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About the Author

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

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

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

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Classical Economic Liberalism or Capitalism and Essentials of a Critical Assessment

INTRODUCTION

For some years economies in developing countries as well as in industrialised countries and the entire world economy have been suffering from a serious crisis of the global finance system and in the wake of this finance crisis from severe economic problems. In South Africa the current economic downswing, the growing inflation rate and increasing figures of unemployment are consequences of these grave problems. At the moment the crisis seems to have passed its high point; however, it is not yet over. There are various reasons for this dangerous development. But economists and politicians of different backgrounds all over the world agree that one main cause is the unlimited, unrestricted capitalistic economy, the so-called pure or 'catch-as-catch-can' capitalism. Therefore it makes good sense to deal with capitalism and its theoretical and intellectual basis, which is classical economic liberalism.

Pure capitalism and classical economic liberalism reached their first peak in the 19th century. Not without reason, today, many people talk about "Late Capitalism" or "Post-Capitalism". The intellectual roots of capitalism, however, go back to the distant past, to the Middle Ages. This medieval 'pre-history' of classical economic liberalism will be the first focus of attention. In the second chapter I describe the essential features of the economic theory - more precisely: the essential features of the worldview of economic liberalism. It stems from Adam Smith, who founded classical economics and gave it a clear shape. The economic system, which is called capitalism, grew and developed upon the basis of this economic liberalism. In a third chapter, I analyse its main characteristics, and thereafter outline the most significant effects and consequences of the capitalist economy. In the fifth and concluding chapter I work out essentials of a critical assessment of economic liberalism and its economic system.

INTELLECTUAL ROOTS OF CAPITALISM

1) Scholastic philosophy: Importance of 'reason' – distinction between 'consumption loan' and 'production loan'

The roots of the capitalist way of running the economy lie on different levels. It was Saint Thomas Aquinas (1224-1274) who made a first basic contribution. This great philosopher and theologian in the Middle Ages combined rational thinking of Greek philosophy with the biblical message and showed that God's revelation is not contrary to human reason. Key concepts in his thinking were 'reason', 'reasoning', 'aiming at targets', 'striving for goals'. Thomas Aquinas and his way of thinking had a determining influence on scholastic philosophy, on medieval philosophy and on philosophy as such until today and indirectly influenced doing business and running the economy. 'Aiming at goals' and 'striving for targets', 'enquiry into the linkage between cause and effect, cost and profit analysis are of significant importance in business life and a fundamental contribution to the development of economic liberalism.

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

2) The reformation and its concept of God and man

A more significant cause of the development of the capitalistic spirit was the doctrine of predestination in Calvinism. (As far as I know, all

the Dutch Reformed Churches in South Africa are Calvinist Churches.) Next to Martin Luther, John Calvin (1509-1564) was the most influential religious reformer in the 16th century. According to Calvin, both the eternal salvation and the eternal damnation of the human being depend only on God's unchanging predestination. Calvin understood by predestination,

"God's eternal decree, by which he decided what, according to his will, will become of each individual man. For humans are not created unto the same purpose; some are predestinated unto everlasting life, some unto everlasting damnation"².

In the very beginning God decided on the salvation or damnation of every human being. The famous Westminster Confession of 1647 took on this doctrine of Calvin and explained it:

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

This doctrine of double predestination - 'some men are destined for salvation, some for damnation' - pushed the human desire and striving for activity to the escape of "being busy with earthly affairs", because religious activities such as prayer, contemplation, sacrifices, asceticism, etc were no longer the means to gain eternal salvation, as the medieval understanding of piety, devoutness had taught. Damnation and salvation were already 'predestined'.

Later on, the predestination doctrine developed into the direct identification of success in one's business life with 'being chosen by God and predestined to salvation'. This later so-called 'bourgeois Calvinism' considered success in business life as the proof of "the

certainty of being in the state of grace" and chosen by God. So "success in the secular world became the sign of being chosen" - not the cause, but the "sign of being chosen"⁴. This Calvinist understanding of divine predestination in an absolute sense replaced religious activities such as prayer, contemplation, asceticism etc, which characterised medieval piousness, by successfully proving oneself in secular activities.

Max Weber, a foremost social historian, described this complex process in the following way. Very soon believing Calvinists asked their ministers the question: "Am I chosen by God? And how can I be sure of being chosen?" Do we have signs, which indicate who belongs to the chosen ones? The pastoral answer said: Good works, success in one's business and profession are not the cause, but "the sign of being chosen". This reply meant that people do not create their predestination to eternal salvation, but success in business life creates the certainty of their salvation. Thus, Calvinist belief has become a good example of the difference between logical and psychological human behaviour. The logical effect of the predestination doctrine should have been pure fatalism. If I am not successful in my profession, in business, God has not predestined me. Bad luck! I cannot change it. The **psychological** effect, however, was just the opposite: tireless activity in business and profession, as the Latin slogan says: "If you are not predestined, do your best to become predestined" – *Si non es predestinatus, fac ut predestineris*.

Finally, Martin Luther (1483-1546) must be mentioned. This great German religious reformer understood profession and work in a definitely religious sense. He gave activities in one's secular life a strongly religious emphasis and regarded "the fulfilment of one's duty in profession and work" as the highest form "which moral activity is able to achieve at all"⁵. This religious understanding of one's duties in the secular fields of life not less contributed to the emergence of economic liberalism.

3) **The new 'bourgeoisie' spirit**

It would be wrong, however, to see the intellectual origin of capitalism **only** in the religious reformers and their conception of

God and man. The 'capitalist spirit' shaped trading centres in Central Europe already in the 15th century, 100 years before Martin Luther and John Calvin lived; the great 'Capitalists' of that period - Jacques Cœur (1395-1456) in Bourges/ France, Cosimo de Medici (1398-1464) in Florence/Italy, and Jakob Fugger (1459-1525), called 'The Rich', in Augsburg/Germany – lived a century before the Reformation, and all of them were Catholics.

The capitalistic style of doing business did not get its crucial impulses so much from single religious reforms and a few religious reformers. It was the new mentality, the new frame of mind of the arising bourgeoisie on the whole, which influenced all fields of life, in particular the economic life, and created the capitalistic style of doing business. This new attitude of mind no longer appreciated contemplation and leisure, but deliberately concentrated human striving for activity and performance on the economic field. In the Middle Ages, knights, living in their castles and enjoying a lifestyle befitting their status, had formed the upper class and marked the medieval society. Now artisans and traders and craftsmen living in towns replaced the knights. These traders and craftsmen were looking at the world primarily in terms of its utilisation and profitability and were tirelessly striving for economic achievement⁶. This change began towards the end of the Middle Ages when the so-called 'bourgeois trading-class' was rising in many towns. More and more people regarded economic achievement as the main - or even the sole - task and duty of their lives.

By the way, this example confirms the famous statement of Karl Marx: 'Being, existence determines consciousness, attitudes of mind'. Marx means: the physical and intellectual and social world, in which we live, shapes, even creates our way of thinking, our values, our worldview. The worldview of medieval knights living in their castles was very different from the worldview of urban traders living in up-and-coming towns.

ESSENTIALS OF THE ECONOMIC THEORY AND WORLDVIEW OF CAPITALISM: PALAEOLIBERALISM - ADAM SMITH

Economic liberalism provided the intellectual basis for the capitalistic way of running the economy. Founder of classical economic liberalism was Adam Smith (1723-1790), a professor of logic and moral philosophy at Glasgow University and member of the supreme Scottish custom authority. His most important work is: *An inquiry into the nature and causes of the wealth of nations*, London 1776. Today this economic liberalism is often called Palaeoliberalism - old liberalism, according to the Greek expression palaeo, which means old - in contrast to Neoliberalism, the new liberalism of our time.

1) Basics of the economic theory

The starting point of Adam Smith's economic theory is the doctrine of the three production factors: land, capital, and labour. Only labour makes the two other factors fruitful and productive. Remember berries in the forest! Berries grow by themselves and do not need human work. These berries, however, become fruitful and available to people only if they collect them; that is to say, if they invest labour. According to Adam Smith, a weighty factor in this 'making fruitful' is the division of labour. Each producer produces only those products for which he possesses the best conditions. The one produces these goods; another produces those goods. The division of labour generates, therefore, the necessity of exchanging goods, of bartering and, consequently, the problem of prices. Adam Smith distinguished between a 'natural price' and a 'market price'. The natural price consists in the costs that arise from producing the goods. The market price would be determined by supply and demand and would, given a situation of free competition, fluctuate around the natural price.

2) Essentials of the Worldview

Classical economic liberalism is based on four intellectual assumptions.

a) The 'natural' order of the economy

Influenced by the philosophy of the Enlightenment, classical economic liberalism believed in the 'natural' human being, in

'natural' forces, and in a 'natural' order of society including the economy. Just as order and harmony permeate and mark the cosmos, so also the economy possesses a natural and pre-given order, a 'pre-established harmony', in which everything runs correctly. But this eternal harmony – Adam Smith speaks of the creator's “invisible hand”, directing everything to the best for everyone – does not work whenever the natural forces, the single individuals, are tied up and spoon-fed by the state and cannot develop freely. Because of that, the state must not intervene in this natural system "through economic planning; otherwise, everything would fall into disorder. Concern for the general happiness of all rational and feeling beings is God's business and not man's"⁷. The economist Jean Baptist Say, who spread Smith's teaching in France, asserted that the laws of the economy are not “the work of man”, but “result from the nature of things as the laws of the physical world”⁸; one does not invent them, one discovers them.

b) **The individualistic idea of freedom**

Economic liberalism condemned the bonds of the medieval guild system and the whole medieval feudalism. In this guild system each artisan or tradesman had to be a member of a particular guild. The guilds themselves paid strict attention that the number of guild members did not increase too much. So this economic system was a very static one. Economic liberalism condemned this system and proclaimed the freedom of man and his property, the freedom of contract and competition, the freedom of trade and industry. The state, Adam Smith demanded in 1776, should “completely take away all systems of preferential treatment and restraint”. Then “the obvious and simple system of natural liberty” will be established on its own. This natural liberty will lead the economy from success to success. The expression of this demand for total freedom was the slogan *Laissez faire, laissez passer* - "Let them do, let them go", forbidding the state from intervening in the economy. State interventions disturb the economic process and have harmful consequences. Governments are “always and without exception the most wasteful squanderers”, because they spend other

people's money. State abstinence produces harmony and provides the best results for all involved. According to Palaeoliberalism, therefore, the crucial condition for a successful economy is total economic freedom of the individual. "The tasks of the state are limited to protection of the country against external enemies, the creation of legal security at home, and the establishment and maintenance of unprofitable, but indispensable public institutions"⁹, for instance schools, roads, etc.

c) **Self-interest as the driving force in the economy - 'altruism of egoism'**

The natural motive in the economy, its driving force, Adam Smith taught, is self-interest. Never have we experienced "much good done by those who affected to trade for the public good". But if everyone follows "his own interest", he "frequently promotes the interest of the society more effectively than when he really intends to promote it"¹⁰. Consequently everyone promotes the common good, without knowing and intending it, if he pursues his own interest. Smith gave an example:

"It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. We do not appeal and turn to their humanity, but to their self-interest. We do not talk to them of our needs, but of their advantages"¹¹.

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

"that we are co-workers with the divinity", which leads us by the already mentioned "invisible hand", and "brings the plans of providence closer to their realisation"¹².

The teaching of Adam Smith on 'altruism of egoism', as one can call it, his conviction that the many individual interests would result in the 'happy end' of the common good, had the effect of a revelation on many of his contemporaries. A French economist admired Adam Smith and praised this law as the "most sublime revelation of the impartial providence of God with respect to all his creatures"¹³. A high-ranking German economist taught that, as God has brought "order into his worlds" through gravity, so has he created "order among his people" through self-interest. Self-interest holds human society together. It is "the bond that twines around all men and forces them in mutual exchange to promote the well-being of their fellow men at the same time as their own well-being"¹⁴.

d) **Competition as the steering wheel of the economy**

According to Adam Smith, the mystical "invisible hand of God" uses a simple means, namely competition, to transform egoism into altruism. Just as self-interest is the incentive and driving force of the economy, so competition is its steering-instrument. It steers the order of the economy and leads the manifold individual interests to harmony and the common good. "Every man", we read in Adam Smith, "as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest in his competition with those of any other man"¹⁵. Since competition is the guarantor of the common good, the lust for subsidies of those who run after the state in order to obtain monopoly privileges must be combated. The exclusion of competition does indeed bring advantages to the interested parties. They can increase prices to the consumers disadvantage and gain a monopoly profit; but this is "always against the interests of the community as a whole". Competition is the steering wheel; it steers the economic process and the order of the economy.

Upon this intellectual basis of classical economic liberalism, the economic system developed into what went down in history as capitalism.

