

**Eastern Civilisation  
and the Breakthrough to Modernity in the West**

**An Essay in the Philosophy and Theory of World History**

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**Critical comments welcome**

*New article: Bortis 2019b (see References, p. 699 below)*

**Recent changes** (from 16-04-20 onwards) highlighted red, blue and green

*pp. 279-80 (green), p. 289 (green), p. 291-92 (blue), pp. 435-47 (some complements, red), pp. 447-50 (blue), pp. VII-VIII (blue), pp. 456-77 (blue and green), pp. 458-62 (green), pp. 467-68, pp. 477-81 (green), p. 482 (blue), p. 553 (blue)*

*[pages highlighted red indicate latest changes]*

***This essay is of an essentially co-operative character. It relies on all the works listed below and in the references, some of which are extensively presented, commented on and set in a wider context. Given this, all the authors presented and quoted should be considered co-authors to a higher or less degree.***

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*Meinem sudetendeutschen Grossonkel*

***Heinz Bartl***

*1900 – 1945*

*Aus Weipert in Böhmen*

*Opfer des Nationalsozialismus*

*Und seinen vier älteren Brüdern  
die im Ersten Weltkrieg  
für Österreich-Ungarn gefallen sind*

*In ehrendem Gedenken gewidmet*

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## Preface and Acknowledgements

A first draft of this essay was written in summer 2006. Since then some parts of the argument have been expanded, gaps were filled, complements made, and comments taken account of. However, the basic structure of the essay has remained largely unaltered. In fact, there is a new chapter at the outset on *the importance of the French Revolution and on the significance of the Russian Revolution*, and at the end of the essay three chapters have been added: *Ways ahead*, which contains a few remarks on some important challenges that will have to be faced by humanity in the short run as well as in the long term; in *some final remarks on progress and alienation* the interaction between progress and alienation, is alluded to; and there is also an *epilogue on a suggested interpretation of the course of history and its meaning*. Moreover, the section on *a more complete structure of human history*, which is part of the chapter on *concluding remarks*, has been divided into four subsections: *From the beginnings to the Great Transformation* and *Germany 1871-1945 and the Apocalyptic Age 1914-1945*. Subsequently, two further subsections have been added; the first is on *power in Modernity*, the second on *ethics and alienation*; here the theme of *the Apocalyptic Age 1914-1945* is further considered. In addition, the idea of structuring the *world as a family of nations* through *historical-geographical federations* has been introduced at the end of the section on *the world order of Modernity*; and a short chapter on *the vision and the values underlying the Essay* has been added at the outset to broadly situate the intellectual position of the essay. Moreover, a new, second, chapter on the *philosophical underpinnings of the second Great Transformation* has been inserted in the part on the *long-term policy implications and the underlying philosophy*. Finally, a more modest and also more precise title was formulated in summer 2008: *An Essay in World History* was changed into *An Essay in the Philosophy and Theory of World History*, echoing somewhat Friedrich Meinecke's *Zur Theorie und Philosophie der Geschichte*. The meaning of the full title now emerges more clearly. The problems involved in the subtitle preceding the main title – *Eastern Civilisation and the Breakthrough to Modernity in the West* – had set off the writing of this essay. There was, first, Joseph Needham's question: Why did the Industrial Revolution take place in Europe, not in China, who was scientifically and technically more advanced? And, second, there was the question of Eurocentrism: Is Europe, and the West, really exceptional and superior, or is this an optical illusion (Marshall G.S. Hodgson)? In the main title, the term *Philosophy of World History* is associated to the question: *What is World History?* This echoes E.H. Carr's "*What is History?*" and puts this question, rather immodestly, in a wider context. This immodesty is counterbalanced by the

term *Essay*; indeed, the present text is to be considered a *tentative and*, in Keynes's sense, *probable starting point* for further considerations, including of course *critique*, and *not* a more or less authoritative final account. This also holds true of the *Theory of World History*, which deals with the question *how* World History basically went on. Two *Axial Ages* linked through *Christianity* stand in the centre of considerations. Karl Jaspers' first *axial age* brought the worldwide breakthrough to the problem of *Truth*, the second *axial age* is associated to the *Breakthrough to Modernity in the West*. In this context the particularity of Europe emerges: Europe as the *Laboratory of World History*.

Perhaps, one should also remark that the philosophy of history deals with basic principles of thought or of action, picturing the fundamental forces at work in world history; the theory of history is about implementing, so to say, these principles in some historical situation. Moreover, both philosophy and theory of history are shaped by a specific vision of Man and his destiny. In fact, the Catholic vision of Mankind in History underlies this essay.

Finally, this essay is of a *collective* nature. All authors presented extensively and quoted should, therefore, be considered as co-authors to a higher or less degree.

At the end of December 2008, when the essay seemed nearly completed, the latest book by Eric Voegelin (2008) was indicated to me: *Die Krise - Zur Pathologie des Modernen Geistes*. It has immediately been decided to add it to the works commented on; subsequently, Voegelin's book has been mentioned at several instances, and a special section based on this work has been added in the final chapter of the essay (*Epilogue*). [The immense importance of Voegelin emerges from the jacket presentation of Voegelin \(2008\): "Die 'geistige Krise' der westlichen Moderne bildet den Mittelpunkt, um den das Denken Voegelins kreiste. ... Unter dem Titel 'Die Krise' verfolgte \[Voegelin\] jene intellektuellen und politischen Strömungen seit der Aufklärung, die zur Zerstörung der geistigen Grundlagen der westlichen Zivilisation führten und schliesslich in den totalitären Regimen des 20. Jahrhunderts ihren blutigen Höhepunkt fanden."](#)

[This essay implies that the social and political sciences must be based upon a social-cum-political philosophy, anchored in theology, that is upon a comprehensive \*Weltanschauung\*, if intellectual \(scientific\) work is to proceed in an orderly way. Probably, a similar statement may be made for the natural sciences. The natural sciences ought, on a fundamental level, to unveil the Greatness of Creation, the applied natural sciences should be guided by the respect of Creation \(Nature\), \(Ehrfurcht vor der Schöpfung, der Natur\); alienation in the domain of nature shows up in disruptions of the harmony of nature, global warming being a telling](#)

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example. In this context, Klaus Schwab, the founder of the Davos Forum, very aptly stated: *Die Corona-Krise ist ein Warnschuss der Natur.*

All this implies, that *Metaphysics* is, in the sense of Aristotle, the ordering science. The necessity to restore metaphysical thinking, which is also *ganzheitliches Denken*, is one of Voegelin's main messages.

Given this, the fundamental importance of Christianity, specifically of Roman Catholicism, in relation with Europe as the Laboratory of World History, irresistibly moved to the fore in the final stages of writing up the essay. This is not only true for general intellectual and spiritual reasons as are put to the fore by Eric Voegelin, but also on specifically social philosophical and theological grounds. Indeed, the theologian Henri de Lubac conceives of Catholicism as of an *essentially social* doctrine. Given this, the differing significance of the notion of the *social* permits to make suggestions on the meaning of History. For these reasons an additional section has been added to the last – *Epilogue* – chapter, *The essentially social nature of Catholicism and the meaning of history – Henri de Lubac*. Moreover, given its great importance, de Lubac's work on *Catholicisme* has been included in the list of books commented on. Obviously, the point is just to establish a link between this essay and Henri de Lubac's immensely important book. It is not possible to allude here to its wide and deep content, not even broadly.

Through Henri de Lubac's book this essay acquires a new dimension, in fact the dimension of social and political *theology*. Indeed, neoclassical economics may be considered the economic theory of liberalism, which, in turn, is the social philosophy of Deism and Protestantism. On the other hand, Classical-Keynesian Political Economy, set forth in Bortis (1997/2006, 2003a), represents the economic theory of Maynard Keynes's Social Liberalism, which, in a wider view, may be considered the social philosophy of Theism and Catholicism. Considering the present socio-economic and political situation worldwide, it will be suggested that the doctrine of Social Liberalism really meets the requirements of the day, and, as is very likely, of the future. This is entirely in line with Catholicism, which, *fundamentally*, is, and has always been, a religion of humility, serving Humanity in all domains. This proposition is set forth repeatedly and has clearly emerged in the very latest stages of writing up this essay and is, on the basis of the notion of the *social*, definitely argued in the final section of this text.

*This is of course not to deny that at the level of accidentals more or less grave imperfections have been, and are, present within the Catholic Church, as is, incidentally, always the case in human affairs. The shortcomings of individuals, the pursuit of power, not taking account of the probable nature of knowledge (Keynes), which may be associated with too rigid an application*



*of principles to a complex real world, are instances in point. It will be suggested that these imperfections all represent some kind of alienation, which, necessarily, is always present to a greater or less degree in individual and social life – human beings will never be able to create a perfect world – this would imply tyranny; a reasonably good society is all that can be achieved. The problem of applying principles to complex and more or less alienated real world phenomena will be alluded to in the section on ‘Fundamentalism in religion and science’ in the chapter on ‘Ways ahead’.*

*In this context, it must be mentioned however that many imperfections of the Catholic Church may be associated with the Zeitgeist prevailing at a certain epoch, for example at the epoch of the Renaissance, or with contradictory positions taken by worldly and ecclesiastical institutions: for instance, feudal lords of all ranks against the Church led by the Pope. Moreover, there have been persistent attempts to discredit the Roman Church through denoting specific events as scandals, for example Christian cruelties in the course of the Crusades and through the Inquisition, the persecution of witches, the systematic application of torture, persistent Antisemitism, the vicious life of Pope Alexander VI and so on.*

*Now, in an excellent book (Der Skandal der Skandale – Die geheime Geschichte des Christentums, Unter Mitarbeit von Professor Dr. Arnold Angenendt), the German psychiatrist and theologian Manfred Lütz convincingly argues that the negative picture of the Church that emerges from these clichés is largely misconceived. Lütz’s book, addressed to a large public, is, in turn, based on the fundamental scientific work of Arnold Angenendt: Toleranz und Gewalt: das Christentum zwischen Bibel und Schwert. The books by Angenendt and Lütz as well as the works of Mitterauer and Voegelin confirm our conjecture: On the whole, the march of the Roman Church through history is majestic and triumphant. And, as is very likely, Catholicism will decisively shape the future history of Mankind in the spiritual, intellectual and socio-political domain, mainly because the Roman Church is equipped, as has been pointed out by Soloviev for example, with very solid foundations in theology and philosophy and a long-lasting teaching experience in all levels of education; however, Catholicism also possesses a sound social philosophy and a carefully worked-out system of social ethics based on the fundamental principle of the Common Good which, in turn, is associated to the principles of Solidarity and Subsidiarity. On these social philosophical and social ethical foundations, a system of Social and Political Sciences may be erected, grounded on a solid system of political economy, dealing with the great issues of political economy: value and price, distribution and employment most importantly. Such a system of economic theory enables, in turn, coherent policy making on the socio-economic level, essentially with policy*

*actions permanently directed at establishing full employment, that is, the absence of involuntary unemployment, and at bringing about a fair distribution of incomes within the social process of production, such that redistribution may be reduced to a minimal level. However, permanent policy action is also required in the cultural sphere in the widest sense of the term, including, for example, the education system, and, most importantly at present, in the sphere of the natural environment, aiming at bringing about sustainable economic activity. All these policies must be coordinated so as to approach the Common Good as closely as is possible for fallable human beings.*

At the end of 2010, beginning of 2011, some additional elements have been introduced into the subsection *Germany 1871-1945 and the Apocalyptic Age 1914-1945*. Above all, the causes of the Second World War have been stated more clearly. In fact, a kind of Capitalist International, aiming at destroying the Soviet Union, was, in all likelihood, the driving force for this Second Great War in the 20th century. This is nothing but the powerful Marxist thesis, according to which Fascism is the ultimate consequence of Monopoly Capitalism and that World War II was *essentially* a war between Capitalism and Socialism, with capitalist rivalries, Germany and Japan versus the United States of America and the British Empire, also playing an important role; in the course of the War a rivalry even developed between the USA and the British Empire. However, contrary to the Marxist thesis, we maintain that the traditional leadership of the *Reichswehr* and, in large part, of the *Wehrmacht* was, in the tradition of Bismarck, strongly opposed to a war with Soviet Russia, as were, incidentally, the overwhelming (silent) majority of the German people; in fact, leading traditional German officers and eminent politicians eagerly looked for an occasion to get rid of the Nazi regime; this occasion never came because of western Appeasement Policy and the betrayal and abandonment of Poland. All this led to changing the main purpose of the subsection *Germany 1871-1945 and the Apocalyptic Age 1914-1945*. Until the beginning of 2011 the emphasis was on attempting to understand and to explain the Apocalyptic Age on the basis of the crucial role plaid by Germany; now, based on broadly understanding the time-period 1914-1945, the primary aim of this subsection is *to do justice to Germany and the Germans*. To be sure, *many Nazis were criminals*; however, *the greatest criminals are to be found outside Germany*. Moreover, the subsections *Germany 1871-1945 and the Apocalyptic Age 1914-1945*, *Some remarks on power in Modernity* and *Notes on ethics and alienation – the Apocalyptic Age 1914-1945* further considered all imply that *Germany may be proud of her history again, and the Germans proud of their country, in the same way as all other European nations, including of course Russia.*

Finally, over the years, numerous small points have been added or existing passages extended. Given this and all the complements and extensions mentioned above, this essay has gradually evolved into a large and loosely structured *Flickenteppich* (rag rug).

Originally, the intention has been to write a joint review of Hobson (2004), Mitterauer (2003) and Seitz (2003). The basis for this undertaking should have been a more or less strong critique of Eurocentrism set forth in these books. Indeed, the works of Hobson and Seitz are explicitly non-eurocentric, and, contrary to the conventional view, Mitterauer argues that Europe's specific way started in the Early Middle Ages, but does not make any claim as to European superiority. Very soon, however, the project of a joint review appeared impracticable. In fact, the three books deal with widely differing themes, and this would have meant writing three largely separate reviews, linked together only by a more or less pronounced anti-eurocentric stance. Given this, the idea to only criticise Eurocentrism based on the arguments of the authors of the books to review was found to be highly unsatisfactory. Something positive, that is a broadly coherent and comprehensive alternative to Eurocentrism, had to be established. This required no less than an attempt to *Rethinking World History* (Marshall G.S. Hodgson) in view of attempting to set up a very broad world historical sketch which, in its being non-Eurocentric, would have to put all civilisations and, equally, so-called 'primitive' peoples on the same level, as far as basics or essences are concerned. This broad, but yet unspecified vision would necessarily involve far-reaching and deep-going implications, some of which at least would have to be brought to the open. Moreover, such an outline would inevitably contain a very great number of white spots, mainly due to the limited capacities of a single author dealing with a highly complex problem in a very short period of time, the lack of capacities being aggravated by the fact that the author of this essay is not a historian, but eventually relieved somewhat through his being a political economist, since, indeed, political economy had emerged and has remained the key social science of the modern era. In any case, the three books originally to be reviewed had to provide the topics and the colours to paint over some of the numerous white spots, each becoming thus a part of a great world historical picture. The same is true of the books commented on, that is, originally, Haas (1956) and Jaspers (1955/1949), and in fact of all the works quoted in this essay. Hence the role of the literature put to use here is not to strengthen an argument developed by the author of these lines; in fact, the works commented on and quoted in this essay *make up* the argument, the role of the author being, more modestly, to put, on the basis of a specific vision of history, the various parts of argument at their approximately right place, to establish links between them, and to elaborate and to complete the whole picture. Hence, the role of the

literature put to use in this essay is to cover spheres of reality the author is not familiar with, filling thus large gaps in the argument, and to set up connections with wide fields of knowledge, to finally get a reasonably complete picture exhibiting some basic features of the process of world history. In other words, the authors commented on and quoted here have provided larger and smaller elements of a huge puzzle, which the author of this essay has attempted to put together, and to complement in some instances, to end up in a very broad and rough sketch of reasoned world history. Given all this, the authors quoted in this essay, specifically those commented on, should, in a way, be considered *co-authors* of this essay. To be sure, this is an unusual procedure, but is perhaps the only possible way to deal with an immensely complex phenomenon in a very short period of time, in fact, in the spare time left after the normal university teaching and research activities since summer 2006.

This way of proceeding explains the specific nature of this essay and the title page. Indeed, after some time following up the completion of the first draft, a year or so, the books originally to be reviewed were included under the works to be commented on. Subsequently, the initial idea underlying these lines has been carried on: the books considered had to be put at their approximately appropriate place within a wider framework of historical consideration shaped by a specific vision. A broad, though reasoned, synthesis of all the works quoted and commented on has thus been tentatively established. This specifies the nature of this essay in the philosophy and theory of world history. It may be added that the 'review style', originally adopted to comment on Hobson (2004), Mitterauer (2003) and Seitz (2003), has been maintained.

As just alluded to, a very complex problem can only be tackled on the basis of a vision, and we may already mention here that, on the most fundamental level, the *Creationist vision* underlies this essay - there must have been an outside intervention to create the *various* forms of life -, not the presently dominating evolutionist view, which, as will be suggested, would inevitably lead to Eurocentrism.

*To avoid misunderstandings, the Creationist vision, implying that the whole must, by necessity, conceptually exist before its parts in all instances, seems to be compatible with Evolution to some extent, but not with Evolutionism, which postulates that entities, the various living creatures for example, emerge spontaneously from their basic constituent elements.*

The basic role plaid by the vision implies that the argument set forth in this essay, necessarily, cannot be conclusive. Scientific proof is, in a Keynesian vein, impossible if the phenomenon considered is very complex, mainly because of intricate part-whole relationships; moreover, a very complex phenomenon may be seen in the light of different visions; given this, one can only attempt to convince as to the most plausible vision. This is associated with a specific theory of knowledge, Aristotelian realism to wit, to which Maynard Keynes has given a new impetus through his logic of probability. On the basis of a comprehensive metaphysical, theoretical and historical-empirical argument the human mind may establish what is *probably essential or constitutive* to a phenomenon, even to a complex phenomenon. The degree of probability will depend upon the extent and the quality of the evidence considered.

This essay is broadly structured through the attempt to approximately understand and to interpret two momentous world historical events: Karl Jaspers's *Achsenzeit (Axial Age)* and the *Breakthrough to Modernity in the West*, which, as will be suggested, may be considered another *Axial Age*. What is the world historical significance of *Achsenzeit*, which, according to Jaspers, had occurred simultaneously in Europe (Greece), India and China, broadly between 800 and 200 B.C.? And why could the breakthrough to Modernity have come about in the West only, in spite of probable Eastern superiority in the economic-technical sphere in the centuries preceding the breakthrough?

The attempt to provide a very sketchy, but reasoned outline of world history starting from these questions is obviously a daunting task. Given this, it can only be tackled on a social basis and is, consequently, an *essentially social* undertaking. The author of this essay is, in the first place, immensely indebted to all the great authors he was privileged to have become acquainted with during his academic life in nearly five decades. In this context, two outstanding introductions into *traditional* philosophy must be mentioned: first, the excellent *Lehrbuch der Philosophie* by Bernard Kälin O.S.B., in use, not only at the *Humanistische Gymnasium* but also at the *Commercial Section (Handelsschule)* - attended by this author - of the Kollegium *Spiritus Sanctus* in Brig (Valais-Wallis, Switzerland) in the 1950s and slightly beyond, and, second, Johannes Hirschberger's great *Geschichte der Philosophie*, which both set out the works of Plato and Aristotle, and Thomas Aquinas, in comparison with other philosophical systems and put them into historical perspective. Both, Plato and, even more, Aristotle, and, implicitly, Thomas Aquinas, have, in turn, been put to use, mostly by implication though, by Karl Marx and Maynard Keynes, to contribute to the understanding and the analysis of complex socio-economic-cum-political phenomena of the modern world, seeing *Man and Society as entities*; this clearly emerges from Fitzgibbons (1988), Carabelli

(1988), O'Donnell (1989), Rosdolsky (1974), and Bortis (1997/2006, pp. 118-30 and chapter 7, pp. 349-417). For example, it is well known that, in Keynes' view, the social and political sciences are essentially moral sciences, a fact that permeates his entire work: "[Indeed,] Keynes's innovation was to reconcile economics with the older traditions of moral and political philosophy" (Fitzgibbons 1988, p. 3).

Given this, the philosophical systems of the two great Greek philosophers and of Thomas Aquinas, and the application in their spirit to the immensely complex socio-economic and political problems of the modern era by Karl Marx and Maynard Keynes, have provided the conceptual foundations underlying this essay.

Secondly, however, the profound debts of this author also go to his teachers on all levels of education and learning. In a representative vein, only one may be mentioned here: Basilio Mario Biucchi, originating from Ticino (Switzerland), who lectured on political economy and on the history of economic theories in the University of Fribourg/Switzerland for about three decades just after the Second World War. Basilio Biucchi was really *the* scholar in the sense proper, having an immense knowledge of the primary and first class secondary literature in the social and political sciences. He made generations of students familiar with the great socio-economic problems and the solutions proposed by the great authors. Dialectics, dealing with contradictions, was for Biucchi the great avenue to deeper knowledge. To know about alternative theories, of value, distribution and employment, for example, is, in a Keynesian vein, *emancipation of the mind*, he told his students, and this will prevent you from becoming *a slave of some defunct economist*, Keynes again. Biucchi's complete openmindedness showed up most forcefully in his splendid lectures on Karl Marx in the midst of the Cold War. These lectures, always based on the original writings of Marx, *Die Frühschriften* and *Das Kapital*, were unique and therefore attended by students from all over Europe; incidentally, Biucchi did not see any contradiction between Marx's early writings and his later work, that is, between Humanism, equal to Socialism, and structuralism/determinism, a basic characteristic of Capitalism. Indeed, while putting to the fore Marx's profound critique of capitalism, Biucchi was relentlessly emphasizing Marx's deeply humanist vision of Socialism and urged us to read Adam Schaff, and others. Biucchi's endeavour was always to broaden and deepen the knowledge and to open the mind of his students: *If you want to understand Marx, you have to know something about Hegel*. By coincidence, in the 1960s, and beyond, the great Polish – Dominican - philosopher I.M. Bochénski delivered, in French, grandiose lectures on *Hegel, Marx and Lenin*, which, subsequently, were regularly attended by some of Biucchi's history of economic theory students.

This essay would never have been written, had there not been the profound intellectual influence Biucchi exercised on his students. And more: after a preliminary exam in political economy in summer 1965, at a time when the Soviet Union was at her *apogée* and Western capitalism boomed like never before, Basilio Biucchi told me, in a visionary vein, something like this: ‘Socialism with Central Planning is a War and Crisis System not in line with Marx’s humanist project; and Capitalism will inevitably experience a deep crisis again. Given this, the day will come when a middle-way alternative will be needed. Therefore, you ought to get familiar with Keynes’s original writings, and you should try to do some comprehensive and systematic work in the field of the intermediate way between capitalism and actually existing socialism.’ With these remarks, Basilio Biucchi had set me an intellectual aim I was able to pursue for the whole of my academic life, the most precious gift an academic teacher can make to his pupil.

