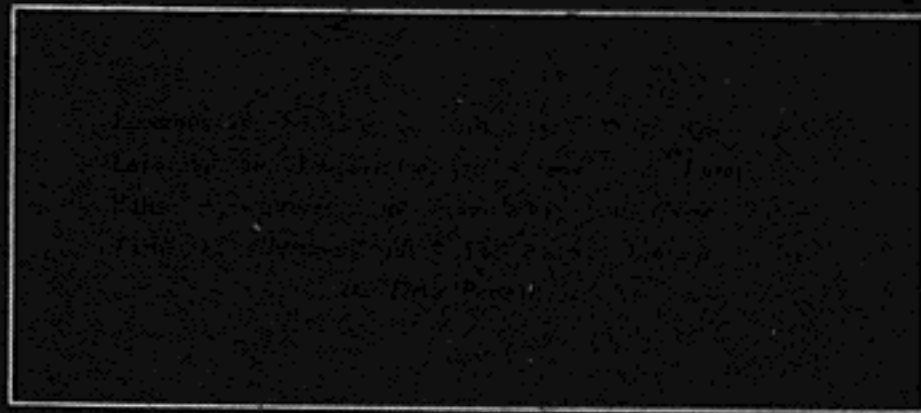


BANCA NAZIONALE DEL LAVORO
QUARTERLY REVIEW



R O M E

BANCA NAZIONALE DEL LAVORO

HEAD OFFICE: ROME
VIA VITTORIO VENETO, 119

Condensed Statement of Condition, September 30, 1950

ASSETS		LIABILITIES	
(Lire)			
Cash, Balances with Banks & Money at call	79,619,926,110	Capital	1,150,000,000
Investments { Govt. & semi-Govt. Securities & Treasury Bills	25,136,939,293	Ordinary Reserve Fund	1,380,000,000
Other Securities	1,248,123,479		2,530,000,000
Contango, Advances on Securities & Loans	108,995,819,022	Deposits & Current Accounts (Including Balance of Profit & Loss)	224,063,939,846
Bills receivable & Re-discounts	57,771,534,241	Cheques in Circulation (<i>assegni circolari</i>)	9,670,917,831
Sundry Accounts	1,811,435,021	Bills for Collection	9,723,604,186
Premises, Furnitures & Fixtures	1	Guarantees & Acceptances for A/C of Customers	33,538,221,027
Customers' Liability for Guarantees & Acceptances	33,538,221,027	Sundry Accounts	22,090,389,002
	308,121,998,194	Staff individual Retirement Accounts	4,949,413,740
Securities deposited by Third Parties	51,359,677,140	Unearned Discount & other unearned Income	1,555,511,062
Special guaranteed Accounts	11,652,747		308,121,998,194
Staff Assistance & Retirement Fund-Securities deposited by the Bank as Guarantee	4,618,695,985	Depositors of Securities	51,359,677,140
	364,112,024,066	Accounts guaranteeing special Accounts	11,652,747
		Bank's Securities guaranteeing staff Assistance & Retirement Fund	4,618,695,985
			364,112,024,066

AUTONOMOUS SECTIONS FOR SPECIAL CREDITS

SECTION FOR CREDIT TO MEDIUM AND MINOR INDUSTRIES

Capital, Reserves and Government Guarantee Fund L. 2,297,100,000

SECTION FOR HOTEL AND TOURIST CREDIT

Aggregate Capital and Reserves L. 419,523,906

SECTION FOR CO-OPERATIVE CREDIT

Capital and Reserves L. 506,405,817 - Government Guarantee L. 2,000,000,000

SECTION FOR MORTGAGE CREDIT

Aggregate Capital and Reserves L. 252,454,962

SECTION FOR CINEMA CREDIT

Aggregate Capital and Reserves L. 453,628,521

SUMMARY

Prof. Corrado Gini, in his article « *Economy and Sociology* » — being his inaugural address to the 14th International Congress of Sociology held in Rome from August 30, to September 2, 1950 — analyses the reciprocal relations between the two sciences.

The Author takes as his starting point Vilfredo Pareto's position on general Sociology, which entails a fairly strict division between the two fields of scientific enquiry, and he calls attention to the new points of view that make it advisable to modify this approach.

On this connection, Prof. Gini emphasises, first of all, his distinction between that economic life, often held to be the normal « material » of economic science and which is only the expression of bourgeois-economic organisation, and the economic life of other organisations based on fundamentally different conditions; in the second place, he notes the survival of these other forms of organisation in bourgeois society — which therefore is considered as an agglomeration of dissimilar elements.

The Author then makes a comprehensive study of the scanty observations gathered in a field other than that of the bourgeois organisation, which has hitherto been studied by several social sciences and more especially by Sociology. In his opinion this material should be elaborated and should find its place in the analytical economic schemata forming part of a discipline called « Integral Economics ».

The task assigned to « Economic Sociology » — of a synthetic nature — would seem to be a different one: *i.e.* to point out the regularities of the economic conduct of individuals and of the economic structure of social groups as they occur in real life.

...

« A large part of modern economic doctrine proceeds in terms of aggregates. Aggregate demand, national income, aggregate investment, aggregate consumption, have become the conceptual tools of a growing number of economists; and the relationships between the prices of different commodities, and between prices and wages, are now largely neglected... For economists who think exclusively in terms of aggregates it is an easy step to the conclusion that all that is necessary to overcome unemployment is to raise aggregate money demand. This conclusion, combined with the assumption that the monetary and fiscal authorities always have control over the volume of aggregate demand in an economy, has produced a tendency to ascribe to these authorities a much greater power over the degree of employment than they actually possess ».

« The purpose of this article » — « *Wage Rates, Credit Expansion and Employment* », by F. A. and V. C. Lutz whose introductory remarks we are quoting — « is two-fold. First, it aims at dispelling a widespread misconception, the notion, propagated by popularisers of the views of Keynes, that all cases of unemployment can be successfully remedied by a monetary and fiscal policy aimed at raising the volume of aggregate demand. Secondly, it attempts to restate the conditions that are necessary if such a policy is to succeed in bringing about full employment ».

The analysis made by the Authors proceeds by reconstructing the genuine position taken by Keynes and by the examination of the more significant post-Keynesian developments on the importance of the relative movements of prices and wages for the

success of a policy for reabsorbing unemployment, based on the expansion of credit and therefore of total demand.

Following in the wake of the classical tradition and of Keynes himself, the Authors confirm the importance of the price-wage rates relationship, making the necessary qualifications and reservations suggested by the growing refinement of economic research and by the evolution of real facts: « *except in the case of generalised surplus capacity*, employment can be raised by increasing aggregate money demand only if prices rise and real wages fall; ... if real wages are sticky, an increase in aggregate demand will only lead to inflation ».

This conclusion — argued with reference to a short run assumption, and illustrated by recent vicissitudes of British, American and Italian monetary policies — is extended by the Authors also to a long run hypothesis: « in order for the credit expansion to force the pace of the growth of the stock of equipment above what can be achieved on the basis of voluntary savings and foreign loans, ... the same conditions are required as for it to produce a significant increase in employment ».

In drafting the new Italian Customs Tariff, enacted in July 1950, there can be no doubt that — in the case of agricultural products — reasoned principles of a liberal trend have replaced the former autarkic protectionism, although the inescapable realities and transitional contingencies of the Italian economy have called for limitations of a free trade approach. Prof. Paolo Albertario, in his article « *Italian Agriculture in the Framework of the New Customs Tariff* », describes both the steps thus made in reducing the duties as compared to the peaks attained in the thirties, and the meaning and objectives of the protection granted to some branches of agricultural production, operated at higher than international costs, but fundamental for the stability of the Italian social and economic structure. In this regard, wheat farming, sugar-beet crops, olive-oil, and the production of meat and animal fats are specifically considered and their significance and problems outlined.

In Italy as elsewhere railway-traffic has been seriously affected in recent years by motor-vehicle competition and the financial position of the State Railways Administration has decisively worsened.

In his article « *The Railway Problem in Italy* », Dr. Glauco Della Porta states — with the help of statistical data — the case after the changes that have taken place in these recent years of post-war reconstruction. The Author considers that the railways cannot secure a balanced financial situation by the mere introduction of technical and administrative improvements and price manipulation. On the other hand he calls attention to the drawbacks and dangers of a throat-cut competition; and among the various alternative policies he advocates the adoption of measures for the coordination of rail and road services.

The Banca Nazionale del Lavoro assumes no responsibility for opinions or facts stated by authors whose contributions are published in the present Review.

All communications regarding the Review should be addressed to Banca Nazionale del Lavoro, Ufficio Studi, Roma, Via Vittorio Veneto 119.

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Stabilimento Aristide Staderini - Roma - Via Crescenzio, 3

Economy and Sociology (*)

by
CORRADO GINI

When the illustrious economist, Vilfredo Pareto, decided that the science to which he owed his fame was unable to account for human conduct and turned for a satisfactory description to Sociology, he called vivid attention to that antithesis between Economics and Sociology which is the subject of this address.