CHARACTERISTICS OF THE CAPITALISTIC ECONOMIC SYSTEM

According to the simple meaning of the word, capitalism can be understood as an economic system, stamped and determined by capital – or to be precise, by the owners of capital - in a way, which distinguishes it from other systems. Five characteristics mark this economic system, called capitalism.

1) Separation of capital and labour

Capitalism is an economic system in which a number of people own the capital and are in charge of its disposal, whereas other people have to provide only their capacity for work in the economic process. But this fact does not characterise decisively modern capitalism. In theory, the separation of capital and labour could result in a determination of the economy by labour, by the work force - instead of the one-sided domination by capital. The capital owners would remain the owners and get dividends and income, but would not determine the economy. Such a "labouristic economic system"¹⁶ would be the very opposite to the capitalistic economic system. It is also thinkable that – on the basis of the separation of capital and labour - both groups, the owners of capital and the employees without capital, enjoy equal rights and determine together industry and commerce. After the Second World War this co-operation on a partnership basis was introduced to a great degree in Germany and is called the "co-determination"¹⁷ of the workers.

2) Predominance of the production factor 'capital'

Separation of capital and labour is the precondition, but as such not a sufficient feature of modern capitalism. Its crucial factor is the predominant position of capital, the predominant position of the owners of capital, and the fact that they use their predominance only for their advantage to an extent, which was unknown so far. This forms a second characteristic - and indeed a decisive essential - of the high period of capitalism. Pope Pius XI had his eye on this economic

system when he criticised in the Encyclical *Quadragesimo Anno* of 1931 that

"it violates right order whenever capital so employs the working or wage-earning classes as to divert business and economic activity entirely to its own arbitrary will and advantage - without any regard to the human dignity of the workers, the social character of economic life, social justice, and the common good" (No. 101).

3) **Striving for the permanent increase of capital**

True capitalists do not consume profit gained through economic activities, but add it to the capital. Capitalism, therefore, cannot be described as the result of an increasing hedonism, as it happens sometimes. On the contrary, many capitalists, maybe most of them, worked and work as hard as possible - often to the limits of their physical capacity. What this third feature of capitalism shows is tireless endeavour for the maximum possible increase of capital. The sort of businesses, enterprises, assets, etc, which make up his increasing capital, is often irrelevant for the real capitalist. Perhaps he has never seen them. Jesuit Father Oswald von Nell-Breuning, a famous social scientist, theologian and aide of a number of German post-war governments, who worked out the draft of the above-mentioned Encyclical *Quadragesimo Anno*, described this feature as follows:

The main and primary goal of a true capitalist is "that after economic activities his assets will be expressed in a higher money figure than at the beginning"¹⁸.

The business and its growth, the assets and their increase are an end – to a large extent - in itself.

4) **Economic rationalism**

Capitalists strive for the permanent increase of capital by what is called 'economic rationalism'. Economic rationalism demands that all material and personnel means of production have to be used as effectively and economically as possible; in other words: 'minimum possible input - maximum possible output'. "Rationalisation aiming to increase capital permanently makes up the characteristic nature of

modern capitalism"¹⁹. It started to develop when the late-medieval 'bourgeois trading class' was rising. This process of rationalisation is, firstly, an 'inner economic' process. Scientifically calculated methods of producing, buying and selling were introduced. For instance, complex production processes were divided into their single parts (key word: 'division of labour'). Even the demand for goods could be rationalised. The factory-made-suit replaced the tailor-made-suit. The rationalisation process, however, included also the treatment of the workers. The employers made every effort to use the capacity of their employees as much as possible - by suitable direction, special placing and treatment and the elimination of ethical limits.

5) **Maximum possible elimination of moral rules – 'ethical minimalism'**

The most serious and far-reaching demand made by economic rationalism was its 'ethical minimalism': to eliminate, as much as possible, hampering influences coming from outside the economy. This demand became of particular significance to modern capitalism. Social historians called it "the most reckless and purely egoistical pursuit of individual economic interests"²⁰. Ethical limits, social restrictions, 'being alien to the economy', were rejected to the greatest possible extent and reduced to the minimum: correct keeping of contracts and respect for ownership. "Limitations of economic interests, regulations of economic activities by moral, religious (or simply social and humane) rules of life"²¹ should be excluded.

To sum up, five features mark modern capitalism: separation of capital and labour, predominance of the production factor 'capital', striving for the permanent increase of capital, economic rationalism, and elimination of moral rules to a large extent.

EFFECTS OF THE CAPITALIST WAY TO RUN THE ECONOMY

The capitalist way of running the economy had diverse results. I single out two significant ones.

- 1) **Huge increase of economic capacity and rapid rise in population**
The industrial age has achieved enormous economic success. The previous medieval economic system was structured by social classes or "workmen's guilds", as the Encyclical *Rerum Novarum* of 1891 called them. I mentioned already that in this system each artisan and tradesman had to be a member of a particular guild. The guilds themselves paid strict attention that the number of guild members did not increase too much. So this economic system was a very static one and made new developments difficult, even prevented them. The abolition of this inflexible guild system and its transformation into an open market economy were important contributions to the development of modern industry. Market and competition showed powerful dynamics. Based on the progress of the natural sciences and attracted by the new possibilities of free competition, man systematically seized the forces of nature. Technology and economic capacity increased to a degree unknown so far. A few figures may illustrate the increase. In 1750, England's industry produced 15.000 tons of pig iron (iron in the crude state); 70 years later the production reached 455.000 tons²². A second example; in Germany the gross national product GNP counted 9 billion gold mark in 1851; only 50 years later it came to 30 billion mark, more than three times as much. Within the same period, the average income per person doubled from 260 to 521 gold mark.²³ These few figures show the huge increase in economic performance.

Closely linked to this enormous economic development, partly its precondition and partly its consequence, was the quick rise in population. Progress of medicine and hygiene reduced the mortality rate of children and, at the same time, increased the span of life considerably. Between 1800 and 1900, the population of Europe grew from 187 million to 400 million, and the German population from 24 to 56 million²⁴, more than double. The figures of this 'population explosion' do not take into account the millions of emigrants to America and other countries. Without the progress of industry and agriculture, the increasing population could not have been nourished, and vice versa the progress was only made possible on the basis of the growing population. In this way both, the

production of goods and the population increase were mutually dependent, to a large extent.

2) **Emergence of the 'social question'**

The capitalist way of running the economy had achieved a huge increase of the capacity of industry and commerce. On the other hand, however, linked with the industrialisation was the emergence of the 'social question', the deplorable life situation and impoverishment of masses of workers.

It is true; during the first decades of the 19th century Europe suffered from a so-called **pre-industrial' social question**. The abolition of the medieval guild system and the 'population explosion' had left masses of people without jobs and without social security. There was not yet a developed economy that could provide jobs. This so-called 'pre-industrial social question' was not caused by the capitalist way of running the economy; on the contrary, the absence of an industrialised economy, the lack of jobs for the growing masses of people aggravated and worsened poverty and misery. Therefore, "the factory was not the cause of the misery", social history says, "but the misery was a precondition of the factory"²⁵, and many people felt and experienced factory work as a relief and advance.

Nevertheless, to a larger degree, the social question of the 19th century emerged as a consequence of the capitalistic way the developing economy was run. A first main area was what I call the **proletarian life condition**. Farmers, farm workers and many others moved from the countryside into towns and looked for jobs in the growing industry. But the mechanical and reckless application of the principle of supply and demand to the labour market and to the working people caused wages to depend completely on the changing state of the labour market. The huge supply of workers, looking for jobs, really flooded the labour market. Having no possessions the workers could only employ their manpower.

Bishop Wilhelm Emmanuel von Ketteler of Mainz/Germany, the pioneer of the Catholic Social Movement in the 19th century, analysed this situation:

The physical existence of the worker depends on his wage; "in our time this wage is determined by what is vitally necessary in the strictest sense"; for the "wage is a commodity; every day its price is determined by supply and demand; the line which it is varying around is the minimal living income; whenever the demand (for work and workers) is greater than the supply, the wage rises over this level; when the supply (of work and workers) is greater than the demand, the wage drops under this line"²⁶.

Because the capacity for work was his only 'commodity', the worker was forced to sell it at any cost. And he never knew whether tomorrow anyone would still buy his 'commodity'. The uncertainty and instability of his economic existence, the so-called 'proletarian fate', became the worker's destiny.

A second problem area of the social question was what I call **determination of work by others**', the absence of self-determination in work. In pre-industrial times one was relatively free to organise and do one's work. Now the worker had to subordinate himself to the 'factory boss,' and his work had to be subordinated to the 'soulless' machine. Karl Marx called this fact "self-alienation"²⁷. The employers made use of the work capacity of their employees as much as possible and treated them only as a cost factor. Ethical limits and social regulations, coming from outside and therefore 'alien to the economy', were excluded. Inhumane working conditions, over-long working hours, awful workrooms and factories, and not least, child labour, were dire and appalling effects of this 'determination of work by others' and the 'proletarian life situation'.

Not the most unimportant part of the social question was, finally, a deep **polarisation of society** as a whole. The industrial society split into the 'classes' of owners and non-owners of the means of production. Very often this splitting up developed into a 'class struggle', because the interests of these two big groups in society stood irreconcilably opposite each other. As the workers often felt themselves deserted by the state, not infrequently the 'class struggle' also developed into a struggle against the state.

Under the burden of this historical reality, very soon the successors to Adam Smith gave up his optimistic belief in 'natural harmony' and based the economic theory only on the two principles of selfishness and cost-profit-calculating. The economist David Ricardo (1772-1823) transferred Adam Smith's teaching on costs and prices to the labour market and formulated what went down in history as the so-called "Iron Wage Law": The price of labour and, consequently, wages tend to correspond with the costs for raising and maintaining the workers who are needed by the economy at any one time - in other words, with the 're-production' of the production factor 'labour'.

Therefore wages roughly correspond to the subsistence level. Whoever is hit by this misfortune must accept what the "invisible hand" of Destiny has determined. This doctrine became the basis of the economic theory of the so-called 'Manchester-Capitalism', which was guided by merciless pursuit of one's own profit and reduced ethical bonds to a minimum. In view of the social evils and due to its fundamental shortcomings classical economic liberalism was - and is - doomed to fail almost necessarily. The recent global finance and economic crisis is proof of this in our time.

ESSENTIALS OF A CRITICAL ASSESSMENT OF CLASSICAL ECONOMIC LIBERALISM

In order to identify reasons for the failure of economic liberalism and essentials of a critical assessment, I have picked out some characteristics, which the analysis of this economic system has proved to be crucial. The main features are:

- belief in a 'natural' harmony on condition of state non-interference;
- tension-laden relation between competition and absolute freedom;
- 'economic rationalism' with the exclusion of almost any regulations.

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

The demand for maximum economic absence of the state, expressed in the slogan *laissez faire, laissez passer*, stems from the worldview of the Enlightenment philosophy. It is based on the conviction that, similar to the universe, industry and commerce is a well-equipped cosmos endowed with a 'natural', 'pre-established harmony'. In this

well-ordered economic cosmos, everything runs perfectly whenever the individual economic participants are allowed to act in complete freedom and the state authority does not intervene.

However, just as the belief of the Enlightenment in completely perfect and undamaged human nature was recognised to be a utopian dream, so also the assumption of economic liberalism, that maximum state abstinence enables, even establishes, a perfect economic and social order. Very soon this ideological assumption proved itself to be a terrible error. In contrast to all optimistic expectations, poverty and misery became a cruel reality. Economic liberalism failed. This failure made a problem apparent, which the belief in harmony could not understand. Economic liberalism had overlooked the fact that well-working industry and commerce depends on conditions, which do not exist by nature and do not come into existence automatically, whenever the economic participants enjoy freedom from state intervention. One of those essential preconditions is real and true economic competition.

2) **The tension-laden relation between competition and absolute freedom**

Classical economic liberalism demanded both, absolute freedom of all economic participants and well-working, free competition. Its supporters, however, did not realise that absolute freedom in the market place allows, entitles and even stimulates powerful economic participants to build up monopolies and cartels. So absolute freedom to contract can and could destroy free competition. History teaches that this happened time and time again, up to the very present. Legitimised by absolute freedom, in particular big companies created monopolies and abandoned competition. As far as competition is lacking, the expected positive effects of the market economy, predicted by classical economic liberalism, are lost. Rid of competition, monopolists are tempted to increase their prices to the consumers' disadvantage and to make a monopoly profit. This misuse of the legitimate principle of profitability can be best prevented if economic participants must permanently compete with fellow competitors. Competition forces each enterprise to calculate

its prices as low as possible in order not to be eliminated in the market by fellow competitors.

But real competition does not automatically result from the 'free play of forces'; on the contrary, the *Laissez faire* doctrine of absolute freedom is tempted to destroy this essential of market economy. Because of that, the state authority and politics as a whole have the responsibility to establish "a clear framework and legal regulations". This framework "has to enable and promote competition, and to prevent restrictions", exercised by an understanding of freedom, which allows no regulations, "in order to make competition work most effectively for the consumers' benefit"²⁸.