Broadly from 2008 onwards, various colleagues, collaborators, former students, and friends, have read, entirely or in part, different drafts of this essay. However, given the fact that the essay deals with very sensitive and controversial problems, no names of persons still living are mentioned here, so as to implicate nobody. However, I should like to thank all of them most warmly, and I hasten to add that, of course, all responsibility regarding form and content of this essay remains entirely mine and that nobody should be associated to the arguments set forth in this essay. My special thanks go to my teacher in economic theory at Fribourg University, the late Professor Florian Fleck, whose father originated from Stuttgart, and who in 1942, at the age of eighteen, had to join the German navy as a U-boat seaman until the end of the War; as his assistant for four years, I got from him, and indirectly, his father, a precision engineer (*Feinmechaniker*) working in a machine tool factory at Stuttgart (*Werkzeugmaschinen-Fabrik*), invaluable inside information on German-Soviet relations during the years of the Weimar Republic, and beyond, World War Two and the Third Reich, one can find in no history book.

The first draft of this essay has been written without any interruption, and subsequent drafts should, equally, be readable without a break. Therefore, no numbers have been used to mark chapters and sections; instead the corresponding titles are always written in full. Moreover, there are very few cross-references, and many repetitions are made to recall fundamentals or to avoid misunderstandings. Finally, no footnotes have been made; complementary remarks and short digressions have been put into italics or within square brackets, and separated from the main text. All this should render reading easier.

Moreover, several warnings are to be given here. The first is on the way of presenting the argument. The present essay is indeed a *composition* forming an integrated entity and *not* a straight-line argument starting from certain premises and ending up with definite conclusions. This means that each part stands in a specific relationship to the whole of this essay and, as such, also has a definite significance within the text as a whole. Given this, it would, in fact, be illegitimate to consider specific sentences or passages in isolation. Seemingly one-sided statements are, as a rule, counterbalanced somewhere else in the text. Moreover, many passages and arguments, taken for themselves, may be only partly true or even wrong, although the argument as a whole may be broadly sound. Given all this, as Keynes suggested (Collected Writings XIV, p. 470), „much goodwill ... and a large measure of co-operation [will be required from the reader]. [For it is] of the essential nature of economic, [social and historical] exposition that it gives, not a complete statement, which, even if it were possible, would be prolix and complicated to the point of obscurity but a sample statement [emphasizing probable essentials], so to speak, out of all the things which could be said, intended to suggest to the reader the whole bundle of associated ideas.“

The second warning is on *criticism*. Whenever socio-economic systems like Monopoly Capitalism and totalitarian Socialism are criticised, the criticism is directed at the system, not at the individuals who act within the system, and whose actions may be largely determined by the – institutional-technological – system; in this sense, criticism of the system will also be exercised in relation to the modern legal system and to the entire body of neoclassical mainstream economics; again, the criticism does *not* refer to lawyers working normally within the existing legal system and to neoclassical mainstream economics doing economics honestly within the existing theoretical framework of neoclassical theory. The basic idea is that the science of law and neoclassical mainstream economics have, in a way, become autonomous and have, as such, decisively contributed to the falling into pieces of the traditional social and political sciences, which, perhaps, had reached its highest degree of unity in Marx's work. This process of breaking up is perhaps expressed best by the title of two great works in *pure* law and *pure* economics respectively: Hans Kelsen's *Reine Rechtslehre* and Léon Walras's *Eléments d'Economie Politique Pure*. The splitting up of the traditional social and political sciences into quasi-autonomous fractions seems to be a result of the individualistic Enlightenment vision already mentioned above. In our view the *social* must be brought back to the social and political sciences, to political economy in the first place, to give these sciences a unity badly required if these sciences are effectively to come to grips with the immensely complex reality of the modern world. What has been said on law



and economics also holds for large parts of the modern education system and all those active in this domain.

This implies that the very great majority of the social individuals act morally and legally correctly, with some even being morally outstanding. An exception arises, however, if some individuals or groups of individuals do not act in line with the “rules of the game” (Joan Robinson), for example, using some kind of force to obtain access to final product markets and/or to raw material reserves, or realising abnormally high profits through imposing very bad work conditions on their workers, including excessively low wages.

*In fact, the rules of the game represent a kind of socially accepted second or even third-best ethics in moderately alienated situations. Partly, the rules of the game may be, and, in normal circumstances, are implemented through positive law. Another part of the rules of the game may be made up of mutually accepted social and individual norms and of social conventions; rules of behaviour for individuals and groups in all spheres of life are particularly important. In heavily alienated situations, with strong power concentrations, despotism and arbitrariness will prevail, however, with ethics pushed into the background on the social and political level, though not on the level of most individuals; indeed, in deeply alienated circumstances, wars and persecutions for example, the number of individuals acting in a morally outstanding way is likely to increase. This is to say that an increasing alienation of the system may go along with higher ethical standards for the majority of individuals, which, in the long term, may lead on to a reduction of system-caused alienation through a change of the regime for example. Contrariwise, in a state of natural liberty, with system-caused alienation reduced to a minimum, the principles of natural law, as are in line with the social nature of Man, may potentially be applied to all domains. In the spirit of Gustav Radbruch, the principle of distributive justice would be fundamental in public law, and the principle of commutative justice (justice in exchange, *ausgleichende Gerechtigkeit*) basic in private law. However, we shall argue time and again, that these basic Principles of Law can only be implemented appropriately in all domains of social and individual life if there is a very strong social and political theory, most importantly a solid system of Political Economy, which has become the key social science of the modern era.*

*All this is to say that, in the end, the natural will always and irresistibly win through, even if very long time-periods may be involved. This explains the optimism embodied in the present essay.*

## XVIII

Moreover, criticism involving some country is, of course, not directed at the people of the country in question, but at some power centre operating within a more or less alienated socio-economic and political system. This power centre may comprise socio-economic-cum-political groups exercising directly or indirectly a crucial influence on the policy making of governments at a fundamental level, that is regarding system policy, aimed at maintaining the system; relying upon the system, some individuals pertaining to the power centre may pursue actions that are seemingly in the general interest, which, in fact disguise the pursuit of the interests of the power centre. Quite normally, then, these power centres act in their own interest, making extraordinary profits through not following the generally accepted “rules of the game” for example. The behaviour of the members of such power centres may even be contrary to the general interest of their country.

As a rule, then, in a socio-economic system or in some country, a very few individuals and small social groups are, as a rule, involved in more or less gravely violating the “rules of the game” in the widest sense, and, in this way, eventually discredit large numbers of honest people and even entire countries, also great nations.

The *third* warning is about a purely technical element regarding translations from German into English of large passages of the four books in German among the works commented on, that is, Jaspers (1955/1949), Mitterauer (2003), Seitz (2003), and Voegelin (2008). These translations are, in each case, denoted as ‘author’s translation – a.tr.’ and the only aim has been to broadly reproduce the content of the various passages quoted. Nevertheless, linguistic precision has been attempted and perfection of the literary style has been sought as far as this has been possible.

## Introduction

### Problem and plan

The breakthrough to Modernity with all this notion encompasses is still almost exclusively seen as a European matter: the Industrial Revolution in Great Britain, the subsequent stupendous progress in the natural sciences and in technology, the Political Revolution in France, later in Russia, the doctrines of Liberalism and Socialism, capitalism and democracy, socialism and central planning, the coming into being of political economy and economics, also of sociology and the modern political sciences, and of rational, historical and sociological theories of law; Descartes's philosophical *tabula rasa* leading up to the Copernican Revolution in philosophy through Kant, the optimism of Enlightenment, confident into the ultimately all-pervasive explanatory power of science and linking up with a philosophy of history based upon the notion of unlimited progress. Max Weber's assessment of these dramatic changes in the *Vorbemerkung* to his *Gesammelte Aufsätze zur Religionssoziologie* has become the classic formulation of *Eurocentrism*: „which interconnected set of circumstances has, on occidental soil only and only here, brought into being cultural phenomena carrying the seed of universal importance and significance? For example, only in the Occident there ‚science‘ in a sense which, at present, we recognise as valid‘ - „welche Verkettung von Umständen, hat dazu geführt, dass gerade auf dem Boden des Okzidents und nur hier, Kulturererscheinungen auftraten, welche doch [...] in einer Entwicklungsrichtung von universeller Bedeutung und Gültigkeit lagen? [Zum Beispiel gibt es nur im Okzident] „Wissenschaft“ in dem Entwicklungsstadium, welches wir heute als „gültig“ anerkennen“ (Weber 1988/1920, vol. I, p. 1). „And, in new and modern times, the Occident only knows about a form of capitalism as it never existed somewhere else: the rational-capitalistic organisation of (formally) free labour‘ - „[Und nur] der Okzident kennt in der Neuzeit [eine] nirgends sonst auf der Erde entwickelte Art des Kapitalismus: die rational-kapitalistische Organisation von (formell) freier Arbeit“ (Weber 1988/1920, vol. I, p. 7).

*Michael Mitterauer pointed out to me that, precisely in relation with these Weber quotes, Wolfgang Schluchter, presently perhaps the leading expert on Max Weber, distinguishes between heuristic and normative Eurocentrism (Schluchter, in Hans Joas/Klaus Wiegandt, eds (2006), pp. 244-45). Schluchter suggests that Max Weber used the notion of Eurocentrism in the heuristic sense; he considered Europe specific and, as such, unique, but not superior to other civilisations as normative Eurocentrism would imply.*

Implicitly, Mitterauer also adheres to heuristic Eurocentrism, when he deals with Europe's specific way – *Sonderweg* – (Mitterauer 2003), and so we do in this essay, specifically when we speak of Europe as the Laboratory of World History. Thus, whenever, in the following, we speak of Eurocentrism we have in mind normative Eurocentrism.

The *normative* eurocentric view considers Europe as unique *and* superior since it is in Europe only where the preconditions for fundamental socio-economic, technological and cultural change existed, precisely because of her superiority, relegating, in a first step, the 'rest of the world' to a state of backward immobility. Indeed, the *twin revolution* in the second half of the 18th century, the English Industrial Revolution and the French Political Revolution, brought about an immense technological, socio-economic and political transformation, the transformation of traditional hierarchical societies dominated by nobility and clergy to modern (formally) egalitarian bourgeois societies, with parliamentary democracy and free market economies. In view of this Great Transformation (Karl Polanyi), an English historian remarked that an Englishman living around 1750 stood nearer to a Roman soldier serving under Caesar than to his great-grand-children living around 1830 (see Landes 2003, p. 5). The Great Transformation constitutes doubtlessly a turning point in the history of mankind. In a *normative* eurocentric view it was the work of Europe who, based on Greek culture, seemed to be chosen to lead the whole of mankind to a bright future characterised by scientific progress and economic growth, and, as a consequence, steadily increasing material well-being which, possibly, would be the basis for an ever richer and more refined cultural life. Indeed, the way in which the Great Transformation is perceived largely determines the manner in which we look at the course and the meaning of world history.

The books commented on here, modify or even challenge the *normative* eurocentric view of world history. This also holds for most of the books quoted. The works in question all require, at least implicitly, a *Rethinking of World History* (Marshall G.S. Hodgson) and, as a consequence, suggest more or less vigorously that the *normative eurocentric* view must be recast or even abandoned to open the way in favour of a balanced *global* view, a true *World History*. This is by no means to diminish the great achievements of Europe, prepared by the European *Sonderweg* (Mitterauer), nor to overvalue other civilisations. Indeed, in the following it will be argued that *all civilisations stand on the same footing*, each *civilisation* being characterised by a *specific way fundamental values* are realised to some degree of perfection. Asia has, on the one hand, certainly greatly contributed to preparing the breakthrough to modernity (John Hobson and William Haas) in Europe. On the other hand,

the breakthrough to modernity could have come about only in Europe, and this represented not only a great achievement for humanity, but also led mankind on a path full of perils as the catastrophes of the 20th century and the present precarious socio-economic, political and ecological situation attest. It may well be that, supported by European conceptions, the approximate solutions for the problems of industrial modernity may come from the East, who through the achievements of China, India and the Islamic regions, has greatly contributed to perfecting civilisation in the premodern Agrarian Age.

*Nevertheless, it will be suggested in this essay, that Europe, the Laboratory of World History, should take the intellectual lead in the movement towards a natural world order, Social Liberalism to wit, which, on the level of doctrine, emerges from Maynard Keynes's New Political Economy (Athol Fitzgibbons). Indeed, in this period of crisis, strong historical lines of force (historische Kraftlinien) are required to lead Humanity on the way toward a natural world order. And these lines of force are present in Europe in the main.*

This is broadly in line with Jack Goody's impressive vision: "Looking at a wider front, the knowledge system and the arts of China and Japan were in the same league as the West, at least until roughly the fifteenth century. Indeed in certain important ways the East had been more 'developed'. It was not the case that the achievements made by the West in the classical period saw them comfortably through to modern times, providing a comparative advantage for the later take-off: the decline in the early medieval period was only too apparent. During the intervening millennium after the classical period Europe in many ways lagged behind in knowledge, the arts and the economy. Looked at over the *longue durée*, there was an alternation in achievement based on the common attainments of the Bronze Age. Over the centuries we find a swing in the pendulum with one advancing on one front at one time, another at a different stage. At other periods similar developments were taking place in both regions, partly in parallel (they were building from similar bases), partly by adoption (that too made possible by the similar backgrounds). [...] And it is a pendular movement that continues today, with the East now beginning to dominate the West in matters of the economy" (Goody 1996, pp. 231-32). And it may well be that, in the near future, the East in general, China in particular, through relying on Confucian political philosophy, implying the ideal of social harmony, going along with social or distributive justice, and eventually supported by a system of political economy along classical-Keynesian lines, will more fully master industrial modernity on the social and political level, too. And the West might follow suit through

relying on *Social Liberalism* and the associated political economy founded by Keynes (Bortis 1997, 2003a), which implies a neo-Aristotelian approach to political philosophy (Brown 1986). Indeed, Keynes basically argued that the problems of political organisation of modernity can be tackled only through relying on traditional social and political philosophy which is based on ethics. Given this, Confucius and Aristotle, two towering figures of Karl Jaspers's *Achsenzeit* (*axial age*), whose affinity is evident, might become beacons in the tempest of Modernity.

Several interrelated questions arise in relation to our problem: How did the advanced Eastern civilisation combine with particular Western development processes so as to produce the Industrial Revolution in England and the Political Revolution in France both of which are the basis of Modernity? Was there a significant, perhaps even decisive, impact of the East on the West (John M. Hobson) or were developments parallel and, in a way, immanent, interactions between civilisations not excluded (Michael Mitterauer)? And, inevitably, why did, in spite of the brilliant achievements of the Chinese civilisation, the Industrial Revolution not take place in China, given China's undisputed scientific and technological lead (Joseph Needham, taken up by Konrad Seitz)? Moreover, what was the nature of Chinese civilisation, which held a dominating position on the world level, from about 500, when the West Roman Empire broke down, until 1800, when the effects of the Industrial Revolution in England were gaining momentum; and what consequences might ensue from China's return to the world scene (John M. Hobson and Konrad Seitz)? In this essay, it is attempted to give tentative and very sketchy answers to these and related questions.

The *central purpose* of this essay is to provide a broad sketch of a reasoned World History, through putting the books commented on and quoted here into a wider world historical context. These works in fact picture *aspects* of one great drama, World History, which forms a unity. From the broad world historical sketch set out here it will emerge that *Eurocentrism* is an 'optical illusion' (Marshall G.S. Hodgson) and that all civilisations have, directly or indirectly, actively and passively, participated in the coming into being of the modern world. Moreover, it may well be that civilisations that seemed backward hitherto may, in the future, take the lead in the movement of World History, politically, economically and on the cultural level.

This leads to the *content* of this essay. In the first place, *the vision and the values underlying the essay* are set forth to broadly situate the intellectual position (*weltanschauliche Position*) of the essay and to relate it to the present situation. Subsequently, in the first part on the Philosophy of History, chapter one is about the *philosophical* stage to be set to prepare for

coming to grips, necessarily very tentatively, with the immensely complex problem tackled in this essay. It is, in fact, postulated that, while human beings, societies, and civilisations are *essentially* the same everywhere, they may come into *existence* in very different forms. To bring out the fundamental forces driving world history and their differing realisations in East and West on a fundamental level, a very wide philosophical view has to be taken. This will allow us to broadly capture the implications of the differences between East and West for the course of world history, that is, to provide a broad sketch of the Theory of World History. In the second chapter of part one, *further remarks on method* are made, concerning links between the socio-economic system, the material basis – surplus scheme, and other spheres of society at large, the legal, political, social and cultural spheres.

The first chapter of part one starts with *some remarks on method* are made, also because of Haas (1956) who makes use of a ‘metaphysical’ method, not widely used at present. These remarks lead to some suggestions on the *human mind and the acquisition of knowledge*; in this context Haas (1956) argues that the mind worked in an entirely *different* way in East and West - at least until the outset of the twentieth century approximately; maybe, at present, we witness a *temporary* broad standardisation of the working of the mind along American shaped Western lines. Subsequently, *the same invariable human nature and the differences between civilisations* are considered. The next section - *The natural state and alienation* - is about the relation between the normative (the natural) and the positive states of affairs. This leads on to considering the *driving forces in history* and the *structure of human history*. The introductory part ends with putting the structure of history into a wider context: *The structure of history and the invariable nature of man*. In chapter two of the first part, the central *importance of the surplus principle* is emphasised. Subsequently, it is suggested that *Political Economy* has become *the key social and political science* of the Modern Era, that is, the epoch following up Karl Polanyi’s Great Transformation. Finally, some aspects of the use of the surplus are being considered.

The second part, Theory and Philosophy of History, is dominated by the theory of history, with the philosophy of history in the background. The opening chapters are devoted to the first two books commented on in this essay, *John M. Hobson [The Eastern Origins of Western Civilisation]: Asia influences Europe, but does not dominate her*, and *Michael Mitterauer [Warum Europa? Mittelalterliche Grundlagen eines Sonderwegs]: Europe sets the stage for the road to Modernity*. This leads on to considering *the sequence of events in Europe* and *the Industrial Revolution – a chemical mixture explodes*. Indeed, a great number of development lines had to combine and to interact in order to bring about the Industrial

Revolution, which initiated the breakthrough to Modernity, on a relatively small offshore island in Europe. There is some analogy in this event to John Eccles's (1984) grandiose vision that the Universe had to be created so immense to be able to produce the preconditions for the creation of life on a small and almost insignificant planet of some solar system. In relation with the English Industrial Revolution *the importance of the Great Revolution in France 1789 and the significance of the Russian Revolution 1917* are briefly considered. Next we turn to the East to comment on a third book: *Konrad Seitz [China – eine Weltmacht kehrt zurück]: The Sequence of events in China*, followed by *East and West in a Wider Context*; here, the significance for interpreting world history of Karl Jaspers's immensely important notion of *Achsenzeit (axial age)* is briefly considered. The next chapter - *William Haas: East and West are entirely different* - is devoted to a very important book by this author: *The Destiny of the Mind – East and West*. In the first three sections the basic principles structuring Eastern and Western civilisation are presented and compared, *Europe: Unity in Variety*, *Asia: Juxtaposition and Identity* and *East and West*. The final sections of this chapter deal with some implications of a fundamentally important issue taken up by Haas, the problem of institutions: *Institutions in East and West* and *Institutions in a wider context*. This prepares for the section on *Institutions and Modernity* contained in the final chapter: *Concluding Remarks: some fundamental issues related to the breakthrough to Modernity*. Next we turn to the *attempts to master the effects of the Great Transformation*. This is followed by a glance at the present situation: *Assessing and evaluating Globalisation*. The next two chapters are normative in character and are, as such, about the mutual implication of the *natural order within states* and the *natural political world order*. Is the latter a global economic empire, or will large political formations (Europe, the Americas, China and India) struggle for predominance, or, as will be argued, should the world simply constitute a family of co-operating societies and states, eventually structured by historical-geographical federations? In the concluding chapter some fundamental issues related to the breakthrough to Modernity are dealt with. There are five sections. The first summarises the overall argument, while extending it somewhat: *A more complete structure of human history*. This section is divided into four subsections: *From the beginnings to the Great Transformation* and the crucial subsection on *Germany 1871-1945 and the Apocalyptic Age 1914-1945*. The next two subsections are on *power in Modernity* and on *ethics and alienation, with the Apocalyptic Age 1914-1945 continued*. In the subsequent sections of this concluding chapter, four particular themes are taken up: *The necessity of theorising, institutions and Modernity, from history to history proper through reducing alienation*, and *from the philosophy of history to the science*



*of comparative civilisation*. There are two final parts, the first being *Long-term Policy Implications and the Underlying Philosophy*. In the first chapter of the part, *Ways Ahead*, some concrete long-term policy measures are suggested to eventually initiate a movement away from the present – alienated - neoliberal order in direction of a – natural – social liberal world order. The second chapter of this chapter deals with the *philosophical underpinnings of the Second Great Transformation*. The final part of the essay – Philosophy and Theory of History – contains two chapters: *Final considerations on progress and alienation* and an *Epilogue on a suggested interpretation of the course of history and its meaning*.

The content of the essay is broadly structured through its title. *The vision and the values underlying the essay* is the object of the next chapter. The chapter on *setting the stage: putting to the fore some fundamentals* and the two final chapters on *progress and alienation* and on *the course of history and its meaning* are essentially of a philosophical nature, dealing with principles, and, probably and tentatively, addressing the question: What *is* World History? All the central chapters (part two on the Theory and Philosophy of History) are predominantly theoretical, that is about the implementation of principles, attempting to tentatively answer the question on *how* World History probably went on; however, in these chapters, the philosophical underpinnings are always, implicitly, in the background, or are more or less explicitly put to the fore. Part three is on some long-period policy implications, and, in part four, the philosophy of history is, again, put to the fore, with the theory of history in the background.

It goes without saying that, given the immense complexity of the problem tackled, the propositions made in this essay are bound to remain extremely sketchy and tentative and, of course, *probable* in Keynes's sense (see below in section on *some remarks on method*). In fact, given the limitations of time, the evidence that could be taken into account is, necessarily, utterly limited in relation to the immensity of the object considered. Most of the – throughout excellent – works put to use in this essay have been selected at random, not on the basis of systematic knowledge of the literature, the only 'fix-point' being the eleven books commented on. Around this core the essay has been organised. This necessarily means that a large number of books, not to speak of articles, crucial to the problem investigated, have not been taken into account, due to a lack of knowledge, sheer ignorance or simply because of limitations of time. However, relying heavily upon the core books just mentioned has enabled the author of this essay to deal with spheres of reality he is not familiar with. In this way, crucially important gaps in the argument outlined in this essay could be filled in, broadly completing thus the world historical picture sketched here.

In this essay, we have attempted to take a very wide view so as to be able to reconcile different, even opposed and seemingly contradictory standpoints. In fact, the aim of this essay is to put the books commented on and quoted into a wider perspective such that they appear as representing different parts of one great picture. The various theories, explanatory frameworks and theoretical visions considered here, are, therefore, not, in the first place, competing, but essentially complementary.