According to Pareto the insufficiency of Economics depended on the fact that it considers only *logical actions*, in which results correspond to the end in view, and neglects the *unlogical ones* which are in practice of decisive importance both for the behavior of the individual and of the social organisation.

The importance and the utility of the irrational in human conduct had indeed been long and duly recognised — even before the days of Erasmus; but Pareto was able to collect around this central idea an impressive body of facts which he used in building up a work that though not above criticism nevertheless repre-

sents undoubtedly a milestone on the path of the social sciences.

It would however be difficult to assert that he reached the goal and fully explained the reason of the insufficiency of traditional Economics.

It is indeed certain on the one hand, that economic theories leave generally out of account not only irrational acts but also many that may be quite rational, such for instance as illicit, violent and forced acts, and many others which, though included among those of free and legal action, cannot be valued in terms of objective measurement through exchange.

On the other hand it has been remarked — and the remark, if I mistake not, is of fundamental importance — that the correspondence between the object of an action and its result does not always mean that the action complies with a rationally preordained object, but it often depends on the fact that our mind

(*) The XIVth Congress of the International Institute of Sociology was held in Rome from the 30th August to the 2nd of September 1950. The President, Prof. Corrado Gini, delivered the inaugural address, which is reproduced here with minor adaptations.

Some twenty States had sent official delegations, and nearly 100 Universities, Societies and Scientific Institutes had notified their adherence or were represented. A total of about 300 students of the subject took part in the Congress either personally or by sending communications.

Among them we should mention: A. Fovilla and R. Tecera del Franco (Argentina); W. Koppers (Austria); G. Hostelet (Belgium); M. Lins, F. M. Mangabeira (Brazil); R. Cervinka (Czechoslovakia); P. Troncoso Sanchez (Dominican Republic); J. Joergensen, P. Maigaard (Denmark); E.S.M. Badawi (Egypt); G. Bardet, H. Boissin, C. Bouthoul, G. Duveau, R. Grand, B. Lahy, A. Luyen, Ph. Périer, A. Sauvy, E. Sicard, D. Stambuk, C. Tastevin (France); R. Binkmann, G. Mackenroth, W.E. Mühlmann, K.V. Müller, H. von Schelling, R. Thurnwald (Germany); E. Hayashi (Japan); S. S. Bajpai, R. Mukerjee (India); D. Earthy, F.W. Robins, A.M. Stewart (England); G. Loyo (Mexico); R. Mac-Lean y Estenos (Peru); P. Govaerts Pereira (Portugal); T. Podca (Rumania); J. J. Alcorta, F. J. Conde, M. Fraga Iribarne, L. Legaz y Lacambra (Spain); G. Dahlberg (Sweden); A. De Maday, M. Efad, J. Henninger, A. Kol-

ler, J. M. Lechner, J. G. Lossier, F. N. Writch, A. Robinet de Cléry (Switzerland); F. Bernstein, I. Diggs, W. Ogburn, T. Sellin, Spengler, (United States of America); C. W. Wright (South Africa); Z. F. Findikoglu and H. Z. Ulken (Turkey); R. Caldera, N. Perazzo (Venezuela); E. Schusterbrandt (Virgin Islands); and — among the Italians — P. Biscaretti di Ruffia, G. Bolla, V. Cistrilli, R. Corso, G. De Mco, A. De Pietri Tonelli, E. Di Carlo, L. Galvani, A. Giannini, M. S. Giannini, A. Groppali, V. Gueli, G. Lavorsa, P. Maroi, G. Mazzarella, G. U. Papi, C. Pellizzi, G. Perticone, G. Pompili, R. Savorgnan, S. Sergi.

Over 160 papers were submitted to the Congress and they were distributed over three Sections: Section I dealt with demographic, urbanistic, rural, medical and biological matters; Section II considered general theoretical concepts and questions of method and economic, technical, and didactic problems; Section III discussed historical, ethnographical, archaeological and juridical matters.

A special full meeting of the three Sections was held to commemorate the eminent sociologists whose loss we have mourned in the period between the XIII and XIVth Congress.

The proceedings of the Congress are now being printed. They bring together the full text of the speeches, communications, and commemorations, as well as the minutes of the meetings of the Congress. They will be published in several volumes covering in all some 3,000 pages.

obligingly visualises an object so as to justify an action predetermined by instinct. Thus in such cases — of frequent occurrence — our action is only apparently logical or *rational*, but has in reality been *rationalised*, and the economist who theorises in and forecasts such part of our conduct as though it were ruled by reason is likely to meet with serious disappointment.

To understand the obvious inadequacy of the traditional science of Economics in interpreting and guiding human conduct in the critical war and post-war periods, it is important to note that its arguments are based on conditions existing in a normal economic society. It has been built up as a system of *Economic Physiology* which, however, cannot meet the requirements nor provide the means needed in abnormal times. Therefore the study of *Economic Physiology* must be supplemented and completed by the quite different one of *Economic Pathology*, whose essential outlines have been traced and are being further elaborated.

All these distinctions and integrations do not require the student to trespass beyond the boundaries of time and space enclosing our contemporary so-called bourgeois-societies. But those who have been in contact with other populations and other civilisations, and who by studying them have been enabled to understand the social organisations of the past, realise that the bourgeois economic organisation about which classic and neo-classic economic science argues, is not the only rational one. It is the rational one for the instincts, feelings, tastes and external conditions which have prevailed in western civilisations for the past century and a half, and to which most economists have been so accustomed that it has been the only one they have taken into consideration. But populations with other instincts, other feelings and other tastes, or living under fundamentally different conditions, will have a different rational behavior, but one which, judging by the principles of traditional Economics would be held to be anti-economic. This is the first point with which I shall deal in this address.

The second is that important remains of these other than bourgeois economic organisa-

tions survive in contemporary society, which is prevalently but not exclusively bourgeois in character; nor are the germs of future economic organisations missing. Therefore our bourgeois society is not a fundamentally homogeneous whole but an agglomeration of dissimilar elements.

These elements are, moreover, in continual evolution; some developing, others regressing, — and, in some cases, once more reviving.

This is another point to be developed. It is important, for if it be understood we shall be less tied to the traditional formulae and more willing to make use of the new experiments so frequent in this intensely dynamic age.

There are reasons — and I shall note them — which explain why it was only with the advent of bourgeois society that the science of economics could be built up. But the body of observations collected by the several social sciences on other forms of society both past and present, justifies, I believe, the hope that it will be possible to elaborate economic schemes in which the conditions prevailing in such social forms can be considered theoretically giving rise to a series of economic theories starting from diverse and sometimes opposite assumptions but which may all find a place, by the side of classic and neo-classic Economics, in the comprehensive framework of a discipline that I would call *Integral Economics*.

The task of *Economic Sociology* is another. Its character is not analytical but synthetic, not deductive but inductive, starting not from theoretical assumptions but from the observation of facts, and it aims at showing the regularities, in time and space, of the economic conduct of individuals and of the economic structure of social groups, as they occur in real life, being the resultant of a multitude of factors past and present and, in so far as they can be foreseen, future, about which the several economic schemes devise particularised theories.

• • •

An essential difference between bourgeois society and the more or less developed social forms that preceded it and to some extent still survive, consists in the psychology of work.

There is every reason to believe that originally work was burdensome to man and that he only submitted himself to it when driven by necessity. When not coerced by his fellowmen, he worked only to the extent strictly necessary for assuring his life. Such is to-day the psychology of the primitive peoples that have survived since the dawn of the human race. Varying in race, social systems, religion, morality, and customs they all resemble one another in this particular, in refusing to work beyond what is strictly necessary for subsistence. Should lucky circumstances or the generosity of others place them momentarily in possession of goods exceeding their needs they suspend all work which they will resume to the strictly indispensable extent when they have used up their stock. They are in what may be described as an *animal stage of production*.

Hence the tendency to evade the burden of labor, placing it on the shoulders of others. When two groups of human being of unequal strength came into contact, the stronger compelled the less strong to work for him, or at least to undertake the heaviest work and, whenever he was able, the dominator was not satisfied with demanding from the labor force of the other what was strictly necessary for him, but required something more. Thus for the first time humanity produced something more than what was indispensable for living, rising from the animal stage of production to the stage of forced labor.

Many savage populations are still living in that stage and many more lived thus in the past, compelled to work more than the strictly indispensable subsistence minimum in behalf of other groups who had subjected and enslaved them. Such was still the stage reached by the societies of classic antiquity. The justification of slavery commonly given by the Greeks was based precisely on the impossibility of getting people to work under a system of freedom.