3) **Economic rationalism - 'ethical minimalism'**

The principle of economic rationalism in its specific capitalistic form is the central approach to criticism from the ethical point of view. The principle of economic liberalism 'minimum input - maximum output' demands that all material and personnel economic factors are to be used as economically as possible. Whenever this is understood and practised in an absolute sense, then regulations of any kind - in particular hampering factors coming from outside and being 'alien to the economy' – have to be eliminated as much as possible. As a result, political regulations, social limitations, humane considerations, and moral restrictions as well must be eliminated. Consequently, economic rationalism in an absolute sense is 'ethical minimalism'. Economic rationalism in this sense assesses moral rules, ethical demands only in terms of their economic usefulness. The correct keeping of contracts, for example, respect for ownership, enthusiasm for work, and similar attitudes, will be most welcome. But ethical rules, moral considerations, which are of no economic advantage or perhaps an obstacle to it, are rejected as 'alien to the economy'.

It is obvious that this understanding of economic rationalism forms the main approach to a moral criticism²⁹. Individual economic participants and enterprises rightfully try to make a profit, even a profit as large as possible. As a rule, individual interests motivate economic activities; self-interest is the driving force and incentive for

the individual economic activities. In addition, whenever market participants are unable to make a profit but suffer losses and go into the red, they will be eliminated by the market and their jobs will be lost.

With regard to what is called the national economy, however - the same goes for the global or world economy - the situation is completely different. The task of the national and global economy is to ensure the best possible provision for all people; in other words, the "'social aim and object' of market and competition is the welfare of everyone, the public weal"³⁰, what Christian Social Teaching calls the 'common good'. This distinction between the level of individual economic participants and their targets on the one hand and the level of the national and global economy and their task on the other hand, is crucial and must not be overlooked.

The activities of individual economic participants, however, do not automatically realise the best possible supply of all people, the public good, which is the task of the economy as such. History and modern economics teach this. The activities of individual economic participants will put the public good into effect only within an adequate framework, within proper rules. We must therefore distinguish between the 'framework for economic activities' and 'economic activities within the framework'. The framework for economic activities includes the constitution, economic laws, the legal order of competition, and whatever are essentials of the political and moral convictions of the community. This framework is the area of responsibility of politics on the national and global level. Activities within the framework are, for example, policies of buying and selling, agreements on salaries and wages, investment decisions of enterprises, price policy, etc. These activities are the area of the individual market participants.

One must distinguish – to use the metaphor of a football match – between 'rules of the game', which each player has to observe, and 'moves in the game', which depend on the skills of the individual players. Politics has to establish a legal framework that makes economic participants in their own interest act in business life as is

demanding by the welfare of the - national and global - community. Politics has to ensure that economic participants observe the rules of the framework, which are set to their activities and to the economy as a whole. So "competition takes place and is carried out within rules, which safeguard the common good"³¹. Within the framework, the abilities and imagination and, above all, the efforts and skills of the individual economic participants are stimulated and challenged. The framework has to take care of the best provision for all people, for the common good, and to ensure that self-interested action of individuals does not degenerate into selfish action, thereby contradicting the task of the national and global economy.

Absolute rationalism as understood by classical economic liberalism does not make this crucial distinction between the targets of individual economic participants and the task of the national (and global) economy. It rejects regulations of nearly any kind, which come from outside the economy. Because of that, it was not able to meet its optimistic expectations and to establish a humane social and economic order ensuring the welfare of everyone, the common good. In contrast, poverty and misery became a terrible reality, and the social question emerged. Classical economic liberalism was not able to overcome this situation and almost necessarily failed. In his Pastoral Letter *Laborem Exercens*, published in 1981, Pope John Paul II rightfully says that the "early capitalism", which treated human beings like "the material means of production... like an instrument", contradicted human dignity - I add: each economic liberalism embracing absolute rationalism and its 'ethical minimalism' contradicts human dignity. Therefore the "great outburst of solidarity... against the degradation of the human person and against the unheard-of exploitation in the field of wages, working conditions and social security for the worker" was completely "justified"³².

The social question in the 19th century, the worldwide economic crisis after the First World War and the recent global financial and economic crisis are consequences of this – what I call – capitalistic economic liberalism. Against the background of these historical experiences modern economics and politics developed an economic

system, called Social Market Economy³³, which took up the right elements of economic liberalism, but prevents – or tries to prevent – its shortcomings and failures.

NOTES

¹ Werner Sombart (³1923), *Der Bourgeois. Zur Geistesgeschichte des modernen Wirtschaftsmenschen*, München-Leipzig, 308, 321

² *Institutio III 22, 5*; quoted according to Hubert Jedin (Ed.) (1967), *Handbuch der Kirchengeschichte, Vol. IV: Reformation, Katholische Reform und Gegenreformation*, Freiburg, 393

³ *The Confession of Faith, Chapter III: Of God's Eternal Decree, No. III, V, VII*

⁴ Alfred Müller-Armack (1968), *Religion und Wirtschaft. Geistesgeschichtliche Hintergründe unserer europäischen Lebensform*, Stuttgart, 108, 111, 540

⁵ Max Weber (⁴1975), *Die protestantische Ethik*. Ed. by Johannes Winckelmann, Vol. 1, Hamburg, 210, 67

⁶ The philosopher and historian Max Scheler (1874-1928) called these two basic types of European people the “knightly living type” and the “bourgeoisie achievement type”, in: Max Scheler (⁴1955), *Vom Umsturz der Werte*, Bern, 356-357

⁷ Adam Smith (1776), *An inquiry into the nature and causes of the wealth of nations*; quoted according to Joseph Cardinal Höffner (1997), *Christian Social Teaching with an Introduction and Complementary Notes by Lothar Roos*, (ORDO SOCIALIS, c/o BKU, Georgstrasse 18, 50676 Cologne/Germany), 151

⁸ Jean-Baptiste Say, *Traité d'Economie politique*, 12 f; quoted according to Höffner, *Christian Social Teaching*, 151 (see note 7)

⁹ Quoted according to Höffner, *Christian Social Teaching*, 152 (see note 7)

¹⁰ Quoted according to Höffner, *Christian Social Teaching*, 152 (see note 7)

¹¹ Adam Smith (1776), *Der Wohlstand der Nationen. Eine Untersuchung seiner Natur und seiner Ursachen*. Ed. by Horst Claus Recktenwald (⁵1990), München, 17

¹² Quoted according to Höffner, *Christian Social Teaching*, 153 (see note 7)

¹³ Frédéric Bastiat (!855), *Oeuvres completes*, VI. Paris 1855, 327; quoted according to Höffner, *Christian Social Teaching*, 152 (see note 7)

¹⁴ Hermann Heinrich Gossen (1889), *Entwicklung der Gesetze des menschlichen Verkehrs und der daraus fliessenden Regeln für menschliches Handeln*, Berlin, 3 f, 277; quoted according to Höffner, *Christian Social Teaching*, 152-153 (see note 7)

¹⁵ Quoted according to Höffner, *Christian Social Teaching*, 153 (see note 7)

¹⁶ Goetz Briefs (1952), *Zwischen Kapitalismus und Syndikalismus*, Bern, 12

¹⁷ See Franz Josef Stegmann (2001), "Worker Participation" in *Economic Decision-Making: The German Model of Co-Determination and Catholic Social Teaching*, in: Edith H. Raidt (Ed), *Ethics in the Workplace*, Johannesburg, 97-106 (St. Augustine Publications)

¹⁸ Oswald von Nell-Breuning (1960), *Kapitalismus und gerechter Lohn*, Freiburg, 21

¹⁹ Nikolaus Monzel (1967), *Katholische Soziallehre, Vol II*, Cologne, 413

²⁰ Gerhard Albrecht (1932), *Vom Klassenkampf zum sozialen Frieden*, Jena, 6

²¹ Monzel, *Katholische Soziallehre*, 414 (see note 19)

²² See Carl Jantke (1955), *Der vierte Stand. Die gestaltenden Kräfte der deutschen Arbeiterbewegung im 19. Jahrhundert*, Freiburg, 21

²³ See Paul Jostock (1962), *Sozialprodukt und Volkseinkommen*, in: *Staatslexikon*, Vol. 7, Freiburg

⁶1962, 361-378, 375

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- ²⁴ See Wilhelm Winkler (1957), Bevölkerung, in: Staatslexikon, Vol 1, Freiburg ⁶1957, 1209-1299, 1212; Friedrich Lütge (⁶1960), Deutsche Wirtschafts- und Sozialgeschichte, Berlin, 368
- ²⁵ Gerhard von Schulze-Gävernitz (1931), Die industrielle Revolution, in: Archiv für Soziawissenschaften und Sozialpolitik, Vol. 66, 225-246, 240
- ²⁶ Wilhelm Emmanuel von Ketteler (1864), Die Arbeiterfrage und das Christentum Mainz, in: Katholische Arbeitnehmer-Bewegung Deutschlands (Ed.) (1976), Texte zur katholischen Soziallehre, Vol. 2, Kevelaer, 116-217, 125
- ²⁷ Karl Marx (1844), Ökonomisch-philosophische Manuskripte, in: Werner Hofmann (⁴1971), Ideengeschichte der sozialen Bewegungen des 19. und 20. Jahrhunderts, Berlin-New York, 153
- ²⁸ Alfred Müller-Armack (1956), Soziale Marktwirtschaft, in: Handwörterbuch der Sozialwissenschaften, Vol. 9, Stuttgart, 390-392, 390
- ²⁹ With regard to the following see Franz Josef Stegmann (2001), Market Economy and Morality: Contradictory or Complementary? in: E. Raidt (Ed), Ethics in the Workplace, 79-96 (see note 17)
- ³⁰ Karl Homann, Wettbewerb und Moral (1990), in: Jahrbuch für Christliche Sozialwissenschaften Vol. 31, 34-56, 39
- ³¹ Walter Kerber (1990), Ordnungspolitik, Gemeinwohl und katholischer Soziallehre. Der Sozialen Marktwirtschaft zum Gedächtnis, in: Jahrbuch für Christliche Sozialwissenschaften 31, 11-33, 13
- ³² John Paul II (1981), On Human Work *Laborem Exercens*, No. 7,3; 8,2
- ³³ See Franz Josef Stegmann (2001), Social Market Economy: A Good Chance or a Wrong Track? in: Edith Raidt (Ed), Ethics in the Workplace, 59-77 (see note 17)

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

INTRODUCTION

On the 19th of May 1891, Pope Leo XIII published the Encyclical *Rerum Novarum*. It was to become his most famous Pastoral Letter. The Encyclical begins with the Latin words *Rerum novarum cupidine*. Therefore it is called *Rerum Novarum*. Unfortunately, there have been diverse versions of the translation of the Encyclical. The best-known translation says: "The desire for new things (which moves the nations...)"; others translate: "The lust for revolution (which disturbs the nations...)" or "The spirit of revolutionary change (which has long been predominant in the nations...)". We see translations can also be an interpretation. I therefore prefer the version "The desire for new things..." - it does not fix a special understanding.

Rerum Novarum is the first comprehensive Encyclical on the so-called "Social Question" of the 19th century. Historians speak of a thoroughly "successful intervention"¹ in the modern world. With good reason in his Encyclical *Centesimus Annus*, published in 1991, Pope John Paul II praises it because of "the richness of fundamental principles which *Rerum Novarum* formulated for dealing with the question of the condition of workers" (No. 3,1).

In Europe the industrial revolution and, above all, its dire social consequences had a lasting influence on the development of the 19th century. In arguments with corporative conservatism, economic liberalism/capitalism and socialism/marxism a Catholic Social Movement developed. But the new problems - the industrial revolution and its severe social consequences - caused widespread and intensive discussions also in its own ranks and in the whole Catholic community. Different groups tried to solve the social problems in different ways and often attacked each other. In this situation, Leo XIII published *Rerum Novarum*; it clarified and settled main issues and set the course for the future.

Four main topics have been disputed within the Catholic community - and outside:

- 1) Is the social question, primarily or only, a religious and moral problem caused by 'de-christianisation', by the decline in Christian faith; or is the social question a problem of economic and social structures as well?
- 2) Shall the social question be solved by a total and all-embracing reorganisation of the existing 'capitalist' economic system, that is to say by a grand 'social reform' according to the model of the feudal 'system of estates' in the Middle Ages; or should the social misery be overcome only by eliminating the misuses and excesses within the existing economic order, that is to say, by a partial or selective 'social policy'?
- 3) Is the resolving of the social question in the first place a matter for single individuals and private groups in society, or is it also a task for the state and its policy?
- 4) Are the workers entitled to help themselves by joining together (for example, in trade unions) to push through their interests?