The complementarity between theories arises because the present essay is based on a specific *comprehensive* vision of Man as a reasonable social being having a specific destiny. This metaphysical basis, and reference point, enables us to put the various elements of analysis – principles and theories, pure and applied - used here at their approximately right place. In fact, each theory has something to say on some positive or normative dimension of the real world. The problem is to find out which principles are more plausible when complex phenomena are to be understood or which theories are more successful in explaining specific facts. We have already suggested that the main subjects considered in this essay, set out in the main title, are a very rough outline of a *philosophy of history*, related to the question: *what is world history?* On account of the Creationist vision underlying the essay, the philosophy of history set forth here also has some affinity to a specific *theology of history*. The *theory of history*, telling us *how* world history went on in some selected spheres, builds on the philosophy of history. Given this, the theory of history comprises, most importantly, selected aspects of *socio-economic and political history*. These core domains have been linked to other spheres: to *theology and philosophy* through Jacques Maritain (1984/1935 and 1984/1936), Kehl (2006) and Eccles (1984), to *social philosophy* through Brown (1986), Schack (1978) and Bortis (1997/2006, ch. 2), to *metaphysical social psychology* (Haas 1956), to the *social and political sciences* in general and to *political economy* in particular through Bortis (1997/2006 and 2003a) and to the *natural sciences* through Eccles (1984) and Kehl (2006). More specifically, it has been suggested above that classical-Keynesian political economy emerges from Keynes's Social Liberalism; on account of Henri de Lubac's *Catholicisme*, the social philosophy of Social Liberalism implies a specific *social and political theology*.

The possibility to link some scientific domain to other spheres of science on the *basis of a specific vision of man and of society and of the destiny of man* should broaden the potential for *interdisciplinary work*. In fact, such work is possible only if each social and natural scientist reveals his vision of man and his destiny underlying explicitly or implicitly his theories. For the vision shapes the approach chosen and the theories elaborated on the basis of some approach. Consequently, approaches and associated theories become intelligible and

comparable only on the basis of the underlying visions. In this undertaking, the vision selected, creationist or evolutionist, neoliberal or social liberal, provides the reference point.

The method put to use in this essay may perhaps be illustrated most appropriately by an analogy. Indeed, on account of the surplus principle political economy is already basic for understanding and explaining what went on in premodern, agrarian societies. However, as far as thinking on modern world history, that is, world history since the Industrial Revolution in Great Britain and the Political Revolution in France, is concerned, political economy stands at the centre of our intellectual endeavours to come to grips with what has happened since the Great Transformation. In a way, *political economy* has emerged as *the key social science of Modernity* and may, as such, be considered the *trunk* of the tree of the social and political sciences, history, the humanities in a wider sense, and even theology. The *branches* of the tree are given by the social and political sciences in a wider sense: sociology, law and politics, with various ramifications; philosophy and the fine arts would form the cultural branches of the tree. The roots of the tree are made up of anthropology and ethics, social and political philosophy, dealing with the nature of man and of society, social and political ethics, inquiring about the good life and the good society. These fundamental considerations on human nature inevitably lead on to the supranatural dimension inherent to man as a social and political being, that is, theology. Of course, the roots are also ramified to a large extent. Finally, in the course of history the fundamental forces pictured by the tree of sciences are implemented in most various ways, and scientific history attempts to come to grips with the development in time of facts and ideas. As such History emerges as the universal science dealing with the origins, the path in time and the destiny of Humanity.

Given this, it should be noted that the argument of this essay is based on political economy, the trunk of the tree of sciences. Implications for the branches and the roots are brought out whenever required. To avoid misunderstanding it should be noted that political is considered the key social science and even the key human science in the widest sense of the term from a *methodological point of view only*. The underlying idea, due to Karl Marx, is very simple, but highly relevant: each human activity, social, political, intellectual, or spiritual, requires some material basis; before human beings may think and act, they must be able to live decently; at least they must be able to survive. However, if the *content* of the sciences making up the tree of sciences is considered, the roots and the branches are of course more important. In a way, political economy is an ancillary science in the same way the economy is ancillary for society and the state, comprising the social, intellectual, cultural and spiritual activities going on within political societies.

The methodological difficulty is that there are various and basically different systems of science, that is, several trees of science. The problem is to select the most appropriate tree to come to grips with the philosophy and theory of world history in the most convenient way.

Given all this, it should be evident that this essay *is not*, and could not be, *a definite final result*, but represents a *tentative* and *probable starting point* to think about Eastern civilisation and the breakthrough to modernity in the West in a world historical context by considering some implications and consequences of this momentous event. Most importantly, this means to broadly sketch a *philosophy* of world history, trying to probably answer the question as to *what* world history is; subsequently, building upon the philosophy of history, it has been endeavoured to work out a probable *theory* of history, which aims at tentatively answering the question on *how* world history fundamentally went on.

It has already been suggested that, certainly, many partial arguments set forth in the present essay are likely to be problematic or even wrong. Given the scope of the essay, this is quite normal and not very important, since knowledge about complex phenomena is bound to be more or less probable. What is important, however, is that problematic arguments should give rise to criticism and discussion. This also holds for the basic, Creationist, approach underlying this essay. All in all, we do feel, however, that the argument as a whole, grounded upon the Creationist vision, is rather solid, in spite of the problematic character of some partial arguments.

Given all this, we turn, in the next chapter and in the next part, to some issues related to the philosophy of world history. In the subsequent chapter, some remarks are made on the vision and the values underlying the essay. In the following part, the stage is set through putting to the fore some fundamentals in the philosophy of history, which, it could be said, are all basically Aristotelian-Thomistic, adapted to Modernity through an elaborated version of Maynard Keynes's theory of knowledge, social philosophy and political economy.

### The vision and the values underlying the Essay

Dealing with fundamentals in the social and political sciences, including of course economic theory, is always a highly complex undertaking, above all if the historical dimension is taken account of as is the case in this essay. Given this, reasoning and analysing must necessarily build upon a pre-analytical vision as Joseph Schumpeter, the great Austrian political economist, wrote in his celebrated *History of Economic Analysis* (p. 41). There are indeed no

realistic hypotheses to serve as a starting point for a scientific argument if the problem is complex. There are too many interrelated factors to be considered; consequently, the empirical test becomes impossible. Moreover, these factors change in historical time, rendering each historical situation unique. Given this, the hypotheses shaping an argument must emerge from a vision; *hypotheses* here stand for most probable or most plausible *principles*, whereby *probable* is used in Keynes's sense to be broadly sketched subsequently. As a consequence, the meaning and the significance of a complex social and historical argument appears much more clearly if the vision underlying it brought to the open. To do so for the present essay and to allude to the values associated to the vision is the purpose of this short chapter.

In this essay it is suggested that neither Capitalism nor Socialism are adequate doctrines to master the socio-economic and political problems of the immensely complex world that has emerged from the Great Transformation in the second half of the 18th century. As a consequence the essay builds on the *social liberal* vision of man and society, and the associated social and political philosophy, broadly based upon Aristotle and Aquinas, and closely linked to Maynard Keynes's vision, articulated in his political philosophy and his political economy. The social liberal system of political economy and its links to other social and political sciences and to social philosophy are sketched in *Institutions, Behaviour and Economic Theory – A Contribution to Classical-Keynesian Political Economy* (Bortis 1997/2006); the analytical foundations of Classical-Keynesian Political Economy are set forth in *Keynes and the Classics – Notes on the Monetary Theory of Production* (Bortis 2003a); extensions of the argument are in Bortis (2013a and 2013b).

*In Bortis (1997/2006) the – middle-way - alternative to Liberalism (Monopoly-Finance Capitalism) and Socialism (with Central Planning) is denoted Humanism or Comprehensive Humanism. Subsequently, this term has been replaced by Social Liberalism, which seems far more appropriate to designate the elaborated form of Maynard Keynes's social philosophy of the intermediate way. In this essay, the term Humanism is given a wider meaning through Jacques Maritain's Humanisme Intégral, comprising the natural and supranatural dimension of human nature.*

At this stage, we just mention two salient features of the political economy of Social Liberalism. First, classical-Keynesian political economy implies that, in a modern monetary production economy, there is no tendency towards full employment at all.

Given this, the state must, in cooperation with society, persistently pursue an employment policy, aiming at approaching full employment as closely as possible. Second, distribution is, in the social liberal vision, not a market phenomenon, but is the outcome of complex socio-political processes; in fact, distribution is, positively speaking, a matter of social power, normatively an issue of distributive justice which is at the heart of social ethics. Since asymmetrical power relations, reinforced through involuntary unemployment, may lead on to increasing inequalities, incomes and employment policies are therefore required to get as nearly to full employment as is possible and bring about a socially acceptable distribution of incomes, with the principle of distributive justice realised to the largest extent achievable by fallible human beings. In a Keynesian vein, a high employment level and a broadly fair distribution of incomes, are essential socio-economic pillars of an orderly functioning economy (Keynes 1936, specifically pp. 372 ff.) on which, in turn, the good society, realising the Common Good as far as this is possible for human beings, can be erected.

For reasons to be set out below, the wider world historical view taken in this essay builds upon the Creationist vision, which implies the existence of a Natural Social Order, intimately linked to the state of Natural Liberty, conducive to the prospering of the social individuals. And the state of natural liberty is about the pursuit, in very different ways, of the fundamental values of Goodness, Beauty and Truth in all domains.

The *state*, the *family* and a *public education system*, all in line with human nature, would be fundamental social values associated to the Natural Order. To this natural order within states would add a natural international order. It will be argued that the social liberal world should be conceived as a *family of nations*, structured by historical-geographical federations.

Given the immense complexity of the modern world, and given the fact that monetary production economies are not self-regulating, the *state* should be relatively small or medium-sized to be governable, and good government should aim at realising as closely as possible the Common Good within a polity, in cooperation with neighbouring and other polities. It has already been suggested that, in a Keynesian vein, employment and distribution are the fundamental issues to be broadly solved. Given the difficulty of governing, large states would have to decentralise according to the principle of subsidiarity. Given this, the *souvereign* small and medium-sized state, which has grown historically, stands at the center of the natural world order to be sketched subsequently. This state might, as a rule, join a historical-geographical federation of neighbouring states. The federal authorities would deal with common problems of the states making up the Federation. On the top of the *supranational* hierarchy, the United Nations Organisation would have to take care of problems common to

all historical-geographical federations of the world, for example, the problems of exhaustible resources and of the preservation of the natural environment.

The essentially *public* nature of the *education system* on *all* levels is crucially important, since access to education must be possible for all and without substantial fees for students. This is essential for social mobility and the continuing renewal of the social and political elites. According to social liberal political doctrine these elites would not be there to exercise power, and to eventually enjoy privileges, but to serve the country. Moreover, it will be argued that education in line with human nature should produce generalised openminded and emancipated thinking. This way of thinking is a precondition for a good and proper functioning of the human, social and political sciences, but certainly also for the natural sciences, as well as for public affairs, that is, democracy in the proper sense of the term, consisting in a dialogue between the government and the people, mainly through the intermediation of the Parliament.

The *traditional Western family* is an essential factor of social stability. The institution of the family must, however, be adapted the modern conditions of life. For example, day nurseries, financially accessible to all families, are fundamentally important for the professional activity of women.

In this social liberal order the social individuals would gradually develop into persons unfolding in most diverse ways their invariable human nature with each person having her own substance and, as such, being unique.

All this may sound conservative and anti-modernistic and, as such, frightening, because of eventual totalitarian implications. The contrary is true, however. Indeed, in the spirit of Jacques Maritain, what seems to be *anti-modernistic*, turns out to be *ultra-modernistic*. For example, according to social liberal doctrine, the fundamental role of the state is, precisely, not coercion through law and order, but to create institutions or to encourage the coming into being of institutions such that the scope of freedom for the social individuals is as large as possible. This social liberal view of the state implies the existence of a specific economic and monetary world order along Keynesian lines. According to this order, all international transactions are to be carried out on the basis of an international currency, Keynes's Bancor. Each country should have its own currency in order to be able to pursue an incomes policy aimed at establishing a broadly fair distribution of incomes and, very importantly, a full employment policy. Given this, the stability of the world real and financial system would be greatly enhanced.

In fact, these policies are required because monetary production economies are not self-regulating. And, a broadly fair distribution of incomes and full employment are preconditions for co-operation within and between states, and the state of natural liberty leading on to the prospering of the social individuals. Contrariwise, a very unequal distribution of incomes and heavy involuntary unemployment may result in a struggle for survival, and, eventually to conflicts between social, ethnic and religious groups within polities, and even to conflicts between states. Indeed, in subsequent chapters, it will be argued that to implement the natural social liberal order within states and on the world level mutually imply each other.

According to social liberal doctrine, the nation and the nationalities state, are thus of fundamental importance. Indeed, within each country orderly socio-economic and political conditions have to be brought about, as well as a specific cultural life. This provides the basis for co-operation between states and societies in the economic, social and political spheres and for mutual enrichment on the intellectual and spiritual level, rendered possible through cultural diversity. It will be argued below that the social and political situation could be stabilised worldwide through setting up historical-geographical Federations bringing together countries with a common historical background and/or linked through geographical factors, and having, as a rule, common problems, for example the sharing of water resources. The world as a family of nations structured through historical-geographical Federations would, as follows from Bortis (1997/2006), be compatible with high levels of international trade based upon the principle of comparative advantage (Bortis 2003b), sustainable economic activity worldwide, and, very importantly, full mobility for all individuals on a world level would be possible with high employment levels everywhere.

A world order along these – Keynesian - lines implies replacing the external employment mechanism through the internal mechanism of output and employment determination. Here economic activity would not be export led, but be governed by public expenditures and private consumption; economic activity would be set into motion by government expenditures and private consumption would crucially depend upon income distribution, which, given broadly stable prices, governs the general purchasing power of the population; indeed, the demand for consumption goods increases with given income if income distribution is more equal (Bortis 1997/2006, pp. 190-98). And, once again, the internal mechanism of output and employment determination would be compatible with high levels of international trade, which is a necessity, for small countries above all.

Hence, with the internal employment mechanism international trade would become a matter of peace and cooperation, not a possible source of conflict, a struggle for world market shares



for final products and for access to raw material and energy resources to wit, as is the case with the external employment mechanism (Bortis 1997/2006, pp. 319-48). Maynard Keynes had expressed this idea in the midst of the Great Depression of the 1930s: „If nations can learn to provide themselves with full employment by their domestic policy there need be no important economic forces calculated to set the interest of one country against that of its neighbours. There would still be room for the international division of labour [based upon the principle of comparative costs and on the exchange of surplus production against goods lacking domestically] and for international lending in appropriate conditions. But there would no longer be a pressing motive why one country need force its wares on another or repulse the offerings of its neighbour, not because this was necessary to enable it to pay for what it wished to purchase, but with the express object of upsetting the equilibrium of payments so as to develop a balance of trade in its own favour. International trade would cease to be what it is, namely, a desperate expedient to maintain employment at home by forcing sales on foreign markets and restricting purchases, which, if successful, will merely shift the problem of unemployment to the neighbour which is worsted in the struggle, but a willing and unimpeded exchange of goods and services in conditions of mutual advantage“ (Keynes 1973/1936, pp. 382–3). This implies a socially appropriate management of imports, i.e. adapting the import coefficient relating to non-necessary goods to full-employment output (Bortis 1997/2006, pp. 333-37). This type of policy action restores, in the first place, national sovereignty with respect to long-period economic, social and environmental policies. Pursuing a full-employment policy by stimulating domestic demand, private and public, and securing an equitable distribution of incomes becomes possible again. Second, and of equal importance, freedom with respect to organizing a country-specific way of life, based upon the system of values prevailing in each country, is also restored. This would contribute greatly to maintaining cultural diversity worldwide, which is, in fact, threatened by the very strong and standardizing domination of the *economic factor* presently at work. Indeed, the essence of freedom consists in the possibility of individuals organizing their social and individual lives in accordance with a generally accepted hierarchy of values. Perhaps, the citizens of some countries want to work very hard to achieve material aims. However, the international economic order should be such that this does not lead to a disruption of the way of life in other countries through the external employment mechanism.

Hence import management also renders possible the elimination of the external – mercantilist – employment effect aimed at increasing the level of economic activity in some countries at the cost of others, and the elimination of the potential sources of conflict associated with this

effect. Keynes was very explicit on these issues: “I sympathise . . . with those who would minimise, rather than maximise, economic entanglement between nations. Ideas, knowledge, art, hospitality, travel – these are things which should of their nature be international. But let goods be homespun whenever it is reasonably and conveniently possible; and, above all, let finance be primarily national” (Keynes 1982/1933, p. 236). In this context he went on to argue, that „a greater measure of national self-sufficiency and economic isolation than existed in 1914 may tend to serve the cause of peace, rather than otherwise. At any rate the age of economic internationalism [broadly from 1850 to 1914] was not particularly successful in avoiding war [...]“ (Keynes 1982/1933, p. 237). These statements of the greatest importance are still valid today. They constitute an essential element of the argument regarding the natural world order set out in this essay.

Later on Keynes elaborated his conceptions for shaping the post-war world (Keynes 1980/1940-1944). The Clearing Union was an *essential* element of this post-war order. Each country would have her own money and international transactions would be carried by means of a world currency, Keynes’s Bancor. The Bancor would certainly greatly enhance the stability of the world real and financial system. This point seems of considerable importance in view of the instability of the world economic, monetary and financial system as emerged in the 2008/09 crisis. In any case, *Keynes’s Bancor will certainly be an essential element of a peaceful social liberal world order.*

It is of the greatest importance to note that Keynes made all these propositions in the midst or at the climax of the Apocalyptic Age. In the face of the terrifying events that took place in this age, Keynes made, out of a very deep conviction, all the efforts possible for a human being to elaborate an alternative to Capitalism and Socialism on the level of socio-economic theory and policy. Indeed, during his whole life, Keynes worked relentlessly on his social liberal project and, as a consequence, he died of his third heart attack at Easter 1946 at the age of sixty-two. In the third volume of his great Keynes biography, Robert Skidelsky says that Maynard Keynes died on the battle-field, fighting for the international position of post War Britain; and one could add, that Maynard Keynes had been struggling for the whole of his life to work out an alternative to Liberalism and Socialism, to contribute to improving the general human condition, in fact, to fight for a better world. This social liberal alternative implies, as Athol Fitzgibbons suggests, a New Political Economy (Fitzgibbons 1988), which culminates in Keynes’s celebrated *General Theory of Employment, Interest and Money*. Joseph Schumpeter plausibly argues that this work grew out of a vision, which took form in his *Economic Consequences of the Peace* (1919). Given this, it can reasonably be assumed, that

Keynes's vision was decisively shaped by the First World War. The Great Crisis of the 1930s and the Second World War strengthened the vision once acquired.

At this stage, a possible misunderstanding regarding Keynes and Keynesianism must be eliminated. Indeed, after the Second World War, broadly from 1948, the year Samuelson's *Economics* was published, to 1973, when the Monetarist counterrevolution set in, Keynes's vision implying a New Political Economy has been reduced to monetary and fiscal policies. These policies are based on specific, liberal-neoclassical equilibrium interpretation of Keynes through the IS-LM-model, which pictures a simultaneous equilibrium on the markets for goods (IS) and money (LM). This specific theoretical interpretation of Keynes's work, and the associated fiscal and monetary policies, represent minor, and debatable, aspects of Keynes's overall work. Following up the oil-price crisis that started in the early 1970s, Keynes was even squeezed into a Walrasian framework through Neo-Keynesianism (Walras without auctioneer; disequilibrium prices may result in quantity restrictions and thus to unemployment) and New Keynesianism (unemployment occurs because of imperfect competition, leading on to sticky money wages and prices above the fully competitive prices). At present, the *dynamic stochastic general equilibrium model* constitutes the core of present mainstream economics; however, the mainstream economists themselves get increasingly aware of the grave shortcomings of the neoclassical-Walrasian approach (Caballero 2010, p. 85). In spite of the immense problems linked with the mainstream approach, the neoclassical-Walrasian framework still constitutes an impressive fortress protected by almost undestructable mathematical walls.

To successfully attack the pre-modern neoclassical-Walrasian market or exchange citadel, based upon the *principle of supply and demand* intimately associated to the *marginal principle* and *rational behaviour*, heavy classical-Keynesian monetary production artillery is required. The guns must be made up of the fundamental principles governing the functioning of modern monetary production economies. Two principles are of classical origin: the *labour value principle* summarizes the *essential features* of the immensely complex social process of production, the *surplus principle of distribution* implies that the distribution of incomes is, positively, a problem of social power, normatively, of distributive justice situated at the heart of social ethics. Keynes has provided a third principle, the *principle of effective demand*, as is related to determining the scale of economic activity. These three principles imply that money plays a fundamental role; in fact, the processes of production and circulation simply could not go on without money, since goods are never exchanged against other goods, as is the case in a neoclassical-Walrasian framework, but always against money, which also acts as a store of

value and, as such, is intimately connected to the financial sector. It is of the utmost importance to bring together these principles in a coherent theoretical scheme that may be set into opposition to the neoclassical-Walrasian framework. Indeed, as emerges from Keynes's economic and philosophical work, *to act on the basis of principles is the most appropriate way to act rationally in a complex and rapidly evolving real world, about which we have imperfect and probable knowledge only and where uncertainty about the future always prevails* [on probability in Keynes's sense see O'Donnell (1989, specifically Part I)]. The great problem is to uncover the most plausible principles on which to base our actions. Given this, to *make economics fit for purpose* requires working out a fundamental classical-Keynesian system of pure theory to bring to the open how monetary production economies essentially function and to compare this theoretical system with the neoclassical-Walrasian one. This will enable us to tentatively judge as to which of the two approaches is more plausible and, as such, fit for purpose.

Given this, we have, in this essay, attempted to work in the spirit of Keynes, not always taking him literally. It has simply been tried to elaborate Keynes political ideas on the basis of Aristotelian social philosophy and to associate his fundamentally important principle of effective demand with those of *classical* political economy, specifically François Quesnay and David Ricardo. The result is the social philosophy of *Social Liberalism* and the corresponding system of *Classical-Keynesian Political Economy*. Both are broadly sketched in Bortis (1997/2006 and 2003a). In the social liberal view, the state is, in an economic perspective, not a repair shop to redress market failures, as is the case with liberalism, but is of a long-period, in fact, of a permanent nature, that is, to create institutions or to favour the coming into being of institutions adapted to the mentality of the people of some polity, such that the social individuals may prosper in conditions of Natural Liberty, that is, within a well-organised state, with involuntary unemployment absent and with a socially acceptable distribution of incomes, allowing thus to strive freely for the fundamental values of Truth, Goodness and Beauty.

