ethics. [And, I would argue, to (neo)Kantian ethics.] Building worker-owned coöps whose workers are not dependent on the will of others at the locus of production means that workers must assume full responsibility as well. This is only just.

PEFFER'S MARX/RAWLS SYNTHESIS

Peffer sets out several criteria that must be met for any "adequate" Marxist moral theory:

1. It must be based on a moral theory that is in wide reflective equilibrium with our considered moral judgements
2. It must be informed by a correct set of empirical, social-scientific views
3. It must account for Marx's basic normative political positions that
 - a) socialism is morally preferable to any form of capitalism (as well as to any other type of society possible under the historical conditions of moderate scarcity and moderate egoism)
 - b) social and/or political revolution, if necessary (and sufficient) to effect the appropriate transformations, is *prima facie* morally justified. [Taken verbatim, Peffer, 416]

The work of the Marburg School in general and of Vorlaender in particular will be seen to be free of the possible ideological predispositions upon which Peffer's theory rests. First, in Kantian thought, there is no "wide reflective equilibrium" as there is in Rawlsian thought. We have, instead, Kant's categorical imperatives. While our conceptualization of Kant's imperatives might well prove faulty, the ethical ideal serves as the standard. Consequently, it is difficult to see where an "equilibrium" might serve the same purpose. It is always right to act on both his imperatives and his personality principle. People always have the right to be treated as ends and never as mere means. (As we have seen, Ellerman found enough substance in this form to come to an unequivocal conclusion.)

As for a basis on "empirical, social-scientific" views, we shall see how Vorlaender was able to make the striking claim, on the basis of work done previously at Marburg, that ethics makes science more scientific! (This is, of course, in keeping with the tenets of the social economics movement.)

While this thesis also holds that socialism - specifically, worker-ownership of the means of production as opposed to state or market socialism - is the only form of

ownership that can be ethically justified, this will be seen to be a *result* of the unified work of Kant, the Marburg School, and Vorlaender. Thus, while Peffer's work might be subject to the claim of ideology as it sets the goals toward which his Marx/Rawls synthesis is directed, this charge can not be levelled against Vorlaender. Along these lines, another inescapable consequence is that the use of force (cf. the Revolution) in order to bring about this morally superior state could never be *prima facie* justified. In fact, this would seem to be impossible as the (neo)Kantian thinking in the work of Vorlaender would preclude violating others in using them as means.⁵⁶

Peffer's theory is enumerated in lexical priority below:

1. Everyone's security rights and subsistence rights shall be respected.
2. There is to be a maximum system of equal basic liberties, including freedom of speech and assembly; liberty of conscience and freedom of thought; freedom of the person along with the right to hold (personal) property; and freedom from arbitrary arrest and seizure as defined by the concept of the rule of law.
3. There is to be (a) a right to an equal opportunity to attain social positions and offices and (b) an equal right to participate in all social decision-making processes within institutions of which one is a part.
4. Social and economic inequalities are justified, if, and only if, they benefit the least advantaged, consistent with the just savings principle, but *are not to exceed* levels that will seriously undermine equal worth of liberty or the good of self-respect.
[Peffer, 418]

Peffer contends that his theory contains all the implicit moral principles of Marx that were examined at length in the book. Thus, he believes his theory to be "more complete and, therefore, more adequate" [Ibid]. Moreover, he holds that his theory is an improvement over Kai Nielsen's "radical egalitarian theory of social justice" [422]. One such improvement is that Peffer does not assert an "equal right to equal opportunities for

⁵⁶ I am not unaware of the paradox contained in Kant's enthusiasm for the French Revolution. Van der Linden does offer two explanations, amongst others, out of this conundrum: (1) Out of the ashes of self-defeating evil comes good (Van der Linden 1988, 177)] and (2) Kant imposes a moral duty on us to actively oppose "unjust political conditions" (Van der Linden 1988, 179). All I argue is that today, with the model of Mondragon and with laws on the books, we now have a rational (i.e. ethical) way to progress beyond (corporate capitalism).

meaningful work."⁵⁷ This is incomprehensible. A major reason why capitalism is intolerable is the lack of such an equal right to opportunities for meaningful work.⁵⁸

Admittedly, Peffer's theory is broader in scope than the focus of this thesis, which is concentrating only on the social relations obtaining at the locus of production. Therefore, I can readily accept the first two priorities, which pertain to the rights of persons vis-a-vis their government and other citizens. As for the latter two provisions, I hold that these will be much more efficiently addressed by a simpler theory under which there will be little need to dwell on such details. This theory will not preclude differences in talent, effort, and consequent material compensation in the economic realm. Thus, there is little pretense at radical egalitarianism in the respect of Peffer's fourth lexically ordered proviso. There will, in fact, be no need for such pretense. As Peffer's third proviso makes clear, this theory will imply that people are to be treated as ends at all times (especially at all times within the production process) and so, at least within the firm, there will naturally be equal rights to attain to social positions, offices, and decision-making processes "within institutions of which one is a part." However, even more will be implied with much less. That, in fact, is its elegance.

57 For a full explication, see Peffer (1990, 423-424).

58 For an explanation as to why "the conditions for development of self-esteem" are missing under capitalism, see Howard (1985 b).

Ch. 4 EDUARD BERNSTEIN MOVES THE EARTH

The change from capitalism to Socialism involves a drastic transfer of power from one social group to another. Whether that transfer can be accomplished without violence is a tremendously complex problem that allows of no dogmatic answer.⁵⁹

Peter Gay [*The Dilemma of Democratic Socialism*, 1952, 229]

Neither Peter Gay in 1952 nor Eduard Bernstein in 1899 had the benefit of certain institutional developments available to students in 1996. With the advantage of these later developments, I maintain that this "tremendously complex problem" can - and should - now be given its proper due.⁶⁰ While we have available the scholarship from the Marburg School,⁶¹ so did Bernstein. However, today we also have available the legal and institutional mechanisms required to remove much of the "utopian" taint from our analysis. Specifically, many American States now allow for the explicit incorporation of coöperative corporations on the Mondragon model. This means that people wishing to start up a firm (in other words, wishing to build an "economic" society for purposes of production) or to convert an existing firm now have more choice than they had previously. They can incorporate as traditional joint-stock companies that theoretically can devolve — and factually often do — into absentee-owned feudalistic enterprises⁶².

59 It must first be noted that the quote above comes from Gay (1952, ch. VIII) was specifically commenting upon the chances for radical political and economic change through parliamentarianism. And he was right to note that the chances for peaceful change of this magnitude through the electoral process depended on "the social structure and political institutions of a country." However, in keeping with the basic premise of this thesis, permanent and effective social change requires, in addition to the factors mentioned above, critical analysis, consideration and ultimately reconstruction of the social relations at the point of production.