A second step of consideration will explain the respective answer, which *Rerum Novarum* gave to the particular question, and so to present the central statements of the Encyclical in the context of the 19th century. It was precisely because of those burning issues, that Leo XIII published his famous Pastoral Letter. Chapter one gives a short description of the social problems of the 19th century in general. As far as I can see, many countries industrialising their economy today come across problems similar to those which European countries faced 150 years ago. Some years ago a Brazilian Bishop remarked on *Rerum Novarum*:

For us this Encyclical "is urgent and of great relevance and was almost a minor miracle", because today my country and many other countries "are in a condition similar to the European situation towards the end of the 19th century"².

Therefore, the Encyclical is anything but antiquated.

SOCIAL QUESTION(S) OF THE 19TH CENTURY

1) **The 'pre-industrial' social question**

Very often the social question of the 19th century is supposed to be only a consequence of the 'industrial revolution'. This opinion, however, is not quite correct. In many European regions need and misery were growing to a huge extent, because a developed industry was almost completely missing. In the first decades of the century, advances in medicine and hygiene had reduced the mortality rate of children and, considerably increased the average life span. The result was an enormous 'population explosion'. To give just two examples, between 1800 and 1900 the German population increased from 24 to more than 56 million, more than double, and the population of Europe from 187 to 400 million - large numbers of emigrants to America and other continents not taken into account³.

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

This **'pre-industrial' social question** was not caused by industrialisation. On the contrary, the absence of an industrialised economy and the lack of sufficient jobs aggravated and worsened poverty and misery. Until the middle of the century, the social question was more a problem of unemployment than a problem of inhumane and unjust working conditions. "The factory was not the cause of the misery", a social historian said, "but the misery was a precondition of the factory"⁶, and factory work was regarded as relief and advantage.

2) **The social question as a result of industrialisation**

Nevertheless to a large degree, the social question of the 19th century was a result of industrialisation - more precisely: as a consequence of the way industrialisation was implemented. A first area was the **'determination of the work by others'**⁷. In pre-industrial times the individual, for instance a farmer or a craftsman, was relatively free to organise and do his work. Now the worker had to subordinate himself to the 'factory boss', the work had to be subordinated to the 'soulless' machine. "The product of his hands seemed to the worker to be more and more without a soul"⁸. Karl Marx called this fact "self-alienation"⁹. On the other hand, the employers tried to make ruthless use of the capacity of the workforce as much as possible and treated the employees only as a cost factor. Especially in the early period of the industrialisation, this led to inhumane working conditions: over-long working hours, awful workrooms, and not least, child labour, were taken for granted¹⁰. An interesting detail regarding the widespread child labour: a Prussian general complained that child labour makes many recruits unfit for military service. In 1829 King Friedrich Wilhelm III of Prussia therefore instructed his ministers to remove this evil¹¹.

A second field of problems was what I call **'the proletarian life situation'**. After the liberation of the peasantry from their subjection to the landed nobility and the introduction of freedom of trade in the first quarter of the century, farmers, farm workers and many other people moved from the countryside into towns and were no longer the medieval bondsmen of their patrons and subservient to them. These feudal patrons had been their masters but, at the same time,

also safeguarded their existence, however poor that existence was. The new class of the emerging industrial work force was free; but the workers also 'enjoyed' the freedom to starve. In the first volume of his main work *Das Kapital* ("The Capital"), published in 1867, Karl Marx described the desperate condition of the industrial workers in England's high period of Capitalism. His descriptions are not a fiction; they are based on official reports of Royal Commissions. The mechanical application of the principle of supply and demand to the labour market (and to the working people) caused the wage to depend completely on the changing state of the market. A huge supply of workers, however, really flooded the market. Having no possessions, they could employ no property in the economic competition, but only their manpower. Because the worker's capacity to work was his only 'commodity', he had to sell it at any cost. Being without material resources, the worker was always the weaker one in the competition. He could never overcome this situation by himself because the pay he got was hardly enough to provide the goods vitally necessary. And he never knew whether tomorrow someone would still buy his 'commodity' called work. In the past, to a certain degree, the mentioned feudal system of estates and the guilds had given protection in cases of emergency. Now the uncertainty of the economic existence, the so-called proletarian fate, became the worker's destiny. A social historian summarised these problems as follows:

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

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

of the 19th century, those housing conditions hardly lost anything of their harshness.

According to the market model of the opposite positions of supply and demand, of suppliers and consumers, finally, industrial society as a whole "became polarised into the 'classes' of owners and non-owners of the means of production"¹³. Often this **polarisation** developed into a class struggle because the interests of the two big groups in society stood irreconcilably opposite each other. As the workers very often felt themselves deserted by the state, the class struggle also developed into an "attitude of opposition in principle"¹⁴ against the state authority. It influenced the Socialist Labour Movement until the beginning of the twentieth century.

THE SOCIAL QUESTION: *ONLY* A RELIGIOUS AND MORAL PROBLEM OR *ALSO* A PROBLEM OF ECONOMIC AND SOCIAL STRUCTURES?

1) Church as an outstanding power of social order

In the second quarter of the 19th century, a Catholic Social Movement had been emerging in Germany. Various roots fed this movement: the religious renewal after the so-called secularisation of 1806, when the German Church lost her territories in favour of the state and was no longer part of the previous political system; the emergence of Romanticism and its spiritual influence, and the ideas of the French Traditionalism. What was common to these three roots was the conviction that the Church is an **outstanding power of social order**, the conviction "that state and society cannot simply exist without religion"¹⁵. This conviction influenced massively the rising Catholic Social Movement for a long time.

2) The social question - only a religious problem

Because of that, until the middle of the century, the members and supporters of the Catholic Social Movement - like the majority of Catholics on the whole - considered the social question to be, above all, a **religious and moral problem** and expected that primarily the pastoral work of the Church would solve this problem. I just mention a few examples: In 1841 the famous *Theological Quarterly* - a highly respected theological periodical right up to today - warned that "the social storms" can only be averted "by promoting the blissful

influence of the Christian religion"¹⁶. In 1850 the newspaper *The Catholic* declared, only the Church had "the vocation and the sole sufficient capacity"¹⁷ of resolving the social problems. The "*Historic-political Papers*" – a leading periodical within the Social Catholicism in the middle of the century - and the annual conventions of the Catholic laity, shared the same conviction. They expressed their hope saying "Our cathedrals will survive and defeat their ailing neighbours"¹⁸ - "ailing neighbours" meant the tall factory chimneys and the economic-technical development of the modern age on the whole.

The pioneer of Social Catholicism and its most influential figure in the 19th century was Wilhelm Emmanuel von Ketteler (1811-1877), Bishop of Mainz. In his early days he too put special emphasis on the religious and moral dimension of the social question. In 1848, Ketteler, then member of the Frankfurt National Assembly, gave famous Advent sermons on "The great social questions of the present time" in the Mainz cathedral. He firmly declared that our social disease is

"a necessary, a compelling consequence of the break with Christ... Our social misery does not lie in external hardships; it lies in the inner way of thinking". Only "return to Christianity" can heal the social disease. "The more powerless the doctrine of the world is to help the more powerful is the doctrine of the Church"¹⁹.

3) **The social question – also an economic and social problem**

Until beyond the middle of the century, this assessment of the social question as a problem of religion and morality was predominant in the Catholic community. Besides that, however, some people of rank already realised that the social misery was an **economic and social problem** as well. Social critics of the Romantic period - such as Franz von Baader (1765-1841), to mention one important name - regarded poverty on a massive scale, then called "pauperism", and the class conflict between rich and poor as its main features; and they regarded the dissolution of the social class structure of the Middle Ages, "the disbanding of the medieval 'system of estates'", as its main cause. "By dismantling the serfdom system" the lower section of the

population "became just poorer and more in need of help and protection – even in the richest and most industrialised states"²⁰.

Also, Franz Joseph von Buss (1803-1878), one of the outstanding figures of the early Social Catholicism, pointed to the economic and social dimension of the problems. As a member of the State Parliament of Baden, in 1837 he analysed the social question in a famous speech and underlined four main problems:

- uncertainty and instability of the workers' economic existence due to the changeable and often changing new capitalist economy,
- inhumane working conditions causing serious health damage,
- deprivation of political rights and dependency on the 'factory boss',
- social misery and mass poverty, which the workers cannot overcome by themselves, because their wages provide only the minimal living income²¹.

This was the first socio-political speech ever given in a (German) parliament - 11 years before Karl Marx and Friedrich Engels published the *Communist Manifesto* in 1848.

Like the majority of his Catholic contemporaries, young Ketteler had considered the social question above all as problem of religion and morality. In 1850 he was appointed Bishop of Mainz and faced with the growing social problems in his diocese. From this experience and impressed by the activities of Ferdinand Lassalle in his diocese, the founder of the Social Democratic Party, Ketteler learned that a 'change in the way of thinking' and religious renewal alone could not overcome the social misery. He realised that reforms of the economic and social structures were no less imperative than a 'change in the way of thinking'. For the first time he expressed his new assessment in the famous publication *The Worker Question and Christianity* of 1864. In the following years a large number of copies of this book were published. Ketteler regarded the proletarian life situation of the factory worker as the core of the social question; he pointed to the fact that human work had become a mere "commodity"; and he adopted the "Iron Wage Law".

Ferdinand Lassalle, the just mentioned founder of the Social Democratic Party had formulated the "Iron Wage Law". Ketteler adopted it, gave reasons and explained it: The material existence of the worker depends on his wage;

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

This change in Ketteler's assessment of the worker question showed that he too - as the mentioned Romantic social critics and Buss - and growing parts of the Social Catholicism, influenced by Ketteler, no longer saw the social misery only as a problem of religion and morality but also as an economic problem, in fact as a problem of the whole society. They realised that its solution did not only require a *Gesinnungsreform* ('reform in the way of thinking'), but also a far-reaching '*Zuständereform*' ('reform of social structures').

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

In 1891, Pope Leo XIII published the Encyclical *Rerum Novarum*. With regard to the sometimes contradictory assessments of the social question, he clearly declared and explained his position. By way of introduction, the Pope analysed the social question. He did not overlook "a general moral deterioration" (No. 1,1) and the fact, that "public institutions and the laws have repudiated the ancient religion" (No. 2).

The Encyclical puts, however, special emphasis on the economic and social aspects: on "the growth of industry, and the surprising discoveries of science", and on "the increased self-reliance and the closer mutual combination of the working population" (No. 1,1). In addition to these two positive factors, Leo XIII mentioned four

negative ones: "the enormous fortunes of individuals and the poverty of the masses " (No. 1,1), "the concentration of so many branches of trade in the hands of a few individuals", the scandal that this "small number of very rich men have been able to lay upon the masses of the poor a yoke little better than slavery itself", and finally that "the ancient workmen's guilds were destroyed in the last century, and no other organisation took their place". Because of that, "it has come to pass that working men have been given over, isolated and defenceless, to the callousness of employers and the greed of unrestrained competition" (No. 2). This harsh analysis reminds us of Karl Marx and shows that Leo XIII put himself on the side of those in the Catholic Social Movement who assessed the social question also as a problem of economic and societal structures.

FROM THE COMPREHENSIVE 'SOCIAL REFORM' TO THE PARTIAL 'SOCIAL POLICY'

After these roughly sketched remarks on the social misery in the 19th century, the proposals of the Social Catholicism to overcome the misery and the position of the Encyclical *Rerum Novarum* shall come into focus. There was a first alternative: shall an entire and comprehensive reorganisation of the existing order solve the social question, that is to say a grand 'social reform' according to the 'system of estates' and guild model in the medieval feudal society, or shall the social question be solved only by eliminating the misuses and excesses within the existing economic order, that is to say by a partial reform, by a partial or selective 'social policy'?

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

The supporters of a social class structure based on the medieval 'system of estates' significantly influenced the developing Social Catholicism. In the early 19th century the social critics of Romanticism regarded the disappearance of the 'corporative' social class system of the Middle Ages as a main cause of the social question. In order to solve it, they proposed to integrate the developing class of factory workers into a renewed social order, which should somehow be structured according to the medieval 'system of estates' such as Nobility, Clergy, Commoners, etc. Franz

von Baader, one of the most important Romantic social critics, emphasised that "the freedom of the social life" depends completely on a "structured society by subordinated or coordinated corporations"²³. The mentioned *Historic-political Papers*, a leading periodical within the Social Catholicism, propagated the integration of the factory workers into an order similar to the 'system of estates' in the Middle Ages²⁴. The majority of the emerging Catholic Social Movement was convinced that only the renewal of a somehow 'system of estates' would overcome the social evils.