This is the place to eliminate another possible misunderstanding as is related to religion. Indeed, in several passages we shall stress the immense importance of religion for the stability of the modern world. Indeed, Man is not only a natural, a social and rational being, but inevitably also a supranatural being. Given this, social liberal humanism is necessarily Comprehensive Humanism, *Humanisme Intégral* as has been conceived by Jacques Maritain. However, it is very important to note that *all passages on issues related to religion are written from the standpoint of the historically minded social and political scientist*, not from

the theological perspective of course. Nevertheless, in the process of writing this essay, the immense importance of Christianity in general and the Catholic Church in particular has emerged more and more forcefully. Indeed, Christianity links the two *axial ages*, in which the breakthrough to Truth and the breakthrough to Modernity respectively took place. Without diminishing the merits of other religions, and admitting that within the Roman Church, too, alienation has prevailed at times and probably goes on prevailing to some extent, the historical performance of the Catholic Church is unique and of fundamental importance for the destiny of Humanity. This is linked to the facts that Europe may be considered the Laboratory of World History, and that Western and Central Europe have been decisively shaped by the Roman Church after the breakdown of the West Roman Empire until the Great Transformation, and, in part, beyond.

In fact, alienation within a religious institution may arise on account of human weaknesses and imperfections, which are always present to a greater or less degree; specifically, knowledge may be lacking to a greater or less degree when principles of social ethics are applied to immensely complex phenomena, or principles of individual ethics to complex situations; this lack of knowledge as to the application of principles does not exclude that there may be clarity about the principles themselves. However, in a complex and, eventually, alienated world, involving various imperfections, above all probable and imperfect knowledge, the social individuals may, under the guidance of ethical principles, *attempt* to realise the *Good Life*, which is a complex and multidimensional entity. Given this, one should bear in mind, that the essential and constitutive elements of Man are *reason and the free will* and the *social dispositions*, implying that a society is much more than the sum of the individuals composing it.

Nevertheless, in spite of inevitable shortcomings as are always present in human affairs, the Roman Church has laid the foundations for the breakthrough to Modernity, literally on the ruins of the West Roman Empire. In fact, the conditions in which the Church was working were, as always, most difficult. Indeed, after the breakdown of West Roman Empire, the Roman Church was the only stable institution remaining, when socio-economic and political chaos prevailed. Gradually, the Church associated to strong Frankish rulers managed to increasingly enhance social and political order. This process of stabilisation and ordering ended up in the grandiose construction of the Carolingian Empire, out of which modern Europe and the modern world has developed (see the subsequent chapter on *Michael Mitterauer: Europe sets the state for the road to Modernity*).

On a fundamental level, the Roman Church has established a most harmonious body of principles of Faith over the centuries through relentless and most profound thinking. Faith and philosophy have been brought together through the great Scholastic theologian-philosophers. The position of Man in the Universe has been specified and the relation between the Natural and the Supranatural clearly established. There is a clear separation between Creation and Creator, avoiding thus any pantheistic temptations. Nevertheless, Creation and Creator are intimately linked through the person of Jesus Christ, and, as a consequence, through the Church. Based on the principles of Faith, an immensely rich spiritual life developed, and the arts flourished. Within this framework the spiritual care of the believers was systematically undertaken. In this context the Polish Slavist Vladimir Szykarski mentions Solovjev, who, after having criticised the Roman Church, started to change his mind from 1881 onwards. According to Szykarski, 'Solovjev gradually came to the conviction that the historical ways of Rome were not wrong at all. Subsequently, Solovjev pictured with the greatest enthusiasm the immortal and unique achievements of the Roman Church, regarding the shaping of the Christian Body of Principles of Faith, and in the direction of the entire life of Western Christianity' (see Szykarski, in Maceina 1952, p. 324).

Moreover, based on Scholastic philosophy, proto-scientific applications to nature, Man and society and the state were made. Out of these applications modern natural, social and political sciences, as well as the humanities were to develop (William Haas); however, scientific alienation set in through the separation of the sciences from their metaphysical-cum-spiritual foundation, specifically in the Age of Enlightenment. Indeed, the tremendous scientific and technological progress set into motion by Enlightenment developed a dynamics of its own and, as such, became increasingly alienated; growing individualism is associated with the increasing pursuit of materialistic values; simultaneously, the *social* and the fundamental values of Truth, Goodness and Beauty are pushed into the background or realized in alienated forms; for example, science increasingly stands in the service of power and money, instead of being guided by social ethics to enhance the Common Good. Moreover, reinforced through the determinism exercised by the Capitalist system, the great Enlightenment project of limitless progress ended up in the Apocalyptic Age (Jacques Maritain and Eric Voegelin). In a way, the secular Enlightenment project of *Liberalism*, implemented by Capitalism, and *Socialism* with Central Planning, have failed. From this the necessity of *Social Liberalism* on a religious basis inevitably arises.

In this context, it should be mentioned, however, that moderate alienation may be associated to challenges or may constitute a driving force for change, and, given this, may lead on to

great performances in science and in the arts. In this perspective, the alienation resulting from the separation of science and technology from their metaphysical-cum-religious foundations was almost certainly necessary to bring about the progress in science and technology Humanity has experienced since the Great Transformation. Regarding system-caused alienation this point will be made in subsequent chapters, specifically in the chapters *on the driving forces of history* and *on final considerations on progress and alienation*. On the level of individuals one may equally observe that challenges and suffering are conducive to realising great works of art or to bring about outstanding scientific achievements. However, it will be argued subsequently that, at present, after a period of immense technological and scientific progress, time seems ripe to bring in again the metaphysical-cum-religious foundations to order, to consolidate and to stabilize the natural sciences, the technical world, and the social and political sciences as well as the various political societies and the life of the social individuals.

Finally, from Carolingian times onwards the Roman Church started to set up an outstanding education system *in line with human nature*, producing extraordinary results. On an Aristotelian basis, profound reflections were made on man and society. The Good Society was defined in principle, the notion of the Common Good coined, and the Principles of Subsidiarity and Solidarity established. Man was seen as a reasonable, spiritual and social being, who may potentially flourish on the basis of society and through social activities. However, given the presence of poverty and misery, that is, social alienation, the Church has, through the centuries, made immense efforts to help the poor, especially those living in most precarious conditions. However, one must not overlook that, in many instance, the upper parts of the Catholic hierarchy have been associated and still are associated with wealth and power. Considering the entire activities exercised within the Roman Church, one may affirm that the tireless work of very high standard of priests and nuns on all hierarchical levels and in most various domains, is simply admirable; and equally admirable is the complete devotion to the tasks to be performed. However, it would seem that laity is gaining in importance. This would be in the spirit of Jacques Maritain, whose *Nouvelle Chrétienté* is profane, with the Sacred remaining basic, of course. Maritain makes this point by comparing Medieval Christianity with his vision of Modern Christianity.

*Indeed, in his Humanisme Intégral Maritain argues that an important characteristic of the historical ideal of the Middle Ages was to consider the wordly, social and political, institutions as means to reach spiritual aims; in fact, the basic aim was to realize a universal*

*Holy Roman Empire: “[Un trait caractéristique fondamental de l’idéal historique du moyen âge, c’est] l’emploi des moyens propres de l’ordre temporel et politique (moyens visibles et externes où les contraintes sociales jouent un grand rôle, contraintes d’opinion, contraintes de coercition, etc.), c’est l’emploi de l’appareil institutionnel de l’Etat pour le bien spirituel des hommes et l’unité spirituelle du corps social lui-même, - pour cette unité spirituelle à raison de laquelle l’hérétique n’était pas seulement un hérétique, mais attaquait dans ses sources vives la communauté sociale temporelle elle-même” (Maritain 1984/36, p. 461). Hence, given the specific construction of the medieval polity, the heretic automatically became a rebel. And, subsequent to the breakdown of the medieval order, and with the separation between Church and State gradually setting in and gaining momentum in the Age of Enlightenment, this political implication was eliminated and heresy became spiritual only and was dealt with, at first, by the Inquisition, and subsequently through a more or less firm grip on the mind of the believers to preserve the Christian values in view of the onslaught of materialistic Modernity.*

*In chapter V of his Humanisme Intégral (pp. 475ff.) Maritain provides a sketch of his Nouvelle Chrétienté, which is sharply opposed to the medieval vision. “Nous pensons que l’idéal historique d’une nouvelle chrétienté, d’un nouveau régime temporel chrétien, tout en se fondant sur les memes principes (mais d’application analogique) que celui de la chrétienté médiévale, comporterait une conception profane chrétienne et non pas sacrée chrétienne du temporel.*

*Ainsi ses notes caractéristiques seraient tout à la fois opposées à celles du libéralisme et de l’humanisme inhumain de l’âge anthropocentrique [réalisé par le socialisme totalitaire] et inverses [our emphasis] de celles que nous avons relevées dans l’idéal historique médiéval du sacrum imperium; elles répondraient à ce qu’on pourrait appeler un humanisme intégral [intégrant le naturel et temporel et le surnaturel, le transcendant]” (Maritain 1984/1936, p. 475). Given this, the supranatural would shape, to some degree, the natural and temporal (pp. 475ff.). Subsequently, Maritain goes on to specify his vision on the level of fundamental philosophical-theological principles. With most of these principles, in line with Christian Humanism (Humanisme Intégral), the social liberal social scientist can generally agree. Scepticism arises, however, when Maritain speaks of pluralism in the legal sphere (pluralisme juridique, pp. 479-81). It is indeed difficult to see how this could be realized.*

*This specific issue leads to a basic tenet of this essay: Each system of economic theory grows out of a vision of Man and Society. Specifically, neoclassical equilibrium economics, basically associated with the names of Léon Walras (general equilibrium) and popularised*



*through Alfred Marsall's partial equilibrium model based on the principle of supply and demand, emerges from the individualistic social philosophy of Liberalism, which is, in turn, based on Protestantism and Deism; the rational and autonomous individual is the starting point of considerations, and social phenomena come into being through explicit and implicit contracts between individuals. Ideally, satisfactorily functioning markets are supposed to solve all the great economic problems through the law of supply and demand, in the main, the formation of prices, the regulation of distribution and, most importantly, the determination of the level of employment, which is supposed to be governed by available resources. Equilibrium is the outcome of balancing opposing forces, supply and demand to wit. The basic ethical principle is justice in exchange. At a fundamental level, the rational behaviour of economic agents – utility and profit maximisation – is supposed to result in a socially optimal situation, the Pareto-Optimum, which implies a Walrasian state of general equilibrium. In a Pareto-Optimum, nobody's situation can be improved without worsening the situation of somebody else. Given this, the mechanism of supply and demand, the market, appears as a natural, hence divine institution, correctly guiding the behaviour of individuals in the economic domain. As Leibniz remarked: God has created a perfect world [and then left Man alone]. This is Protestantism associated to Deism. With Liberal Atheism, the Market becomes a kind of secular religion. This is related to totally anti-religious materialism. Indeed, the great Polish – Dominican – Philosopher Joseph Bochenski once said in the 1960s: In the Soviet Union there is a philosophical materialism, Historical Materialism to wit; materialism in the sense proper, crude materialism, is to be found in the West.*

*Karl Marx and Maynard Keynes have convincingly argued that the economic theory of liberalism (neoclassical economics) is entirely wrong and represents wishful thinking, bound to become an ideology to justify heavily alienated situations. Marx even denoted the forerunners of modern liberal, neoclassical economics as vulgar economists, dealing with the surface of phenomena only (Das Kapital, vol. III, p. 825). Almost certainly, both, Marx and Keynes, are fundamentally right.*

*Socialism emerges of what has been called Atheistic Humanism (Maritain) and gives rise to the political economy of a centrally planned economy, implemented in the Soviet Union from 1917 to 1990, implying that the social system entirely dominates and individuals become part of the social machine. Ideally, the Central Plan, is associated with social rationality.*

*Both doctrines, Liberalism and Socialism, and the associated systems of the social and political sciences, political economy in particular, are, in our view, entirely inadequate to deal satisfactorily with the immense complexities of the modern world. In fact, neo-liberal*

*capitalism ultimately results in worldwide involuntary mass unemployment, widespread misery, very unequal distributions of income and wealth, and to economic, political and military conflicts. On the other hand, to vary a saying by Dostojewski, 'Soviet style Socialism has, after the Second World War, provided people with bread, but has largely deprived them from liberty.'* This is also a consequence of a centrally planned economy, going along with the absence of a coherent system of prices of production in the sense of Piero Sraffa (on this see Bortis 2013b, p. 69).

*This leads on to arguing that Keynes's social philosophy of Social Liberalism (Bortis 1997, chapters 2, 3, and 7), intimately linked with Catholic Social Doctrine, provides a very solid basis for the social and political sciences, within which political economy occupies a prominent position. Indeed, Social Liberalism conceives of Man as a reasonable and social being, who, if the spiritual dimension is taken account of, becomes a Person; moreover, society, through the presence of genuinely social institutions, is much more than the sum of the individuals. Most importantly, Social Liberalism gives rise to Classical-Keynesian Political Economy and implies a specific social liberal system of the social and political sciences (Bortis 1997/2006); specifically, **Classical-Keynesian Political Economy could be termed the political economy of the Common Good or the Common Weal.** Time and again, we shall insist on the fact that classical-Keynesian political economy has become the key social science of the modern world, and, as such, is also crucial for the way of elaborating the other social and political sciences, law, sociology and politics to wit. This has important implications for legal, social and political practice; for example, socially appropriate laws can only be elaborated if the functioning of the socio-economic system is understood in principle, or socio-economic theory is required for socially appropriate policy making. More generally, as already perceived by Aristotle, knowledge is essential to deal sensibly with social ethical matters.*

*A very short comparison with Liberalism reveals the wider meaning of Social Liberalism and Catholic Social Doctrine. With Liberalism the basic economic notion is the individualistic general market equilibrium (Walras) which is also a 'social' optimum, a Pareto-optimum associated with justice in exchange. However, with Social Liberalism and Catholicism the presence of genuinely social phenomena (Bortis 1997, chapter 2), implies that society is much more than the sum of the individuals making up society, the reason being that through social institutions, enterprises and the social process of production being prominent examples, social aims can be achieved, which are outside the possibility of isolated individuals. The social is also located in the cultural domain, an orchestra is a prominent example; even the*

*simple fact of reading a book may be a social phenomenon: the reader can eventually develop ideas which neither the author nor the reader could have produced independently. Most importantly, however, all the great achievement of Humanity: the Egyptian pyramids, the Medieval Cathedrals, the great works of music and of literature are ultimately social achievements.*

*However, the fundamental policy aim of Social Liberalism and Catholic Social Doctrine, striving for the Common Good, is immensely complex. The basic normative characteristic of the Common Good is the notion of Harmony, which, ideally, has to prevail in all spheres of the polis: the religious-spiritual, intellectual, ethical, social, political and economic spheres, and these spheres themselves have to be in a harmonious relationship among themselves and in relation to the whole of society, taken in the widest sense of the word. Hence the different material and spiritual parts (geistigen Teile) have to be in the right, harmonious, proportions to the whole; in fact, Harmony is made up of a complex set of appropriate part-whole relationships, a fact of which Maynard Keynes has been particularly aware. Given this, all matters in political economy, law, politics, are matters of social ethics, the basic concept of which is distributive justice. Since all activities going on in a society are, basically, of a social nature (Bortis 1997, chapter 2), a very solid socio-economic and political theory is required to analyse complex social situations, i.e. what is, the Istzustand, and to set up coherent sketches of what ought to be, the Sollzustand. Given this, it is intuitively evident that governing, that is, aiming at realising the Common Good as closely as is possible for fallable human beings, is a most difficult matter. Maynard Keynes was conscious of this, and already Aristotle remarked that governing is the most difficult of all the arts.*

*The complexity of the Common weal and its economic, social, political implications can only be dealt with strong socio-economic and political theory, classical-Keynesian political economy (Bortis 1997, 2003a, 2013a, 2013b, 2015) most importantly. This set of social-liberal social sciences must be grounded on a very solid vision of Man and Society, provided by Catholic Social Doctrine, with the basic concept of the Common Good and the concepts of Subsidiarity and Solidarity at the centre.*

*The relationship between the social-liberal classical-Keynesian political economy and social liberal political philosophy, the political philosophy of the Common Good, can be brought to the open most appropriately through the classical vision of the economy, society and the state. The economy forms the material basis of society and the state. At the heart of the economy is the social process of production, complemented by financial institutions and institutions ensuring the circulation of goods and services. Now, within the social process of production,*

*carried out by direct and indirect labour, assisted by past labour (real capital), the social product is produced. Part of the social product, socially necessary consumption to wit, is used up by workers and employees in the social process of production. The remainder of the social product constitutes the social surplus. From a distributional perspective, the social surplus may, as already suggested, be interpreted in a wider, macroeconomic sense, to include gross profits, surplus wages over socially necessary wages, labour rents as are due to exceptional abilities or privileges, land rents and profits. The use of the social surplus, ideally, provides the material basis for all the persons active in the non-profit or non-productive sector in the widest sense, including the state, to concretely realise political, social, legal and cultural values, and, last but not least, religious values through the actions of individuals and collectives within the institutions established in the institutional superstructure. These values cannot, in principle, be measured in money terms. To include religious values is of utmost importance, because these values provide a sense of life and complete Humanism, which now, in the sense of Jacques Maritain, becomes Humanisme intégral.*

*To deal with the immense complexity of the Common Good, strong socio-economic and political theory is absolutely necessary, but not sufficient. Indeed, Humanisme intégral requires that religious, Catholic, values are fundamental and all important, because they provide a sense of life for all human beings. To concretely realise Maritain's Humanisme intégral in the complex real world requires an appropriate education system, comprising all levels of education, to implement a vision of Man and of Society, and of the ultimate destiny of Man and Mankind. The Curricula must be based upon the Catholic-Theistic Weltanschauung, but entirely open to other religions, philosophies and scientific traditions. Modern Catholic curricula would also imply dealing with Keynes's modern social-liberal social sciences. Specifically, the creation of intellectually entirely open Faculties of Social and Political Sciences is of the greatest importance for the various polities in view of realising the Common Good as perfectly as is possible for fallable human beings. Incidentally, the setting up of such Faculties would imply a revival, in modern form though, of the old British Moral Sciences and of the old German Staatswissenschaften. These issues will be alluded to somewhat more extensively later on in this essay.*

*All this is in line with one of the great missions of the Catholic Church as has been shaped by the maxim Mater et Magistra, and this must also hold for the future. As to the past, just remember Szylkarski's remark on Solovjev: „Solovjev [originally a critic of the Roman Church] gradually came to the conviction that the historical ways of Rome were not wrong at all. Subsequently, Solovjev pictured with the greatest enthusiasm the immortal and unique*

achievements of the Roman Church, regarding the shaping of the Christian Body of Principles of Faith, and in the direction of the entire life of Western Christianity' (see Szykarski, in Maccina 1952, p. 324).

*Hence Social Liberalism, mainly because of the (positive) presence of the social in any society and of the normative requirement of striving after the Common Good is entirely in line with the Theistic-cum-Catholic vision of Man and of Society. Given this, Catholicism, through the social philosophy of Social Liberalism and the associated system of the social and political sciences, would shape theorizing in the economic, social, legal and political domains, and hence socio-economic, legal and political reality through policy-making in line with social and political theory. This, in turn, would be entirely in line with Maritain's Nouvelle Chrétienté. The Sacred and Supranatural shapes the temporal and really existing, with the Natural in all domains becoming an aim, a telos. Since aims can be reached in very different ways this enables the existence of Natural Liberty, which, again, is a crucial element of Jacques Maritain's philosophical-theological system. In the present essay it will be attempted to substantiate Maritain's suggestions on Medieval and Modern Christianity, and its implication for theory, policy and reality, alluded to here. In any case, as Maritain suggests, Catholicism is not outdated at all, but is, in fact, ultramodern.*

These considerations on theoretical and practical work lead on to some unconventional remarks regarding intellectual work in the broadest sense. As it should be the Church has dealt and deals mainly with the principles on the nature of Man and society, and on the relation between the natural and the supranatural. However, the course of history has been dominated by alienation; specifically, system-caused alienation has become particularly important since the Great Transformation, that is, since the advent of Modernity. To understand complex alienated social phenomena through theories, for example involuntary unemployment through political economy, emerges as a precondition to prepare the way in the direction of the natural, largely alienation-free state of the economy, of society and of the polity, most importantly. Now, Karl Marx and Maynard Keynes have done extraordinary work to understand the functioning of the alienated Capitalist system, preparing thus the way to reduce alienation and to move toward a natural state in the socio-economic and political sphere. However, as has been suggested in the above, it would seem that the *Natural* should, as a rule, be of a Keynesian social liberal, not of a Marxian socialist type. In this sense, Marx and Keynes would emerge as eminently Catholic social scientists, mainly because both prepared the way to decisively reduce system-caused alienation, enabling thus Mankind move in the direction of the social liberal system of Natural Liberty, which basically rests on an

Aristotelian-Catholic conceptual basis. This has, however, a very important implication: Marx and Keynes can also be used to criticize alienated activities of religions, as have massively occurred in times of Colonialism, or the perverted associations of religions with power and money, contributing to maintain in power dictatorial regimes and/or distressing social conditions.

In any case, to come to grips with the immensely complex socio-economic and political reality of Modernity requires a very solid social and political theory, particularly a very robust system of political economy. In this essay we argue that the eminently Catholic doctrine of Social Liberalism and the associated system of Classical-Keynesian Political Economy provide the conceptual foundations to broadly understand alienated Capitalist reality. On this basis, the movement towards a natural state of the economy, society and the state may be initiated. Given this, it may be reasonably argued, that the Roman Church has, in the course of history, the History of the Church more precisely, laid the foundations for a largely unalienated social liberal Modernity through her philosophical-theological work.

Considering all this, any observer of history must be deeply impressed by Christianity in general and the majestic greatness of the Roman Church in particular, a greatness prevailing without interruption for now two thousand years, and a greatness that always emerged most strikingly when conditions were most difficult. This was the case after the breakdown of the West Roman Empire and could be also the case in the decades, perhaps even centuries, to come, which might be a period of transition towards a new world order, given the breakdown of centrally planned Socialism and the difficulties experienced by unfettered globalised Capitalism. In this essay, we argue that this new world order cannot but be based upon an elaborated and adapted version of Keynes's vision, which we call Social Liberalism.

In this context, it is very important to note that the movement towards the social liberal natural state may be brought about by ways of *reform*; no revolution and no violence will be required, as was the case with Liberalism (Capitalism) from 1789 onwards, and with Socialism (with Central Planning) in 1917 and the following decades. What is required, however, is very solid socio-economic theory, most importantly, classical-Keynesian political economy to wit, and a wider vision of Man and his destiny, linking the natural and the supranatural. Only strong theory, based on a clear and comprehensive vision, may deliver the policy conceptions required to guide the transition from the actual situation to the order of natural liberty by ways of reform of national and international institutions.