At this stage of society the greater willingness or the less repugnance to work is naturally a quality highly appreciated by the exploiting classes. Systematic selection, facilitated by training and strengthened by tradition, takes place among the workers and so from generation to generation there is a tendency to increase the stocks less averse to or more inclined to work.

When the system of compulsion is interrupted after a relatively brief period the enslaved populations fall back into their previous primitive conditions; but when it endures for hundreds and thousands of years a new type of man is gradually formed to whom work is less laborious than it was to his ancestors. Even when free from the coercion of his fellow-men this new man is inclined to raise production beyond the mere subsistence level. He no longer works only to live; he works also to procure himself some enjoyment.

The new psychology of work assures production without need of coercion, and so slavery and servitude are abolished and the stage of forced labor is succeeded by the *stage of free labor*. At first free work is performed only on property of one's own because the ties binding one to it attenuate the toil. Thus crafts arise and the small operating land-owning farmer. The craftsman comes from the slave; the small land-owner from the serf. But little by little — as habit and selection gradually reduce the laboriousness of work — men are induced to work on goods owned by others, thus making undertakings possible.

Thus the bourgeoisie grows up, which in Europe, through the French Revolution, was to become the prevalent factor in society and to set its stamp on the whole XIXth century.

But yet another spring was to well up from the working masses, which was to give rise to a further stage in the psychology of work.

From the working strata most inured to hard toil, the more enterprising and adventurous elements, taking advantage of the improved means of communication, went across the seas to seek their fortune in the new lands across the Atlantic. In ever larger waves they submerged in the United States the representatives of the bourgeoisie and the gentry, who had been the first to land there, and who had by then organised themselves as an independent State. The severe tests to which they had been subjected in the mother country and the enterprising spirit which had led them to emigrate, combined to the attractions of the full life of the pioneer, to the stimulating influence of the new climate, to the abundant food resources obtainable from the virgin soil, to the progress of machinery which made productive activities

less fatiguing, all contributed to relieve still further the laboriousness of work, facilitating the rise of a new psychology which looks upon work as the normal expression of personality and one which, within certain limits, is therefore pleasurable. Thus the *stage of willing work* arises.

The Europeans who land in the United States are struck by the paroxysm of activity prevailing there, where it seems that men do not work to live but live to work. The riots among convicts because they are not provided with work show that the heaviest punishment which in slave and even bourgeois societies was hard labor, has now become in the American working society that of forced idleness. The official or the professor, who in our countries looks forward to the day when he will be able to retire on an adequate pension, is there terrorised by the prospect of perpetual holidays awaiting him when reaching the age limit which often, we are assured, shortens his term of life.

Yet more marked is the difference between the American, representing the Far West, and the man of the Far East.

From the point of view of the psychology of work, the United States are in the vanguard of the Caucasian populations. This psychical difference is of such far-reaching social importance that one wonders whether one would not be justified in basing on it, rather than on trifling differences of pigmentation or skull formation, the partition of the Caucasian race, drawing a distinction between *homo orientalis*, *homo europaeus*, and *homo americanus*.

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The evolution of the psychology of work is matched by the evolution of the psychology of accumulation.

Practically no accumulation takes place during the animal stage of production. Many primitive populations are unacquainted with any forms of saving. They live exclusively from hand to mouth. This is generally the case with the populations of the tropical zones where seasonal changes are little felt or, in any case, do not interfere with the abundance of food or at least with the possibility of securing a sub-

sistence, and where moreover the hot and often damp climate would make it difficult to store foods. Under such conditions primitive man, like the reptiles, eats as much food as he can when a favourable opportunity offers, and then digests it slowly while resting on the following days. It is said that some populations in times of famine removed from their excrementa the seeds of fruit eaten during the gathering season, thus obtaining « a second crop » as the Californian Indians, who are said to have had this habit, used to express it. This is certainly the most primitive — and involuntary — form of saving which recalls the cuprophagous habits common among rabbits and guinea-pigs.

In cold and temperate climates where putrefaction is less rapid, it is not necessary to consume immediately any surplus food and the primitive man who has killed a head of big game or made an exceptionally large catch of fish, need not force the capacity of his stomach but can set some aside for subsequent meals, as is done by many animals under similar circumstances. This is a passage towards the formation of seasonal stocks which are the first form of organised saving.

The passage of the season generally brings with it a periodical change in the sources of food. If in some season food supplies should fall short or fail altogether, the population could not survive had it failed to provide adequate stores. Even the most primitive populations are therefore accustomed to set aside part of the food available during the productive season so as to have a stock for the dead season, just as many animals do.

One cannot however yet speak of accumulation in the strict sense of the word, as such stocks are intended not for accumulation but for consumption within the year. Saving only leads to accumulation in the real meaning of the word when it is made to meet undetermined or at least uncertain needs, such as illness, invalidity, old age, or for the needs of the offspring, or when it is made under the impulse of an instinctive tendency.

This is found for the first time when the stage of forced labor had been reached. Consequently savings also are forced. They are set aside for the benefit of the race or the class or the individual who uses compulsion, often

in virtue of the authority derived from the strength of arms, or again from that arising from magic powers or the exercise of religious rites, and in that case the assignment of saving may be made not to an individual but to an institution, as is the case with the customary offerings or tithes assigned to temples.

In any case, the wealth thus accumulated is considered by those who dispose of it in a very different light from that in which bourgeois society considers private riches.

Those who can dispose of it can count on its constant renewal, so they do not attach importance to accumulating reserves. They are in a position similar to that of the primitive inhabitant of the tropics who counts on the abundance of natural products and does not feel the need of saving. Nor have they any interest in increasing, beyond necessary requirements, the wealth others accumulate for them, for they derive their authority not from its size but from the prestige their strength or their magic wisdom confer on them. Thus accumulation exists, but it is not of a progressive kind. Indeed it is in their interest to give away the wealth received so as to heighten their prestige more and more, and they do so by giving public festivities, public largess, public works. Substantially the use is much the same as that made by the modern State and the autarchic bodies, with this difference, that in primitive societies authority is not founded on law or on the will of the people legally expressed, but on prestige, whose basis is much more uncertain and changeable, and needs to be constantly strengthened. Thus wealth is used less for providing for purposes of general utility than for strengthening the personal prestige of those who can avail themselves of it. Social economy in the stage of forced labor is essentially an *Economy of prestige*.

The economy of prestige, however, does not come to a standstill at this stage, but continues and grows in the following stage of free work. Prestige, which was the prerogative of the upper classes, becomes, with the opening of this last stage, the ambition of the lower classes, who now have access to higher positions. To win prestige they have before them many ways: military valor, magical power, among some peoples eloquence, among others sanctity,

among all wealth. It is not however given to all to become magicians or saints, heroes or orators; but all, or nearly all, can, by working, accumulate some riches.

Wealth — not yet as an end in itself, but as a means for acquiring prestige — thus becomes the mainspring of the social organisation, in the first stage of free work. Such it still remains among many peoples who by forced labor have raised themselves above their original primitive level but have not yet reached the further stage characteristic of bourgeois society. Although less efficient from the standpoint of accumulation and progress than the bourgeois organisation, still the stage of free work, based on prestige, generally operates very satisfactorily, in forms that differ from country to country and which are sometimes of great interest.

But the forced labor stage did not everywhere lead to an economy of prestige. In those countries where the governing classes were more numerous and more energetic, or were racially different or differed in beliefs and customs from the subject groups, these were excluded from rising and were thus denied the possibility of using the wealth they might have accumulated for acquiring prestige. Under these conditions wealth could only serve them as a means of securing material satisfactions which necessarily became the reason for accumulating riches. Thus, while in the governing classes the psychology of prestige persisted, and regulated the relations between them and the lower classes, and while under the influence of the governing classes it inspired the conduct of the State, the behaviour of the lower classes was regulated more and more by the desire for money.

Thus a composite economic system grew up which may be described as money-making economy set in the framework of an economy of prestige and dominated by it.

In Europe, in Abyssinia, in Japan, it took the form of feudalism. In the Ottoman Empire the place occupied under feudalism by the aristocracy was occupied by a bureaucratic or military officialdom whose members were recruited from childhood from the subject class and whose relations both to the sovereign and to the people were based on a system of reci-

procal gifts, of which today we see the degenerate remains in *bakshish*, but which for centuries — to judge by the expansion of the Empire — operated efficiently.

The fate of these composite forms has varied from country to country.

In some poorer countries, separated from modern economic currents, as in Abyssinia, the system has persisted and substantially continues.

In most of the others, the subject classes, numerically increased by a higher rate of reproduction and by the greater efficiency of their system of earning, have ousted sooner or later the governing classes; but not everywhere with like effects.

In the Orient, probably owing to the milder compulsion exercised by the governing classes, the impulse to work has been less marked in the subject classes, while religious motives, a stronger attachment to tradition, the greater numerical importance of the descendants of the former governing classes have all favored the persistence of the system of prestige, leading to a mixed system in which the mainsprings of profit and prestige are both at work.