In the decade before the publication of *Rerum Novarum*, the Austrian social reformer Karl von Vogelsang (1818-1890) developed this concept to its peak. The structuring principle of society should not be - as in the capitalist order - the ownership or non-ownership of capital, but the special function, the particular kind of labour in society. In his concept Vogelsang added to the medieval estates - Nobility, Clergy, Trade, Artisan and Craftsman, Farmer etc - "the social class of those who are involved in big industry"²⁵. The social class of those involved in big industry would include both employers and employees. Vogelsang demanded "to constitute a new kind of co-ownership" on the basis of being employed in a particular enterprise. He called it an "ideational co-ownership"²⁶ in contrast to real ownership. By setting up this special form of co-ownership on the basis of their work in an enterprise, the factory workers should be integrated into the associations of big industry and decide personal and social affairs together with the employers. In this way, Vogelsang hoped to integrate the factory workers into a renewed 'society of estates'.

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

It was Bishop Ketteler who introduced the inner-Catholic alternative to the 'social reform' according to the medieval 'system of estates' model. In his early days he was a determined opponent of economic liberalism. Addressing Catholic workers in 1869, however, for the first time he declared that in the end "absolute freedom in every economic field" may be "necessary" and "beneficial"²⁷. In a memorandum of the same year to the German Catholic Bishops'

Conference, Ketteler no longer demanded the abolition of the existing economic system, but "to temper it, to alleviate it, to search for remedies for each of its bad consequences, and also to let the workers share in what is good in the system, in its advantages"²⁸. Thus, Ketteler gave up the concept of a 'social reform' according to the medieval 'system of estates', which the majority of the Catholic Social Movement had supported. At the same time he opened the way to a partial reform, to a selective 'social policy' within the existing economic system, eliminating only its misuses and excesses, and showed the new direction to Social Catholicism.

Georg von Hertling (1843-1919) gave the socio-philosophical reasons for the new policy. He was Professor of Philosophy at the universities in Bonn and Munich and since 1876 parliamentary spokesman of the Catholic "Centre Party" on social issues. Hertling stated that there is "no one and for all valid rule" for the relationship between capital and labour. The medieval 'society of estates' and its guild system had huge disadvantages. This feudal order "failed just when the upturn of the industrial economy set new problems". The aim, therefore, is not "to develop a new social order to restore the disturbed relations between capital and labour"²⁹; rather we must "heal the disadvantages which the modern big-industrial production has caused to the working people"³⁰. So two different concepts lay on the table: the comprehensive 'social reform' according to the medieval example of the 'system of estates' and the partial, selective 'social policy' within the existing economic order, eliminating only its misuses and excesses.

3) ***Rerum novarum*: social policy – no class struggle – just contracts of employment**

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

harmony and agreement" just as the different parts of the body; for "each requires the other: capital cannot do without labour, nor labour without capital" (No. 15).

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

In this way, the Encyclical said 'No' to the class struggle and 'Yes' to the free and just contract of employment. Regarding the question whether a comprehensive 'social reform' of the existing economic order according to the medieval 'system of estates' society or a partial, selective 'social policy' within this order, eliminating only its misuses and excesses, should solve the social problems – *Rerum Novarum* confirmed the socio-political way.

THE NECESSITY OF AN ECONOMIC AND SOCIAL POLICY BY THE STATE

As important for the emerging Catholic Social Movement as the alternative comprehensive 'social reform' or selective 'social policy' was the question: Is the solution of the social problems just a matter for single individuals and groups of society or is the solution of the social question also the responsibility of and a challenge to the state and its policy?

1) Refusal of state interventions

Until the middle of the century the majority of Catholics considered the social question mainly as a problem of religion and morality. Because of that, they expected that the pastoral work of the Church

was to solve it and refused interventions of the state. In the first convention of the Catholic laity in 1848 in Mainz, young Ketteler did not hesitate to declare:

"You will see that the solution of the social question is reserved to the Catholic Church; for the state, by taking measures, whatever it wants, will not be able to solve the social question"³¹.

This opinion was the common Catholic conviction and the conviction of the majority of the emerging Catholic Social Movement. But there were also important exceptions.

2) **Solution of the social question – also the responsibility of the state**

Already in his repeatedly mentioned speech of 1837 in the state parliament of Baden Franz Joseph von Buss had recommended comprehensive political-economic and socio-political measures of the state: to ensure a balance between agriculture, trade and industry; to train the workers better and, in particular, to enact far-reaching labour laws in favour of the workers. The employers have to be obliged to pay their workers only in cash and not in factory products and to observe a quarterly period of notice. The working hours of adults should be limited to 14 hours at most. Health authorities ought to supervise the factory buildings. "The state authority must prevent the evil and, if it turns up nevertheless... the state must limit it"³². He therefore demanded to enact a *Fabrikpolizeiordnung* ("factory police regulation"), an *Ackerbaugesetz* ("farming law), *Handelspolizeiordnung* and *Gewerbeordnung* ("laws governing trade and industry")³³. By doing this, Buss was the first one – in 1837 - to point the way to a modern social and economic policy.

When Ketteler changed his assessment of the social question, he too - meanwhile Bishop of Mainz - gave up his refusal of state interventions. In his repeatedly mentioned address of 1869 to Catholic workers, Ketteler presented his new position. Among other things, he demanded laws concerning the reduction of working hours, observance of Sunday as a day of rest, and prohibition of factory work for children, who should attend school³⁴. In the memorandum of the same year, addressed to the German Bishops'

Conference, he demanded labour laws such as regulations of the working hours, closing of unhealthy factories and workrooms, state aid for people unfit for work, and above all, "control of the implementation of the labour laws by state factory inspectors"³⁵. Thus Ketteler considered that the alleviation of the social misery was a task of the state also and pointed Social Catholicism in the new direction - also with regard to the fiercely discussed question of state interventions.

The demand "to start solving the social problems by legal measures of the state"³⁶ was emphatically taken up by the "Christian Social Associations". In the 1870's these associations formed a powerful movement with about 200 000 members. The conventions of the Catholic laity, too, asked for "the help of the state and of its legislation in order to eliminate thoroughly the existing social misery"³⁷.

The Catholic community on the whole, however, still did not generally accept the understanding of the necessity of state intervention. On the contrary, the so-called 'cultural struggle' in the eighteen hundred seventies and eighties - when the German government oppressed the Church and, for example, banned religious orders - this cultural struggle massively intensified the Catholic aversion to state power and state intervention.

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

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

"the first duty" of any state authority is "to make sure that the laws and institutions produce of themselves public well-being and private prosperity", in other words, "to consult for the common good... and this by virtue of his office, and without being exposed to any suspicion of undue interference" (No. 26). The state "must duly and solicitously

provide" - Leo continued – in particular "for the welfare and the comfort of the working people" (No. 27,1).

He gave two arguments:

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

Another aspect turned up when the Encyclical rejected the Socialist demand that "individual possessions should become the common property of all" in order to remedy "the present evil state of things" (No. 3). On the one hand, "when a man engages in remunerative labour, the very reason and motive of his work is to obtain property and to hold it as his own private possession... to transfer individual possessions into common property would strike at the interests of every wage earner". The Socialists "deprive him of the liberty of disposing of his wages and thus of all hope and possibility of increasing his stock and of bettering his condition in life" (No. 4). But what is even more serious "is that every man has by nature the right to possess property as his own. This is one of the **chief points of distinction** between man and the animal creation" (No. 5). The right to possess private property is not a present given by a state authority; it "is from nature, not from man". The State, however, has "to regulate its use in the interests of the public good" (No. 35,2).

Concerning single socio-political laws, the Pope demanded "the cessation of work and labour on Sundays and certain festivals" (No. 32,2), the regulation of "daily labour... that it may not be protracted during longer hours than strength admits", the prevention of unjust work by "a woman or a child" (No. 33), and finally, the guarantee of

a just wage. As 'benchmark figures' of this just wage he referred to three points:

- a minimal living income sufficient for "procuring what is necessary for the purposes of life" (No. 34,2) of the worker, which means 'minimal living wage';
- sufficient wage to enable the worker "to maintain... his wife and his children" (35,1), which means 'family wage';
- the possibility to make savings: "to study economy" and "to put by a little property" (No. 35,1), after deducting expenses.

Thus *Rerum Novarum* demanded as 'benchmark figures' of a just pay: minimal living wages, family wages and the possibility to make savings.

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

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

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

1) Bismarck and Big Business: against worker organisations

In 1872, Imperial Chancellor Otto von Bismarck had introduced the so-called 'Socialist Act'. He was afraid that an organised work force and trade unions would weaken Germany's economy. The 'Socialist Act' destroyed many of the workers' organisations. Big business supported Bismarck. In 1877, the "Central Association of German Industrialists" declared:

"It is unacceptable to press an organisation (of workers) between the employers and employees". The existing order of society depends on

"super-ordination and sub-ordination; the worker is not entitled to claim an exception". He is "subordinated to the employer and owes obedience to him"³⁸.

Henri Axel Bueck, the powerful and influential secretary general of the "Central Association of German Industrialists" asserted in 1890 that

"an organisation of the work force" does not bring "social peace, but struggle, the rule of rough force, of rough violence". The employers, therefore, will never be willing "to negotiate with representatives of this organisation on the basis of equal rights, on the basis of equality... Never will they do so - insofar as 'never' can be said at all"³⁹.

2) **Social Catholicism: support of worker associations**

In contrast, already very early supporters of the Social Catholicism recommended the right of the workers to join together. In 1835, Franz von Baader suggested that, if the "factory bosses" come together "in meetings and associations" in order to drop the wages, the employees too "should found associations against their wage bosses"⁴⁰. In his repeatedly mentioned speech of 1837 to the state parliament of Baden, also Franz Joseph von Buss demanded "to found associations among the workers"⁴¹, and in 1851 he recommended "to establish free trade unions" and associations "to safeguard the interests and rights of individual classes"⁴². Of course, Buss did not think of trade unions in the modern sense. But his proposals were based on the idea to improve the social conditions of the workers by self-help associations, which pointed towards consumer co-operatives and trade unions.

Since the middle of the 19th century, the association concept, the idea to establish co-operatives, was more and more discussed. It was again Bishop Ketteler who made every endeavour to found co-operative businesses. In these so-called "*Produktivassoziationen*" ("production associations") the employee, the worker - being a member of the co-operative - would also be "employer", "entrepreneur". The worker would get a double income: the ordinary wage of a worker and a dividend, a share of the enterprise's profit"⁴³. Because the idea of establishing "production associations" did not succeed, in the following years Ketteler firmly supported the

organisation of the workers in trade unions. He called trade unions "rightful, legitimate and beneficial, lest the working class should be squashed by the power of the centralised money"⁴⁴. In his last publication, Ketteler regarded "trade unions" as the way "to strive for a general organisation (of the work force)"⁴⁵.

At the 1877 convention of the Catholic laity, Christoph Moufang (1817-1890), Ketteler's aide for many years, considered "the establishing of worker associations as an absolute imperative in order to organise the working class in a really just and Christian way"⁴⁶. In the same year, Franz Hitze (1851-1921), successor to Ketteler as leader of the Catholic Social Movement, defended the right of the workers to found associations, because "a single and isolated employee is always defenceless against the employer"⁴⁷. Hitze was spokesman of the Centre Party for social affairs in the national parliament and holder of the first chair of Christian Social Teaching at a German university in Münster.

3) **Emergence of Catholic worker associations and Christian Trade Unions**

Around the middle of the century, the first Catholic worker associations developed parallel to so-called "Journeymen Associations". Adolph Kolping (1813-1865), who was beatified some years ago, founded these journeymen associations in the eighteen hundred and forties⁴⁸. Before Kolping studied theology and became a priest, he was a shoemaker and he himself suffered the social misery of the travelling journeymen. Today these associations form the international "Kolping Society" and are spread nearly all over the world. In reaction to the liberalisation of the mining industry, in the middle of the century so-called "red chaplains" helped to establish Catholic "Miner Associations" in the Ruhr region. Until today, the Ruhr region is the most industrialised region in Germany. A little later "Christian Social Associations" emerged in the Rhine and Ruhr area. They stretched beyond the work force to the middle class and numbered some 200 000 members in 1870⁴⁹. In the following decade, the above mentioned 'cultural struggle' and the 'Socialist Act' brought a violent end also to many of these Christian Social Associations. In place of them, worker associations were

organised on the parish level. In 1889, a survey numbered 232 associations with 52 000 members⁵⁰. After the 'Socialist Act' was repealed in 1890, the first local "Christian Trade Unions" emerged. Towards the end of the century they were almost as strong in some regions as the trade unions with a socialist bias⁵¹.

4) ***Rerum Novarum*: foundation of "workmen's associations" – a "natural right of man"**

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

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

In this way the Pope defended the workers' right to join together and to found trade unions; he took a clear stand and did so at a time when the German police had just banned and persecuted worker organisations. Concerning the strike issue, Leo XIII regarded the prevention of strikes by "the removal in good time of the causes which lead to conflicts" as "more efficient and salutary" (No. 31), but basically recognised strikes as a last means in social conflicts.

