

persists. Nothing is so important in the defense of the modern corporation as the argument that its power does not exist — that all power is surrendered to the impersonal play of the market, all decision is in response to the instruction of the market. And nothing is more serviceable than the resulting conditioning of the young to that belief.

XIII

The Response

WE HAVE SEEN that any exercise of power produces a generally similar and opposite exercise. So with the power of high capitalism. The response it induced began in the middle of the last century, although it had earlier manifestations. It centered not on the comparatively mild submission of consumers of the products of industrial capitalism (although, as railroad users, oil buyers, and others, they were heard from) but on the much more comprehensive, much more onerous submission required of its workers. Its sources were in personality and organization. The personality was that of Karl Marx, aided, abetted, and financed by his lifelong friend Friedrich Engels. The organization lay in the Workingmen's Association of 1864, usually called the First International, the parent of a great number of lesser and later groups.

As to the instruments of enforcement of the Marxist revolt: there was no appreciable continuing emphasis on condign power, but it would, of course, be required for the overthrow of capitalism in its last attenuated days. Nor was any compensatory power immediately involved; that would,

instead, be the reward of the better times after the revolution. Overwhelmingly, the Marxist instrument was conditioned power to the near exclusion of both of the other means of enforcement. It was to this that Marx devoted himself over a lifetime, as did his followers. His writings — *Capital*, *The Communist Manifesto*, and numerous lesser tracts — were the text even as the Bible and the Quran were for the religiously committed. From these works, in thousands of speeches, meetings, study groups, and union halls, came the instruction by his acolytes. As an exercise of power, it paralleled and, in many respects, rivaled that of the Church itself. Attacking property as a source of power, Marx showed, as no secular figure had before, how social conditioning could be an instrument for exercising power.<sup>1</sup>

2

Marx's use of conditioned power came to bear symmetrically on the classical economists who were the source of the conditioned power of industrial capitalism and also — a point of major Marxist emphasis — on the financial integument by which capitalist purpose was united. He accepted a basic tenet earlier postulated by Smith and Ricardo: goods have value in proportion to the labor incorporated therein — the labor theory of value. But it was Marx's case that only a fraction of this value was returned to the worker in his wages; surplus value in the form of interest, profits, and rents was appropriated by the capitalist. Wages were kept low by the pressure of unemployment — by the omnipresent industrial reserve army in urgent need of work. Should

<sup>1</sup> Of this Marx himself was certain. "In every epoch, the ruling ideas have been the ideas of the ruling class." Karl Marx and Friedrich Engels, *The Communist Manifesto*.

wages rise because of an unnatural scarcity of workers, this would provoke a crisis, in modern language a depression. Such crises, occurring with ever-increasing severity, would ultimately bring an end to capitalist power. Also inducing to the demise would be the great process of capitalist concentration: large capitalists would gobble up the smaller businessmen or force them into the proletariat. Not the competition of the classical economists but the monopoly they deplored was on the wave of the future. Along with the crises, attenuation and weakness from the concentration would contribute to the final collapse. While the system would fall largely of its own incompetent weight, Marx did not exclude some exercise of condign power — revolutionary action — when the day came.

Seeing the contemporary state as the instrument of capitalist power — "an executive committee for managing the affairs of the governing class as a whole" — Marx naturally saw the postrevolutionary government as the instrument of the now-triumphant workers, the workers' state. In that state, needless to say, workers would enjoy the full fruits of their labor. The organization that would make this possible remained, perhaps conveniently, obscure. Had the bureaucratic structure that would be required been fully envisaged, it would have cost something in approval.<sup>2</sup>

3

All of the above, and of course much more, passed from the pen of Marx into the conditioned belief that sustained his

<sup>2</sup> A point on which Joseph Schumpeter was prescient. "I for one cannot visualize, in the conditions of modern society, a socialist organization in any form other than that of a huge and all-embracing bureaucratic apparatus." *Capitalism, Socialism, and Democracy*, 2nd ed. (New York: Harper and Brothers, 1947), p. 206.

power. It was and remains an extraordinary achievement. For a century and more after it was written, it would capture the minds and thus the submission of millions. And there would be testament to its effectiveness from those who disapproved of and feared it. Marxist propaganda — social conditioning by Marx and his followers — became synonymous with massive evil. Marxist teaching in colleges and universities and Marxist books in libraries invited deep concern as instruments of his power. Those who voiced his ideas were kept on the social fringe; they were not to be trusted with grave public or private responsibility. As Marx rightly sensed the force of the conditioned power he challenged, so equally those who resisted him sensed his power.