In the West, on the other hand, the money-making system has definitely prevailed, to such an extent that all that has remained of the system of prestige are some vestiges of no great importance still found in the sovereign families and the high nobility, and so in that case we may well talk of an *Economy of profit*. Many and varied circumstances have contributed to this result: the reaction against the contemplative life of the monastic orders brought about by the Reform, which led by contrast to the exaltation of work and, in some Churches, to conferring sanctity on wealth as the visible evidence of the divine favor; some inventions, such as the more efficient harnessing of draft animals and the introduction of the rudder in ships which, by enabling the better use of animal traction and of the propelling power of the wind, made the last vestiges of slavery and serfdom unnecessary; the more active traffic by land and sea and the great discoveries of new commercial routes and new Continents to which this gave rise, encouraging trade and increasing the prosperity and power of the merchant and other money-making professional classes; and lastly the exceptional numerical growth of the

bourgeoisie which increased its importance as compared to the nobility, and the very important phenomenon, probably related to the high degree of fertility, of strong family ties which identified present personal needs with the future ones of the descendants, all combined to multiply the incentives to work and save.

These circumstances not only led to the triumph of the bourgeoisie in Western Europe, but their persistence and growing importance contributed to its demographic, economic, and political expansion. No less important was the contribution made by the greater efficiency of the profit system as compared to that of prestige due to the easier and safer accumulation of the material goods which are its object rather than the immaterial ones aimed at by the latter system. Thus, in the last resort, the profit system, spreading beyond Europe, was to invade the other Continents and permeate and shake, when it did not overthrow, the social system based on other conceptions, and it was to set its stamp on world economy in the century that came to be known as that of the bourgeoisie.

The European bourgeoisie, coming into contact with economically backward populations, either introduced its profit system among the governing classes of the countries with forced labor regimes or replaced them in their relations with the subject populations. Thus several secondary composite systems arose, of the former type in India, and of latter in the colonies and in South Africa, characterized in all cases by the circumstance that the relations between the upper and the lower classes were stamped by considerations of prestige.

Nor has it only been in our contemporary age that the profit system has prevailed: Athens and Rome offer well known historical instances.

In their case, the system was not viable because the huge accumulations to which it gave rise led to the corruption of private and public life and to what was perhaps a necessary antecedent condition, to the lowering of fertility, the weakening of family ties, the rupture of solidarity between the successive generations, and consequently not only to the cessation of all further accumulation, but also to the consumption or dispersion of wealth already accumulated. There are strong reasons for fearing

that a similar degenerative process will occur in our present bourgeois society, and in the opinion of many it has already begun.

Unlike what has happened in classic antiquity, our contemporary bourgeois society is not condemned to die without leaving heirs, because the stage of free work, based on profit, has this time lasted long enough to evolve the stage of willing work.

In the stage of willing work, production is in any case assured, even if only within certain limits, because the pleasure of working makes the stimulus of profit to some extent superfluous, and the incentive of prestige revives, giving rise to a social organisation which from many points of view has characteristics of its own, to which we have given the name of *«Labourist» Economy*.

The characteristic feature of the profit system that differentiates it from that of prestige, is the fact that the social consideration of professional activities is based on the returns they secure, so that the right of freely expanding to the extent most advantageous to each is recognised to all, whereas under the prestige system, a ranking order of social utility and dignity is established among the several activities under which only some may expand freely or are even favoured, while others are compulsorily limited.

The result is that the latter give rise to an offer of services which is inferior to the demand, while those who are authorised to exercise them secure monopoly profits and the permission to exercise them acquires a market value. Hence under the *ancien régime* in Europe as under the feudal régime in Japan, concessions were bought and sold. Japanese experience is particularly instructive as it shows that this system met the needs of the time, and when it was abolished it had to be revived, nor could it cease until the fetters that the traditional system, based on the army and on agriculture, placed on free expansion of the other professional activities, were removed.

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The need of creating a scale for measuring our satisfactions, and therefore of taking as basis

the exchange value of goods, leads traditional economic theory to neglect a notable side of human conduct directed mainly towards securing intellectual and moral satisfactions and confers on it a materialistic character.

Even if this conception widens its consideration to take in all forms of satisfaction it cannot however be said that it exhausts all the aims of human actions. And here we should be on our guard against a misunderstanding that may arise from the double meaning of the word «satisfaction». When we speak of «satisfying a wish» we mean to «gratify a wish»; but this does not mean that all our wishes are directed to procuring for ourselves a «satisfaction» in the sense of a «pleasure». We do not live only to enjoy; the first purpose of life is to live; subject to that one may aspire to live pleasantly or to live intensely. This is true to-day, but it was much more so in the past. Now, traditional economic theory is based instead on the hedonistic principle; that is to say it assumes that the purpose of economic behavior is only that of procuring for oneself satisfactions. But if it be true that in bourgeois society this side of human conduct has really acquired such importance as to justify the belief that all other motives, when compared to that of securing satisfactions, are negligible, this has certainly not been true in the past.

In the animal stage of production, man's purpose was to live. An economic theory desirous of describing human conduct in that stage of evolution might be called *Existentialist Economy*.

In the following stage of prestige economy the aim of life was above all that of expressing one's own personality. The exercise of power, the consequent competitions, the wars to which these often led, were certainly not devised to make life pleasant; but they made it exciting. Emotion may or may not be accompanied by satisfaction, but it may be desired independently of it as we see to some extent in the case of those who devote themselves to dangerous or painful sports, of those who like to witness tragedies or capital executions, of those who enjoy being turned topsy-turvy on switch-back railways. We might oppose to the hedonistic economy that theorises on the profit

system, what might be termed the *Energetic Economy* that theorises on the prestige system.

The poor man's aim is to live, the bourgeois aims at enjoyment, the powerful man at dominating. The young seek above all emotions; men of ripe years satisfactions. In times of peace and calm human behavior aims at securing satisfactions; in periods of competition and war at asserting personality.

The bourgeois century was a period of peace and prosperity; and during that period the middle-aged groups acquired special importance in the demographic composition of the population and in social life. It is easy to understand that a theory based on the hedonistic conception of life was particularly well-suited to describe human behavior during such a period. The labourist psychology which has been growing up in recent years, implies instead the tendency to assert one's own personality so that, as we have seen, the prestige motive reacquires importance as compared to those of profit, while the shooting wars and now the cold wars polarize the attention of the populations on ideals other than those prevailing in times of peace. An ever larger sphere of human conduct thus conforms to an energetic conception of life. We must also add that for a long period, during and after the war, the living conditions of some populations were — if indeed they are not still — so precarious that only an Existentialist Economy could be applied to them and in the case of many their behaviour is still mainly informed by such ideas.

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Economic treatises hold it to be axiomatic that nobody works for nothing; which means that all people work to earn something. To work at a loss is therefore considered as an absurd supposition as such conduct would be anti-economic. But the fact is that from a rational point of view this last supposition is not absurd, nor is the former the only possible assumption.

Several suppositions may indeed be formulated under which work may be rationally justified.

It may be argued that:

(A) one may grow rich without working, but by working one grows richer. This is the more favorable hypothesis that occurs for instance, in the life of shepherds. It is likely that it may have occurred for whole people when they passed from the hunting to the pastoral stage of civilisation. Probably this is the stage of which tradition has preserved the memory as that of the legendary Age of Gold. The owners of large estates under extensive agriculture (*latifundium*) in many parts of the temperate zone now live under such conditions, and so do the capitalists who have invested their capital in gilt-edged securities;

(B) by not working one's economic conditions remain stationary and one must work if one wishes to grow richer. This is the hypothesis generally taken into consideration in economic treatises and which corresponds to the conditions of land-owners in the temperate zone;

(C) by not working one's economic condition deteriorates and in order to keep it up a certain amount of work is necessary. This is the condition obtaining for cultivators of the soil in tropical and equatorial areas where the forest rapidly advances on the cleared land unless it is checked by steady work. It is the condition that still prevails as a rule in bourgeois society in the case of commercial and industrial concerns which, if neglected, get out of hand and deteriorate. If, however, the work needed for keeping the concern in good order is negligible as compared to that required to secure an increase of wealth, then this hypothesis may be compared to the previous one, from which it is practically indistinguishable;

(D) by not working a heavy deterioration of estate or personal efficiency is incurred, but by working it will only be possible to reduce or at most to even up the loss. In such cases one works at a loss, and it is quite reasonable and economically expedient to do so.

Thus many industrialists consent to work at a loss during a depression so as to avoid the heavier loss of letting the business run down as would be the case if work were interrupted. Most of the population works at a loss in times of war so as to avoid the still heavier loss of

life and liberty, or the economic consequences of confiscation.

The first three hypotheses may be considered as providing the basis of a *Progressive Economy*, the last of a *Regressive Economy*.