These propositions neatly link up with the essentially Catholic vision of world history implied in this essay. Indeed, in the following we conceive of world history as a movement from the

determinism of the original natural state to the natural liberty prevailing in a civilised-ethical state of nature, where the *natural* is an objectively given *telos*, enabling the social individuals living in various polities to pursue fundamental ontological, aesthetical and ethical values in all domains in very different ways. This movement has essentially taken place in the course of the two *axial ages*, which are linked by Early and Medieval Christianity.

## Philosophy of History

This part is divided into two chapters. In the first chapter the stage is set to tentatively get hold *conceptually* of what World History *probably* is [on *probability* in Keynes's sense see O'Donnell (1989, specifically Part I)]. The second chapter, added in 2011/12, is about the *fundamental importance of the social surplus*, which links the socio-economic basis and the socio-political and cultural-religious spheres.

### Setting the stage: putting to the fore some fundamentals

In this essay it is argued that the breakthrough to Modernity is a common achievement of mankind. This implies that all human beings and all civilisations stand on the same footing with each other; nobody is superior or inferior; we would venture that, probably, this not only holds for civilisations, but also for so-called 'primitive peoples' who have remained close to the original natural state.

This proposition holds, of course, only for the *essence* of the various civilisations. Obviously, very great differences occur if the historical *existence* of civilisations is considered. The essence of a civilisation, and even more the historical existence of a civilisation, can, of course, only be probably and imperfectly perceived; this point will be argued more extensively in the first section of this chapter. And the above proposition also implies that the achievements of Modernity, science and technology in the main, are common to humanity as a whole. And, finally, humanity as a whole will have to meet the immense challenges brought about by Modernity. Indeed, one should not forget that the fabulous scientific and technological progress has been accompanied by the coming into being of islands – countries, regions, social groups, individuals - of immense wealth, within a sea of poverty and misery, with the middle classes getting weaker, and that governments are losing power to huge multinational and transnational enterprises in production and finance; this could eventually be reversed to some extent by the present, 2008-09, crisis, above all if the crisis is going to last. Moreover, given the environmental problems and the gradual exhaustion of non-renewable resources, to achieve sustainable development on a world level has now become a basic issue for humanity as a whole.

The complexity of the problems dealt with here requires some *philosophical* considerations based on a specific vision of Man and his destiny. These considerations are of a preliminary and preparatory nature and are required to come to grips, tentatively and probably, with our



object of investigation, Eastern civilisation and the breakthrough to modernity in the West and some implications and consequences associated with this momentous event, which lead on to an outline of a philosophy and theory of world history. Without a comprehensive vision of man and of society it is simply impossible to render justice to the actors involved in the process of world history, that is the great civilisations. Therefore, some basic, ideal type notions aimed at approximately capturing essential or constitutive aspects of complex phenomena have to be coined in order to be able to tackle this issue. We start by considering some problems of method and go on to broadly deal with the structure of the human mind and the acquisition of knowledge. Subsequently, we make some remarks on the nature of man and of society, in principle, and in relation to historical realisations of essences. The remaining sections of this introductory chapter are devoted to the basic forces at work in history and in historical change, to outlining a broad structure of world history, which, finally, is put into a wider context.

*Some remarks on method: probability, principles and theories*

These remarks on method are required to clarify, necessarily to a small extent only, the methodological issues arising in dealing with aspects of our immensely complex problem, East and West and the breakthrough to Modernity in a wider philosophical and theoretical context. In fact, two approaches may be put to use to deal with complex historical, socio-economic and political issues. In the first approach, *principles*, capturing fundamental features and basic causal forces, are distilled out of a vision of man and of society to arrive at an approximate *understanding* of historical developments or of socio-economic states of affairs, possibly in a wider context. This is the method put to use, for example, by Haas (1956) in his *Destiny of the Mind – East and West*. In most works, however, theories or explanatory frameworks are developed to *explain* phenomena, with some *vision* of the phenomenon considered being *implied*. This distinction also holds for the books commented on here. On the one hand, Henri de Lubac (1983/1938) presents a Vision, and so does Eric Voegelin (2008); Haas (1956) and Jaspers (1955/1949) make use of principles to get a broad understanding of a complex phenomenon; on the other hand, Hobson (2004), Mitterauer (2003) and Seitz (2003) work on the basis of theories and explanatory frameworks to explain complex states of affairs. We want to argue here that both methods are complementary, and that both yield probable knowledge. In fact, as already suggested, throughout this essay we attempt to propose conceptual frameworks large enough so as to be able to reconcile different,

even opposed points of view. This is required to come to grips with the immensely complex object investigated here.

Indeed, to obtain knowledge about very complex phenomena requires a specific method or way of thinking. This is the logic of *ordinary discourse*, which, if instructed, leads up to a “general theory of argument from premisses leading to conclusions which are reasonable but not certain, [implying a probability relation between premisses and conclusions, entailing a certain degree of rational belief]” (O’Donnell 1989, p. 30).

The method to acquire knowledge put to use here is set out in Keynes’s *Treatise on Probability* (Keynes 1971/1921) and applied in his entire work (see on this Carabelli 1988, Fitzgibbons 1988 and O’Donnell 1989). „[In fact, in this work] Keynes developed a *general* system of formal logic capable of being applied to *all* domains of the real world, aiming thus at setting up the foundations for a complete material logic or theory of knowledge. ‘[Keynes’s] theory of rational inference ... takes the whole of human thought as its domain, ranging across areas as diverse as actuarial studies, legal disputation, moral reasoning, metaphysical speculation, psychical research and mathematical argument, not to mention daily life and all branches of the natural and social sciences’ (O’Donnell 1989, p. 38)” (Bortis 1997/2006, p. 59). Keynes’s method involves a *realist* theory of knowledge in the sense of Aristotle. By means of the power of intuition the mind attempts to get hold of the essential or constitutive features of a phenomenon in order to understand it approximately and, on the basis of the insight obtained by intuition, to be able to set up theories to explain aspects of the phenomenon considered. And very importantly, intuition must be prepared through considering as much empirical-historical and theoretical evidence as is possible for human beings; *insight into a complex phenomenon, by means of intuition, is hard won*, Keynes said repeatedly.

In these attempts to get knowledge the concept of *probability* plays a central role. “Probability, for Keynes, is essentially about logical relations between sets of propositions [particularly between] the premisses and conclusions of arguments [as a rule in scientific work, that is, some theoretical or empirical investigation carried out on the basis of a specific vision – the premisses - and the conclusions drawn from it]. Keynes labels these logical relations ‘probability-relations’. In general, they are relations of partial entailment or support, which in the limit become relations of complete entailment. From this perspective, probabilities are conceived in terms of degrees of partial entailment. [...] However, Keynes also claims that the probability-relation expresses the degree of rational belief that may be placed in the conclusion of the argument; [more formally, let] our premisses consist of any set

of propositions  $h$ , and our conclusion consist of any set of propositions  $a$ , then, if a knowledge of  $h$  justifies a rational belief in  $a$  of degree  $b$ , we say that there is a probability-relation of degree  $b$  between  $a$  and  $h$ . This will be written  $a/h = b$ . [Probabilities or degrees of rational belief may vary between *certainty* and *impossibility*, with specific *degrees of certainty* being most important]" (O'Donnell 1989, pp. 34-35). Two points should be mentioned here. First, Keynes mentions that probabilities increase if the evidence increases, concretely, if a wider theoretical and historical view is taken. This is precisely what is attempted in this essay in order to enhance the probability or the degree of rational belief that may be placed in our conclusions. And second, as suggested above, the role of intuition leading on to a – metaphysical - vision of a complex state of affairs is crucial. “[Indeed, how] then do we know any probability? [...] I am inclined to believe that we possess some power of direct inspection in the case of every judgement of probability. By this I mean that relations of probability are things that can be directly perceived, just as many other logical relations are by general admission objects of *intuition* [which produces insight and understanding, constituting the *first* form of knowledge]" (Keynes quoted in O'Donnell 1989, p. 81; our emphasis). It will emerge in the next part that the distinction between intuition on the one hand and reason and analytical powers on the other, is crucial to distinguish between differing approaches to obtain knowledge which, in turn, characterise civilisations. It may already be mentioned here that the – metaphysical – vision leads on to and co-ordinates, in an Aristotelian vein, theoretical and empirical knowledge. Metaphysics appears as the ordering science.

In Keynes own words “probability [comprises] that part of logic which deals with arguments which are rational but not conclusive” (O'Donnell 1989, p. 28). “‘The Logic of Probability is of the greatest importance, because it is the logic of ordinary discourse, through which the practical conclusions of action are most often reached’ (Keynes). [Moreover,] Keynes perceived a fundamental connection between logic and common sense, part of his aim being ‘a logical theory which is to justify common sense’” (O'Donnell 1989, p. 32). In this vein, Keynes and Einstein are both reported to have said that ‘science is nothing but refined common sense’.

The term ‘refined’ is important in this context, because “not all common sense is capable of complete logical justification. A distinction is drawn between ‘instructed’ common sense, which has proper logical foundations, and ‘uninstructed’ common sense, which, being influenced by other factors, requires logical guidance. What [at first sight and when looking at the surface of phenomena] is plausible or natural is not therefore inevitably logical or rational. Common sense is thus accepted as a reliable guide except when deeper [historical-empirical

and theoretical] reflection reveals reasons for its correction” (O’Donnell 1989, p. 32). As an example, common sense is irresistibly *geocentric*, and a complex and sophisticated scientific argument was required to establish the *heliocentric* view. In analogy, saving seems to be a precondition for investment; however, while this proposition may be true for the individual entrepreneur, it is, as Keynes suggested, very probably wrong for the economy as a whole, that is for the economic system; here, saving is governed by investment; in fact, saving adjusts to investment through variations in output and employment.

„[As already suggested,] probability is relative to evidence and is concerned with *rational* belief and not with mere, or psychological, belief: ‘Probabilities are [therefore] always *objective* and never subjective. This is so because they are essentially connected to logic and not to psychology. Logical relations are viewed as objective because they are grounded in an *external immutable realm* [our emphasis] which timelessly transcends mere individual opinion’ ([O’Donnell 1989], pp. 37–8). This is *crucial* as to the meaning of truth, which is ‘a property of a [proposition: a certain] conclusion becomes a true conclusion when the premisses are true’ ([O’Donnell 1989], p. 36). Material logic deals, in Keynes’s view, with the correspondence of thought and the objectively given real world comprising, on the one hand, essences of things and of relations between things, i.e. the ‘external immutable realm’ just mentioned, and the appearances that are accessible through the senses, on the other. This definitely links Keynes to the great metaphysical tradition of Plato and Aristotle“ (Bortis 1997, pp. 59-60). In case of complex phenomena, the determination level of employment for example, knowledge about phenomena, the determinants of employment in some country, may be very imperfect; however, knowledge about the basic forces governing employment, that is, how employment is governed in principle, may be quasi-perfect, *if* backed up by a comprehensive argument; in fact, all possible employment theories must be examined to be able to detect the most plausible theory. This points to the fundamental importance of the history of economic theories in the systematic reasoning in economics on the basis of a specific vision.

*Theory, based upon the history of theories, is thus of primary importance to obtain the highest possible degree of probable truth on some phenomenon; empirical and historical investigations, though important, are of secondary significance. In economic theory the capital-theory debate is a prime example (Harcourt 1972). This debate was on the basic principles of economic theory, implying the functioning of the entire economic system. Given this, it is impossible to prove empirically whether there exist permanently well-behaved*

*associations between factor prices and factor quantities, or not. Theory, that is the capital-theoretic debate had to decide, and the outcome of the debate was entirely in favour of the neo-Ricardians, led by Luigi Pasinetti, with Piero Sraffa in the background, and against the neoclassicals, with Paul Samuelson and Robert Solow in command (Harcourt 1972).*

*According to Einstein the primacy of theory also holds for the natural sciences: “On principle it is quite wrong to try founding a theory on observable magnitudes alone [...]. It is the theory, which decides what we can observe. [We] must be able to tell how nature functions [...] before we can claim to have observed anything at all” (Einstein, quoted in Heisenberg 1971, p. 63).*

Given all this, it may be plausibly argued that, in his entire work, Keynes attempted to reconcile metaphysics and social and natural science. This leads on to distinguishing, very broadly and tentatively, between two different, but complementary concepts of science. The first, conventional, notion of science sees social scientists and historians as setting up models and explanatory frameworks, possibly in view of establishing testable propositions. The point is to *explain* social phenomena and historical situations starting from *given* premisses. This is done on the basis of pure and applied *theory*.

To start from given premisses means that scientific work, establishing theories, always rests, explicitly or implicitly, upon fundamental principles, which, as a rule, are taken for granted. This proposition leads on to a second notion of science, which, perhaps, should be, more appropriately, called *art*. Here, the theorist attempts to distil *principles or fundamentals* in view of *understanding* how socioeconomic systems essentially function or what is essential or crucial about some historical situation or a historical development. In a way principles form the basis upon which theoretical work dealing with social and historical phenomena takes place. As such principles have a metatheoretical character. Principles are not about visible characteristics of phenomena to be brought to the open by theories but represent the fundamental forces – probably - constituting phenomena. In fact, one should not hesitate to say, that the principles underlying theoretical systems are metaphysical since they tell us what is, probably, essential for the object considered.

Now, as already suggested above, to distil such principles, the whole of society and man must be considered, and all the information available must be taken account of, scientific and non-scientific, theoretical, and empirical and historical, whereby the objectively given material is dealt with by reason based upon a metaphysical vision, which, in turn, is associated with intuition. This implies, as, in our view, Keynes suggested, that science and metaphysics

interact: principles guide scientific work, and the results of science eventually modify the scientists fundamental outlook and may induce him to adopt another approach in his scientific work, based upon a different set of principles. And this also implies that, as a rule, distilling principles is very hard work, as Keynes has suggested; eventually, this work may go on over very long periods of time.

The notion of principles is closely associated with Aristoteles' essentialist theory of knowledge: the human mind does not remain at the surface of phenomena but tries to understand the essential or constitutive forces behind, perhaps better, inside, the phenomena. Here, the distinction between essentials and accidentals is crucial as is the comprehensive point of view which implies that all the relevant information – with the history of economic theory perhaps being most important - has to be taken into account if a complex problem is investigated, for example the formation of prices or the determination of involuntary unemployment. Only what is considered to be essential or constitutive to a phenomenon is included in the model which is a picture, in fact a *reconstruction or recreation* of what *probably constitutes* a phenomenon, for example, prices, quantities and employment levels in political economy; in the historical sciences, the preoccupation with probable essentials or principles leads to the formation of *ideal-types* like the *medieval city, feudalism, capitalism*; as will be seen below, William Haas also uses ideal-types to characterise the essential differences between Eastern and Western civilisation.

The recreation of essential or constitutive aspects of phenomena through principles, fundamental pure theories or ideal-types is performed by reason interacting with intuition and is analogous to the recreation of constitutive aspects of types of human action or human sentiment, and of specific social phenomena by a writer through a novel, a drama, or a poem. Therefore, metatheories or sets of principles or ideal-types have *not* to be realistic in the scientific sense since they are not reflections or pictures (*Abbilder*) of certain spheres of the real world, which can eventually be associated with testable propositions. In their being reconstructions of essential aspects of real world phenomena, principles illuminate these phenomena from inside and initiate the formation of empirically testable theories, that is of pure and applied theories.

The books by Hobson, Mitterauer and Seitz commented on here are all on the level of theories and explanatory frameworks, associated with systematic description and explanation. However, the work by William Haas (*The Destiny of the Mind*), used extensively to bring to the open the fundamental difference between Eastern and Western civilization, is on the level of principles based upon a vision of the subject matter considered, with description only used

for illustrative purposes; this is also true of Jaspers's *Ursprung und Ziel der Geschichte*. This latter method has not been very fashionable in recent decades, and this is perhaps the main reason why, for example, Haas's book has not found the recognition it deserves.

### *Human mind and acquisition of knowledge*

These very sketchy considerations on the meaning of probable knowledge naturally lead on to some very brief reflections on the structure of the human mind, its powers or capacities to acquire knowledge, as are relevant for our problem, that is, Eastern civilisation and the breakthrough to Modernity in the West as a starting point for some considerations on the *Philosophy and Theory of World History*. Indeed, William Haas argues in his *Destiny of the Mind – East and West* (1956) that the Eastern mind worked entirely differently from the Western mind, broadly from Jaspers' *Achsenzeit – (first) axial age*, 800 B.C. to 200 B.C., onwards, until, approximately, the first half of the twentieth century, when a broad and worldwide standardisation along Western, mainly Anglo-American, lines started to set in; this far-reaching standardisation in the way of thinking has perhaps reached its peak at the passage from the second millennium to the third. It will be argued below that the difference between Eastern and Western mind for about two thousand years is a crucial element to explain why the breakthrough to Modernity could have occurred in the West only.

Systematic thinking on some aspect of complex objects – individuals, society and nature – is guided by *reason* (*Vernunft*). In the main, reason fixes the *approach* to be chosen, that is, the *type of premisses* selected to undertake some scientific analysis. This implies postulating *principles*, representing fundamental causal forces that are *constitutive* to a phenomenon; for example, Keynes argued that, in principle, effective demand determines output and employment in a monetary production economy, not supply and demand on the labour market, as his neoclassical opponents claimed.

As has been suggested above, principles or sets of principles are *not* stylised representations (*Abbilder*) of specific spheres of visible reality, that is, of particular phenomena, but *reconstitutions* of – probably – essential or constitutive elements of phenomena. As such, principles have *not* to be realistic in the scientific sense. In fact, principles illuminate the phenomena from inside, and, in this way, enhance the *understanding* of phenomena, and initiate theoretical and empirical work, i.e. the setting up of theoretical models and explanatory frameworks. Pure theories may, in a further step, lead on to applied theories, eventually in view of setting up testable propositions. Pure and applied theories or

frameworks thus aim at *explaining* phenomena. To work out pure and applied theories or frameworks on the basis of *given* principles is a matter of reason in a narrow sense, which might be called *analytical powers* (*Verstand*).

It is now of the utmost importance to note that *reason*, when selecting a specific set of principles, which specify a particular approach to come to grips with some phenomenon, a socio-economic or historical state of affairs for example, explicitly or implicitly, builds upon a *vision* of man and of society (Joseph Schumpeter). This vision is, in turn, obtained through *intuition*; the vision of man and of society, if elaborated by reason, may result in a general anthropology and in a social philosophy. Intuition, which, in a way, captures the whole of the phenomenon considered, produces thus probable essentials of the object considered, and is obviously of the greatest importance in the process of acquiring probable knowledge. In fact, as already suggested, the principles considered to be essential or constitutive of the object considered emerge from the vision held of the phenomenon under consideration; given this, Keynes argued that *intuition* produced the first, and also the most fundamental form of knowledge, that is the *vision*.

Hence the vision of man and of society, and the associated anthropology and social philosophy, both obviously metaphysical concepts, are not unscientific, but, on the contrary, provide the foundations for scientific activities. When dealing with complex phenomena the scientist always works, explicitly or implicitly, on the basis of a certain approach, characterised by certain premisses, which, in turn, imply principles that emerge from a vision of things. The results of his activities may lead a scientist to go on working on the basis of the approach originally chosen, or, if he is dissatisfied with the results obtained, to look for an other approach. Hence there is interaction between the metaphysical vision and science, that is, between intuition and imagination on the one hand, and reason and analysis on the other.

As suggested above, the probability of a proposition obtained by a rational argument, that is „the degree of rational belief that may be placed in the conclusion of the argument“ (O'Donnell 1989, p. 34), depends upon the quality of the metaphysical vision, and of the theoretical and empirical-cum-historical evidence available. However, the principles embodied in the approach chosen, are not something that emerges easily from the vision of the scientist, but are hard won (Keynes). This explains why works embodying principles that promote insight into and understanding of a complex phenomenon have, as a rule, a long gestation period. A prime example is *The Destiny of the Mind – East and West* by William S. Haas, which was published in 1956, the year in which the author died at the age of 73. This book, obviously the harvest of a life-time work, greatly enhances the *understanding* of



Eastern and Western civilisation on the basis of principles (ideal-types) and, as such, plays a crucial role in the argument set forth in this essay. A similar point could be made, in other contexts, for Kant's *Kritik der reinen Vernunft*, Marx's *Kapital*, or Keynes's *General Theory of Employment, Interest and Money*, to give some examples. Incidentally, Joseph Schumpeter argues in his obituary on Keynes (Schumpeter 1946) that the *General Theory*, published in 1936, represents a rationalisation of a vision contained in *The Economic Consequences of the Peace* (1919).

The structure of the human mind can now be broadly sketched. Most fundamentally, there is *intuition*, which produces the vision. *Reason* is of central importance, since reason selects, on the basis of the vision, the fundamentals in view of establishing the principles (*Grundsätze*), in fact, as a rule, an ordered set of principles, aimed at capturing what is probably essential to a phenomenon. The *analytical powers* elaborate pure and applied theories on the basis of principles, that is of a certain approach. Hence we have a definite sequence of powers of the mind: *intuition*, *reason (Vernunft)*, *analytical powers (Verstand)*, which lead to the vision, the principles and to pure and applied theories and explanatory frameworks respectively. These powers interact with *sense perception* to produce knowledge in the case of very simple objects of investigation. However, if the phenomenon considered is complex, some empirical or historical situation for instance, sense perception will have to be *elaborated* through considerations of statistical data or of historical descriptions and knowledge will inevitably be probable to various degrees. Hence, *reason* is centrally important because it establishes the *link between intuition and analytical powers*, as applied to theoretical and empirical-historical issues, that is, the link between vision and pure and applied theories, through establishing principles or probable essentials.

The way in which the powers of the mind are associated with simple or elaborated sense perception leads to various *theories of knowledge: empiricism, idealism, realism, and rationalism*. With *empiricism* sense perception is primary, the analytical powers and reason are, in a way, auxiliary for the senses; these powers of the mind are just there to formulate testable propositions; consequently, the empirical test, and the experiment, become crucial for the validity of knowledge.

Kant's *subjective idealism* stands in sharp contrast to Plato's and Hegel's *objective idealism*, which, in a way, postulates that the human mind has a direct access to the essence of phenomena, a fact subjective idealism denies.

*Hegel's vision, set out in his Phänomenologie des Geistes, is, again, the result of very long and hard work. Hegel once said that he could not start writing before having the whole picture or vision before him. This vision is gigantic indeed. World History appears as rational Theology, that is, self-recognition of the spirit (Geist), which coincides with the Deity.*

In practice, Kantian *idealism* is very close to empiricism. Essences of things remain inaccessible to the human mind, which may get hold of phenomena only. In fact, in the Kantian approach the (thinking of the) subject determines the object through models of thought based upon *a priori* ideas, related to space and time, and upon sense perception. The models of thought are a kind of *nets* to be used to catch pieces of reality through testable propositions. All established - not contradicted - propositions form the stock of knowledge. Hence the world is what the subjects, especially the scientists, think of it. What the world really *is* remains unknown. Keynes rightly said that Kant's scepticism went too far, and that idealism, subjective and objective, were inappropriate tools to tackle the complexities of Modernity, since it offers no way to come to grips with complex phenomena, for example the broad functioning of a monetary production economy. In another way, this is true also of Hegel's objective idealism, which, on the fundamental level, remains speculative, although Hegel provides very deep insights into complex historical situations and developments.