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

CONCLUSION

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

- the understanding of the social question as a mere religious, moral problem or as a problem of economic and social structures as well;
- all-embracing 'social reform' according to the example of the feudal 'system of estates' in the Middle Ages or partial, selective 'social policy' within the existing economic order;
- need of state intervention to solve the social questions - yes or no?
- self-help of the work force by joining together in trade unions and organising the representation of their interests.

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

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Karl Marx, Marxism and Essentials of a Critical Assessment

INTRODUCTION

In 1991, one year after the breakdown of Communism in Eastern Europe and Russia, the daily paper *Neues Deutschland* (New Germany) invited its readers to a seminar on "Marxism and the present time: How alive is Karl Marx?" In this context the Communist newspaper asked the question: "What is lasting of Marxism after the 'really existing Socialism' has collapsed?" Is Marx "a dead dog" or do we just need to "Get back to Marx?"¹ In 2002 the Johannesburg based *Sunday Times* published a comment on the same subject. With regard to economic problems in developing countries, the author starts his article emphasising: "Communists of the world, rejoice! Marx was right"². Similar voices can be heard in the wake of the recent worldwide financial and economic crisis. Because of that it is useful and no waste of time to deal with Karl Marx and ask Marxism critical questions - even after the collapse of Marxist Socialism more than two decades ago.

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

By the way, an interesting remark! Young Marx attended the same high school in Trier that Jesuit Father Oswald von Nell Breuning attended 70 years later. Oswald von Nell-Breuning was a distinguished theologian, a high-profile social scientist and doyen of Catholic Social Teaching. As a young lecturer he worked out the draft of the Encyclical *Quadragesimo Anno*, published in 1931, which had a great influence on the Social Teaching of the Church. After World War Two von Nell-Breuning was an aide to diverse German governments and influenced their social policy to a considerable extent.

Karl Marx studied law, philosophy and history at the universities of Berlin, Bonn and Jena. In Berlin he went to lectures of the famous philosopher Georg Wilhelm Friedrich Hegel and became familiar with Hegel's philosophy that thoroughly shaped his later way of thinking. In 1842 Marx

worked as a journalist of the opposition paper *Rheinische Zeitung* (Rhineland Newspaper) in Cologne and was, for a short time, its editor. In 1843 the newspaper was banned and Marx migrated to Paris, became acquainted with the French Early Socialism and formed a life-long friendship with Friedrich Engels. Engels was the son of a rich businessman in the city of Wuppertal in the Ruhr-Region, the most industrialised region in Germany. In 1845 Marx was expelled from France and moved to Brussels. Three years later he and Engels published the legendary *Manifesto of the Communist Party*. The *Manifesto* was to become the basis of Communist parties all over the world. In 1849 Marx settled down in London where – as a private scholar - he worked out his famous work *Das Kapital* (The Capital) and lived until his death in 1883.

According to Marx and Marxism, the solution of the "social question" of his (and any) time results from a long historical development process, transforming private ownership of the means of production into common property. This historical development is not the task of ethical efforts and not the task of state interference; it makes its way according to natural law necessity and will end in the Communist classless society. It is impossible to describe in detail the whole system of Marxism in a short essay. Therefore I shall just focus on some of its key issues: the Marxist Anthropology, its concept of the human being; the Historical Materialism or Economic Determinism, which constitutes the Marxist Philosophy of History; the Marxist Value Doctrine, his Wage Theory and Surplus Value Doctrine; the theories of Concentration, Impoverishment and Revolution; the system of a centrally planned and controlled economy in countries ruled by Marxist parties; the atheistic character of Marxism. In a second step of consideration, each time I point to what – in my view – is right in Marxist theories and ask critical questions.

MARXIST ANTHROPOLOGY – MARXIST CONCEPT OF MAN

The starting point to understand Marxism is its understanding of the human being. Karl Marx unfolded his conception of man mainly in his early writings. The original right state, the original right condition of the human being consists in forming a unity with the entire surrounding world, in being united with nature and fellow humans. The original right state of the human being does not consist in living one's life as an isolated individual, but in "union of nature and man". Truly human life is only

possible in a unity of the human being with nature and society. Being in isolation, humans and nature miss the meaning of their existence.

The means of unifying the human being with nature and society into a unity, which transcends all individualisation, is work. By working, man stamps his essence into the nature-things. Through work human beings grow together with the things to a unity making their marks on them and giving them something of themselves. At the beginning of human history, in the so-called Early Communism, this unity of the human being with nature and society was a reality. "Then man was unbroken with himself and could objectively express his human essence by working"³.

The unity of the human being with nature and society has been destroyed, according to Marx, by an elementary disaster in human history, by the "Sinful Fall" of private ownership. Private ownership binds everyone to oneself, isolates and separates people from one another. Consequently, working has lost its purpose: If the ownership of the means of production and work are separated, the working human being does not experience *Selbstverwirklichung* ("self-realisation") in using one's capacity for work, but *Selbstentfremdung* ("self-alienation")⁴. Self-alienation was to become one of the key terms in Marxist analysis: If ownership of the means of production and work are separated, the working human being does not experience self-realisation, but experiences self-alienation. What reasons does Marx give for this thesis? The products of work, which the workers put their mark on and something of themselves, belong to someone else, to the capitalist, and have been alienated from them. "The worker puts his work into products, but they are not owned by him. Therefore his work exists outside himself, alien to him; it becomes a power of its own and makes the life he gave the product hostile and alien to him"⁵. The capitalistic society produces the highest degree of alienation, because "man is only a commodity, nothing else". One's capacity for work and, consequently, the human beings themselves "have become a commercial commodity totally subject to the capitalistic market laws"⁶.

However, the capitalist has also been self-alienated. He owns somebody else's products of work, despite not having put his mark on them. He is just wrong about his situation, because he possesses those goods and can use them, although he did not produce them.

Because of that, only the proletariat is truly aware of the self-alienation; and only the proletarians are able to recognise the direction of the historical development and to contribute - by their fighting - to overcome the self-alienation. Marx attributed this capacity to the proletarians. Later on Lenin transferred it to the Communist party, which became the supreme authority in the field of directing the political struggle. Stalin finally claimed this capacity completely for the Politburo of the Communist party, which means for himself.

A short remark on the key word "Sinful Fall" of private ownership! According to Saint Thomas Aquinas, the great theologian and philosopher in the Middle Ages, the introduction of private ownership had become necessary after the Sinful Fall of Adam and Eve⁷. Given the peacefulness, selflessness and mutual understanding in paradise, all goods would have been in common use and would have been common property. So Thomas saw the "Sinful Fall" in human egoism and disobedience to the Creator. Marx saw the "Sinful Fall" in the introduction of private ownership; in other words, he saw the "Sinful Fall" in a particular social structure that caused the above-mentioned evils such as egoism and alienation.

MARXIST PHILOSOPHY OF HISTORY: ECONOMIC DETERMINISM - HISTORICAL MATERIALISM

Marxist philosophy of history asserts to show the way of overcoming the mentioned self-alienation of the human being. This philosophy of history has been called economic determinism or historical materialism (which is the same). Two famous philosophers influenced Karl Marx when he developed his philosophy of history: the above-mentioned Georg Friedrich Hegel and the philosopher Ludwig Feuerbach, who was also German.

Georg Friedrich Wilhelm Hegel (1770-1831) was the main representative of idealism and taught a kind of pantheism: the many and diverse forms of reality and the stages of the historical development of reality are phases, which the *absolute Welt Geist* ("absolute world spirit") is passing through in its process of self-developing. This absolute world spirit is the true reality. Hegel does not know a personal and transcendent God. The self-development of the impersonal divine world spirit proceeds in a dialectical triple-step of thesis, antithesis and synthesis. The starting phase of the thesis produces a counter-movement, the antithesis. Counter-forces

become effective also in the antithesis and lead to the synthesis in the sense of being 'abolished', 'replaced' and 'kept up', 'preserved'. This ongoing dialectical process forms a law of development that is in force and determines not only the self-development of the absolute world spirit, but all spheres of the existing reality.

Apart from Hegel's dialectics the influence of the philosopher Ludwig Feuerbach (1804-1872) is equally important to understand the economic determinism of Marx. Feuerbach reshaped Hegel's idealistic philosophy in a deliberately anthropocentric sense. His basic thought states: not the absolute world spirit – as Hegel emphasises – and not abstract ideas, but human beings, their needs, desires, inclinations are the real and true reality. These needs, desires, inclinations determine human history and are the driving forces of social development. "Everything spiritual is an illusion". Religious ideas are only projections and desired ideals; no reality corresponds to them. *Der Mensch schuf Gott nach seinem Bilde* ("Man created God in his image") reads the inscription on the Feuerbach statue in Nuremberg. Human beings created and create God by making him to be like themselves. God is nothing but a human projection. In this way the pantheism of Hegel was changed and became a kind of "pananthropism" (the Greek term *anthropos* means 'human being'). By the way, later on Sigmund Freud (1856-1939), the founder of modern psychoanalysis, took on Feuerbach's doctrine. Every human being creates his own religion, his faith, his morality, his own god. "Religious ideas are only illusions, inventions, creatures of human wishes and desires"⁸.

Marx combined Hegel's theory of the 'absolute world spirit' and Feuerbach's pananthropism into a system that can be called "economic determinism" or "historical materialism". He replaced Hegel's 'world spirit' and Feuerbach's 'desires and wishes' of human beings by technical-economic facts. The 'forces of production' - which include climatic, geographical and technical factors as well as human "working skills" and human "production experience"⁹ - create the corresponding 'relations of production'; in other words, the forces of production shape an economic and social order that corresponds to them. Forces of production and relations of production are the '*ökonomische Basis*' ('economic basis'). This 'economic basis' shapes the so-called '*ideologischen Überbau*' ('ideological

superstructure'), which includes politics, law, arts, philosophy, morality, religion, etc. Marx did not hesitate to emphasise:

"By acquiring new forces of production human beings change their production methods, and by changing the production methods... they change their social conditions. The hand-mill produces a society of feudal lords; the steam-mill produces a society of industrial capitalists"¹⁰.

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

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

"By shaping, by forming their social lives human beings enter into certain, necessary relations of production, which are independent of their wills. These relations of production correspond to a particular development stage of their material forces of production. The totality of the forces and relations of production forms the economic structure of society, its real basis. Above this economic basis a legal and political superstructure rises up, and certain forms of social awareness correspond to this economic basis. The production methods of the material life shape and determine the social, political and mental process of life as such. It is not the human mind or the consciousness of human beings that shape and determine their existence; on the contrary, their social existence, their social conditions shape and determine their mind and consciousness. At a certain stage of their development, the material forces of production come into conflict with the existing relations of production, with the existing distribution of property... A period of social revolutions is the result. By changes of the economic basis the entire huge superstructure radically changes, more slowly or more quickly... In rough outlines Asian, ancient, feudal and modern bourgeois ways of production can be called progressing epochs of the economic formation of society. The bourgeois relations of production are the last antagonistic form of the process... This (bourgeois) form of society brings the pre-history of the human society to a close"¹¹.

To sum up: According to historical materialism, it is not the human mind and not human consciousness, which determine social conditions and the course of their changes, the course of history; on the contrary, it is the

forces of production and the production methods, the relations of production, called 'economic basis', which shape and determine the human mind and human consciousness. The 'ideological superstructure' – ideas, consciousness, philosophy, arts, morality, religion etc – "is produced by the 'economic basis.' It does not possess independence. The superstructure just reflects, just mirrors the conditions of the basis"¹². Adopting Hegel's idea of the dialectical process, Marx stated that the historical development of the material relations of production – and history as such – proceeds dialectically, in revolutionary changes of contrasts. World history is nothing but the history of class struggles. So historical materialism turns out, at the same time, as dialectical materialism.

Approaches to a critical assessment:

Economic determinism is right in emphasising the fact that the relations of production, the economic and social conditions, do influence human thinking and human spiritual and cultural life. By their nature humans are related to creation, related to whatever is surrounding them, to the society – related to them by the divine creator. Because of that, social factors, economic factors, address and influence them. The human being does not exist only as an isolated individual, as a 'Robinson', but as a "political animal", as a *zoon politikon*, as the Greek philosopher Aristotle described the human being, and as a "social animal", as an *animal sociale* according to Thomas Aquinas, the great medieval philosopher and theologian; in other words, the human being is a creature who in terms of one's mere existence as well as in terms of the different fields and forms of activity depends on human society, is part of and related to it and therefore influenced by the surrounding society. Not least the economic conditions, the forces and relations of production are part of this society. Idealistic and spiritualistic conceptions of the world overlook these facts partly or even completely. Because of that, Marxism rightly attaches special importance to the economic conditions, to the forces and relations of production, to the society.