The traditional Economy is a progressive one. It may be said that not only does it picture correctly the conditions of the economic society of the bourgeois age, but also those prevailing during the evolution of human society, as is shown by the progress that has, in the long run, been made. But while it is true that the progressive stages of social evolution count for more than the regressive ones, it cannot be denied that the latter have had and may still have in the future also marked importance which makes them deserving of being taken into consideration by a scientific theory. And we are feeling just now that the possibility of such conditions is not merely a theoretical one.

It may be remarked that these regressive stages represent pathological periods and therefore belong to the situation already described as that of Economic Pathology. But it is not so. A condition may be called pathological which, if it persists, leads to the disintegration — we mean the rapid disintegration — of the organism. As a matter of fact all living organisms are destined in the long run to disintegrate. Were it not for this distinction, we should have to say that all organisms are always in a pathological condition, and there would be no difference between pathology and physiology. The fact is that, apart from real and proper pathological conditions, there are in the life of organisms normal phases not only of growth and stasis, but also of involution; they all are included in the field of physiology. Likewise, in the life of societies, Economic Physiology must consider not only progressive and stationary conditions, but also the regressive stages of the economic organisms.

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We have already observed that the theory of economics, in so far as it postulates on an objective measurement of goods, is essentially based on trade exchanges. It takes them for granted not only as a means of measuring values,

but also as the basis of social relations. This has not always been and is not always the case. We have mentioned that there are primitive populations among whom social relations are maintained not on the basis of contractual relations but on that of gifts. But if these are made on the understanding, tacit or explicit, that another and moreover an equivalent gift will be received in exchange — as is the case with the populations referred to — the system has something in common with that based on exchanges. It has in common with them the *principle of reciprocity*.

Now, in the family group and in many other primitive communities, social relations are regulated fundamentally by a different principle, the *principle of solidarity*.

The landlord serves meals to his customers not because he is worried or distressed at their being hungry, but because he receives cash for his services; but the mother feeds her son not because he promises to reward her but because when her child is hungry she herself suffers.

In primitive communities of limited numbers the solidarity of interests and feelings among the members of the community is so strong that, as among the members of a family, anything affecting the prestige and the interests of one member affects likewise the interests and prestige of all.

In that stage of social organisation the criterion of reciprocity is nevertheless enforced in the extra-group relations — between large families, villages, or tribes, as one or the other forms the social unit. At first it takes the shape of presents, then of more definite contractual exchanges. That is because the ties of solidarity existing within the group itself do not exist between different communities. Gradually however as the community is enlarged and as the external pressure exercised by nature and by competing communities is relaxed, the internal solidarity between the members of the same group is also weakened and their social relations are increasingly regulated by the principle of reciprocity till a point is reached when, as is the case under present social conditions, it acquires such prevalence that it alone is taken into consideration by the traditional economic theories.

This is, therefore, an *Economy of reciprocity*, as distinct from what may be described as an *Economy of solidarity*.

Let us recapitulate the main conclusions so far reached.

The aim of man is to secure by forced, free, or willing work, for reasons of prestige or profit, the means either of merely living, or else of living intensely, or of living pleasantly. He either counts on improving his position, or else is satisfied with maintaining it, or he adapts himself to worse conditions while seeking the means of improving them and has recourse for this purpose to relations of reciprocity or of solidarity. In any case his endeavour is to secure happiness, and he seeks to do so, as we have already noted, by satisfying his desires.

This is the assumption that lies at the foundation of all theories of traditional Economics, which may be defined as the science for the study of human conduct directed towards obtaining happiness through the satisfaction of a maximum number of desires. Traditional Economics offer the *positive solution* of the problem of life; we may call the assumption on which this solution is based the *activist postulate*.

But, as a matter of fact, that postulate is far from being self-evident, and the positive solution is debatable and is generally unacceptable to a large portion of mankind.

Even if we admit that, as a rule, every desire that is satisfied contributes to happiness, the fact remains — one may remark — that each unsatisfied desire contributes to unhappiness. Therefore we should endeavor to satisfy essential desires while preventing others from arising; we should live peacefully in a state of indifference, ignorance, simplicity, renunciation; returning hatred with benevolence; having recourse to force only in self-defence.

Such is the doctrine of Laotse which is at the basis of Taoism, one of the fundamental religions of the Chinese people. It offers the *negative solution* of life, based on a *postulate of renunciation*.

While the positive solution prevails in the West, the negative solution prevails in the East;

but in the West also it has found and it finds advocates. Diogenes gave the example of the sage who sought the solution of the problem of life in minimising needs. Christianity at its origins preached the renunciation of earthly goods, and the hermits and the monastic orders sought happiness in renunciation. One can well conceive of an economic science which would study human conduct directed to securing happiness by eliminating a whole mass of desires. We might call it the *Economics of renunciation* as opposed to the traditional *Economics of effort*.

This theory is not limited to the conduct of the individual, but affects that of public bodies. Laotse dictated also the rules of economic policy: « The essential needs of the people must be satisfied, but care should be taken to avoid others arising. Therefore restrict to a minimum State intervention. Leave the people in ignorance. Avoid all progress on its part. This program is the exact opposite of that pursued by the economic policy of the West.

Which side is right?

It may be remarked that the positive solution is the more advisable when the mass of desires that can be satisfied is more important than that of the desires that cannot be satisfied, but that, when the mass of unsatisfiable desires prevails, the negative solution is preferable. Were this the case we might expect that the positive solution would be adopted where natural resources are plentiful, making it easy to satisfy human desires, and the negative solution where they are scanty. But even a summary examination of the several populations shows that this expectation is not confirmed. Evidently some essential fact must have been neglected in formulating the aforesaid proposition.

An important factor which it neglects but which it is essential be taken into account, is the cost that the satisfaction of desires entails, a cost which may vary greatly with the psychology of work. Where work is found very laborious, the sacrifice it calls for reduces the wish to satisfy desires and induces to the acceptance of the negative solution of the problem of life, while the positive solution appears only natural when work is not found laborious or is even considered pleasurable. The negative so-

lution does indeed prevail where the psychology of forced work prevails, and the theory of renunciation may be considered as the rationalisation of that psychology.

But in addition to the cause of the satisfaction of desires, account must be taken of its results. The most impressive argument in favor of the theory of renunciation can be found in this. « Every desire satisfied gives rise to others, and the satisfaction of these in its turn causes others to appear. Thus the positive solution leads us to enter a vicious circle. As a matter of fact it is not a solution. The only solution worthy of the name is the negative one ». This is the reasoning on which Laotse's theory of renunciation is based.

It is undeniably logical; fearfully logical. And it is not surprising that it has been accepted by so many peoples. But it is not well founded, for it is based on an assumption that is not in keeping with facts. It represents the logic of the isolated individual. It takes no account of contacts with other individuals or it supposes at least that these contacts are always peaceful.

It is therefore a theory that holds good for hermits or the members of a religious fraternity if it be strong enough or so protected as to exclude outside violence, and so well regulated as to exclude violence from within. But it does not hold good for the life of the population as a whole. In that life the passive element is dominated by the active, the inert are defeated or eliminated by the enterprising; those who possess force and fail to use it lose it in the long run, and are subdued by those who make use of and develop it.

All this shows that the negative solution is not the one which incontrovertibly leads to happiness, but neither does it show that the positive solution is the best for that end. There may indeed be some who prefer to be dominated by other men rather than be the slaves of their own desires. Thus, even from this point of view the preference is subjective. I say « even from this point of view » because it is also subjective as the result of another factor which we have seen to be of decisive importance and which is represented by the psychology of work.

This explains how it is that in different

times and in different countries the positive or the negative solution may be reasonably adopted. Where the psychology of work is backward, where the inclination to live a quiet life is strong, where the desire of independence is comparatively speaking weak, the negative solution of renunciation will prevail. Where an advanced psychology of work, the spirit of enterprise, intolerance of subjection to others, is that which characterises the population, the positive, activist solution will be accepted.

The positive one is the solution accepted by pioneers, by the aristocratic classes, by the dominating peoples. The negative is the solution of subject peoples, of the lowly classes, of the imitative. And as the élite are few and the mass of followers is large we can readily understand how the theory of renunciation can take hold of the masses and secure the upper-hand even among less passive populations during periods of decline and crisis, when the aristocratic classes degenerate or for some reason lose control of society. Thus, during the decline of the Roman Empire, Christianity spread.