Given this, Kant's idealism stands in sharp opposition to Aristotle's *realism*. In fact, in the Aristotelian approach, knowledge is about the constitution of the object considered, for example, in economics, the price, income distribution or the level of employment; in a way, the object determines (the thinking of) the subject: human reason attempts to get hold of the essence of some phenomenon through abstracting from accidental elements, that is features which are not constitutive or essential. What is considered to be essential or accidental – in the social sciences, for example - depends upon the vision of society held by a theorist, which may be analytically articulated through a social philosophy, e.g. liberalism or socialism (see, for example, Bortis 1997, ch. 2). Given this, knowledge is necessarily tentative, and *probable* in Keynes's (1971) sense. In principle, the acquisition of knowledge goes on in three steps. First, the phenomenon considered, unemployment for example, is investigated empirically and historically, and gradually appears in the light of a vision, liberal or Keynesian for example. Second, out of the vision principles have to be distilled; this goes on through comparing fundamental approaches: is unemployment governed by forces of supply and demand on the labour market of an exchange economy or by effective demand in a monetary production economy? Subsequently, the more probable, also the more plausible, approach has

to be selected, for example the Keynesian monetary approach. Third, based upon the principles a system of pure and applied theory may be erected; for example, an employment theory along Keynesian lines may be worked out; on the basis of this employment theory it may be asked how unemployment is determined in a specific situation, for example in Germany in the 1930s.

Principles represent the essential elements shaping a certain phenomenon, or the constitutive elements of an object; as such, principles also denote the fundamental and ultimate causal forces governing phenomena like prices, employment levels, and distributional outcomes, for example. To distil such principles the whole of society and man must be considered, and all the information available must be taken account of, scientific and non-scientific, theoretical and empirical and historical, with the history of the various, sometimes contradictory, approaches and theories being particularly important, above all in the social and political sciences; subsequently, this objectively given ‘material’ is dealt with by reason based upon a metaphysical vision which, in turn, is associated with intuition. This implies, as Keynes suggested, that science and metaphysics interact: principles guide scientific work, and the results of science eventually modifies the scientists fundamental outlook and may induce him to adopt another approach in his scientific work, based upon a different set of principles.

The notion of principles is closely associated with Aristotle’s realist and essentialist theory of knowledge: the human mind does not remain at the visible surface of phenomena but tries to understand the essential or constitutive forces behind, perhaps better, inside, the phenomena. The mind goes beyond physics to penetrate into the metaphysical forces shaping the physical world. Here, the distinction between essentials and accidentals is crucial as is the comprehensive point of view, which implies that all the relevant information – with the history of economic theory perhaps being most important - has to be taken into account if a complex socio-economic problem is investigated, for example, the formation of prices or the determination of involuntary unemployment. Only what is considered to be essential or constitutive to a phenomenon is included in the model, which is a picture, in fact a *reconstruction* or *recreation* of what *probably constitutes* a phenomenon, for example, prices, quantities and employment levels in political economy; this recreation is performed by reason interacting with intuition and is analogous to the bringing to the open of constitutive aspects of nature by the late Cézanne by the means of colour or to the representation of essential information for the user of the underground through a map. Consequently, metatheories or sets of principles have *not* to be realistic in the scientific sense since they are *not* reflections or pictures (*Abbilder*) of certain spheres of the real world, which can eventually be associated

with testable propositions. In fact, fundamental or metatheories, or principles are reconstructions of essential aspects of real world phenomena, and, as such, they illuminate these phenomena from inside and initiate the formation of empirically testable theories, leading thus on to applied work.

We have already mentioned that principles are of fundamental important importance for individual action and socio-economic policy making. Indeed, as emerges from Keynes's economic and philosophical work, *to act on the basis of principles is the most appropriate way to act rationally in a complex and rapidly evolving real world, about which we have imperfect and probable knowledge only and where uncertainty about the future always prevails* [on probability in Keynes's sense see O'Donnell (1989, specifically Part I)].

In this context, it should be recalled that William S. Haas, in his *Destiny of the Mind – East and West*, precisely puts to use principles to set out the essential differences between Eastern and Western civilisation, and uses phenomena to illustrate the principles. John Hobson (2004), however, works on the level of phenomena to be captured by theories and theoretical frameworks, with principles implied. Obviously, both methods are complementary.

Finally, *rationalism* attempts to obtain knowledge through the intellect (reason, analytical power) alone. This doctrine implies mistrust towards sense perception, which might be misleading, since phenomena may deceive us: seemingly the sun moves around the earth, but, scientifically, the contrary is true. Descartes believed that if reason perceived *clearly and distinctly* the idea or the essence of a phenomenon, truth would be established. Cartesian knowledge was still objective. However, very frequently, mainly when *complex* phenomena were considered, *ideas were produced by reason* and, in a way, became subjective. Pascal criticized Descartes precisely on the ground that knowledge grounded on reason only would be materially, that is, regarding knowledge about the constitution of the object considered, poor and predominantly formal. *Intuition*, Pascal's *coeur*, is indeed indispensable to obtain a materially rich objective knowledge through insight and understanding. In a way, intuition, linking the conscious with the subconscious, is a capacity to holistically and comprehensively get hold of *complex* states of affairs to produce first forms of truth, but also of ethical and aesthetic judgements. Reason and analysis subsequently shape the raw material provided by intuition, the result being models of thought refined to various degrees. In a way, then, intuition, linking the conscious to the subconscious, is the soil on which the plants of reason and analysis grow. If the soil is not fertilised, if intuition and imagination are not nourished, the plants of reason and analysis will get weak and may even perish through becoming purely formal and devoid of material content. This frequently happens with Cartesian-Kantian type

discourse when problems are complex. The soil of intuition may be fertilised, for example, through reading great works of literature, religious books, attempting to grasp the meaning of symbols, listening music, contemplating paintings, works of art in general, or attending lectures on these and other subjects. Hence the stronger intuition and imagination are developed, the deeper and the greater in importance will be the results produced by reason and the analytical powers. It is perhaps not by chance that an absolute peak in human thinking, the discovery of the number zero and the decimal number system, has been reached in India, where intuition, contemplation, even mysticism have been developed to the highest degree, as is suggested in *Die Philosophie der Inder* by Helmuth von Glasenapp (1974).

This fact is, perhaps, of a more profound significance in relation with the subject considered here. Indeed, on the basis of Haas (1956) and of Jaspers (1955/1949) it will be suggested below that, traditionally, in the East reason and analysis have remained closely connected to a highly developed intuition, associated with holistic and comprehensive thinking. Given this, traditional Eastern thinking is harmonious and produces serenity (von Glasenapp 1974, pp. 452-55). This implies that the thinking subject continuously stays in close touch with the object. The rupture with the world of magic and myth, which occurred during Jasper's *axial age*, has been less pronounced in the East. In the West, however, the domination of reason and analysis (*Vernunft und Verstand*) has weakened or, at times, even cut the link with intuition, including of course metaphysics and religious thinking. The way of thinking became dominated by the autonomous subject, above all in modern times, when the theories of knowledge of empiricism, idealism and rationalism came to prevail. Given this, western thinkers have built models, and have developed theories on increasingly narrow domains of analysis. Specialisation, going along with a loss of perspective, has been and still is a more or less dominating feature of Western type thinking. In some way, the West has frequently taken up the results of Eastern reason, profoundly anchored in intuition, to produce numerous systems of thought in all domains – Haas (1956) is very explicit on this as will be seen below. Perhaps, this is one possible interpretation of *ex oriente lux, ex occidente lex*. Indeed, Hobson (2004), Clarke (1997) and Goody (1996) all emphasize the contributions of the East to the West in the economic, scientific, technical and cultural domains.

Aristotle's system of thought, however, represents an extraordinary balance between intuition and reason, and is, as such, harmonious. His metaphysical system, a product of reason, grows out of a vision, produced by intuition – in fact, for the Greeks *theory* was equivalent to *vision of essence* (*Wesensschau*). Aristotle explicitly calls metaphysics the ordering science, meaning that the knowledge obtained by each science may be put at the appropriate place,

bringing forth a structured *Weltanschauung* which might be considered the ultimate aim of science. This Aristotle, in fact, produced. Building upon his metaphysics Aristotle elaborated a structured system of sciences: the humanities (psychology, ethics, aesthetics), the political sciences and sociology, and the natural sciences, especially botany. This stupendous achievement is probably due to three main reasons. First, there was the Middle Eastern and Egyptian influence on Greek thought as Bernal (1987, 1991) and Burkert (2003) convincingly argue. Second, after the sudden disappearance of the Bronze Age cultures in Greece around 1200 B.C. (Burkert 2003, pp. 13-14) the Greeks had the chance of a *new start*, and subsequently made *creative* use of Middle Eastern ideas (Burkert 2003). And, third, Aristotle stood at the end of a long chain of philosophical reasoning, in part contradictory, which, driven by dialectics, led on to a synthesis. In this process, the contradiction between *being* (*Sein*) and *becoming* (*Werden*) was perhaps most fundamental. Aristotle brought about the synthesis by conceiving of the notions of (constitutive) *essence* and of *existence* (embodying various properties), which fully characterise each phenomenon. Hence, benefiting from the work done by his philosophical predecessors, who, in turn, were influenced by Middle Eastern thought, Aristotle could bring in the harvest.

His work has, in the main, been carried on by the Scholastics, Thomas Aquinas foremost, and by their modern followers, Jacques Maritain for example; both established an extraordinary balance between faith and reason. Maynard Keynes has very aptly adapted Aristotle and, implicitly, Aquinas, to modernity, as far as the method to be put to use in the social and political sciences is concerned (Bortis 1997, specifically chapter 2); Marx's method is also basically Aristotelian (Bortis 1997, pp. 125-29). Aristotle's *essences* became, in Keynes's hands, the object of *pure or logical* theories, *existence* is captured by *applied* theories; for example, his *Treatise on Money* is made up of two volumes, volume one is on *The Pure Theory of Money*, volume two on *The Applied Theory of Money*. Similarly, in the *General Theory* Keynes speaks of the *logical* multiplier which always holds and is very simple, and of the multiplier *applied* to some concrete situation which, as a rule, gives rise to complex dynamic processes going on in historical time. While Keynes kept the content, the basic conceptions, of Aristotle's system, he modified the method to obtain knowledge. Basically, the *sylllogism*, based on demonstrative certainty, always *starting* from something *already known*, was replaced by *logical inference*, which, as has been suggested above, is based on an interaction between metaphysics and science, theoretical and empirical. Logical inference must, in fact, be prepared by a discussion on the level of principles to select the most plausible approach to understand and, subsequently, to explain a complex phenomenon. The

problem is that, if phenomena are complex, there are *no* realistic, even true, hypotheses to start with; analysis must be based on a vision captured by intuition.

*To be fair, we ought to mention that logical inference and its preparation through a discussion of the principles to be selected, was also there with Plato and Aristotle through dialectics and with the Scholastics through the disputatio.*

Given this, conclusions now get probable, with the degree of probability depending upon the robustness of the principles that have emerged out of a vision, and of the quantity and, above all, the *quality* of the theoretical and empirical-historical evidence. This is in line with common sense; in fact, as already alluded to, both Einstein and Keynes, have defined science as instructed and, as such, refined common sense. Keynes's way of thinking simply represents the *natural* way of thinking – *ratio recta* or *natürliche Vernunft* -, always asking the question as to what is *constitutive* to a phenomenon and constructing logical arguments to attempt to answer queries, bearing in mind that the answers will always be tentative and *probable* if complex phenomena are considered. Given this, theories on complex phenomena can never be proved; one can only say that one theory is more plausible than another theory on theoretical and empirical-historical grounds. For example, as is very likely, classical-Keynesian political economy is, on such grounds, far more plausible than neoclassical economics; this point is argued in (Harcourt 1972, and Bortis 1997/2006 and 2003a).

To conclude this argument, it should be mentioned that the knowledge obtained through methods of investigation based upon empiricism, idealism and rationalism may of course all contribute to increase the *weight of arguments* (Keynes) founded upon the realist approach. This is in the spirit of this essay, which represents an attempt to bring things together and to synthesise. In fact, empiricist, idealist, and rationalist scientists deal, as a rule, with precisely defined problems on the basis of given premisses. In a wider view the results produced by these methods are part of the raw material put to use by the realist scientist in his quest for the probably constitutive elements of some complex phenomenon. In doing so the realist scientist will, in some way, have to become an artist since intricate part-whole-relationships will have to be taken account of. Here intuition and imagination play a crucial role.

Given this, the artist and the scientist complement each other. If problems are dealt with seriously, everybody contributes to enhancing the degree of probability associated to the results of scientific activities in the widest sense.

*The same human nature and differences between civilisations*

The remarks made in the preceding section on mind and knowledge, imply a specific vision of man and of society. It has already been suggested that, to have such a vision is of the utmost importance for our problem, which is of extreme complexity. In fact, it seems to us, that taking an *essentially* evolutionist view, to be dealt with below, inevitably leads to Eurocentrism. Indeed, in the evolutionist view the breakthrough to Modernity could not but have occurred in Europa, because Europe, building on the unique Greek genius has reached higher levels of civilisation than the ‘rest of the world’, so to say, which has remained in generalised backwardness. In the following, we put to the fore a vision of man and of society that puts Europe and the ‘rest of the world’, particularly Asia, but of course Africa and the Americas, too, essentially, on the same footing, in spite of fundamental differences between Eastern and Western civilisation that have come into being in the course of time.

The vision of man and of society put to the fore here is Aristotle’s, taken up by Thomas Aquinas in the Middle Ages and, in the 20th century, explicitly by Alan Brown (1986) and implicitly by Maynard Keynes (Bortis 1997, especially chapters 2, 6, and 7). There is, in the first place, the *indestructible nature of man as a rational being*, as Aristotle puts it. The capacities of the mind, briefly pictured in the previous section, enable man to perceive Goodness and Beauty and to acquire probable Truth in all domains. Moreover, in the vision of Aristotle, man is also an *essentially social* being. The state is a necessary precondition, not just for life, but, as Aristotle emphasises, for the good life. In modern terms this means that the state has to create a social basis, such that the social individuals may prosper, that is to unfold their dispositions and to broaden their capacities. Creating the social basis means setting up, or favour the coming into being of social institutions in various domains, economic, social, legal, political, and cultural, including education and research. And the prospering of individuals rests *essentially* on social processes: reading as an interaction between author and reader; discussing is evidently social, and so is learning in all domains, including manual activities; studying appears as interaction between students, teachers and great authors.

On account of the vision underlying this essay, the fundamental values – Goodness, Beauty and Truth – are *objectively given* and are present in all spheres of human activity, social and individual, and in nature. In fact, these values are properties of human, social and natural phenomena, which, in turn, are shaped by fundamental laws governing man, society and nature; in the socio-economic sphere, the principle of effective demand and the surplus



principle, would be important instances of fundamental laws (Bortis 1997/2006, pp. 103-30). The faculties of the human mind enable man to obtain – probable - knowledge in the spheres of, for example, politics, political economy and social ethics. Most importantly, the human mind has the faculty to, *probably*, grasp *essences* even of complex phenomena, like the essence, or the nature, of man and of society. This implies that it is also possible to say, always probably, what the good life, the well-ordered society and polity is *in principle*. To distil – probable – essences of complex phenomena requires, however, a comprehensive argument taking account of all the fundamental theoretical options and of historical experience, as far as is possible for human beings; for example, in Bortis (1997) it has, on the basis of such an argument, been attempted to show that classical-Keynesian political economy, that is the economic theory of Keynes's *Social Liberalism*, is *probably* superior to the economic theory of *Liberalism*, given by neoclassical economics, and to the political economy of centrally planned *Socialism*. In this context, it is important to note that sound and robust economic theory is, in a Keynesian vein, a precondition for ethically appropriate economic and social policies.

It may be added here that the fundamental value of political ethics, the *Common Good*, and of (individual) ethics, the *Good Life*, are both complex entities. The Common Good comprises a material basis, the economy, with the social process of production as its core. Ideally, a well-organised economy would be at full employment and distribution would have to be fair, that is in line with distributive justice as far as is possible, given the ever-present imperfections of human knowledge. The social surplus arising out of the social process of production enables a society to set up a political, legal, social and cultural superstructure, that is a set of institutions, within which values in the sphere of politics, law, society and culture may be permanently pursued; these values form a hierarchical structure and, evidently, *cannot* be measured in money terms. Given this, 'the way in which the social surplus is produced, extracted, distributed and used' (G.C. Harcourt) to set up an institutional superstructure, reflecting a hierarchy of values, characterises a society. The analysis of these aspects of the social surplus is a very useful tool to deal with historical situations, the character of historical change and with comparisons between societies and civilisations.

"Ethics (*Individuelethik*) deals with the essence of the good and decent life for individuals which, if realized, would result in happiness [and serenity]. From this, prescriptions for ethically good actions may be derived which, if permanently effected, produce individualistic institutions compatible with human nature. The good life is a complex entity and made up of a set of values related to physical and mental [harmony], to a reasonable level of material

affluence, to the satisfaction obtained by exercising a profession and to social activities, for example pursuing a common aim within a team, to the search for truth in scientific work, to justice in relations between individuals – the fair or just price is associated with justice in exchange between producer and consumer – and to the creation and the enjoyment of the beautiful in the arts. Since each person is unique [and, as such, a *substance*, which, in turn, is an individualisation of the *essence* of man in general], the value system corresponding to his individual nature [or substance] will equally be unique. Moreover, Aristotle insists on the fact that the good life does not naturally come about. This objectively given potential can only be imperfectly perceived and its approximate realization requires continuing efforts“ (Bortis 1997, p. 38).

To postulate an immutable and indestructible human nature leads to a plausible, highly probable, proposition: *all individuals, all societies and states, and, all civilisations, stand on the same footing because human nature is essentially the same everywhere and at all times.* However, due to the very different historical and natural circumstances, human nature comes into *concrete existence* in very different forms. Man’s potential of adaptation, the capacity to change and to meet challenges, are simply tremendous. The Agricultural Revolution, which took place around 6000 B.C, and the Industrial Revolution, broadly from 1750-1830, and their consequences, are telling cases in point.

Given this, the historical realisations of societies and states, of civilisations, may differ very widely, due to the immense potential contained in human nature. Most diverse forms of politically organised societies may come into being, some lasting for relatively short times (the Roman Empire), others for thousands of years (China and Egypt), breaking down only on account of massive outside influence.

It would seem that polities organised in line with human nature may potentially persist indefinitely. Natural states of political societies would, *in principle*, result in a just and harmonious society with the Common Good being realised; of course, in the real world, this aim is capable of imperfect realisation only, as is in line with human capabilities (Bortis 1997, ch. 2). A gap between the natural and the effectively existing state of affairs could, following Marx, be called *alienation* (see Bortis 1997, pp. 47-53). A modern example of system-caused alienation would be mass-unemployment. This is alienation in the economic sphere, which, as a rule, brings about alienation in other spheres, since high unemployment produces a struggle for survival. For example, alienation in the social sphere may come into being, through drug addiction, an increase in violence and crimes, as well as conflicts between social, ethnic and religious groups.

Traditional China, as Konrad Seitz (2003) points out, was politically based upon Confucian ethics, and reached a state of near perfection in political organisation. China thus minimised alienation and approached the natural state. As a consequence, Confucian China lasted in good shape from the foundation of the Han Dynasty (220 B.C.) until the growth of Western interference in the first half of the nineteenth century, that is, about two thousand years approximately, to finally break down in 1911. It would seem that Ancient Egypt was also based upon an ethical basis (Schack 1978, pp. 16-18), which, as for China, would explain its long lasting existence. In contrast to China and Egypt, the Roman Republic started to reach the height of its power around 200 B.C., approximately at the same time when Han-China came into being. However, Republican Rome ended in a terrible civil war, and the Empire was set up around the beginning of the Christian era. The rise of the Roman Empire lasted about two hundred years, to be followed by a long decline, then an agony and a sudden collapse of her Western part. ‘Rome perished because of her *Latifundiae*’, Max Weber concludes in his thesis on Roman agrarian conditions. ‘Rome was not a state, because she was not based on ethics and justice, but on power, coercion and plundering’, Augustine said in the face of the collapsing Empire (quoted in Hoerster 1987, p. 68). Karl Christ (1984, p. 70) suggests that Rome was a *Timokratie*, that is a polity governed by the rich. Nevertheless, all Roman citizens, rich or poor, stood, in the first place, in the service of the polity. In this way, the wealth and the power of the rich coincided with the wealth and the power of Rome, carried, however, by all citizens.

In spite of the alienated conception of the Roman polity, her achievements were gigantic: an incomparable material civilisation (towns and roads), a temporary flourishing of the arts, implying a spread of Greek culture, the creation of a coherent system of private law, a temporarily perfect political and military organisation. However, power and the rule of the strongest left no or little room for ethics. Having brought about utmost ethical alienation, Rome, very probably, created the preconditions for the triumph of Christianity.

To postulate essences and substances of all the existing in general and in specific form respectively, and, consequently, an invariable human nature, with the real world explained in terms of alienation from natural states, inevitably implies a *creationist* vision of the world. This does not exclude evolution in a more restricted sense, associated with change and adaptation. These postulates are based on the grandiose vision of Man and the Universe set forth by John Eccles in his *Human Mystery* (Eccles 1984). In the preface, Eccles speaks of “great and mysterious problems, which are beyond present science and may in part be forever beyond science. Such problems arise, for example, when considering the origin of the

Universe in the Big Bang, the origin of life, the manner in which biological evolution was constrained through its waywardness [possibly by way of *creation*] to lead eventually to Homo sapiens, and finally the individual conscious self [with her/his faculties of the mind – intuition and imagination, reason, analytical powers – to perceive ethical and aesthetical values and to acquire probable truth, even if phenomena are very complex]”(Eccles 1984, p. VIII). Starting from Eccles, three propositions, related to our subject matter, may now be set out.

First, as has already been suggested, the *acquisition of knowledge* is, basically, a matter of the *mind*. This is in the tradition of Aristotle, but also of Maynard Keynes and William Haas whose book, significantly, carries the title *The Destiny of the Mind – East and West*. The nature of the mind and the soul is necessarily immutable and as such constitutes the *identity* of each human being through a specific substance, based upon the essence of man defined as a *reasonable and social being* (Aristotle). The same human nature allows men and women to understand each other over space and time in matters of truth, beauty and goodness. “Sensible men understand each other over thousands of years on the basis of commonly shared fundamental values [for example, truth, honesty, sense of duty and the common weal]”(Schack 1978, p. 18; a.tr.).