60 I will take one liberty granted me by historical developments since 1952. For "Socialism," I will discount that version practiced by the Soviet Union for reasons that Ellerman so well elucidates and that, I believe, *the Marburg School so amazingly anticipated*. I will focus only on the Mondragon model, as such focus is in keeping with my thesis: What type of social relations at the locus of production shall economists advocate? Consideration for other economic relations (e.g. between firms, between governments and firms, between individuals and firm, etc.) remains outside the scope of this work.

61 Cf. Van Der Linden (1988, 298-300)

62 By "feudalistic," I refer to an economic entity which a son or daughter can inherit because they were astute enough to choose their parents wisely. That is to say, they will own the firm (or some part thereof) not because they labored long and hard for the firm, but because they took the trouble to be born to the owners.

Or, they can incorporate as worker-owned firms where ownership is a function — and only a function — of one's status as a worker/member. Thus we have at our disposal the ready legal means, and the successful history of the (Basque) Mondragon Coöperative Complex, to argue for the peaceful transition out of capitalism to the next (Marxist) stage.⁶³ With these advantages, it is now much easier to argue for the ethical, gradualist "revolution" away from capitalism and towards socialism than Bernstein could. For these reasons it is an unqualified credit to Bernstein's genius that, without these advantages, he could argue for the same ethical and gradualist approach towards Socialism without violent revolution while simultaneously claiming to do so *completely from within the Marxist tradition*. Moreover, we can rely on the scholarship of Ellerman and the Marburg School, who, in turn, relied on Kantian ethics to undergird their thinking. In contrast, Bernstein specifically eschewed any connection with Kantian ethics [Gay 1952, 152; Van Der Linden, 1988, 298]. In light of his momentous accomplishments, Bernstein deserves his own chapter. His injecting the room for ethics into Marxism without the underpinning of neo-Kantianism may have paved the way for a genuine Kantian/Marxian synthesis; without Bernstein's Revisionism, Vorlaender's synthesis might have seemed more like an invasion. But, with Bernstein's Revisionism, Marxist thought could now be prodigiously strengthened by the work of the Marburg School.

Marxist economic analysis of the capitalist system, it can be argued, appears to share one specific trait with the neo-classical paradigm: namely, determinism. Under the latter paradigm, adjusting one economic variable is assumed to trigger a predetermined

63 Let me state here explicitly that this thesis is only intended to focus on one aspect: The attempt to determine which set of social relations obtaining at the locus of production are ethical and which are not. For the purpose of this work, "socialism" will have to be confined to that one question. Thus, socialism may be defined as a classless society (classless at the point of production) with exchange of nonhuman commodities.

behavior.⁶⁴ For example, if you lower the price of a commodity, the consumer buys more of it. Or, if the price of labor rises, the employer substitutes cheaper (other) factors of production. Thus, the economic actor may be compared to a mechanistic being that responds to stimuli in supposedly predetermined and predictable ways, like Pavlov's dog. Not much room here for ethical choice, which indeed has already been assumed away under the pseudo-ethics of maximizing utility out of self-interest. From such postulates, putative economic laws follow: The Law of Demand, the Law of Diminishing Marginal Utility, the Law of One Price, Purchasing Power Parity, etc.

Marxism, both in its philosophy and in its economics, shared this deterministic quality. Thus we can study and subject to empirical measure the laws of centralization and concentration of capital, the falling rate of profit, and the increasing immiseration of the working class. As these internal laws of capitalism proceed relentlessly, crises proceed proportionately. Crises of overproduction/underconsumption result. More and more people are thrown into the streets. Finally, pressed to the limit by these economic laws unforgivingly inherent in capitalism, the impoverished masses inevitably bring about a revolution to abolish the class that owns the means of production. In this scenario, two points are readily salient. First, Marx's economics is defined also in terms of definite, determinate laws that admit of few uncertainties or little choice. Certain behavior is eminently predictable. Because surplus value can only be squeezed out of variable capital (i.e. people), replacing human workers with constant capital, *ceteris paribus*, only accelerates the head-long rush to oblivion. There is little "choice" here or in overproduction or in the concentration of capital. Nor is there any alternative but the inevitability of the revolution and the workers' key part in it. It will be. In the future indicative (which by definition has not happened yet but will, with the certainty implied

64 It will be noted that these analyses of economic behaviour are done under the assumption of *ceteris paribus*. That is to say, all other possibly relevant social factors with potential impact are assumed to have no effect for the purposes of the analysis at hand. Readers may judge for themselves as to the realism of such an assumption.

in the indicative mood), these laws come to their own fruition with little help from human will. For an orthodox Marxist, what is - or was - there to be revised?

Actually, there was one qualification to the above that Engels wanted to make explicit concerning the determinism of Marx's materialistic conception of history.⁶⁵ Apparently, Engels (and, by implication, Marx) had concluded that young adherents to Marx's teachings were indeed exaggerating the stress Marx had placed on historical materialism in the progression of history:

According to the materialist conception of history, the *ultimately* determining element in history is the production and reproduction of real life. More than this neither Marx nor I have ever asserted. Hence if somebody twists this into saying that the economic element is the *only* determining one, he transforms that proposition into a meaningless, abstract, senseless phrase.⁶⁶

Moreover, in this same letter, Engels writes that Marx and he are "partly to blame for the fact that younger people lay more stress on the economic side than is due to it" [Ibid 762]. Indeed one Marxist scholar, Robert Freedman, has interpreted historical materialism in comparison to Hegel's idealism as giving humans much more latitude in changing history than orthodox Marxists of Bernstein's time would allow [Freedman, p. 61].

Ironically, Bernstein's strength as a philosopher might have come from his lack of training *as* a philosopher.⁶⁷ Having studied Marx's writings, Bernstein *knew* that the crises of underconsumption and concomitant unemployment would worsen as capitalism matured. And yet the prosperity of the 1890s [Gay 1952, 117], the few concessions to

65 For an excellent explication and summary, see Freedman (1990, ch.2 & 6).

66 From a letter by Friedrich Engels to Joseph Bloch, Sept. 21-22 1890 in *The Marx-Engels Reader*, ed. Tucker (1972, 760).

67 Gay tells us: "His lack of a really thorough philosophical education drove him to rely on common sense and to give free play to his already powerful skeptical and empiricist sympathies." (134)

I hope philosophers will not feel slighted here. Some of the best economists I have ever read have remarked that it is often the first-year students who bring the best insights into economics class. Unfortunately, the economics discipline has a tried and true system for snuffing out common sense and making "well-trained" economists out of otherwise intelligent people. See Galbraith (1990).

workers (cynically) granted by Bismarck [Ibid 118], and the empirical findings that these crises were decreasing in frequency⁶⁸ — all combined to give Bernstein pause: What was preventing these theories from being realized in Germany? In addition, general income was rising and ownership of the means of production was spreading. [Ibid, 201] Surely, this could not be what Marx had meant by the immiseration of the masses. Either something was wrong with reality or something was wrong with the theory.