But the subjective character which, as we have seen, distinguishes the two extreme solutions, shows the possibility of intermediate ones. And as a matter of fact, between the activist theory and the theory of renunciation there is ample space for more moderate theories and it is towards these that, under the pressure of vital needs, the extremist theories have been directed both in the West and in the East. Thus, in the West Christianity has in practice abandoned the plan of the renunciation of mundane possessions with which it started, and advocates their use with moderation, and in the East, side by side with Laotse's theory of renunciation, Confucius theory of the « golden mean » (i. e. golden moderation) has remained in honor. Undoubtedly, the moderate forms of Eastern thought have kept nearer to the theory of renunciation, and those of the West have kept nearer to the activist theory, and this is in conformity with the different psychology of work of the two races. Nor is this all: here and there the theories have been adjusted to the psychological gradations of the peoples. Thus the rise, among populations once Christian, of the Mahomedan religion has certainly been greatly favored by the solution of the

problem of life that the said religion maintains, which is nearer to the theories of renunciation and more in keeping with the indolent character of the populations of the Middle East and of Africa; while the peoples of Central Europe and the North, in leaving Rome to follow the protestant reform, acted on lines in keeping with the prevalence of that activist psychology which was to give rise to the technological progress of the Modern Era, to capitalism, and to the prevalence of the bourgeoisie, and which has found its theoretical expression in classical economics.

We can well imagine that between the *Economy of effort*, which studies human conduct seeking happiness through the satisfaction of a maximum of desires, and the *Economy of renunciation* which studies human conduct seeking happiness through the suppression of the maximum number of desires, there may be room for an *Economy of moderation* which studies human conduct seeking happiness through the satisfaction of a more or less large group of desires satisfying essential needs or needs of special utility, and the suppression of others, mainly or solely of a hedonistic description. And as the *Economy of effort* has provided the theoretical expression of bourgeois society, and the *Economy of renunciation* the theoretical expression of the economic life of societies that have not yet emerged from the stage of the psychology of forced labor, so the *Economy of moderation* might provide the theoretical expression of society in a median stage in the evolution of the psychology of work, such as that Europe experienced during the period of feudalism.

If, from the point of view of the individual, the preference given to one or other of the various solutions — activist, moderate, renunciate — thus seems to be a subjective one, from the collective point of view there can be no doubt that the activist solution represents, for the people who adopt it, a decided advantage in international competition. Those nations who endeavour most to satisfy their desires are those who make most progress in technology, who grow most in wealth and power, who expand, who dominate others in cultural, economic, and military life, who spread their psychology by example or impose it by force.

This happened in antiquity in the case of Greece, Carthage, Rome. This is what happened in modern times in the case of Europe. But the effort is self-destructive; domination, if it does not cause, at least hastens, the declining parabola of the biologic cycle of the population. The dominating peoples lose their power of reproduction. Their place is taken by the subject peoples, who are characterised by a psychology of renunciation, or anyhow by a psychology of moderation. And the cycle starts all over again.

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What we have already said clearly shows how numerous and important are the limitations that the classic and neo-classic economic theories implicitly or explicitly have to accept when dealing with human conduct. These limitations are often so closely bound up with our mode of thought and with the social system to which we are accustomed that it is not easy to realise them fully. I myself have only realised them gradually, and I am far from excluding the possibility that other limitations may be brought to light in the future. All this is evidence of the contingent nature of the conditions around which classic and neo-classic Economy has built up its theories.

Why — we may enquire — did not economic science arise earlier, even if with other characteristics?

It could not arise so long as mankind was in the animal stage of production, as the possibility of choice in human conduct was then too limited to give rise to the construction of a theory. Nor could it arise as an existentialist theory of economics, because all human conduct at that stage is — as the name implies — absorbed in the mere business of living: *primum vivere, deinde philosophari*. It could not arise when human conduct was still governed by relations of solidarity, because the social units were then too small and the behaviour of their members too uniform, and at the same time the relations between the several different communities were of negligible importance. A few formulae left us by Laotse provide us with the basis of the economic theory of renunciation; this however is not enough to build up

a science on it. It would have been difficult for an economic science to arise as long as the main motive of human conduct was prestige, for the valuation of the goods which this leads is too subjective, nor could it be expected that a theory would arise among the masses who had no education and worked under a system of forced labour, directed by a minority inspired by principles of prestige.

An economic science could therefore only arise when, as a result of the bourgeois revolution, profit became the chief motive in the conduct of the governing classes and a system of free work was established. This is why the rise and growth of economic science are indissolubly connected with the triumph and consolidation of the bourgeois system and economic theory has therefore acquired the character of a bourgeois economy, i.e. a hedonistic, profit-making, activist economy based on reciprocity, under a system of free work and material progress.

Perhaps it unduly neglected that side of human conduct which is determined by the affections and by the love of excitement, a side which did not lend itself, or lent itself less, to objective measurement, while the short duration and range of the stages of economic regression in the past century account for the fact that so far no theory of a regressive economy has been elaborated.

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We should not forget the contingent nature of classic and neo-classic Economy when judging human conduct and the social institutions of other ages and other peoples. The mistake is often made of judging them to be anti-economic, understanding the expression to mean irrational. As a matter of fact, while they contrast with the notions of traditional Economics, those who study them more thoroughly perceive that they are in keeping with the economic conditions of their age and correspond to the needs and aims of the societies that adopted and maintained them.

The system of slavery is generally considered now-a-days to be anti-economic because — it is said — the yield of free work is higher than that of forced labor. But a free labor system

supposes — as we have explained — a mass psychology other than that which led to slavery. Even in our days, Lenin felt the need of introducing for the Russian populations the system of forced labor because the incentive to work was not yet, in their case, sufficient. Nor can it be said that this system has proved less efficient than that of free work prevailing in the Western civilisation.

The waste of wealth in banquets, ceremonies, festivities that characterises the life of the mediaeval nobility and royalty and that still survives among more or less backward populations where an autocratic regime and a feudal organisation exist, has been judged anti-economic. But these practices are seen to be rational in the case of those who look upon wealth not as an end in itself or as a means of enjoyment, but as a means of acquiring and increasing one's prestige.

The limitations placed on commercial and industrial activities, and on the liberal professions, and their consequent subjection to public permission to exercise them seem anti-economic to those who give equal social importance to all forms of productive activity; not so to those who, as was the case for instance under the feudal system, considered the army and land ownership as the pillars of society and who therefore thought that the agricultural and the military professions were deserving of preference, and so checked the invasive trend of other activities.

The facility and rapidity with which primitive populations gave away objects that had been presented to them as gifts or in exchange, was quite incomprehensible to the Europeans who came in contact with them. They had apparently eagerly desired these objects and yet in a few days time the said objects had passed from hand to hand and had disappeared from the neighborhood. But this behaviour is seen to be perfectly natural when we take into account the close relations of solidarity which are at the basis of such societies which would make it seem unnatural not to make their fellows share in all available properties.

And what could be more anti-economic not only for the tribes that suffered from the practice, but also, in view of the inevitable reaction, for those who exercised it, than head-

hunting? of the human sacrifices that were a feature of the solemn celebrations of the Aztecs and, until recent times, of the Guinea Chieftains? What more anti-economic than the gladiator fights of old Rome? Such judgments are however based on the supposition that excitement, when it leads to the destruction of life or property, cannot be a rational object of human conduct. But evidently this holds goods neither in these nor in many other cases, as for instance in that of polar expeditions, or mountain climbing, and in that of many explores and of big game hunters. The scientific gains, and occasionally the economic, arising from them are only by-products; the essential purpose for which they are undertaken being undoubtedly the search for excitement. Nor can it be said that the behaviour to which they lead is always harmful to society; indeed this is shown by the decadence of the tribes to whom head-hunting has been forbidden.

Wars are looked upon as anti-economic *par excellence*, and military expenditures are by antonomasia called anti-productive. This evidently means that nothing is won by war. It is indeed true that now-a-days the case of a profitable war is less frequent than in the past. War profits may however take the form of booty seized or territory acquired, or new trade routes opened, or new opportunities for emigration secured. But apart from such possibilities, a war cannot be said to be anti-economic in the larger meaning of the term, if while impoverishing the population as compared to its pre-war condition, it has nevertheless improved it as compared to what it would have been had the war not been fought. Nor can one describe as anti-economic the often frequently feverish work performed to limit the losses caused by floods, eruptions, earthquakes, tidal waves, even if the ends in view have only been partially attained. Nor can one say that it is anti-economic to work at a loss if by so doing heavier losses are avoided, as may happen for instance in the case of manufacturers and merchants in periods of falling prices.

Viewed from the economic standpoint, the behaviour of hermits has been judged irrational when, leaving the world, they lead a life of hardship and poverty, and that of monks who relinquish most of the satisfactions and excite-

ments of social life, but if a person prefers tranquillity to excitement or if social contacts bring him more deceptions than satisfactions, or if he can only hope to satisfy a small portion of the growing desires of the senses, it is comprehensible that it may be rational for him to renounce them all.

It is almost incomprehensible to the Western mind that it is possible to find in China persons willing to have their heads cut off in return for a small sum of money, and that negroes can be found in Africa who agree to be fattened up for some weeks so as to be served up later on as a dish at a banquet. But the fact is that as it is not absurd — considered exclusively from the rational standpoint — to cut short a life burdened by misfortunes, so it is not absurd that a person whose infelicity approaches the point when he would be willing to face death, is ready to face it if he can procure himself such satisfactions as that of having a glorious feed for a few days or that of leaving his children a small competence, which otherwise they could not have hoped to have.