## 4

Great as it was and great as was the fear that it aroused, Marxist power failed everywhere in the industrialized countries in face of the normal manifestation of industrial capitalist power. The latter, combining property and organization as sources of power with a strong deployment of compensatory and its own conditioned power, was too strong. The Marxist success came in the largely or wholly preindustrial communities of Russia and China,<sup>3</sup> where it was aided by the breakdown of the preindustrial state as the result of war and internal conflict. In both cases Marxist organization and social conditioning moved into a power vacuum — a context in which personality, property, and organization had dissolved as sources of power and condign, compensatory, and conditioned instruments of its enforcement had become nugatory or largely so.

Though Marx did not succeed in any practical way in

<sup>3</sup> As, in very marginal fashion, in Africa and also in Cuba.

Western Europe or Japan, his social conditioning was deep and enduring there. He was not as influential in Britain, where a less strenuous parliamentary socialism captured the anticapitalist response. And he had but slight effect among American workers. Once again the reasons are evident when the corpus of power is dissected. Marx, as a personality, was distant from the United States, far from being evocative to the American worker. The Marxist organization did not extend effectively across the Atlantic. Most of all, the social conditioning, which was superbly relevant to Europe, was much less so in the United States, where property was more widely possessed and wages were higher. Also, the American worker did not see his own submission to his employer as inevitable; he could escape to another job or, on occasion, to the frontier. His government, however subject to the needs of industrial capitalism, also conveyed a greater impression of accessibility to the individual than did the governments of Europe. It is at least possible, as well, that American workers were intellectually more immune to the social conditioning of economic and political thought than were their European counterparts. It was not part of their everyday discussion or prominent in their reading or education.

None of this is to say that the power of industrial capitalism in the United States failed to produce a countervailing effort. As the nineteenth century passed, the smaller property owners, particularly the farmers, found themselves in increasing opposition to the industrialists and more especially their financial allies, who were thought to be exercising their power to keep farm prices low and costs, including the cost of money, high. This produced the social conditioning — the countering agitation, particularly against the financial interests — that extended from Andrew Jackson to William Jennings Bryan. For the working classes the

Knights of Labor and the IWW (Industrial Workers of the World) also gave brief but vigorous expression to worker dissent. However, neither the agrarian nor the proletarian response succeeded in face of the vastly superior deployment of the various elements of industrial and financial power.

At the end of the century, Thorstein Veblen ridiculed the social observances and folk rites of the industrial rich with superb skill. In the years following, the muckrakers celebrated the avarice, cupidity, and, needless to say, the abuse of power by the capitalists. This, too, achieved a certain conditioned belief but was never a serious threat.

A more articulate and durable reaction to industrial power in the United States came not from Marx but from within the body of classical economics itself. According to its doctrine, capitalist power was to be countered by the operation of competition and the market; it was to be firmly in the service of the public, whatever the intention of its possessor might be. The dissenting response to industrial power in the United States accepted that all this was so; it was only that monopolies, highly visible in steel, oil, tobacco, and the railroads, were in palpable conflict with the competitive ideal. The answer to the power so asserted was to restore competition in those industries or, were that impossible, to provide suitable regulation. Thus the response to industrial capitalist power took the form of proposals for breaking up the great trusts, for the passage of legislation to this effect, and for regulation of the railroads. It was not without result. It brought the passage of the Interstate Commerce Act in 1887, the Sherman Antitrust Act three years later, and the Clayton Antitrust and Federal Trade Commission acts in the administration of Woodrow Wilson. In all of these actions those reacting to industrial power accepted the basic premises of industrial capitalist conditioning. The benefi-

cence of the market was not in doubt; it was only necessary that policy recognize and act where the premises did not hold.

It was also, as regards the power of industrial capitalism, a largely harmless response. Enforcement of the antitrust laws involved much cherished employment and revenue for lawyers and some inconvenience and cost to those whose power was so challenged. It had, however, a negligible effect on industrial development, including competition, and thus on the relevant source of industrial power. (There was no perceptible difference in the industrial development and resulting concentration in the United States, where it was policy to promote competition, and in Europe, where no such effort was made.) At the same time, the emotion and effort of those who reacted to industrial power were channeled harmlessly into demands and hopes that the antitrust laws might be enforced — a hope that, transcending all experience, is not yet quite dead. And even those most opposed to industrial power could continue to instruct the young in the desirability of market competition and in the prospect that one day it would be achieved. Had industrial capitalism designed the conditioned response to its own power, it could scarcely have done better.