Bernstein had been active in the Sozialistische Demokratische Partei (SPD) long enough to know that the workers who had been elected to the national legislature as members of the SPD were actively seeking immediate, gradualist gains for the rank and file of the trade unions: shorter hours, better pay, health insurance, etc. Politicians of any stripe must keep their constituents happy. Still, it became evident that with each improvement in the workers' lot and each new, larger electoral victory, revolutionary fervor gave way to a non-revolutionary mood [Gay 1952, 119]. If Revolutionary Marxism in such an era might have become less relevant for most of the proletariat, then Bernstein's Revisionism may be credited with keeping Marxism very much alive in the face of new realities. As Gay said, "the virtue of Bernstein's optimistic Revisionism, then, lay in the fact that it seemed to give a coherent theoretical explanation" of the lot of the German worker at the close of the 1890s [Ibid 119].

In orthodox Marxism, the proletariat can be seen in the position of an instrument, whose only role was to act in accord with "existing historical tendencies." Though Bernstein had initially offered two criticisms, it was Bernstein's second criticism [Ibid 139] that provoked a heated response from the purists: Workers have minds and thus possess an interest in improving their lives. As such, humans have ideals about such improvements. These ideals are held as ends by workers because of their own intrinsic

68 Bernstein, "Revisionismus und Programmrevision," *Sozialistische Monatshefte*, XIII, 1 (1909), 407 as cited in Gay (1952, 184).

worth. Humans, of course, need to be seen in this light, lest people be sacrificed to "lofty" goals for the good of history and humankind (e.g. the Revolution). However, with the notion of idealism falls the predominance of determinism. People can form ideas on their own about history, the state, the economy, etc. Moreover, humans extend this concept into other realms, such as social institutions [Ibid 139-40]. If Peter Gay is right in concluding that ethical elements, even in a Marxist perspective, have a life of their own, then there is some latitude within the Marxist tradition - the latitude for ethical thinking independent of any strict determinism.⁶⁹ Although socialism might be a big step towards communism, it also finds a basis outside the conception of an inexorable march of history. Now, thanks to Bernstein, socialism is something that has an ethical appeal. And its realization could henceforth rest on human will as well. In bringing the possibility of ethics into the discussion Bernstein might paradoxically be said to have incorporated the scope of choice, so hallowed in the mainstream, into the Marxist school. And with choice comes the need for ethical considerations.

With the question of ethical choice comes the question of the practical incarnation of ideals in society, whether the realm is political or economic. Bernstein was magnanimous enough to admit that there could be democratically owned firms functioning as monopolies, and wise enough to argue why this would violate the spirit of socialism. For him, democracy was "both means and end" [Bernstein, as translated by Tudor, *Preconditions of Socialism*, 142]. Democracy was, for him, "the absence of class government," indicating a "state of society in which no class has a political privilege which is opposed to the community as a whole." In the delicate balancing act between justice for people as self-motivated ends and social justice in general, the following quotation is given to provide the basis for constructing that society:

⁶⁹ At this point it is useful to recall that determinism was based on the workers' acting out of dire need, all of which might have changed with Bismarck's welfare state and new-found political power of labor.

As we understand it today, the concept of democracy includes an idea of justice, that is, equality of rights for all members of the community, and this sets limits to the rule of the majority - which is what government by the people amounts to, in any concrete case. The more democracy prevails and determines public opinion, the more it will come to mean the greatest possible degree of freedom for all. [Tudor 1993, 141]

Whether he was conscious of it or not, Bernstein's wide scope on the questions of justice and democracy could find a solid precedent in the works of Adam Smith. However, Bernstein's emphasis on the need for justice in democracy, be it political democracy or economic, can be seen as a great step forward for the ethical defense of Marxists' stand against capitalism. While Gay tells us that Bernstein rejected the explicitly ethical element of the "Back-to-Kant" movement in Germany at the time [Gay, p. 152], his Revisionism would seem to have allowed him to advocate the same program of social reform with similar methods. After all, if the ethical argument can be proved compelling, where would be the need for unethical means? Indeed, Bernstein tells us:

All the practical activity of Social Democracy is aimed at creating the circumstances and conditions which will enable and ensure the transition from the modern social order to a higher one - without compulsive upheavals. [Bernstein, as translated by Tudor, p. 145]

Indeed, the motivation for Bernstein was the goal of a "higher civilization" (read: "end"). While he was quick to cite this as moral justification, he still lacked a comprehensive moral theory of rationality that could tie together his ideas for a higher civilization, where democracy and justice both for individuals and for society could be manifested on the basis of ethics. Harry Van der Linden makes this point clear when he asserts - contrary to Kant! - that a society of Kant's "intelligent devils" will not act to

bring about ideal moral institutions.⁷⁰ As long as Bernstein claimed to remain a Marxist, his hope to furnish an unshakeable ethical basis for Marx's ideal society would remain incomplete.

The insertion of the element of choice meant that evolutionary socialism would supplant the dialectical method as the "core" of Marxism [Gay 1952, 133]; humans were now free to act on their ideals. This is not to say, however, that Bernstein intended to minimize the impact of economic factors within Marx's theory [Ibid 140]. Nevertheless, to Marxists still adhering faithfully to determinist orthodoxy, this Revision of Marxist theory was blasphemy. To the scholars at the University of Marburg, a way in had opened. Up to that time, Peter Gay tells us that Marx and Engels had little regard for Kantian philosophy: "Kant's insistence on the 'good will' independent of results was an ideological screen for the bourgeoisie," [Gay 1952, 143] because any separation of real-world phenomena from unknowable noumena was seen to encourage political impotence for the proletariat by "separating thought from action" [Ibid]. On the contrary, under the neo-Kantianism of the Marburg School, ethical considerations would obligate people to action [Van Der Linden 1988, 245 and 252].

Though Gay does not make it explicit, there is a remarkable irony about Bernstein's own methodology that allowed him to revise Marxism and simultaneously remain within the Marxist paradigm *because of* that very methodology. We are told that Marx turned Hegelian idealism on its head. Under Marx, it became the material surroundings that determined the consciousness of humans. If this is so, then wasn't Bernstein simply being true to Marx's own methodology when he bowed to the seemingly ineluctable conclusions of the actual data? If the data showed conclusively that Marx's crises were lessening in severity or that the propertied class was growing, could a true

70 For a thorough explication, see in Van der Linden's chapter "The Cunning of Nature and the Society of Intelligent Devils" (1988, 144, 145 & 152).

materialist scholar contend that something was wrong with reality, and not with theory? Would a good "historical-materialist" have continued with Marx's teaching verbatim when he/she had come to believe that events were not proving all of Marx's theories credible?⁷¹ It seems that Bernstein was a true materialist (read: Realist) before and after his Revision.⁷² In fact, as Gay has demonstrated, it was mainly Bernstein's interpretation of the data that moved him to Revisionism. This means that Revisionism's allowance for choice (i.e. ethics) within Marxism cannot be attributed entirely to idealism. Rather, the possibility for independent action of human will within the Marxist tradition had now become based on a materialist interpretation of reality: Workers were choosing gradual reform of the system through the peaceful electoral means. That is, the workers consciously chose to work *within* the system.