However, one has to ask: what determines the history of humankind, and what shapes world history, human society and economic conditions in the end? Is it developments, processes according to the law of nature - and consequently blind developments - or is it mental and spiritual decisions of human beings? In asking this question, **the main objection to economic**

determinism is being raised. Marx claimed that history up to now, and also everything that happened in philosophy, arts, law, religion and in the whole history of ideas, depends on and results from the particular economic and social conditions, the ‘economic basis’, of the respective time and is clearly to be explained by them. This claim is a pure assertion. Reasons in detail are missing. Whatever the ancient philosophers Plato and Aristotle, what founders of religions like Jesus of Nazareth, Muhammad, Buddha, what the theologian Thomas Aquinas and the philosopher Kant, what poets such as Shakespeare or Goethe, what the musician Mozart, what the mathematician and physicist Einstein and the great artist Picasso have thought, said, done and achieved – does all that exclusively derive from and depend on the existing relations of production, on the particular economic and social conditions of the time?

Distinguished social scientists such as Max Weber (1864-1920), Ernst Troeltsch (1865-1923), and Werner Sombart (1863-1941), to mention just a few, deliberately adopted the theory of economic determinism as a working hypothesis. Their studies, for example the famous work by Max Weber on the origin and development of Capitalism and the influence of Protestant ethics¹³ shows the opposite: ideas, human ideas and decisions of human beings, influence and determine the historical and social reality much more than anything else. Ernst Troeltsch, a prominent historian, dealt in a life-long research with the origin, development and transformation of Christian churches and their teachings¹⁴. He reached the conclusion that it was impossible to get by on the Marxist thesis of economic determinism. Economic and social conditions are promoting or hampering factors for the spread of faith, but they are not the cause of its origin in humans' heads and hearts. His conclusion says: ideas determine historical and social reality more than everything else – using the words of Marx: the ‘ideological superstructure’ determines the ‘economic basis’.

MARXIST VALUE DOCTRINE - WAGE THEORY – SURPLUS VALUE DOCTRINE

Karl Marx saw the main data, the characteristics of the 'economic basis' in Capitalism in what he called ‘*Wertlehre*’ (‘value doctrine’), ‘*Lohntheorie*’ (‘wage theory’) and ‘*Mehrwertlehre*’ (‘surplus value doctrine’). The ‘**value doctrine**’ puts the value of a commodity exclusively down to the work that was needed to produce it. "Consumer items or goods have only a

value because human work is concretised or materialised in them". This statement does not refer to what is actually needed to produce a particular item and what may be very different due to the particular production situation, but it is about – as Marx said – "the working time that on average is needed or socially needed"¹⁵. The value of a commodity depends on the work that was 'on average needed by society' to produce it.

The owner of the means of production buys the capacity for work of the dependent wage-labourer as a commodity. He gives him only as much pay, as the worker needs to keep him and the working class alive. Therefore, according to the '**wage theory**' of Marx, wages are nothing but the costs of the "re-production" of the workers and their capacity for work, the costs of bringing up and sustaining the work force, needed by the economy of a particular time. This fact was called "the iron wage law": "The average price of the wage-labour is the minimum of wages", the Communist Manifesto declares, which is the amount of food necessary to keep the worker as worker alive. What the wage-labourer earns by his work is therefore not more than to re-produce again his bare life"¹⁶.

The wage, however, does not meet and does not correspond to the full equivalent of the workers' performance and output, but only to a part of this equivalent, because the human capacity for work is the only commodity, which is able "to produce more value than it is worth and possesses itself"¹⁷; more precisely: the human capacity for work is able to produce more than what is needed to re-produce itself. Marx called this part of the worker's performance and output '**surplus value**'. This surplus value consists in the difference between the value of the work, the value of the work products, and the value of the worker, the value of what is needed (things and efforts) to re-produce the work force and their capacity for work. The capitalist employer keeps back this difference, this surplus value, and uses it for creating and accumulating new capital.

Friedrich Engels, the close friend to Marx, described the link between value doctrine, wage theory and surplus value doctrine:

"The capitalist employs his worker. In a certain time the worker works and produces as much as corresponds to his weekly wage. Assuming that the weekly wage of a worker corresponds to three working days, the worker starting on Monday has replaced the entire value of the paid wage to the

capitalist on Wednesday evening. Does he stop working? Not at all! The capitalist has bought his weekly work, and the worker has to work three more weekdays. This surplus work of the worker is the source of the surplus value, the source of the profit, the source of the permanently increasing capital. Here we have the solution of all the contradictions. So the origin of the surplus value is quite clear and natural. The value of the worker is being paid, but this value is much less than the value that the capitalist can manage to get from the worker's capacity for work. This difference, the unpaid work, makes up the share of the capitalist"¹⁸.

Approaches to a critical judgement:

The next chapter will deal with the wage theory of Marx. Here the ‘**value doctrine**’ is the focus of attention. This doctrine, stating that ‘value’ of products is causatively and exclusively produced by human work, includes some crucial reductions and shortcomings. The value doctrine, firstly, restricts the term ‘work’ to those directly involved in the production process. Preparations for the production - for example, planning, financing, blueprints and designs, the choice of cost-saving methods, marketing, providing capital, etc - are not part of the Marxist concept of ‘work’ and not taken into account by his value and surplus value doctrine. Marx did not know the ‘entrepreneur’ as a creative figure in the economy; he knows only the ‘capitalist’ as the owner of a business and the ‘employer’ as a legal counterpart in the contract of employment. The headword ‘entrepreneur’, who 'undertakes' something and runs a business, is not even to be found in Marx's main work "*The Capital*".

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

The Marxist value doctrine is right in underlining the fact that only those things or goods into which effort must be put to provide them get an

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

The main error of the Marxist value doctrine is the fact that the doctrine makes the quantity of work, which is needed to produce a commercial value, absolute and overlooks that 'usefulness', 'utility', in a word 'demand' are preconditions to generate a commercial value and fetch a price; someone must be willing to acquire and buy the produced goods and be willing to pay a price for them. Of course, goods have to be produced and made available by work. But they must also be in demand so that they get a commercial value and fetch a price. Without usefulness, utility, without demand for a product, by just manufacturing it, work would not create a commercial value, which could fetch a price.

From what has been said, the conclusion follows that the creation of economic, commercial value must not only be considered in terms of production, with regard to the work needed to produce the goods; it has to be considered also in terms of demand, with regard to the wishes of the consumers. For that reason, every economic theory and economic practice, one-sidedly based on the Marxist value doctrine, makes the figures of the production plan, a fetish, and does not take into sufficient account the demands and needs of the consumers. Maybe such an economy fulfils the production plan, but 'the thousand little things of every day life', which the consumers look for, are missing and not available. The Communist

countries proved this failure every day. This failure was a main reason for the collapse of their economies two decades ago.

MARXIST CONCENTRATION-, IMPOVERISHMENT- AND REVOLUTION-THEORY

What binds the above described historical materialism or economic determinism and the just mentioned doctrines of value, wage theory and surplus value together is the Marxist concentration-impooverishment-and revolution-theory. They are based on each other and describe the struggle of the proletarians to overcome capitalism.

According to Karl Marx, the striving for increase of capital inherent in the capitalist system leads to an ongoing rationalisation and mechanisation of the production processes. The result is a growing **concentration** into big production units and a growing 'centralisation' of capital in the hands of a few owners. Due to their limited technical and economic capacities, small and medium enterprises are inferior to the big ones; therefore, more and more of them drop out of the running in the tough competition struggle and disappear.

This concentration process makes the number of capitalists decrease and an 'industrial reserve army' of proletarians permanently increase. On the one hand, the ousting competition destroys middle-class people and drops them into the proletariat; on the other hand, labour-saving machines make workers not needed any longer and replace them. Marx described this development in his Communist Manifesto:

"The modern industry changed the small workshop of the master craftsman into the big factory of the industrial capitalist. Crowds of workers, herded in the factory... are not only slaves of the bourgeoisie class... every day and every hour also the machine, the overseer enslaves them... The former small middle-classes, traders, craftsmen and farmers, all those classes fall down into the proletariat. They fall down partly because their small capital is not enough for running big businesses, partly because their skills are replaced by new production methods"¹⁹.

So the ousting competition and labour-saving machines increase the 'industrial reserve army,' squeeze the wages by forcing the workers to undercut one another in struggling for jobs and intensify **impoverishment** to the top.

Finally, the increasing impoverishment and their growing numbers make the proletarian masses take revolutionary action. Because they are in a vast majority, the **revolution** will succeed. The proletarians take over the already concentrated means of production and the ‘expropriation of the expropriators’ is carried out. In the view of Marx, revolution and the ‘dictatorship of the proletariat’ are the transition stages into a classless society and, at the same time, the last phase of the development process that proceeds according to natural law necessity. The concentration of the economy and the proletarian dictatorship play a crucial role in the struggle to overcome capitalism.

Approaches to a critical judgement:

With regard to the prediction of the important role, which the growing concentration of economic power plays in the struggle against capitalism, right and wrong insights mingle again. **The Marxist diagnosis was right** in saying that absolute economic freedom as understood by classical economic liberalism would result in economic dictatorship. As one of few observers in his time Karl Marx foresaw this dangerous development. About 80 years later, the Encyclical *Quadragesimo Anno*, published in 1931, addressed the economic dictatorship in words not less sharp:

"Immense power and despotic economic dictatorship is concentrated in the hands of a few... Unrestrained free competition has committed suicide; economic dictatorship has replaced a free market "²⁰.

But not only Marx and the Encyclical share this insight; modern economists, who developed and support the system of Social Market Economy also consider the control of cartels and monopolies, and social and economic legislation by the state as a framework for competition as absolutely necessary²¹. Today it is commonly taken for granted that state policy has the responsibility to establish and safeguard both free competition and social welfare by a legal framework.

However, other **prognoses of Marx did not become a reality**. Economic development did not only lead to the predicted concentration of production in large-scale enterprises; contrary to his prediction, also the number of small and medium enterprises increased to a remarkable extent particularly in developed countries. Many of those enterprises are even essential for

big companies, for instance, as repair shops or places of pre-production or as suppliers of products, which those companies cannot or do not want to be involved in. In Germany, for example, 98 percent of enterprises are "small and medium enterprises with less than 500 employees", and only "2 percent are large companies". These small and medium businesses employ "almost 70 percent of the whole work force"²². This situation is particularly typical of developed countries that were the focus of Marx' prediction. The historical development went in opposite ways, which Marx did not foresee at all.

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

In the developed countries, finally, so-called 'middle-class' people, owners of means of production, senior employees and executives, did not drop into the proletariat and contribute to the **proletarian revolution** – contrary to what Marx predicted. The group of 'social climbers' "increased steadily in terms of numbers as well as of importance"²³. The division of those involved in the production process into the owners of capital and proletarians, as Marx did, revealed a gap that became more and more visible. He did not foresee that the running of enterprises was passing from the owners of the means of production into the hands of the management. These influential executives and managers do not provide capital and are therefore not owners, nor can they be called workers in the sociological sense of the word, because in conflicts they are used to being on the capital

side. Regarding essential issues, the forecasts of Karl Marx did not become a reality.

MARXIST ECONOMIC SYSTEM: CENTRALLY PLANNED AND CONTROLLED ECONOMY

The economic system in countries, ruled by Marxist parties, for example the former Soviet Union or the German Democratic Republic, can be called ‘a centrally planned and controlled economy’. I avoid deliberately the term ‘socialist economy’, since one would first have to explain it. This would be difficult because people understand it very differently. Friedrich Engels, the friend of Marx and co-author of the Communist *Manifesto*, first used the expression ‘centrally planned and controlled economy’. In the 1920’s, Walter Eucken, a high-profile economist, introduced the term into economics and political science.

The expression ‘centrally planned and controlled economy’ describes an economic system in which a central state authority plans and controls the whole **national** economy as well as the activities of the **individual** economic participants. This is its main characteristic. The central authority draws up the economic plan, directs the economic process and determines economic activities: production and consumption, wages and prices, investments and income, etc. The single economic units are executors of the plan: their managers are officials of the state. The economies of the former Eastern Block states or the Communist German Democratic Republic are illustrative examples of such centrally planned and controlled economies. However, this economic system is by its nature unable to meet the needs of the people, as history and economics teach. I shall give a few main reasons.

- 1) **Exclusion of the self-interest of individual economic participants**
"Centrally commanded economies"²⁴ – as the Catholic Bishops of England called them in their Pastoral Letter *The Common Good* of 1996 – do not take into account the self-interest of individual economic participants. Self-interest is the driving force and incentive to economic achievement. Self-interest is not the same as selfishness and should not be confused with it - of course, it can degenerate into selfishness. But individual objectives and interests inspire, to a great extent, economic activities; and the motives of self-interest do not

exclude other motives. But self-interest is basically a natural human attitude. Recall the words of Jesus: "Love your neighbour as you love yourself" (Mt 19:19; Mk 12:31). The demand to put aside human wishes and ambitions would be an inhuman demand. Self-interest is a driving force behind our activities – including economic activities.