Second, man and society cannot be explained in terms of the basic elements composing them. Both are complex structured entities, as are all living beings. And structured entities are governed by laws of their own and independent of the laws governing their parts and the basic elements composing them. “[The biologist] Michael Polanyi ... attacked reductionism of biology to physics and chemistry on the grounds that, in a hierarchy of levels, ‘the operations of a higher level can never be derived from the laws governing its isolated particulars, it follows that none of these biotic operations can be accounted for by the laws of physics and chemistry. Yet it is taken for granted today among biologists that all manifestations of life can ultimately be explained by the laws governing inanimate matter. Yet this assumption is patent nonsense.’ The reference of Polanyi is of course to a complete explanation of *all* that happens in a living organism” (Eccles 1984, pp. 5–6).

This statement also applies to society and the individuals. The complementarities prevailing in the social process of production, in the institutional superstructure and in the system of social and individual values make of each society a structured entity. This implies that social phenomena cannot be reduced to the actions of individuals as is postulated by *methodological individualism*. The *determinism* exercised by the historically grown system of social

institutions, having its own laws, and their interplay must be studied as such (Bortis 1997/2006, specifically chapter 5).

To avoid misunderstandings it should be mentioned here that, considering all manifestations of life, and also nature and society, as structured entities will render the natural and the moral sciences much more complex and also more interesting, and not the other way round. In fact, not only simple or complex causalities between parts would have to be brought to the open, but immensely complex *part-whole* relationships would have to be taken account of. The latter require a holistic and comprehensive vision of the object considered, leading on to a broad understanding of its functioning. To give an example, in political economy, the relationship between employment and distribution can only be analysed properly if the functioning of a monetary production economy is broadly understood, at least in principle.

Third, there is, evidently, a broad trend of progress in technology and science. However, in the social, political, and cultural domains transition or change dominates, with alienation, in a larger or smaller degree, always present. There are recurrences, reflecting the existence of immutable values. For alienation also implies an insufficient realisation of fundamental values, social justice for example, bringing about forces aiming at reducing alienation, that is increasing social justice in this case. This may lead to a revival of traditional values, to be realised similarly or differently. In a way, changing institutions and ways of behaviour, both alienated to some degree, supersede the fundamental laws governing society and nature and the immutable ethical and aesthetical values. The immutable nature of man forms the basis of most diverse changing forms of existence, including recurrence (Bortis 1997, pp. 103-17, specifically p. 106). This shows up in most differing ways, as a few selected instances suggest.

For example, the art of so-called primitive peoples is surprisingly modern, even if going back very far into the Stone Age, the Lascaux wall paintings being an important instance. Or, the pieces of art, particularly sculptures, of Mesopotamia, Persia, Egypt and Greece are so overwhelming through their monumental beauty as to seem, in many instances, of a superhuman nature as a visit of the British Museum or of the Louvre suggests; the same is true of works of architecture. The achievements of the Agrarian Revolution (around 6000 B.C. onwards) are simply fabulous: domestication of plants and animals; tools in bronze, the wheel. They are perfectly comparable to the achievements of the Industrial Revolution. What has been achieved following up the Agricultural Revolution stands probably on the same footing as the achievements reached after the Industrial Revolution, and in the arts, especially architecture and sculpture, in some instances perhaps superior. In this context, the fascinating

story of ‘Geometry and Algebra in Ancient Civilizations’ (van der Waerden 1983) is equally revealing: “Until quite recently, we all thought that the history of mathematics begins with Babylonian and Egyptian arithmetic, algebra, and geometry. However, three recent discoveries have changed the picture entirely.

The first of these discoveries was made by A. Seidenberg. He studied the altar constructions in the Indian Sulvasutras and found that in these relatively ancient texts the “Theorem of Pythagoras” was used to construct a square equal in area to a given rectangle, and that this construction is just that of Euclid. From this and other facts he concluded that Babylonian algebra and geometry and Greek “geometrical algebra” and Hindu geometry are all derived from a common origin in which altar constructions and the “Theorem of Pythagoras” played a central role.

Secondly I have compared the ancient Chinese collection “Nine Chapters of the Arithmetical Art” with Babylonian collections of mathematical problems and found so many similarities that the conclusion of a common pre-Babylonian source seemed unavoidable. In this source, the “Theorem of Pythagoras” must have played a central role as well.

The third discovery was made by A. Thom and A.S. Thom, who found that in the construction of megalithic monuments in Southern England and Scotland “Pythagorean Triangles” have been used, that is, right-angled triangles whose sides are integral multiples of a fundamental unit of length. It is well-known that a list of “Pythagorean Triangles” like (3,4,5) is found in an ancient Babylonian text, and the Greek and Hindu and Chinese mathematicians also knew how to find such triples.

Combining these three discoveries, I have ventured a tentative reconstruction of a mathematical science which must have existed in the Neolithic age, say between 3000 and 2500 B.C., and spread from Central Europe to Great Britain, to the Near East, to India, and to China. By far the best account of this mathematical science is found in Chinese texts” (van der Waerden 1983, p. XI).

It is striking to note, then, that, probably, mathematics had *not* been discovered by a great civilisation, but by so-called barbarians. Rondo Cameron makes a similar point regarding the technical-economic and political spheres. Starting from the predatory character of ancient empires, he asks whether they did “make any positive contributions to economic development? In terms of technological development the record is extremely sparse. Almost all of the major elements of technology that served ancient civilizations – domesticated plants and animals, textiles, pottery, metallurgy, monumental architecture, the wheel, sailing ships, and so on – had been invented or discovered before the dawn of recorded history. The most

notable technological achievement of the second millennium (ca. 1400 – 1200 B.C.), the discovery of a process for smelting iron ore, was probably made by a barbarian or semibarbarian tribe in Anatolia or the Caucasus Mountains” (Cameron 1993, p. 31). This leads to a very important point related to the previous section: *Inventive activities primarily rely on intuition and imagination*. These capacities were more developed with ‘barbarian’ peoples than in the great civilisations, which heavily relied on the analytical powers of their ruling classes. Rome is of course the prime example; the Romans were builders and organisers, not philosophers and inventors. On this Cameron states: “In spite of the near-stagnation of technology, the economic achievements of the ancient empires were considerable. Organized expeditions, whether for trade or conquest, diffused the existing elements of technology more widely and brought new resources into the ambit of the economy. Explicit formulation of civil law, even if drawn up for the enlightened self-interest of the ruler or the ruling class, contributed to smoother functioning of the economy and society. Most important of all, perhaps, establishing order and common laws over larger and larger areas facilitated the growth of trade and, with it, regional specialization and division of labour. The outstanding example of this tendency is, of course, the Roman Empire” (Cameron 1993, p. 32). Below, in the chapter on *William Haas: East and West are entirely different*, we shall see that these statements on Rome (the West) do not hold for China (the East). Indeed, as Hobson (2004) impressively shows, with Joseph Needham in the background, the Chinese *were* inventors (see the chapter on John Hobson below). Different structures of the mind (William Haas) greatly matter!

Regarding mathematics van der Waerden goes on to say that “[the] Greeks had some knowledge of this ancient [mathematical] science, but they transformed it completely, creating a *deductive science* based on definitions, postulates and axioms”(van der Waerden 1983, p. XI; our emphasis). This sentence has an important implication. Indeed, the Greeks frequently went from reason to analysis, leaving intuitive knowledge in the background. Based on intuition, reason provided the premisses from which deductions (analyses) were made and conclusions reached. This way of (deductive) reasoning is, probably, greatly facilitated by phonographic writing, based on the alphabet, which renders possible theorizing based on the syllogism in a vacuum so to say: notions were coined, judgements made and conclusions drawn. In an individualistic vein, the premisses were frequently set by the mind (reason) of the ‘model builders’ who based their analyses upon precisely these premisses. This, as will be seen, is emphasised by Haas (1956) and suggested by Goody (1996, p. 238-39). Second, the Greeks, as Burkert (2003) points out, benefited greatly from Middle Eastern

and Egyptian ideas, which they *creatively* transformed. It will be suggested below that the Middle East stands in a similar relation to Greece, as Asia to Europe.

The elaboration of various types of writing was another immense performance of the human mind. In his exhaustive and authoritative universal history of writing, Haarmann (1998) writes, rather surprisingly, that the first system of writing was developed at the end of the 6th millennium by the Vinca Civilisation, broadly located in and around today's Serbia, in relation with religious activities, about two thousand years *before* the Sumerian writing, which hitherto was considered the first scripture (Haarmann 1998, p. 73). Haarmann even suggests that writing might go back deep into the Stone Age, in symbolic form up to 30'000 years B.C. (pp. 29/30)! This would be another strong indication for the invariable human nature, which has gradually unfolded its potential. We shall return to this point below, in the section on *the structure of human history and the invariable nature of man* of the present chapter.

The basic forms of writing, logographic, with Chinese as the pure form, and phonographic (Arab, Greek, Latin), very probably stand in relation with the modes of thinking which is basic to the difference between civilisations. One may plausibly argue that the logographic writing is associated with intuition, holistic thinking, capturing the phenomena considered in their entirety. This leads subsequently to principles of explanation and of action. Phonographic writing, however, favours analytical thinking, starting from given premisses, leading on to the formation of theories, taking the – implied – principles for granted. With the premisses subjectively set by reason, theories and 'isms' multiply (Haas 1956), leading to more and more specialisation and, eventually, to a loss of perspective. With the analytical powers dominating, intuition and the associated imagination is pushed into the background. Indeed, modern (Western) science has come into being through a divorce of reason and analysis from metaphysics.

To be sure, once the number zero and the decimal system, geometry and algebra, logographic and phonographic (alphabetic) writing are there, all seems relatively simple, and not too difficult to get acquainted with. But, obviously, to elaborate these intellectual tools and constructions out of the simple material conditions prevailing thousands of years ago, are tremendous performances of the human mind, perfectly comparable to present Nobel price winning work in the sciences and to the highest achievements in the humanities and in the social and political sciences. As already suggested, the discovery of the number zero and the decimal number system represents a lonely peak in the *entire* history of systematic thinking of humanity. It is, perhaps, not by chance that this outstanding performance was achieved in



India: deepest intuition may lead on to entirely new approaches and to the highest analytical performances. In this context, a mathematician once said, that mathematicians become poets when they are dealing with first axioms. Aristotle, Aquinas, and Maynard Keynes all perceived that intuition, including faith, and rational-cum-analytic thinking interacted and mutually fertilised each other to obtain deeper knowledge. This fact is most appropriately illustrated by the way of working of two giants of the Middle Ages, Anselm of Canterbury with his *credo ut intellegam*, the vision, intuition and faith as a precondition to knowledge, and Thomas Aquinas who went in the opposite direction. Based on faith he attempted to push the frontiers of reason to the utmost limits into the field of intuition and faith. Specifically, Aquinas aimed at making Faith intelligible as far as is possible for natural – unalienated - reason through working out a *Theodizee*.

Johannes Hirschberger remarks that the first steps to bring together Faith and Philosophy were undertaken in late antiquity already, not only by the Christians, but also by Islam and Judaism (Hirschberger, vol. I (1984), pp. 317-18). And Augustine coined the proposition that was to become the central and fundamental idea of Medieval Philosophy: *Intellege ut credas, crede ut intellegas* (p. 328). On the one hand, reasoning was seen as a means to make intelligible doctrines of Faith, and, on the other hand, Faith provided, to use a modern expression, the vision upon which reasoning on Man, society and the state, and on nature could take place. The Scholastic system realised this synthesis between Faith and Philosophy to culminate in the work of Thomas Aquinas (Hirschberger, vol. I, chapter 2). Although the *disputatio* brought life into the system, rigidity became more and more pronounced. It was Descartes who, through his philosophical *tabula rasa*, definitely set the European mind on a subjective track, cutting thus the link between science, that is reasoning on society and man, and nature, on the one hand, and Faith and philosophy (metaphysics) on the other. This prepared the way for the breakthrough to Modernity. However, as William Haas suggests, this did not mean entirely abandoning the living and forceful old Scholastic system, dealing with theology and philosophy, including the philosophy of nature; according to him the original, openminded Scholastic method was now increasingly applied to nature and man, gradually pushing its metaphysical foundations into the background. After the breakthrough to Modernity this development resulted, in the spirit of Enlightenment, in a tremendous growth, above all, of knowledge in the natural sciences and in technology, and also in the social and political sciences, that is, the moral sciences at the time. However, the ensuing loss of perspective through excessive subjectivism and relativism and, as a consequence, the growing

intellectual disorder has led Jacques Maritain, and others, to require the return of metaphysics, which, in Aristotle's view, is the ordering science.

To conclude, Christian Theologian-Philosophers took up the results of first (European-Greek) *axial age* to establish the intellectual foundations of the second *axial age*, in the course of which the breakthrough to Modernity occurred. In doing so Christianity and Europe could greatly benefit from Judaism through the Judaeo-Christian tradition, but also, as will be suggested below, from Islam, later from China and India (on this see the chapter on *John M. Hobson: Asia influences Europe, but does not dominate her*). Once again, *the* particularity of Europe as the Laboratory of World History clearly emerges.

### *The natural state and alienation*

It has already been suggested that alienation constitutes a gap, so to say, between the natural and the concretely existing. The natural state is a state of individuals and society that is in line with the nature of man. *Harmony* between the parts making up individuals, mind and body for instance, and societies – social classes, ethnic and religious groups -, and man and society as a whole, is perhaps the most significant and fundamental attribute of the natural state. In the natural state individuals may prosper, that is unfold their dispositions and broaden their capacities. The natural state can of course take on very different forms of existence, mainly depending, as Marx clearly perceived, upon the state of the forces of production, that is, the technology in use in some society. In this section we mostly consider the issues of the natural state and of alienation at the level of society and state, which could be called *system-caused* alienation. Alienation at the level of individuals is only alluded to, because alienation on a purely individual level is difficult to get hold of, and mainly because system-caused alienation is of overwhelming importance since it strongly influences alienation on the individual level. For example, a very unequal income distribution will, as a rule, result in higher system-caused involuntary unemployment, which, in turn, will bring about an increasing number of crimes and higher levels of drug addiction, and vice versa.

System-caused alienation shows up on two levels. In the first place, alienation may emerge in various shapes *on the level of the polity (the state, society and the economy in Modernity)*, in however form polities may concretely exist, and, second, on the *international level in the shape of relations between polities*. Since the European expansion around 1500 the international level has increasingly become the global level. However, links between, most importantly, East and West have existed before, as emerges, for example, from Clarke (1997),

Goody (1996), Hobson (2004) and Seitz (2003). Both types of system-caused alienation will be dealt with in relation to their respective natural states in the last two chapters preceding the *concluding remarks*. Here we make some remarks on the natural state and alienation in general.

In pre-industrial times alienation mainly occurred within the social and political superstructure, with economic alienation being a consequence; a feudal oligarchy or a tyrant exploiting the peasantry would be an example. As Marx has perceived with incomparable clarity, from the Industrial Revolution onwards alienation in the material basis, economic alienation, comprising the forces and the relations of production, and showing up in mass unemployment, for example, became fundamental, governing predominantly alienation in the institutional - social, political, legal, cultural and religious - superstructure.

Three points should be noted at once. First, the two types of alienation are not intrinsically bad; they may be, and as a rule are, necessary to bring about social change, with the social individuals responding to challenges. For example, Marx argued that Capitalism brought about alienation to the highest degree; yet he considered Capitalism as a necessary stage in human history because it immensely improved the productive forces, which Socialism could build upon; this echoes, in a way, Hegel's proposition that World History is not – always – a realm of happiness; suffering may thus be required to attain socially better states of affairs. And second, system-caused alienation, expressed, for example, through mass unemployment and a very unequal distribution of incomes, represents a *social-ethical* deficiency. This, however, is compatible with ethically appropriate behaviour of the great majority of the social individuals, capitalists and workers, *from the point of view of individual ethics (Individuelethik)*. Marx explicitly states in the preface of the first volume of his *Kapital* that he does not accuse the *individual* capitalist for the alienation prevailing, but the capitalist *system* (p. 16), which has laws of its own, independent from the will of the various individuals. This leads to a third point. The functioning of the system governs global or macro magnitudes only. For example, the functioning of the socio-economic *system* may bring about a long-period employment level of 80 per cent, implying a persistent level of involuntary unemployment of 20 per cent. However, who is employed or unemployed depends upon the abilities and the behaviour of individuals. For example, highly qualified academics may remain unemployed because, on account of their social origin, they have no appropriate connections, whilst less qualified individuals having such connections will get a job (Bortis 1997, chapter 4).

William Haas (1956) has strongly emphasised the fact that the political organisation of society has been very different in East and West. In the East personal rule dominates and institutions remain in the background. Contrariwise, since the conception of the Greek city, the polis, the Greek world produced a great many constitutions; subsequently, institutions dominate in the West, with persons acting within an institutional framework. As a consequence, alienation has taken on very different forms in East and West. In the East alienation at the level of individuals was more important than system-caused alienation. In the West system-caused alienation was predominant, causing, for example, the collapse of the Greek and West Roman world; for example, Max Weber has suggested that the Western part of the Roman Empire collapsed because of the *Latifundiae* becoming self-sufficient; this heavily damaged or even destroyed the socio-economic foundations of many Roman cities. Since the Industrial Revolution system-caused alienation dominates worldwide.

The *natural state of Man* is, in Aristotle's vision, grounded in the city, the polis, that is the *institutionalised* political society, in modern terms, society and the state as a system of institutions. Ideally, the well-organised *polity* is a *precondition* for the good and happy life of the social individuals. The problem is to approach the Common Good – the good and happy life of the citizens in a well-organised society - and hence the natural state of affairs as closely as is possible, given the limited capacities of the human mind. To bring about distributive justice is crucial: „[It] is by speech that we are enabled to express what is useful for us, and what is hurtful, and of course what is just and what is unjust: for in this particular man differs from other [beings - Wesen], that he alone has a perception of good and evil, of just and unjust, and it is a participation of these common sentiments which forms a family or a city” (Aristotle, *Politics*, 1253a). As already suggested, the natural state of a polity implies social harmony. To realise as much social harmony as is possible for human beings is a problem of *social and political ethics*. Incidentally, social harmony is also basic in Confucian political philosophy, which, however, is brought about by all individuals, those who govern and those who are governed, acting in an ethically appropriate way. Here *individual ethics* (Individualethik) is put to the fore.

In modern terms, full employment and an equitable distribution of incomes would, in a Keynesian vein, be the most important socio-economic preconditions enabling the social individuals to prosper and to live together in an orderly way. To this would add a state-run education system, accessible to all and free of cost for all. A public education system is most important to realise the values of equality of opportunities and of social mobility.

*It will be argued below that the great religions should, in an entirely openminded and non-dogmatic way, play a fundamentally important role in education. In fact, education is not just about learning something. Schoolchildren and students must also, gradually, acquire a vision of Man and his destiny, in order to achieve a sense of life; given this, stable and responsible persons may emerge from the process of education, capable not only to perform constructive work in some sphere, but also apt to deal with difficult situations.*

Hence in traditional Eastern societies, *alienation* was caused, in the main, by an inadequate leadership – this is implied in Haas (1956, chapters III and IV). In the West (Greece and Rome) misconceived institutions were, probably, a much more important source of alienation; for example, as suggested above, the near-autarky of the *Latifundiae* brought about the decay of the Roman cities, which, in Max Weber's view, was the main socio-economic cause of the collapse of the Roman Empire. In modern societies alienation is, as Marx and, implicitly, Keynes, perceived with incomparable clarity, caused by a malfunctioning of the entire socio-economic system. Keynes considered heavy involuntary unemployment associated with, and mainly caused by, a very unequal income distribution, as the most important element of system-caused disorder, that is economic alienation in Marx's terms, which may bring about alienation in other spheres of society. For example, political alienation may occur with powerful socio-economic forces increasingly dominating the political sphere with the state gradually losing in importance. Or, social problems may extend: crime, drug addiction, violence, the formation of slums, and a growing number of working poor. And all this may be accompanied by a weakening of the middle classes, and go along with splendid city centers and fabulous luxury consumption by a few. During the whole of his life Maynard Keynes was most preoccupied by the coexistence of immense wealth and utmost poverty.

*This does not imply that there should not be some very rich people in a society. Their monetary wealth should be used, however, to finance social and public projects of common interest, for example to maintain the cultural heritage or, in the social domain, to provide relief in case of a natural calamity. In this context, one should mention that Maynard Keynes considered the excessive accumulation of money morbid and also economically damaging: „Depressions arise, Keynes wrote in his *Treatise on Money* [1930], when money is shifted from the 'industrial circulation' into the 'financial circulation'. This emphasis Keynes placed on the function of money as a store of wealth, as an escape from commitment, was one of his original contributions to economics“ (Skidelsky 1992, p. xxiv). The excessive accumulation of*

*monetary wealth leads on to an increasingly unequal distribution of incomes, which, in Keynes's view, is the most important cause of involuntary unemployment, because of a declining purchasing power of the population.*

*The presence of very large amounts of money in the financial sector may lead on to a feverish money making activity, through credit based speculative investments in the financial and in the real sector, making use of leverage effects. Based on the post-Keynesian interaction between investments and profits, huge overcapacities may be created in the real sector, while, simultaneously, long-period effective demand is likely to decline because of a reduced purchasing power, due, in turn, to a growingly unequal income distribution; demand may be further reduced through an excessive indebtedness of the consumers, subsequent to increasing debt service charges. The combination of huge overcapacities and reduced effective demand will lead on to a decline of prices of real and financial assets. This, in turn, may bring about a collapse of the financial and of the real system; as a consequence, part of wealth, that is past savings, will be destroyed, and, in the real sphere, unemployment will sharply increase. Such a collapse occurred in the 1930s, and is threatening at present, mainly in the United States; however, the effects of a collapse in the US would almost certainly spread to other regions of the world. The presently (2011-12) ongoing Euro crisis, if not dealt with appropriately, really constitutes a threat to the real and financial sector in Europe and probably far beyond.*

*For a few theoretical remarks on the interaction between the real and the financial sector, see Bortis (2010 and 2013a); the mechanism of the business cycle is sketched in Bortis 1997/2006, pp. 204-20. In an excellent book, Paul Dembinski presents first an analysis of the reality of finance and its relation to the real economy and then goes on to consider social ethical aspects of this relationship (Dembinski 2008).*

These considerations relating to the first form alienation – *alienation on the level of the polity* – lead inevitably to the second type of alienation alluded to at the outset of this section, that is *alienation on the international level in the shape of alienated relations between polities*. The two kinds of alienation are obviously not independent of each other. Alienation *within* political societies leads to alienation *between* polities, and vice versa.

In fact, if the general policy of a country is basically of an *ethical* nature, then it is very likely that its foreign relations will also be shaped by social ethics. Indeed, if the aim of a polity is to approach a natural state, the Common Good, with a minimum of alienation, then it is likely that such a country will be peaceful, hence non-aggressive, and live on good terms with its neighbours. In such a country, the economy will stand in the service of man and of society,

i.e. take on an ancillary role. As Konrad Seitz (2003) points out, traditional China, as based Confucian ethics, is the prime example of such a country. Certainly, this also holds for India, where, to take an example, Emperor Akbar the Great (1542-1605), aimed at ruling India through reconciliation between religions (Hottinger 1998). Both China and India have been most peaceful and non-aggressive towards the outside world throughout history.