With hindsight, we know that the success gained by the workers and the SPD was short-lived. It is especially useful to note one reason, amongst other, elaborated by Gay: The disenchantment of the educated "middle" class. These were people who "had stepped straight from school into what appeared to be permanent unemployment" [Gay, p. 209]. Gay tells us that they were afraid that they would lose their superior status as "brain workers" and become simple proletarians [208]. (With the aid of Harry Braverman's seminal *Labor and Monopoly Capital*, we see many reasons why such a bifurcation of the workforce is sheer folly for *all* of society.⁷³) Moreover, we know from the internal social

71 One finds in all this yet another credit to Bernstein's genius. Unlike today's economists, a \$5 bill could really have been lying out in the street for Bernstein. Equally important, in Bernstein's ability to revise theory by the materialist reality as he interpreted it, Bernstein ably incorporated the epistemological methodology worked out by the neo-Kantians of the Marburg School. This is no small point. The allowance for interplay between the superstructure and the base so that humans can will a new reality (within limits) will play a major role in Vorlaender's construction of his synthesis.

72 Bernstein's Realism would have to be considered much saner than today's Logical Positivism. New empirical findings under the empiricism as practiced by Bernstein would have an impact on ethical speculation and ethical issues [Gay 1952, 154]. Again, this epistemology was highly developed by the neo-Kantians at Marburg.

73 Indeed, Prof. Michael Howard tells us why self-esteem can have a wide-reaching effect on social relations in any context, including the economic. See Howard (1985 b).

and political structure of workers' coöperatives founded on the Mondragon model that this bifurcation can be mitigated, or perhaps even eliminated, by conscious human planning (i.e. will).

With or without long-term success at the ballot box, Bernstein thought nonviolent revolution was still possible in the Germany of his time. Though Bernstein dismissed the potential for producers' coöperatives because of their failures, he still held that emancipation would be "through economic organization" [Gay, 1952, 217 & 223]. This is exactly in keeping with the basic tenet of this thesis: The key to alleviating many societal ills (e.g. the maldistribution of income and consequent impact on the political process, economic insecurity for workers and their families, physical manifestations from the emotional stress of that employment insecurity⁷⁴, and bifurcation of manual workers and "brain" workers into separate classes, to name only a few) is to be found amongst the social relations obtaining at the locus of production. The classical economists - Smith, Ricardo, Mill, and Marx - were absolutely right to concentrate their analyses on social relations at the site of production, for it is at this point that wealth is created. From here distribution and exchange follow. Using the Aristotelian analogy of the acorn and the oak tree, we can reason that an unethical seed (at the locus of production) will not mature into an ethical end. Thus, in keeping with Marxism, Bernstein may still be said to have remained true to the notion of economic determinism; in the economic sphere, emancipation will come only after reorganization of social relations at the site of production. However, like Bernstein, this thesis contends that workers' ideals and, consequently, ethics will have a major role in helping to decide *which* set of social relations that will evolve in keeping with these ideals. Unlike Bernstein, however, this

74 See Mary Merva and Richard Fowles.

thesis will depend heavily on the Kantian rationality and ethics of the Marburg School to make that choice.

Ch. 5 THE RISE OF THE MARBURG PHOENIX:

KARL VORLAENDER'S KANTIAN/MARXIAN SYNTHESIS

We have seen from Ch. 3 that R. G. Peffer provided insightful analysis into the openly moral overtones of Marx's early writings. Though clearly full of moral indignation and Hegelian language, Marx's writings never evinced an explicit ethical theory. As we have seen, this is crucial to one specific attack of Marxists on Rawls' Theory of Justice.

This debate is not just academic. Russian citizens of the former Soviet Union are trapped in a false dichotomy between "moving ahead" to the Scylla of corporate, joint-stock capitalism or falling back into the Charybdis of (Soviet) state socialism. Ellerman is quite correct to show that people, at least in the economic realm, have been treated like objects in the production process under both systems. In contrast, Rawls would have us believe that there can be justice under capitalism (principally defined, here, by its wage/contract relationship), however it may be mitigated by redistributinal schemes. As we have seen, both Rawls and Ellerman purport to base their theories on applications of Kantian elements. Marxists, however, believe they have no explicit (ethical) conception of rationality with which to attack Rawls' Theory of Justice. And with Ellerman's overtly normative thinking in regards to the inalienable worth of a person - in any social sphere - the Labor Theory of Value has lost much of its force in this debate over capitalism or economic democracy. Though Bernstein could lay the basis for accommodating an ethical conception of rationality within Marxism, without accepting Kantian ethics he failed to fill the gap. Seen in this light, the relevance of the work of the Marburg School, and of Karl Vorlaender's Kantian/Marxian synthesis, becomes readily apparent. While several scholars (e.g. Andrew Collier, Kai Nielsen & Steve C. Patten, R.G. Peffer, Timothy Keck, and even Harry Van der Linden) have made reference to the German Vorlaender and his work, as far as can be discerned *no one has given Dr. Vorlaender the chance to tell*

*us exactly what his synthesis, his life's work*⁷⁵, was. More importantly, no one has seen that his synthesis could pivotally figure in the debate; Rawls would only publish his *Theory of Justice* some seventy years later. It is time to give Dr. Vorlaender his due.

Vorlaender first had to rely on the groundwork laid by his teacher at the Marburg School, Hermann Cohen. It was Hermann Cohen who effected the unequivocal application of Kant's ethics into all social (including *institutional*) realms by means of five claims or postulates:

1. The individual always functions in a variety of collectives and morality is, therefore, intrinsically social.
2. The individual who takes his own particularity, or that of group he is part of, as sole guide of his willing and actions cannot come to truly moral actions; for morality aims at coherence or unity of individual wills and, ultimately, at a unified humanity. (Van Der Linden here inserts the crucial connection. Namely that, like Kant, Cohen defines a totality as a unified plurality and holds that existing pluralities lack unity because they are determined by particular wills.)
3. The individual can 'complete the circle of his being' - his autonomy - only through making ideal humanity at the highest level of totality into the mirror and goal of his willing and actions.
4. Autonomy sets a task, and its ultimate realization requires the realization of humanity, *transformation of existing pluralities into totalities*. (emphasis mine)

75 Van der Linden tells us (p. 297) that this synthesis was Vorlaender's "main intellectual life-task."

[Thus, claims 2,3, and 4, by Cohen's account, produce the idea of humanity as both the beginning (origin) and the end of truly moral actions. Cohen's concept of 'an eternal new beginning' explains why he held that morality sets an infinite task.⁷⁶]

5. The subject of morality and history is not the individual *qua* individual but the individual as part of collectives. The problem that ethics faces is the conflict between the individual and the collectives; *its task is to reconcile the two, both in theory and in praxis.* (emphasis mine)

[Van Der Linden 1988, 206-07]

As Van Der Linden makes explicit, Cohen has thus clearly expanded Kant's own ethics "to a greater degree" into the social realm [Ibid 208].