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

In the past, centrally commanded economies tried to replace the 'achievement principle' – through the back door, so to speak – by introducing bonus systems and by fixing high targets that had to be met. However, according to my own experience in former Communist East Germany, neither high fixed quotas nor cleverly thought out bonus systems to realise the planned targets could replace the principle of self-interest as the main incentive to economic activity. All attempts to replace the 'achievement principle' failed. The fact that the system did not take into account the self-interest of the economic participants was probably the main reason for the economic breakdown of the centrally planned and controlled Communist economies in Eastern Europe and the former Soviet Union.

2) **The problem of a missing rational economic calculation**

Another difficulty facing centrally controlled economies is the problem of a 'rational economic calculation'. The rational economic principle aims at utilising the limited economic resources as economically as possible. Valuable resources must not be used to produce less valuable goods. In a market economy, prices – if not

fixed by a state authority or by monopoly arrangements – show the consumers' appreciation for particular goods, enable them to compare and indicate big or little demand for those products. In a centrally commanded economy, prices cannot indicate the consumers' demand. The central state authority determines the volume of output and fixes prices already in advance. Such an economy therefore lacks an automatic indicator, which constantly reflects the consumers' demand and directs the factors of production to the most economic use. Poor economic utilisation and the squandering of economic resources are unavoidable consequences.

Each centrally planned and controlled economy has to confront both these difficulties. According to my experience in the Communist German Democratic Republic, these grave shortcomings were the main grounds for the economic collapse of the former Eastern bloc states. By their nature, such economies are unable to meet the demand of the people. The English Bishops rightly emphasise in their above-mentioned Pastoral Letter that those economies are "inefficient, wasteful, and unresponsive to human needs. Nor have they fostered a climate of personal liberty"²⁵. The so-called 'really existing socialism' in countries ruled by Marxist parties, which has broken down, is concrete proof of the failure of a centrally planned and controlled economy. Not least for this reason, the slogan going around East Germany during and after the peaceful revolution in 1989 was: *If the DM (deutschmark) does not come to us, we shall move to the DM*. The DM was the symbol of a free and not centrally controlled economy.

MARXISM AND ATHEISM

The atheistic character of Marxism is of central importance to believing people in particular. In countries, ruled by Communist parties, scientific atheism was taught in schools and universities; and believing people and churches were often only tolerated and not infrequently persecuted. - I distinguish three levels, three aspects of atheism in the philosophy of Karl Marx. His atheism is of a fundamental, of an ethical and of an anthropological nature.

1) **Fundamental or 'ontological' atheism**

According to economic determinism, the forces of production and relations of production, which Marx called the 'economic basis', are the actual and determining realities. Part of this theory is the atheistic nature of Marxism – more precisely: its fundamental, its 'ontological' character. Morality, religion, the idea of a personal God, therefore God himself and the divine as such are mere products of the economic basis and only reflect this basis.

To a great extent, Marx goes along with the philosopher Ludwig Feuerbach. According to Feuerbach, religious ideas are just projections of human longing without any reality. According to Marx, morality, religion, God and everything else of the 'ideological superstructure' are products of the particular 'economic basis', products of a society based on exploitation, of a slave-owning society such as Feudalism and Capitalism.

"Exploited human beings create religion". Religion is "self-awareness and self-feeling of humans who did not yet gain themselves and are not yet their own masters, or who already lost themselves again". Social conditions "produce religion, produce a wrong awareness of the world, because they are a wrong world". Therefore, products such as god or religion will not be in the future class-less society of Communism because exploitation will be eradicated. "Religion is nothing else than the illusory sun that moves around people as long as they do not move around themselves"²⁶.

The already described criticism of economic determinism²⁷ also applies to this fundamental atheism and does not need to be repeated. The thesis that religion, God – like law, arts, philosophy – are nothing else than products of particular economic and social conditions is a mere claim. Economic conditions exert an influence and can promote or hamper faith, but human beings, their convictions and decisions are primarily determining.

2) **Ethical atheism**

Marxist atheism is ethical in nature because, according to Marx, religion prevents the liberation of the exploited human being. In his famous book "*On Criticism of Hegel's Philosophy of Law*" Marx wrote the often quoted statement:

Religion "*is the opium of the people*". Religion "is both an expression of the real misery and a protest against the real misery. Religion is the sigh of the distressed creature, the feeling of a heartless world... It is the opium of the people... Religion is nothing else than the illusory sun that moves around people as long as they do not move around themselves". God, the beyond, eternal life, etc are substitute ideas for missing humane conditions in this present world, are illusions the exploited take refuge in. But according to Marx, human beings have to overcome the exploitation themselves and redeem themselves - in this world, today - and must not flee from this exploitation and take refuge in a seemingly granted salvation - sometime, somewhere in a so-called hereafter. Consequently, religion prevents the liberation from misery and is the opium of the masses. "Criticism of religion is therefore criticism of the valley of misery whose smell is religion"; and the fight against religion is "a fight against that world whose spiritual aroma is religion... The elimination of religion as the illusory happiness of the people is a demand of its real happiness"²⁸.

The Marxist thesis "**religion is the opium of the people**" is right insofar as religion can be misused and has been misused as the opium for the exploited in the course of history. The thesis is also right because those deprived of their rights can understand and have understood religion as the opium and a final refuge in apparently hopeless, inhumane situations.

But **this must not happen**. It is a mere claim that religion is only a product of the sighing creature. Christian faith, on the contrary, wants to be the incentive and driving force to get rid of exploitation and oppression, to change unjust conditions. Belief in God, hope of happiness, which Jesus promised those hungry for justice, does not prevent the fight for justice, freedom, humane conditions of life in this world. On the contrary, it is the mission in particular of Christians to be "co-workers, collaborators" in building a "new world of universal peace and justice"²⁹. Every activity of human beings "to better the circumstances of their lives through a monumental amount of individual and collective effort", the Second Vatican Council emphasises, "accords with God's will". Humans "are created to God's image" and "received a mandate to govern the world with justice". The Christian message, the Council continues, does not deter them

"from building up the world" nor does impel them "to neglect the welfare of their fellows". On the contrary, they are "more stringently bound to do these very things"³⁰. The eternal salvation "was and is, according to Christian teaching, dependant on taking responsibility for the concrete future of humankind within this world"³¹. In this sense we must understand the unity of love of God and love of one's neighbour; in this sense the Heavenly Judge will ask us in the final judgement – the Gospel says - only about our relationship with our fellow humans: I was hungry, thirsty, naked, sick... what did you do; did you help me (see Mt 25:31-46)? Therefore especially the Christian faith demands all our efforts to create a more humane world.

In addition to that, one has to ask whether there is only such a self-alienation, "which can be overcome by social means and endeavours", as Marxism insinuates. Christian faith intends to be a meaningful power and directive in those "borderline situations of human existence" like guilt, human failure, death "that cannot be answered only by social efforts and activities"³². In this respect, Christian faith fills a 'blank spot', which Marxism cannot fill.

3) **Anthropological atheism**

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

"The entire world history is nothing but the production of man by human work". So human beings have a "clear and irresistible proof of their birth: by themselves". Because of that, "the question of an alien being, the question of a being above nature and man... has basically become an impossible question"³³.

A second anthropological aspect, closely connected with this human self-creation by work that makes the question of a higher being superfluous and "virtually impossible", is the demand of Marx for an absolute human autonomy.

"A being only proves to be independent as soon as one stands on one's own feet, and one stands only on one's own feet as soon as one owes one's existence to oneself. Human beings, who exist by the grace of somebody else, consider themselves as being dependent. I totally exist, however, by the grace of somebody else, if I owe not only the maintenance of my life to him, but if he has also created my life; if he is the source of my life; and my life does necessarily have such a foundation outside myself, if it is not my own creation"³⁴.

This different understanding of the human origin and destiny, the different view on the relationship between God and man makes up the essential contrast between Christian faith and Marxism. This contrast between Christian faith on the one hand and the 'ontological' and especially the anthropological atheism of Marx on the other is the crucial and lasting difference. God is, according to Christian conviction, origin and destiny, the basic ground and final aim of the human being – and not the product of exploitation and consequently the "wrong world view" of a "wrong world". And human beings are not almighty, have not put themselves into existence and are not autonomous; human beings owe their existence to the divine creator and are responsible to him. According to Marx, however, "a being only proves to be independent" if "one owes one's existence to oneself" and does not exist "by the grace of somebody else... I totally exist by the grace of somebody else", if my life has been created and "is not my own creation". But, according to Marx, "the entire world history is nothing else than the production of man by human work... by themselves". Therefore "the question of an alien being above nature and man has practically become an impossible question".

CONCLUSION

Take a remarkable example from Roger Garaudy's way of putting it! In 1965 Garaudy, Professor of Philosophy and then member of the Politburo of the French Communist Party, described Marxist atheism in a way, which can deeply impress:

"Marxism integrates the marvellous 'Communion of Saints' by secularising it... Marxism transfers the perspectives of 'the Kingdom of God' in Christianity from the eschatological to a combat level. Whenever somebody deliberately works and fights to win happiness on earth for himself and all humankind,

whenever somebody is willing to sacrifice his life in this work and struggle and, by doing this, makes it meaningful, then this human being, still alive, gains immortality. For ever he has left his traces in this world; he has contributed something of his own to the future of all; his deeds have influenced the destiny of the entire humankind; his actions continue not only in the memory of the people, but also in their lives... Do we have a more noble certainty of immortality?... This gives us the possibility to understand clearly the real meaning of Marxist atheism... Revelation of transcendence takes place every day, whenever human work is being done, either in scientific research or artistic creation... either in a social revolution, which brings exploitation and self-alienation to an end, or in a national liberation movement, which fights against oppression and human depersonalisation. Transcendence is the experience, through which humans become aware of themselves being 'God coming into existence'³⁵.

According to Christian understanding, the ultimate foundation and final destiny of the human being is the absolute God beyond all visible and created reality. Here Christian faith and Marxist philosophy basically contradict. On the other hand, Christian faith is not only open and receptive to every reasonable kind of planning and shaping the future of the world, but considers this planning and shaping – as the highly distinguished theologian Karl Rahner states - "as a task, which is part of the human nature created by God and which humans are obliged to carry out"³⁶. The attainment of eternal salvation is bound to and dependent on the commitment to a humane social order, upon the commitment to justice, freedom, and humanity. In the final judgement, the Heavenly Judge will therefore only ask, according to the gospel, about our relationship with our fellow humans: I was hungry, thirsty, naked, sick... What did you do; did you help me (see Mt 25:31-46)?

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⁷ See Thomas Aquinas, Summa theologica 2 II, q. 66

⁸ Quoted according to Gustav Wetter (⁴1958), Der dialektische Materialismus, Freiburg, 13, and to Herbert Will (2006), Der Stachel Freud. Kritik und Überwindung der Religion? in: zur Debatte 4, 9

⁹ Brakelmann, Die soziale Frage, 78 (see note 3)

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- ¹³ See Max Weber (1905), Die protestantische Ethik; New edition (1975) Hamburg (Ed. by Johannes Winckelmann, Siebenstern-Taschenbuch 53/54); Werner Sombart (1902), Der moderne Kapitalismus. Historisch-systematische Darstellung des gesamteuropäischen Wirtschaftslebens von seinen Anfängen bis zur Gegenwart, New edition (1987) Tübingen, 3 Volumes,
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- ¹⁹ Marx (1848), Manifest der kommunistischen Partei, 35 (see note 16)
- ²⁰ Pius XI (1931), Quadragesimo Anno, No. 105, 107, 109
- ²¹ See Franz Josef Stegmann (1999), Social Market Economy – Contradictory or Complementary? Johannesburg, 20, 34, 38 (Konrad-Adenauer-Stiftung, Occasional Papers)
- ²² "Eine Sache der Familie, aber kein Auslaufmodell. Eine Studie zeigt Bedeutung des industriellen Mittelstandes in Deutschland" (2004), in: BKU-Journal, No. 1, 6-7; Kapitalismuskritik – undifferenziert und unbegründet (2005), in: Kirche und Wirtschaft, No. 47/20 July, 2
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- ²⁴ The Common Good and the Catholic Church's Social Teaching (1996). A statement by the Catholic Bishops' Conference of England and Wales, London, No. 78
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- ³⁴ Ibidem 246
- ³⁵ Roger Garaudy (1966), Wertung der Religion im Marxismus, in: Christentum und Marxismus, 77-98, 82-83 (see note 31)
- ³⁶ Karl Rahner (1966), Christentum als Religion der absoluten Zukunft, in: Christentum und Marxismus, 202-213, 209 (see note 31)

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- Bean, P. and Melville, J. 1989. *Lost Children of the Empire*. London: Unwin Hyman.
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