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In our present-day bourgeois society large residues remain over from the past, and urgent omens loom ahead. If we call European — or rather West European — society « bourgeois », we mean that it is mainly bourgeois in character; if we describe bourgeois economy as hedonistic, profit earning, and activist, based on relations of reciprocity, in a regime of free work and material progress, we mean that these are its dominant, but not exclusive characteristics. The bourgeoisie is the class that has set its stamp on the social life of the European peoples from the time of the French Revolution until our own day, but as it is not the only class, it has not suppressed the conceptions of life proper to the aristocracy and to the people, nor has it been closed to the trends towards a different social settlement. On the margins of the geographic area formerly dominated by the bourgeoisie, in the United States of America and in Russia, the social system has already taken other and different directions, and the importance now acquired by these two political units for the fate of

mankind makes us wonder whether we should not consider that the age of the bourgeoisie is already nearing its end. Even in the countries of Western Europe, which may still be described as bourgeois, we find a whole scale of degrees in the importance that the residual remains of the past and the germs of the future assume in their life.

As to the psychology of work, we have already referred to the growing importance which in Europe also labourist psychology as differentiated from that of free work, is acquiring, among the classes in control of economic activities, and on the other hand we cannot blind ourselves to the fact that in many countries the lowest classes of manual workers — agricultural and industrial — live on the margin of the subsistence level because they refuse to work more than what is strictly necessary for going on. This is more especially manifest in such countries as those of the lower Mediterranean or in the corresponding latitudes of Asia and America where the climate is milder and life, even at the lower subsistence level, is found attractive. But as a matter of fact this psychology is one of the concomitant causes of the depression which in other countries also is characteristic of some areas and some social strata. Indeed, in many if not all the bourgeois countries, it is doubtful whether the free work psychology has ever been that of the numerical majority of the population. Nevertheless, economic life has been permeated by the free work psychology which was characteristic of the bourgeoisie and more especially of the entrepreneurs who, in bourgeois society, are the motor-power of economic life. There is therefore nothing surprising in the fact that in the countries where the psychology of willing work has come to the fore, it is this psychology which is more and more setting its stamp on economic activities and is conferring on American society, where it has reached its highest development, a character radically different from that of bourgeois society. Nor is it surprising that in countries like Russia where the entrepreneur classes were still so undeveloped that their free work psychology had not mastered the stationary psychology of the mass of the people who had only recently, and perhaps prematurely, emer-

ged from the servile stage, the governing class have felt the need of a return to compulsory work for the expressed purpose of hastening progress towards the stage of spontaneous work.

The psychology of accumulation presents the same conditions. « Thrift » is the slogan regulating the conduct of bourgeois economy, the motto which has made it strong. But in bourgeois society there are still great masses — and in some countries they are still the majority — of propertyless people who possess nothing beyond what is strictly necessary to assure their existence. They descend from families that have never practiced thrift, because, even if we admit that theirs is a forced labor psychology, still it is certain that down the succession of generations in the great majority of cases there must have been some windfalls, which had they been saved, would have formed the basis of a capital fund however small. On the other hand, a large part of the aristocracy, with the royal families at their head, still base their conduct essentially on the lines of prestige. The notions that lay at the foundations of feudal life are still at the basis of their psychology. It is only yesterday that we read that the Japanese Prime Minister and the Administrative Bureau of the Imperial House have approved the appropriation of nearly 5 million Yen to « uphold the dignity » of the forthcoming marriage of the Emperor's daughter, although by her marriage she is forfeiting her royal rank, as her husband lost his title of Prince as a result of Mac Arthur's decree on the democratization of Japan. The war may have ruined Japanese economy, the occupation may have reduced the Emperor's power to a mere semblance, Mac Arthur may have abolished the titles of nobility; but all this has not sufficed to change the mentality of the Japanese nobility for whom prestige is the purpose of life and the end to be served by wealth.

On the other hand, lavish spending — be it even wastful, as it is deemed by bourgeois mentality — which was anti-economic when production was essentially determined by the limited propensity to work and was not greatly affected by demand, leads to quite different results now. As a matter of fact, with the advance of the psychology of willing work,

production has come to be essentially regulated by demand, so that, under a system of trade exchanges, spending stimulates production. Thus Ford proclaimed the doctrine of « anti-saving » as against that of saving, and, as the influence of the working classes who have little or no inclination for thrift, gains ground in Europe, the anti-saving notion makes headway there also.

But among the bourgeoisie themselves, apart from productive activities as such, much of their conduct, though it must be described as economic, is inspired not so much by considerations of profit earning as by those of prestige. The presents made on the occasion of weddings, christenings, birthdays or name-days, for visits, celebrations and receptions, in short all that we call « social life » are essentially regulated by considerations of prestige.

Nor can it be said that the equal footing on which all profit-earning activities are placed in their relations with the State — which is held to be the most marked difference between the feudal and the bourgeois régimes — has ever been fully realised. The exercise of professions based — and more so in the past than now — on the personal reliability of those who exercise them, such as those of the pharmacist and the notary public, are still in many countries — and were yet more so in the past — subject to official permission. This has also been the case in the past — and is becoming still more so now — for professions which it is thought necessary to place under certain restrictions as otherwise they would encourage the spread of vice, such as public-houses, gambling houses, and bad houses. Government interference in the sphere of private activities gained ground under the authoritarian régimes and had spread the system of concessions to many manufacturing industries. Nor has the revival of democratic régimes led to the return to free private enterprise everywhere. In these cases the reason adduced for the limitation is that it is in the public interest not to increase beyond certain limits the number of undertakings engaged in certain branches of production, a reason similar to that which lay at the basis of the economic policy of the *ancien régime*. Besides these there are the licences required for opening shops selling goods on

which the public authorities have monopolies or for preparing the raw materials required in their manufacture. In all these cases the licences acquire an economic value, which may become the object of sale and purchase transactions when they may be ceded to others, and they lend themselves to bribery and corruption if they are not regulated on exclusively objective lines but depend on the discretionary powers of officials. All this is renewing, even if on a reduced scale, the drawbacks that accompanied the systems of the former régimes in Europe and Japan.

The epithet of « hedonistic », applied to bourgeois economy, describes its main but not its exclusive character.

In all periods there have been people who desired from life excitement rather than satisfaction of wishes. The warriors and adventurers who swarmed in mediaeval society have almost disappeared from our bourgeois life, but sports, and above all violent sports — boxing and foot-ball, mountaineering and polar expeditions, aviation — have come into fashion. The mania for records is accounted for by the thirst for excitement which in our modern life accompanies the appetite for satisfactions. When we see not only the followers of sports but also the most pacific and inactive persons of both sexes and all ages become « fans », to use the current expression, of this or that champion, of this or that team, we can see that the evolution of human psychology in this field also has attained a general character. Another expression of the same mentality is to be found in the wide circulation of yellow novels, dramas, and films. Again when we see that in the policies pursued by Governments those justified by economic considerations rank second to those justified by ideological ones, as was the case under the authoritarian régimes and is now persisting with unaltered force under the régimes that have succeeded them, we can clearly note the trend of mass mentality to shift from the plane of satisfactions to that of emotions. And a further proof of this may be seen in the importance the cold war is acquiring in international relations, a sure sign of the excitability of the populations.

There can be no doubt that even in the times in which modern economic society reflect-

ed most faithfully the bourgeois conception of life, not all earnings came from work, nor did work always secure earnings. « Conjuncture » earnings and losses always existed and there were always cases in which it was expedient to work at a loss; but the influence exercised by the « conjuncture » has been growing in importance — even in times of peace — with the growing prevalence of manufacturing industries in the realm of production, and in times of war and under post-war conditions it has become the decisive factor in determining business profits and losses. The fact that in this post-war period a theory has found wide acceptance that considers economic activities on the same footing as games is symptomatic.

Technological progress, the ever greater complexity and delicacy of manufacturing processes, the growing importance of good-will as a factor in business proceeds, the restrictions placed on the entrepreneur by social legislation, have had two wide-range effects.

One is that, before he can devote his energies to earning, a notable part of the work of the owner of a business has to be devoted to avoiding loss, as any slackening in his attention to its conditions almost always leads to deviation and disorganisation.

The other is that any interruption in production is much more injurious to the business than it used to be in the past, and therefore the expediency of continuing work at a loss occurs now much more frequently than formerly.

There can be no doubt that these circumstances are of notable social importance as they tend to make the personal interests of the entrepreneur coincide with the collective interest of the community, and the economic behaviour of the individual loses that eminently private character under which it appeared to the classic economist.