Interestingly, ethics shares a crucial feature with science for Cohen: Both are "idealizing activities" [Ibid 229]. The scientist goes to the blackboard to write out the ideal in mathematical form; the ethicist attempts to construct the ideal moral subject. Inevitably, there will be a gap between the ideal and the concrete (or "data"). For both the ethicist and the scientist, the existence of such gaps gives birth to their own obligations, or "oughts." These "oughts" present the agenda for "infinite progress of science or morality" [Ibid]. For Cohen, the simultaneous obligations to pursue "infinite progress" in both science and ethics converge in the search for truth. In Cohen's own words:

76 As I interpret it, Cohen meant that all moral tasks, obligations and laws start with humanity. Without the human will to seek the moral state, we will never arrive there. And what is the purpose (i.e. the end) of the moral state? An ethical state for, of and by humanity. This is not to say that we know with certainty that we will ever arrive at this perfect state. However, Kantian ethics places on us the obligation to try. Thus, we shall always be obligated to try ("eternal new beginning") even if we believe we will never reach that state of ethical perfection (morality's setting an infinite task).

Epistemic logic [and, hence science] alone does not offer truth. Truth must be sought in the connection between epistemic logic and ethics...truth means the correlation and harmony of theoretical and practical problems. [quoted in Van Der Linden 1988, 229]

Thus, for Cohen moral praxis and scientific praxis are joined together in a symbiotic relationship. Without the other, the one cannot lead to truth. For Van der Linden, (neo)Kantian logic tells us that the motive behind one's (scholarly) activity must be "truthfulness" - that is, for the Marburg School, the commitment to seek to unite natural and moral laws" [Ibid].

From here Cohen can easily object against the bifurcation of manual labor and mental labor, with their unequal rewards that Harry Braverman would later document [Braverman 1974]. More importantly, as Van Der Linden makes clear, capitalism lacks truth because its reason for existing is *not* to reach the unification of natural and moral laws; it exists for the private accumulation of capital for the will of one (or several) against all others [Van der Linden 1988, 230]. It can now be easily seen that this form of private accumulation cannot be reconciled with Kant and Cohen's attempt to unify humanity in *any* social setting.

Van der Linden turns to the "amoral" Marx⁷⁷, and reminds us that for Marx the issue was *not* equal societal access to consumer goods. As for Adam Smith, a decent distribution (and level) of economic goods was the means; the end was the "realization of our true nature or species being" [247]. Van der Linden argues that socialism, defined in this thesis as a classless society at the locus of production, is in that manner insufficient to establish that human beings will voluntarily assume communist values [Van der Linden 1988, p. 252 and Ch. VI]. Van der Linden now shows the gap: Marx can simply

77 As we have already seen from the analysis of Peffer's book, it seems Marx tipped his hand in his early works. Whatever he might have said later about the relativity of justice or ethics, we can see clearly what had already motivated him.

not offer any persuasive argument for moving society from the concrete to the ideal. Moreover, Kantian ethics can be seen to fill the gap, as "it offers a normative theory which argues that informed and rational agents opt for values similar to the communist ones" [252]. Enter Karl Vorlaender.

In his lecture "Marx und Kant" [delivered in Vienna on April 8, 1904], Vorlaender sees Marx's historical materialism as compatible with Kant's idealism by way of a bridge: A philosophy of history.⁷⁸ Such a philosophy can encompass the material (i.e. the phenomenal) and the non-material (the noumenal). In this way, Vorlaender can employ Cohen's work to lay the basis for a "scientific connection." By "science," Vorlaender implied normative disciplines (cf. Cohen's work on idealizing activities above) that could lead to their respective ideals. Thus, the science of aesthetics would lead to the Beautiful; the science of ethics to the Good; and the science of logic to the Truth.

Thus, a philosophy of history that can include both the material and the non-material can proceed logically from the concrete material conditions (i.e. the substructure) to the spiritual domain (the superstructure), the domain of such idealizing endeavors as art, religion, or ethics.

Vorlaender recognized Marx's brilliance in studying world history from such a vantage point. But he emphasized that dialectical materialism cannot be understood as a dogma. Vorlaender cites the prologue of Marx's own *A Contribution to the Critique of Political Economy* to show that historical materialism was actually only designed to be a "Leitfaden" (i.e. a research guide or manual) for his "Studien" (treatise) on a par with

⁷⁸ To better elucidate this concept of a "philosophy of history," I would like to quickly contrast Hegel's, Marx's and Kant's philosophies. For Hegel, history was the process of the unfolding of Reason. This thinking could be used to defend the status quo. For Marx, history proceeded by dialectic materialism - thesis, antithesis, then synthesis - towards higher stages of human development until the final stage of communism. Unfortunately, no (ethical) reason is given to motivate this progression. Kant measured events against an ideal. Thus, he sought "to ascribe a rational purpose or plan to certain historical developments and events" without necessarily finding individual events rational (Van Der Linden 1988, 100). This is Kant's "critical teleology"; with ethics relied upon to motivate the rational actors, we can now decide to aim our actions towards the ideal.

Darwin's "Hypothesis" or Kant's "Idea." In contrast to this original intent of Marx's, many of his overeager followers, who would stand in contrast to the Revisionist wing of Marxism, would seize only upon the emphasis of economic determinism in his writings. (As we have seen in the chapter on Bernstein, while economic determinism was the ultimate cause, it was only *one* of several causes.) Vorlaender adduces the letter by Engels to Joseph Bloch where Engels admits that both he and Marx must shoulder the responsibility, at least in part, for the extreme economic reductionism so fashionable amongst the younger Marxists of the time. Yes, material factors remained foremost in explaining - descriptively and prescriptively - economic and historic events. However, materialist events (of the substructure) were not immune to influences from the superstructure, including such influences as philosophy and ethics. In this "double movement," in this mutual interaction of the idealistic top and the materialistic bottom, a society's culture can develop and progress. To Vorlaender, both Marxists - and here he cites Antonio Labriola and Karl Kautsky - as well as Kantians can readily accept this [Vorlaender 1904, 11-12].