A final word is necessary on the role and power of the state in the age of high capitalism. Marx's deathless observation that the state is the executive committee of the governing classes owes more to its brilliantly articulated core of truth than to its precise description of the reality. The power of the state — its laws and their condign enforcement, its compensatory power, as, for example, in the land grants to

the American and Canadian railroads, and its general social conditioning through education and the reiteration of the conventional wisdom on the values of work, obedience, self-help, decent frugality, and much more — was exercised on behalf of the industrial power and very often at its behest. The state was an extension of the instruments of enforcement of industrial capitalism; it did for industrial capitalism what industrial capitalism could not do for itself. That the United States government or that of Britain might be regarded as an enemy of business, a commonplace conception today, would not have entered anyone's mind in the middle of the last century.

But to assign the nineteenth-century state exclusively to the service of high industrial capitalism would also be wrong. Individual citizens with their privilege of the franchise had a similar claim on the powers of the government. The state protected persons as well as property; and, in a primitive way, it could be called on to protect persons from the deprivations of the possessors of property. And other interests — farmers, small businessmen, religious groups, in some industrial countries the old landed classes — had a certain access to government power.

Nor was all state power exercised on behalf of or at the behest of others. Reaching back to its own sources — its evocative personalities (Presidents, prime ministers, other politicians), its property, and its developing organization — government also deployed condign, compensatory, and conditioned power for its own purposes. Tendencies were present, notably in organization, that, in the twentieth century, would make government an independent force in the exercise of power. They would, as we shall see, make the word *bureaucracy* a synonym for such independent exercise and for its presumed abuse.

No one looking at the role of ideas in defense of capitalism in the last century — and extending into this one — or at those in conflict with it can doubt their service either in support of the power of the capitalist system or in opposition. Ideas made the industrial capitalist seem the powerless and benign instrument of the market; in response, countervailing ideas made him seem the prime force in subduing and exploiting the worker. Thus the strength of social conditioning both on behalf of the power of high capitalism and in symmetrical reply. A question touched upon in the last chapter remains: to what extent was this social conditioning deliberately and artfully contrived? To what extent was it the product of men — Smith, Ricardo, Malthus, Bentham, Spencer, Marx, Engels — who truly believed they were dealing with the reality?

Overwhelmingly, it was the latter. No one, indeed, should suppose that effective social conditioning is always confined to those who believe what they say. In modern times the vast and costly public relations and advertising industry avows personal, business, and political virtue and pursues legislative and market needs in a spirit of forthright contrivance. Those lucratively involved would not dream of believing what they invent or avow. Contrivance is a business on which truth does not impinge. In more subtle fashion, scholars and publicists who deal in social interpretation and description take account of their audience, and assess the quality of their own ideas, by the extent and volume of the reputable applause.

It was not so of the great exponents of capitalist conditioning. Or of Marx. It cannot be imagined that the classi-

cal defenders of high capitalism wholly ignored the approval they evoked. Marx, a man of notably independent instinct, behavior, and thought, was certainly not indifferent to the response of workers or above adjusting his writing and speech to enhance that response. But the strongest defense of capitalism — the most powerful social conditioning — came from those who believed deeply in the analysis, description, and prescription they offered. It was the same with those who led the attack. Social conditioning did not originate with those skilled in contrivance. It came, initially, from those who thought themselves deeply in harmony with the truth.

## XIV

## The Age of Organization

THE SOCIAL CONDITIONING of high capitalism was broad and deep. So was the countering response it engendered. And both continue influential to this day. The market remains to many the solvent of industrial power; the modern corporation is still thought to be led as by an invisible hand to what is socially the best. The Marxist ideas are still a specter of evil — or hope. And herein lies one of the problems of social conditioning as an instrument of power: it is accepted as the reality by those who employ it, but then, as underlying circumstances change, the conditioning does not. Since it is considered *the* reality, it conceals the new reality. So it is in the most recent great movement in the dynamics of power — the rise of organization as a source of power and the concurrent lessening in the comparative roles of personality and property. The older vision of the economic order is still avowed, and for it policy is still prescribed. Meanwhile a new order has arrived and has the modern relevance. Over this the older social conditioning spreads a deep disguise.

The rise of organization in modern times is, for those