The current conception of modern economic organisation as that of an exchange economy based, as such, on principles of reciprocity, is only acceptable in the case of relations that exist outside the family group. And indeed, even in such cases, this does not always hold good, as actions inspired by charitable feeling and the desire to encourage the fine-arts are not governed by such principles. But in the

family, actions are generally speaking characterised by feelings of solidarity; the work of each member is regulated not by his own but by the collective needs of the family, and individual consumption is not regulated by the value of the services rendered but by their respective needs. In short, families are regulated on definitely communistic lines, and those who reflect on the importance of the economic activities carried on in the family groups will be forced to conclude that human societies, even governed by systems held to be strictly individualistic and capitalistic, are, as a matter of fact, largely regulated on communistic principles.

This may lead to the conclusion that a substantial change in the individualistic or communistic forms of social organisation may be expected to arise from a variation in the more or less close ties of solidarity that bind together the component members of the societies. Certainly in primitive societies the solidarity between their members is much closer than in modern civilised societies, and the individual practically disappears before the claims of the community. Yet undoubtedly, with the advance of civilisation, economic activities inspired by individual interests have gradually come more and more to the fore, and it may be that classic Economy was set up as a science just at the time in which individualism reached its culminating point. Since then an inverse process has set in from many points of view, due to the more marked economic solidarity between the members of the several communities, and this process is obviously still going forward, nor is it easy to foresee at what point it will stop.

Even in modern times there have been in all Western countries those who have preferred the negative solution of the problem of life, inspired by the desire to follow the line of least resistance, rather than a positive solution, inspired by the desire to secure maximum results.

Even in periods of the most frenzied energy — perhaps indeed, owing to the love of contrast, more especially in such times — there have been hermits, and monastic orders have been founded. The example set by the man who may be described as the most powerful and undoubtedly one of the most activist mo-

narchs of the modern age, Charles V, who, at the height of his power, renounced all the comforts and splendor and prestige of imperial life to retire into a convent, is a significant symptom of the bi-polarity of the problem of life that stirs the human will.

It has been said that every Chinaman is, under favourable circumstances, a follower of Confucius, the philosopher who advocated great reforms, and a follower of Laotse, the philosopher of inaction, when circumstances are adverse. Watered down, this may truly be said of all men; and it is indeed only natural that man should tend toward active solutions when his activity can be rewarded by useful results, and towards negative solutions when only petty or negative results can be hoped for. But this holds good in very different degrees for different countries and different peoples.

The activist solution is that favoured in bracing climates; the negative one in relaxing climates. The activist solution was deified by the Puritans; the philosophers of the Far East were the theoreticians of the negative solution; the Mediterranean civilisations have harmonised the two trends in a philosophy of moderation.

It is very evident from all that we have said that contemporary economic society is far from forming a homogeneous whole, governed by uniform or at least consistent principles. A careful study shows that it is rather an agglomeration of diverse elements, differing in origin, inspired by separate and sometimes contrasting principles — elements that have more or less reached very different stages of evolution, some representing relics of the past that are gradually being eliminated (or sometimes, on the contrary, reviving), others containing germs that will develop in the course of time. This has probably been the case in all the societies of the past. The life of societies, like that of individuals, is a constant process of transformation, the result of the manifold forces of the past and of the present and, through forecasts, of the future. Modern society has also always been undergoing a process of transformation, though perhaps never so much as now, and if some tendencies — for instance those towards the enlargement of political units and that towards the development of economic soli-

arity within each unit — are readily apparent, the range and direction of others may be uncertain.

...

The bourgeois conception of economics, while it is an important, perhaps the most important, factor of modern economic society, is not the only one; it has, moreover, lost ground and seems destined to lose more and more.

We should add that classic and neo-classic economics have only considered, in their theoretical schemata, one simplified aspect of bourgeois society which from certain points of view disregards more or less completely illicit, violent, destructive, irrational actions and considers mainly, if not exclusively, the normal development of economic life.

It is then only too natural that the need has long been felt, and now increasingly so, of completing in length and depth the traditional economic theory.

Enquiry may be made in two directions.

First of all by studying and theoretically elaborating one by one the several conceptions and manifestations of economic life that traditional economics had neglected, wherever and whenever they appear in their simplest forms, thus developing by the side of traditional economics, new branches of science in opposition or juxtaposition to them.

Thus side by side with Economic Physiology, which is the phase to which traditional economics have substantially limited their studies, there has been outlined the study of Economic Pathology, to which the experiences of this post-war period are constantly providing new material.

It does not seem an easy task to elaborate an economic theory that would take into consideration only illicit, violent, destructive, irrational actions, but the possibility of taking such actions into account in a more comprehensive economic theory should be considered. The endeavor above referred to, which had so wide an echo, of picturing economic behaviour as comparable to the behaviour of a gambler, although from certain points of view it would seem unacceptable, represents,

nevertheless, from this point of view, an approach to reality.

Moreover, if the populations that passed through the animal stage of production, or that of forced labour, or of the economy of prestige were unable, for one or other of the reasons above noted, to build up a theory of their economic conduct, this is no reason why such a theory should not be elaborated by the present day Western students of economic science, who are now in possession of data referring to sundry countries and ages, as well as of means and aptitudes. Many economists and ethnologists have indeed studied in recent years the economic organisation of primitive peoples who are still in the stage of animal production, or in that of the economy of prestige. Nor has there been any lack of historical enquiry into the economics of the States of classic antiquity and of the Middle Ages, in which slavery and serfdom flourished, although — so far as I know — no attempt has yet been made to use this material in working out a systematic theoretical construction. A glance that I have given at Japanese economy in the period preceding the forced opening of that country to contacts with the Western World, suggests to me that the study of the economic literature of that period might be of the utmost value in illustrating the working of feudal economy.

I believe that interesting work might also be done in other fields by elaborating the theory of the psychology of renunciation, of the ties of solidarity, of the conditions of a regressive society, of the energetic conception of life, in antithesis to the theories of the psychology of effort, relations of reciprocity, conditions of a progressive society, a hedonistic conception of life, which are at the basis of the traditional economic theories.

The direction outlined above is of an essentially analytical nature.

All the enquiries above suggested might be brought together under the inclusive title of *Integral Economy*. Side by side with *Bourgeois Economy* there would thus be the study of *Existential Economy*, *Slave Economy*, and *Feudal Economy*; beside the *Economy of profit* would find place the *Economy of prestige*; beside *Progressive Economy*, *Regressive Eco-*

nomy; *Hedonistic Economy* would be accompanied by the study of *Energetic Economy*; the *Economy of Effort* would pair with the *Economy of Renunciation* and the *Economy of Moderation*; beside the *Economy of Reciprocity* that of *Solidarity* would be studied.

The other direction that could be followed is a synthetic one, studying the behaviour of individuals and of social groups, or the structure and evolution of the several institutes as they occur in real life, being the result of all the factors that are separately studied and theorized on in the analytical direction.

This is the task reserved to *Economic Sociology*.

Here again some results have already been obtained, but so far they are only fragmentary. We may mention the old law of the transition of society from a stage of fruit gathering, or hunting, or fishing, to an agricultural or pastoral stage, and then to an industrial stage, and later on to an industrial-commercial stage, and lastly to an industrial-commercial-banking stage; the other old law of the transition from barter economy to monetary economy, and from this to credit economy; the progressive enlargement of an economic unit from the family to the tribe, and from this to ever larger organisations, until we reach the League of Nations and the U.N.O.; the law of the transition from the productive system based on the slave to that based on the craftsman, and from this to that based on the wage worker, leaving aside the Marxian forecast of an ensuing state collectivism; the law of the rise from the animal stage of production to the stage of compulsory work, from which one passes, or will pass, to the stage of free work under the two forms of the prestige economy and the profit-earning economy, and finally from this to the stage of willing work under the labourist economy; the association of the profit-earning economy with progressive accumulation, and thence to the development of the modern forms of civilisation.

All these are laws of Economic Sociology, because they are established through the observation of social phenomena and deal with social phenomena that are related to wealth.

Sociology, by formulating these laws supplies economic science with a general framework within which the several economic bran-

ches can be dealt with in independent but harmoniously coordinated treatises. It is to be hoped that systematic enquiries will be undertaken on a large scale that will lead to the construction of a doctrine illustrating the actual economic behavior of man and his relations with the other activities of social life.

It has been remarked that science progresses by alternate stages, in one of which the main thing is the collection of facts, while in the other the facts thus collected are used as the basis for the construction of theories. There is a widespread impression that in many directions, and more especially in that of economics, enough — if not too much — time has been

spent in developing theories about the facts collected by past generations on our Western societies, and that the time has now come for enlarging the field of vision and intensifying our observations in space and time. Of the observations already collected and of the new ones, account should be taken by attempting more comprehensive syntheses.

It is the purpose of this Congress to afford the students of Sociology and related sciences the opportunity of making their contribution in both these directions. Let me close my address by expressing the hope that the results of our meetings will serve this purpose.