As a result Vorlaender could conclude that historical materialism is, in spite of its name, *fully* compatible with critical idealism as interpreted by the neo-Kantians. Yet, a rigid interpretation of the materialist conception of history invites no one, proletariat included, to act. Praxis is brushed aside. Therefore, critical idealism and historical materialism must go together and in the process the latter needs to be supplemented in only two ways: it needs a philosophical foundation and, secondly, a forward-looking and scientifically founded social or socialist ethic.⁷⁹

Having made the connection between materialism and idealism, Vorlaender next posits that a materialist ethic of history "not only has room for a Kantian ethic, but

⁷⁹ This is where Cohen's work allows Vorlaender to claim that ethics can make Marxism more scientific. Tying knowledge of morality, as expressed by ethics (or jurisprudence? see Van Der Linden 1988, 210) with knowledge of the material world, as expressed by science and mathematics, is necessary to attain the Truth.

requires it" [Vorlaender 1904, 14]. This is what Van der Linden must mean when he says that "there is a gap in Marx's analysis; he offers no adequate account of how workers will come to accept his value orientation" [Van der Linden 1988, 252]. The mutual interaction between the superstructure and its (materialist) base is what gives society its dynamic nature. Thus, the interplay between the ever-changing economic base and the superstructure creates a tension, a contradiction, that will eventually render elements found within the superstructure outmoded. Vorlaender hypothesizes that, as the forces of production become ever more socialized, the old legal concept and definition (found in the substructure) of private property in relation to the means of production must yield to a new conceptualization of jurisprudence (located in the superstructure). Sooner or later, today's atomistic and anarchic "system" of material production will have to give way to "planned organization."⁸⁰ The process of creating an organization implies the setting of specific ends.⁸¹ And here is the vital connection to Kant: only a person - not a thing - can ethically and knowingly make plans and thereby become capable of autonomy and consequently self-legislation. This thinking rings true with Marx's own words from his *Economic and Philosophic Manuscripts of 1844*:

Man makes his life-activity itself the object of his will and of his consciousness. He has conscious life-activity. It is not a determination with which he directly emerges. Conscious life-activity directly distinguished man from animal life-activity.
[Tucker 1978, p.76]

80 "Organization" was the magic word (das Zauberwort) for Vorlaender [Vorlaender, 1926, 338]. According to Vorlaender, even Engels concurred in the point that humans can make their own history: "nothing happens without a conscious design, without a desired end." [Engels, as quoted by Vorlaender, 1904, 15]

81 In Ch. 1 of this thesis we saw that, for Smith, the end to which society should aim was a civilized state to be brought about by an equitable and adequate provisioning for the material and human needs of each member in society.

Armed with this capacity, Vorlaender continues, self-legislating autonomous beings can and do mold the future.

Vorlaender first entertains the possibility of heteronomous ends, such as the pursuit of a private fortune. Under such conditions, society would have to be populated by individuals whose purposes will collide against one another. This would constitute a war of "all against all." To prevent this, each must practice consideration for the others and preferably do so freely, but if necessary under self-imposed community restraints.⁸²

Ranking and subordinating the lower to the higher purposes, whether they are private or held in common, requires a system of ethics. Only ethics can overcome conflicting purposes within an individual and only a system of *social* ethics will provide for the "unity of wills" and for the means of removing conflict from society. (Hence the value of Cohen's work.) For Vorlaender, there must be some guide: An overarching unity of purpose. Only with the foundation of a social ethic that can eliminate the contradiction between will ("Wollen") and action ("Handeln") can we have the basis for providing harmonious social institutions ("Einrichtungen") [Vorlaender 1904, 16]. Here we can see the invaluable contribution of Cohen's work. As Van der Linden interprets Cohen [232-33], the latter would find the separation of willing and acting both ethically indefensible (as it leads us away from Truth) and socially reprehensible (as such separation has become manifested at the point of production and, from there, throughout all of society⁸³).

We are now ready for Vorlaender's capstone in the argument why Marxist materialism needs Kantian socialism: In building a planned social organization along these lines, it is precisely the Kantian categorical imperative in its universal law version that can provide for this unity between individual and social ends. Specifically, all

82 We may recall that justice for Adam Smith was also a concept enforceable by the state, as beneficence could not be counted on to effect social ethics.

83 Like Van der Linden, I will here refer the reader to Braverman (1974).

autonomous law-givers, in every social setting, must act on the maxim by which one can at the same time will that it should become universal law [Kant 1964, 30]. Obviously, this type of ethical injunction resembles closely the socialist "free development of each is the free development of all." While this might also resemble a variety of other liberal interpretations of freedom, Cohen's second postulate makes the crucial tie between morality and a unified plurality. We only achieve a moral sense of freedom when the totality is a unified plurality *not* determined by particular wills. Thus, as Cohen's third postulate provides, an individual only becomes truly autonomous when he/she makes "ideal humanity at the highest level of totality into the mirror and goal of his (sic) willing and actions." With this further development of Kantian logic, how can Rawls claim that Kantian beings would not be interested in one another's interests?⁸⁴ [Rawls 13]

It is Kant's second formulation of the categorical imperative which becomes in the context of socialism especially relevant and revealing. According to Vorlaender, the Principle of Personality means that:

All rational beings, including the most miserable wage earner, the poorest proletarian, exist as ends-in-themselves; they are no machines, no mere means for capricious use for this or that will, in one word, no thing but a person, a personality whose humanity ought to be sacred. [Vorlaender 1904, 16]

Vorlaender then exuberantly asks his audience: "Can the basic guiding idea of socialism, the communitarian ideal, be articulated any more clearly and expressed any more forcefully?" [Ibid 16]

84 Even for Adam Smith, through sympathy an individual gains self-consciousness as part of the entire community. Only in this way does the person find happiness (Gill 1977, 284).

Kant's work makes a good deal of autonomous beings' having the duty to be law-givers (albeit unto themselves). The ultimate ideal to him was a state where the individual has become the natural law-giver for all. Any apparent conflict between self-interest and the common good could hopefully be removed — or at least ameliorated — by a proper understanding of the Kantian notion of individual autonomy. Liberalism, in this connection, falls short of critical idealism. According to Vorlaender:

The freedom of the individual is only an illusory [freedom] so long as the domination of private capital in fact makes him simply a tool for work in the hand of the owner. It [freedom] can actually only be guaranteed by means of a condition in which also economically no one is dependent on another, but instead serves the other out of free will, as he in turn benefits from them. [Ibid 21]

Thus we see that Kant's liberal conception of freedom cannot be realized under the social relations of capitalism because workers are not respected as autonomous beings. We do not have, under corporate capitalism of the joint-stock variety, an institutional setting that permits the chance for workers to become co-legislators in the Kantian sense (or in any sense) for the economic entity, the firm. Only if autonomous beings act on Kantian principles and legislate for the whole (of a firm) do we have a rational, ethical basis for our economy. The comparison to Marx's thought is particularly enlightening here. Under joint-stock capitalism, Marx's conception of the fully developed human cannot be realized, either. As Buchanan tells us:

...it is in these early manuscripts and in scattered remarks in later works that we find the basis of Marx's most radical criticisms of capitalism and its juridical concepts: his evaluative (though non-juridical) conception of fully developed, socially integrated communist man, the free and creative producer who participates in *democratic rational control of the social* and natural environment. [Buchanan 58]

Why would autonomous beings legislate so as to put someone else — or themselves, if they would prefer to be salaried employees — in the position of a thing (cf. Ellerman)? Why would they ever agree to such a possibility in Rawls' original position?⁸⁵ How could Rawls have ever claimed that Kantian beings would not be interested in one another's interests? [Rawls 1971, 13]

Timothy Keck [pp. 278-279] and Harry Van der Linden [p. 297] agree that Vorlaender's Kantian/Marxian synthesis does in fact constitute an important contribution towards a more complete and more satisfactory philosophy of Marxian socialism. At the same time, Keck does question Vorlaender's optimism regarding the compatibility of both the Kantian and Marxian views of the historical process as well as the philosophical foundations and method for its analysis. According to one paradigm, history is seen as gradually evolving ever more closely towards an ideal state, the key being reconciliation. The other paradigm views it as the resultant of a clash of opposing forces that can never be reconciled except by their negation (or transcendence) [Keck 1975, 290]. But Van der Linden counters that Vorlaender never attempted to reconcile the two different philosophies. Rather, he took from Marx his explanatory science and added to that a Kantian teleology [Van der Linden 1988, 297].

Quite obviously, Vorlaender's entire life's work should be brought to light for the English speaking world. Nevertheless, I maintain that Vorlaender's thesis provides Marxists with an explicit — and, thanks in part to Bernstein's Revisionism, symbiotic⁸⁶

85 For those who might reply that a wage system could make all better off, J. Peil calls to mind Adam Smith's rejection of utilitarianism [Peil, 1989, 67] in parts IV and VIII of his *Theory of Moral Sentiments*. Thus, as an economist I would never recommend the construction of an economic system based on the argument that "more people could be better off."

86 Of course, Van der Linden's entire *opus* is designed to show that the Marburg School (and Herman Cohen in particular) completed the task of expanding Kantian ethics to the complete social realm. Otfried Hoffe also makes this point explicit: "Economic problems pose questions of an empirico-pragmatic kind which Kant emphatically excludes from the philosophical grounding of justice" [Hoffe, 1984, p. 117].

— conception of rationality that unequivocally explains by reliance on Kantian ethics why people, in all times and all places, would choose the communitarian values that Marx espoused. If there is a disadvantage to Marxists' accepting this synthesis, it is that the debate has shifted heavily in favor of those (humanist) Marxists who would argue for Marxism on the basis of ethics. As Van der Linden made so clear, acceptance of Kantian ethics strengthens Marxism considerably. Thus, only one institutional form is known to be compatible with justice where everyone has the chance to become autonomous self-legislators in the Kantian sense: Worker-owned coöperatives. Whether people choose to actually become such autonomous beings depends on their willingness to subordinate their will to Kantian ethical obligations. Kantian/Marxian rationality - and ethics - demand that they heed the call.

Ch. 6 PUTTING HUMPTY DUMPTY BACK TOGETHER AGAIN: A CASE FOR MORE INCLUSIVE ECONOMICS

I realize that this thesis might not have been a typical treatise of economics as compared to the discipline's standards of the late Twentieth Century. (Indeed, I could not fault those who might claim that it's a wee bit outside the mainstream.⁸⁷) More importantly, I believe that the immediate relevance of my work here should be clearly stated lest I simply be labelled as one of those idle philosophers who merely interpret the world, when "the point is to change it." And so, in the spirit of academic camaraderie existing amongst economists of all persuasions in our time, let me briefly offer the following immediate and tangible benefits that might be said to follow from this thesis.

In his landmark article, "The Methodology of Positive Economics," Milton Friedman tells us that "normative economics...cannot be independent of positive economics" [Friedman 1953, p.3]. With this I agree. But then he continues with the claim that positive economics, if properly practiced, will lead to a "consensus on 'correct' economic policy" [Ibid, p.3]. With this I do not agree.

The starting point for economic analysis is to realize that humans are not comparable to tongue-tied billiards players or leaves on a tree; humans have choices to make, with respect to *all* social spheres, settings and institutions. And they best know *why* they should make certain choices, lest they be vulnerable to smooth-sounding but specious sophistry.

87 It should be noted, for the record, that this highly impressionable young student was encouraged, albeit gently, in this direction by a professor from Harvard who actually did practice economics, Prof. John Kenneth Galbraith. Please feel free to contact this student if the written evidence should need to be adduced.

In this thesis I hope to have shown, amongst other things, some of the insights immanent within the epistemology of the Marburg School.⁸⁸ For our immediate purposes it may be sufficient to point out that where the subject of study is humans and the choices they must make, the idealizing activity of ethics (esp. of the Kantian and neo-Kantian varieties) serves as the standard by which positive economics is to be guided.⁸⁹ As Dr. Vorlaender so cogently argued, the inclusion of ethics makes "sciences" more scientific; without the inclusion of the ideal as a teleology, truthfulness would be beyond mortal grasp.⁹⁰ Yes, normative study cannot do without Friedman's positive study. But neither can positive study do without normative study (Cf. Keck 1975, 217). And the necessary bridge between them would be the art of economics, "a system of rules for the attainment of a given end" [Keynes 1891, 35]. I submit that economics would be strengthened as an academic discipline if its students and practitioners were to become skilled in all three aspects: the normative, the art(ful) *and* the positive.

TEACHING THE PRACTICAL TO THE PRACTICAL

It can be readily shown that many techniques learned in the art of business administration find their foundations in economic theory. For instance, accounting methods let administrators know what the actual costs are. From there returns to investment can be reckoned as a measurement for profitability. (Such a measure can be crucial for the investor seeking to maximize his personal utility.) As another example,

88 Space has precluded my giving a full account of the fascinating theories on epistemology from the Marburg School. For this reason I encourage the reader to consult Keck (1975, ch. 1-3).

89 For example, the concept of a "natural" rate of unemployment can be useful to economists. But why is it currently estimated to be 6%? Was it once not estimated at 4.5% and, before that, 4%? (Dornbusch & Fischer, 1990, 559) Why isn't the natural rate set at zero? Or, barring that, critical ethical idealism might warrant rearranging society's institutions so that people may receive material sustenance while they receive training. Notice that Kantian ethics would include, along with any critical ideal, the concept of obligation.

90 Vorlaender's mentor, Cohen, had already applied this insight to the social sciences (Van der Linden 1988, p. 210).

business students learn how to apply the concept of profitability: Marginal revenue must be greater than marginal cost. Thus, students learn to bring future revenue streams, estimated as Internal Rates of Return, into the present through discounting. This method then allows the student to compare future revenue to present costs. If the present result is positive, the project under consideration should be approved. To the extent to which labor represents a major cost of a project, the chances for profitability can be enhanced by reducing such "costs." In this area, mainstream economic theory has offered extensive guidance to the current state of entrepreneurship.

Hopefully, this thesis has laid the groundwork for offering an (ethical) alternative. While economists should continue to teach the theories underlying the techniques outlined above, I submit that we may now offer a new institutional framework within which such techniques could be applied on ethically more solid ground. Specifically, referring to the example above involving the need for a positive Internal Rate of Return, members of a worker-owned coöperative might decide that the project is worth undertaking even if it cannot result in the worker-owners' customary "wages" if there are other compelling reasons (for example, environmental or community-related) to take on the project, as long as it paid a "living wage".

More broadly, I believe that the training of business students would be significantly enhanced by teaching the students the how and why of building a worker-owned firm. As a specific example, exactly what *kind* of worker-ownership shall we have? (Neo)Kantian ideals would suggest that the institutional arrangement must make sure that worker/owners will be able to interact with each other as true autonomous co-legislators. Amongst other things⁹¹, this might require a strict separation between ownership and voting rights. In other words, business students might be shown why any

91 One of the "other things" is the need for fostering self-respect and self-esteem for the firm's worker-owners. See Howard (1985 b).

scheme whereby employees own the company through joint-stock would not be acceptable; those worker/owners with more stock would have more voting "rights." Thus, money would again define the "worth" of a person within the firm. Another scheme would have to be designed.

For economists, certain empirical questions could be better addressed if worker-owned firms were to occupy more sectors of the economy in growing proportions. For instance, would worker-owned firms still use methods of management comparable to those found in their capitalist counterparts? Would worker-owned firms be as mobile in a sectoral (or geographic) sense? How would they respond to reductions in demand within their product lines? Would worker-owned firms practice discrimination, of any kind, based on gender, age or ethnicity? Would worker-ownership have any impact on local environmental quality? How would income distribution, at any level of analysis, be affected? These and so many other positivistic questions would help economists practice the art (of economics) much more effectively. Moreover, those economists who would advocate a Basic Income might very well be filling in a theoretical gap. It is quite possible that worker/owners of one coöp might be prospering while worker/owners of another might be struggling. Certainly the idea of a Basic Income [Van Parijs 1992] would complement the economic ideal: To provide everyone with the means of livelihood so that we may all reach Adam Smith's civilized state. But at the locus of production, I believe that (neo)Kantian ethics would assert that each economic agent hold and exercise full autonomy. That is, each producer would have to take full responsibility for both benefits and losses while they are at that locus. Moreover, any authority exercised over people would have to originate in principle and in fact with morally autonomous worker/owners. Only in this way do I see the possibility for the harmony of wills that Herman Cohen strived for.

However, incorporation of (neo)Kantian ethics would also imply the teaching of a new assumption for the behaviour of a firm. Though the focus of this thesis has been limited to the structure of the social relations at the locus of production, there is no reason to believe why ethical behaviour, as explicated by the Marburg School, was intended to be limited to this locus. Ethical behaviour must extend to each firm's dealings with all outside entities: Local towns, other firms, and the environment (for example). There was never any suggestion that (neo)Kantian ethics was meant to stay within the factory's gates.

Moreover, (neo)Kantian ethics would introduce new assumptions concerning the behaviour of the firm. As I have argued in chapter 1, I do not believe that the purpose of an economic system is to maximize one's material standard of living. When there is enough for the emergence and sustaining of a "civilized" state, it may no longer be necessary to produce for the sake of increasing revenues. With (relative) material abundance, we can teach students that reduction in everyone's hours worked per week may be a means to a goal: The chance for people to strive for self-realization. This becomes more feasible when workers are not seen by managers principally as "inputs" to production.

ECONOMIC DEVELOPMENT: NO MORE ROCK AND A HARD PLACE

The conversion of the Russian economy to capitalism seems, as of this date, to be losing its appeal with the Russian electorate. (Indeed, Boris Yeltsin is said to be quite in danger of losing the next election to the Communists.) China, on the other hand, continues to express ambivalence towards American capital. My thesis might be able to show a way out of the two systems where man exploits man in one, while the reverse is true in the other.

As Bernstein, Vorlaender, and the other scholars of the Marburg School have shown, Volaender's theory may be situated well within the Marxist tradition. Additionally, it also has a solid ethical foundation. Consequently, instead of offering only American-style corporate capitalism to economic systems converting from other forms of socialism, I hope my work here has presented the justification for offering worker ownership as a viable (theoretical) option.⁹² A thesis, such as this one, could then be used to make this option more palatable to those with a distinct distaste for previous American policy advising in economic transition and development (e.g. Jeffrey Sachs' work in Eastern Europe).

COMPLETING THE CIRCLE:

REINTRODUCING ETHICS INTO THE CURRICULUM

"[T]he socialization of the mode of production is not in itself a *sufficient* ground for holding that the human agents will opt for the values of the communist individual." [Van der Linden, 252]

It is my sincere hope that this thesis might have made a good case for the need to reintroduce the study of ethics into the curriculum at both the undergraduate and graduate levels. It is difficult to see what uses and designs Adam Smith had for the economy without studying his *Theory of Moral Sentiments* and complementary scholarship by modern researchers. With knowledge about the normative intents of this discipline's founder, study in neo-Kantian ethics for economic application can be seen to naturally

92 Of course, I would offer the Mondragon model, as adopted in statute in Massachusetts and Maine.

follow. It is necessary to teach - and certainly to know - that we, as economists, might have to employ (neo)Kantian ethics to form economic ideals towards which we should help society strive. Unless we, as a society, prefer to codify all impermissible economic behaviour conceivable, internalizing the ideals of the Marburg School could contribute significantly to the smoother functioning of both a firm and an economy. The place to start, perhaps, might be the institutions themselves. Armed with the insights from Marburg, we could then tell, for example, why *Time on the Cross* may serve as a monument to economic analysis *sans* ethics.

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BIOGRAPHY

Kevin M. McCarron was born in Lowell, Massachusetts on July 16, 1961. He graduated from Lowell High School in May of 1979. From the University of North Carolina at Chapel Hill he graduated in 1985 with a B.A. in Political Science. He spent six long, unbearable years in the United States Marine Corpse in military intelligence as a crypto-linguist. Sweet Liberation came on Oct. 27, 1994 with the issuance of his Honorable Discharge. He decided not to throw away his Navy Air Combat Medal, which was awarded to him for service in the War Over Oil (a.k.a. the Persian Gulf War).

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