*Given, however, the domination of aggressive capitalism based upon the external employment mechanism (Bortis 1997/2006, pp. 185-98) within presently ongoing Globalisation, might force China and India to practice an aggressive capitalism, too, simply in order to maintain or, eventually, to improve their position in the world economy. Moreover, practising an aggressive capitalism, leads, as a rule, to increasingly hard-line domestic and foreign policies everywhere.*

However, in both countries, there have been internal conflicts due to alienation caused by bad personal government or due to struggles for power. Alienation was at the level of the dominating individuals and of the associated social groups, and, eventually, regions.

This peaceful attitude of the two great Asian countries evidently did not prevail in the Islamic world, Arab and Ottoman, and in Europe. It is true that both reacted against challenges, particularly Europe. Alexander's rush towards the East was, also, a reaction toward earlier Persian westward expansion. The Roman Empire came finally into being following up the ferocious struggle between Rome and Carthage for supremacy in the Mediterranean area. The Germanic invasions of the Roman Empire were a natural reaction against harsh Roman treatment of Germanic border tribes, with the Germanic mass migration (*Völkerwanderung*) being set into motion by the invasion of Europe by the Huns – led by Attila - who drove the Germanic peoples west- and southwards. The Crusades were, also, directed against Islamic expansion, but were undertaken on religious and economic motives in the main. One important reason for the European expansion around 1500 was the rise of the Ottoman Empire who erected a kind of barrier in the Eastern mediterranean area, forcing the West to look for an alternative route to the East. The subsequent events, colonialism, imperialism, the two World Wars, followed almost deterministically. In fact, the time of European nation building had set in, and the emerging European nation states aimed at strengthening their domestic position through acquiring or appropriating land and resources overseas, a point put to the fore in Hobson (2004).

Aggressions and wars represent alienation between states, which has been strong from 1500 onwards, when European expansion overseas and nation building in Europe set in. Probably, alienation within political entities and alienation between them have been interacting. The struggle for survival and for enhanced power prevented to carry out reforms to reduce internal alienation, that is, alienation within countries; conversely, the presence of internal alienation may have led on to an aggressive behaviour towards other countries and regions; it is well known that domestic problems are frequently pushed into the background through aggressive behaviour towards parts of the outside world. Industrialisation and Modernisation precisely emerged from survival and power struggles associated with nation building in Europe, with system caused alienation within countries culminating in the Capitalist era, as Marx perceived with incomparable clarity. On the political level, the most striking result of Modernisation was the definitive coming into being of the Nation State. Below we shall argue that the question as to the future of the nation state is of crucial importance to assess a possible – natural – world order for Modernity after the failure of Socialism with central planning and the serious problems arising with oligopolistic Capitalism. Looking ahead to the chapters on *the natural order within states* and *the natural political world order* (see below) it would seem that the small and medium-sized nation state, which has gradually come into being in Europe with increasing intensity from about 1000 A.C. onwards, and gaining momentum after 1500, is, in a way, a historical necessity. Indeed, in these chapters it will be argued that the natural world order can only be built upon the small and medium-sized state, which, together with the Western family and an education system in line with human nature, emerges as a natural institution, absolutely necessary to the unfolding of the potential of human nature and, as such, to the flourishing of *all* social individuals in conditions of freedom. To conclude, it should perhaps be added, that the traditional nation state is likely to become more and more a nationalities state. Given this, it will be of particular importance to bring about orderly socio-economic conditions within each polity. This will enable various social, ethnic and religious groups to live together peacefully and to mutually enrich each other. Contrariwise, with a very unequal income distribution and large involuntary unemployment prevailing within countries, life will become a struggle for survival and conflicts between social, ethnic and religious groups may ensue.



*The driving forces in history: the striving after perfection, the struggle for power, and socio-economic determinism*

In the preceding section we had a glance at natural and alienated states of societies and polities. In this section, we consider, very briefly, three fundamental driving forces in history, the striving after perfection, the struggle for power, and socio-economic determinism. These forces shape historical situations and bring about historical change. How this goes on concretely can, of course, not be considered here. Consequently, only some principles are set out; at times, historical examples are used to illustrate the principles.

The striving after perfection, the first of the driving forces considered, is, in fact, a *natural* driving force, directly connected with unfolding the potential contained in human nature. The struggle for power, a second fundamental driving force in history, takes place in situations *alienated* in various degrees. A third historical driving force, socio-economic determinism as is exercised by the institutional system as a whole, has become particularly important since the Industrial Revolution.

In Agrarian times (from 6000 B.C. to 1800 A.C. approximately) change mainly went on in the social, political and cultural superstructure and had repercussions on the economic basis. However, since the Industrial Revolution changes in technology and in the economy, the material basis of a society became crucially important, with backlashes in the institutional superstructure. For example, Marx perceived that alienation in the economic sphere (mass unemployment, for instance) leads on to alienation in the political, social, cultural and even in the religious sphere.

Hence, in the first place, historical situations may be shaped and change brought about through the *striving after perfection* in the realms of Goodness, Beauty and Truth. This striving, inherent in human nature, is a most powerful driving force in history. The striving after perfection is, in fact, associated with realising the tremendous potential stored up in human nature. For example, as Seitz (2003) emphasises, Confucian China aimed, in the first place, at ethical perfection of individuals and society (perfection in the realm of Goodness). This was accompanied by a striving in the realms of Beauty and Truth, the latter being reflected, for example, in Chinese medicine and in science and technology as Joseph Needham has comprehensively demonstrated (Hobson 2004). This is why Konrad Seitz speaks of Confucian China as the most perfect civilisation that existed in the pre-modern, agricultural, age. It may be added that the Persian Empire as founded by Cyrus and the Carolingian-cum-Holy Roman Empire represent more short-lived polities where high levels of perfection had been reached, particularly regarding political organisation. But from history we

know that the striving after perfection in the realms of Goodness, Beauty and Truth is universal. China, India, Persia, Mesopotamia, Egypt, Greece and Rome, the Islamic World, Medieval and Modern Europe, Africa and the American Civilisations, old and new, have all realised most splendid works in the three spheres. This very strongly indicates, that human nature is the same everywhere and at all times. And the different civilisations express Beauty in varying ways, and attain Goodness and Truth by differing paths, bringing thus about cultural diversity.

The *struggle for power* is a second powerful driving force in history. Power may take on various forms, most importantly, political, social, economic, military, intellectual and spiritual. Bertrand Russell went as far as considering *power* the basic social force having the same significance for human societies as Newton's *law of gravitation* for the universe (Russell 1993/1938). On the most fundamental level power is of a political nature, associated with coercion, which represents alienation on the political level. More generally, power is, as a rule, associated with negative and positive elements. Negative aspects of power would be the pursuit of some particular interests, for instance, the excessive accumulation of wealth, conquests, plundering, and exploitation of social groups and even entire regions; these negative aspects may be associated with sheer destruction. The positive elements of power would be to ensure survival in a hostile – alienated - environment, the prevention of anarchy through setting up a socio-economic and political order, perfection in the military and political organisation to secure peace, developing a high level of material civilisation, realisations in the realm of Beauty, frequently with monumental splendour. This type of polity has been given a social philosophical underpinning by Thomas Hobbes in his *Leviathan*. Given the ordering aspects of power in alienated situations, Jacob Burckhardt's suggestion that "power is always bad" seems somewhat exaggerated.

It would seem that these positive and negative elements of power have been most impressively realised by the Roman Empire. And the fall of the Western part of the Empire has created the preconditions for the coming into being of the European family of small and medium-sized states, which, as will be argued below, constitutes a model for the future natural world order. Once again Europe emerges as the Laboratory of World History, in the political domain in this instance.

The example of Rome and the development that occurred in Europe following up her fall suggest that alienation in general, and power in particular, have perhaps a specific historical function to guide humanity towards a natural political order, with alienation reduced to a minimum achievable by human beings within and between political societies.

*Incidentally, Power would continue to exist in natural conditions. In fact, inside polities organised along natural lines a kind of 'natural power', perhaps termed better 'authority', would be required in all domains, political, social, economic and cultural, because there is no self-regulation, and Goodness in all domain has to be realised through purposeful action. However, in the natural state of affairs, power – in its natural form as authority – would take on the shape of serving a cause, for example, in the political domain as serving the country. It should be evident that alienated power and natural power always coexist, in very differing proportions though. These proportions characterise the general political conditions in some country. More generally, the striving for perfection, the struggle for power, and socio-economic determinism coexist in each polity in certain proportions, which change in the course time. The same is true of the natural state and of alienation. The prevailing Zeitgeist and its dynamics, and evolving material conditions (technology) are crucial elements in shaping these factors –the striving for perfection, the struggle for power, the natural state and system-caused alienation -, the proportions between them, and their dynamics in the course of historical time. All these conceptions may be useful for coming to grips with most diverse historical states of affairs and with historical change (on this see also Bortis 1997/2006, pp. 103-30).*

Looking ahead to the structure of human history to be set forth in the next chapter and at the outset of the concluding remarks, the historical sense of power and alienation becomes broadly apparent. In fact, alienation and one of its specific forms, power, are inevitable elements in the march of humanity from the *original* natural state, existing as Man became conscient of his environment and, gradually, of himself to the *unfolded* natural state resulting from *first axial age* – the breakthrough to Truth – and from *second axial age* – the breakthrough to Modernity. In the original natural state the laws of human nature worked *deterministically* through efficient causes: instinct (as related to the subconscious), and intuition and imagination (located in the conscious). With civilisation growing, the realm of reason and analysis gradually extended, pushing instinct, intuition and imagination into the background; and civilisation also reduced, and even partly destroyed nature and increasingly separated Man from the original state of nature. With (man-made) civilisation expanding at the cost of original nature and with human nature unfolding its tremendous potential the laws of nature gradually become *final* causes. Ideally, in situations largely devoid of alienation human action was no longer determined but became increasingly free. Striving for Goodness,

Beauty and Truth was embodied in the will, of which freedom is a property. However, alienation was always present more or less strongly through more or less unstable situations within and between polities, excessive striving for power, imperfect knowledge, and uncertainty about the consequences of actions. These objective and subjective forms of alienation led to restrictions to freedom, and objective factors could even lead to determinism which has become particularly strong with the coming into being of the immensely complex modern world. Hence the reduction of alienation, including excessive concentration of power associated with particular interests, to a level achievable for human beings, goes along with an increasing scope of freedom, as, for example, Hegel and Marx, have perceived with great clarity.

These general considerations on power as a driving force in history now lead on to some specific thoughts on the theme of power. In the first place, power as exercised inside a polity is fundamentally about the extraction, appropriation, distribution and use of part of the social surplus in view of reaching particular aims, the accumulation of wealth for example, or of achieving political, economic, legal, social and cultural influence. This may go along with striving for occupying positions of power in these spheres. In principle, the struggle for power is related to reaching individual aims, not social aims associated with enhancing the Common Good. In practice, the two types of aims may be mixed up, particularly if the striving after power is associated with manifestations of splendour in architecture, and in the arts in general which, of course, are specific ways of realising Beauty.

Second, the struggle for power may, as frequently happens, cross the boundaries of a polity, aiming at the domination of other political societies in order to appropriate a greater or lesser part of their surplus. In the extreme, this expansive struggle for power may result in empire building, as a rule, justified by a peace-establishing and/or a civilisatory mission (*Sendungsbewusstsein*), both being based on a supposed superiority of the civilisation of the imperial polity. However, Cameron (1993) points to the essentially predatory nature of the ancient empires. Colonialism and Imperialism was of the same nature. Presently, Empires are more of an economic nature and Marx has clearly perceived, that exploitation in various forms may largely replace plundering in many instances.

If the struggle for power is internal to a polity, civil wars associated to a weakening of the polity considered may occur. Foreign interference may occur and a country may eventually lose its independence. If, however, the struggle for power is outward directed, terrible destruction, but also great achievements may be the consequence. For example, the Hundred Years' War greatly weakened France and was at the heart of the crisis of the late Middle

Ages; on the other hand, Empires are, as a rule, not only associated with conquest, destruction and predation, but also with securing peace and with great cultural achievements, for example monumental architecture. Imperial Rome is a striking case in point.

In Europe, the Crusades, the European discoveries, associated with trade and plundering, Colonialism and Imperialism, were all linked to struggles of power, at first between feudal lords and the Emperor and the Pope, and, subsequently, between the European nations already formed or in gestation. It will be argued below that the breakthrough to Modernity in the West is intimately linked to a struggle for power, supremacy, and even survival of the European nations. In this process England played, as is well known, a crucial role. Having been invaded several times before the year 1000, and for the last time in 1066, England prevented, very successfully in the long run, the rise of powers attempting to dominate the European continent to forestall an eventual invasion by a continental superpower. Europe thus never became a political unity. This is a fact of paramount importance, since it prepared the emergence of the natural polity, that is the small and medium-sized nation state – with large states having to decentralise -, and the gradual coming into being of a natural world order, i.e. the world as a family of co-operating nations. These issues will be taken up below.

*This vision of Europe and the world as a family of nations implies that the present organisation of Europe, conceived as an area of free trade and free flows of capital, can, probably, not be maintained in the long run. The main reason is that free-market economies are not self-regulating. Given this, employment and incomes policies based upon the internal employment mechanism cannot be pursued in the European economic space, because the external employment mechanism combines with a ferocious competition for workplaces inside Europe (on this see Bortis 1992, 1997/2006, chapters 4-7, and 2003b). In our view, it is the task of each individual country to bring about full employment and an equitable distribution of incomes; this, however, requires that each country have its own currency. In any case, orderly socio-economic conditions within the various European countries, full employment and an equitable distribution of incomes in the main, is the most important precondition for co-operation between European countries, guided by supranational European institutions. In fact, as will be suggested, below, Europe should attempt to form a family of nations, eventually structured by historical-geographical federations, based on a common historical experience.*

The struggle for power and conflicts within and between polities is not only destructive, however, but may lead on to fundamental change. It is, indeed, significant that two basic breakthroughs in the history of humanity, the breakthrough to Truth and the breakthrough to Modernity, occurred in times of turmoil: the first and the second *axial age* in which these breakthroughs occurred were both times of power struggles within and, mainly, between small polities (it has already been mentioned that the term *axial age* – *Achsenzeit* was coined by Jaspers, 1955/1949). In fact, first *axial age* (800 B.C. to 200 B.C.) brought the *breakthrough to Truth* and was a time of political division and power struggle between political formations in China, India and Greece (see the chapter on *East and West in a wider context* – *Karl Jaspers: Achsenzeit*). In all three regions, (first) *axial age* ended up in the formation of great Empires, with the aim of securing peace certainly being crucially important. In a way, it seems that the results of the breakthrough to Truth had to be preserved and consolidated through these Empires.

It will be argued in the subsequent chapters that within *second axial age* (roughly from 800 A.C. to 2000 A.C.) the *breakthrough to Modernity* was prepared in Europe and implemented there through the twin English Industrial and French Political Revolution in the *core* period of second *axial age* (1750-1830), and subsequently spread worldwide. It will be suggested that the second *axial age* falls into two parts: European and World axial age. The European part of second axial age (800–1830 A.C., approximately), resulting in the breakthrough to Modernity in Europe, was a time of *intense* power struggles between, at first, feudal polities out of which the European nation states gradually emerged, with the power struggles going on unabated in mercantilist times. This time-period was followed by (colonial) empire building, characterised by a period of relative peace in Europe – the *Pax Britannica* 1815-1914. Second, World *axial age* (1800-30 – 2000, approximately), resulting in the breakthrough to Modernity on a global level, was a time of gigantic power struggles, first in the colonised regions and in the European dependencies in Asia, the Middle East and Africa. From 1890 onwards, the year of Bismarck's dismissal and the effective exercising of power in Germany by Admiral Tirpitz, the power struggles increasingly concentrated on Europe. These struggles culminated in the Apocalyptic Age 1914-45, the First World War, the Great Economic Depression and the Second World War. Subsequently, the power struggles resumed between world powers, the United States and the Soviet Union, in the form of the Cold War. The end of this war brought about a situation similar to that before 1914, but at a much larger scale. Huge powers are now in an Orwellian vein struggling to preserve and possibly to extend their sphere of influence in the economic, technical and political domains: China, India, Japan, the United States, the

loose grouping of nation-states of Europe, Russia, and Brazil. At the heart of the present power struggle, China and the United States are facing each other, similarly to Germany and the Great Britain before 1914. It should be evident that this struggle for power renders impossible to establish a durable and peaceful world order rendering possible sustainable development.

Hence, with second *axial age* coming to an end, the question as to the political world order again emerges, as it did at the end of first *axial age*. It will be suggested in the two chapters on the natural order within and between states – preceding the concluding remarks - that clashes between informal empires or civilisations would, given the tremendous socio-economic, political and environmental challenges facing us on a world scale, be disastrous for humanity. There is, in our view, only one way out: the world as a family of co-operating nation and nationalities states with each country attempting to realise the Common Good as far as is possible for human beings; eventually, the world family of states should be structured through historical-geographical regions, bringing together countries having a common historical experience or strong geographical links, implying mutual dependence – this point will also be elaborated below. The power struggle of second *axial age* has to be replaced by a generalised strive for perfection in the realms of Goodness, Beauty and Truth. This would imply enhancing the potential contained in the invariable human nature. Moreover, this would imply consolidating the tremendous, mainly scientific and technological, results obtained from the second *axial age*, ideally in a way that Humanity as whole would benefit from these achievements.

Change may, third, also go on *deterministically* with the social (institutional) system inevitably moving in a certain direction, almost independently of the will of those who are in charge of government. The coming into power of the National Socialists in Germany in 1933 was, in fact, a piece of historical determinism brought about by the great depression of the 1930s and all that had happened since the end of the First World War – itself a terrifying experience for all countries involved -, the conditions of the Treaty of Versailles 1919, the attempted Proletarian Revolution and Civil War 1918-23, the great inflation 1922-23, which had destroyed the savings of the middle classes; to these primarily domestic factors would add international factors, that is, the ongoing struggle between capitalist countries and the irreconcilable opposition between capitalism and socialism. All these powerful factors literally swept a party, marginal in the 1920s, into power, and, mainly on account of the international situation, no action was taken to prevent Nazi-Germany from rearming and expanding, although this represented a deadly threat to France and Great Britain; the ultimate

aim really was to bring about a war between Nazi German and Stalin's Soviet Union; these crucial points will be taken up in the subsection *Germany 1871-1945 and the Apocalyptic Age 1914-1945* below. Or, the agony and the breakdown of the West Roman Empire, pictured by Max Weber, but also by Gibbon and Montesquieu, would be another example of historical determinism. Since the Industrial Revolution the determinism exercised by the socio-economic or institutional system has become of primary importance. Modern monetary production economies are not self-regulating and may therefore produce involuntary unemployment on a grand scale, which, as a rule, is associated with an unequal income distribution. This represents economic alienation, which, as has been suggested above, produces alienation in other spheres of society, social, political, even religious. Karl Marx and Maynard Keynes most profoundly understood the determinism exercised by modern economic systems and its effect on society and the state. To broadly eliminate system-caused alienation requires a very robust socio-economic theory upon which socially appropriate policies may be based (on this see Bortis 1997/2006 and 2003a). In fact, to eliminate system-caused alienation as far as is possible for human beings, is a precondition for the striving after perfection to go on broadly unhampered. Indeed, in an alienated situation with heavy unemployment and a very unequal income distribution, a struggle for power, associated to a struggle for survival, sets in. In a broadly harmonious society, however, with full employment and a socially acceptable distribution of incomes, the social individuals may prosper to become persons through realising, as far as is within the reach of human beings, the fundamental values of Goodness, Beauty and Truth in all domains. This, as will be argued below, is, as is very likely, the true aim of history.

The argument sketched in the present section may now be put in a very wide context of historical consideration. Indeed, Leopold von Ranke speaks of the vertical and the horizontal view of history (see Meinecke 1965, pp. 205-11). In terms of this essay the former is vertical to the time axis and is associated with the persistent striving for perfection, that is for *Goodness, Beauty and Truth* in all spheres of individual and social life, including the relation between man and nature (Meinecke 1965, p. 209, mentions a fourth fundamental value, implied in this essay, that is the *Sacred*). The different ways undertaken to realise these fundamental values is constitutive of all so-called 'primitive' peoples, and of all civilisations and cultures, and brings about equidistance to God of *all* social formations, natural or 'primitive' and refined in the form of civilisations and cultures (Ranke in Meinecke 1965, p. 209). The vertical view of history is also associated with preservation and stability, with change being linked up with the unfolding of human nature.



The horizontal view of history, however, is primarily associated with change, as brought about by expressions of power of differing types, military, political, social and economic. It must be recalled, however, that power is not the only driving force in history. Meeting challenges, that is improving the means to realise the fundamental values, is closely linked with the striving after perfection; for example, both, the Agricultural and the Industrial Revolution, were also associated with meeting challenges, the former with rising food production to a substantial extent such that a significant rise of the agricultural surplus came into being, enabling thus the building up of *urban* civilisations. The Industrial Revolution in Britain was ultimately caused by the pressure of demand, that is, a challenge had to be met. This causal element could, however, only become effective because all the supply side - economic and technical - conditions as well as the social and political conditions were fulfilled in England in the second half of the 18th century (on this see below: *The Industrial Revolution – a chemical mixture explodes*). It is well known that the Industrial Revolution opened up tremendous material possibilities for Humanity, but was also linked with very great dangers, as will be insisted upon repeatedly.

It has already been mentioned above, that, in each civilisation, the striving for perfection and the striving for power are mixed up to various degrees. In principle, as just suggested, the striving after perfection is associated with stability, great historical instances being traditional China and Ancient Egypt. Stability may, however, also be brought about by coercion – a great historical example would be Rome. However, *natural* stability, based on the striving after perfection, may go indefinitely and, as a rule, comes to an end only through strong outside intervention. On other hand if stability is, essentially, of an alienated nature, for example coercion, the breakdown of a polity may be brought about by internal factors; Max Weber's famous dictum: *Rome perished because of her Latifundiae*, is of relevance in this instance. Hence there is a double meaning to each characteristic, for example stability and change, and to the material content of some socio-economic, political, cultural or religious state of affairs, according to which the characteristic or the phenomenon in question is predominantly in a natural or in an alienated state. Incidentally, both *axial ages*, associated with the breakthrough to Truth and to Modernity respectively, were, as will be seen in the next section, times of political alienation and of intense change. As already alluded to, first *axial age* (800 to 200 B.C.) was followed by the formation of great empires in East and West, bringing about stability which allowed to consolidate the results of the breakthrough. Second *axial age* (800 to 2000 AC) will also require a perhaps definite period of stability – the natural world order to

be outlined below – to consolidate what has been obtained through the stormy centuries that prepared and brought about the breakthrough to Modernity.

Ranke's horizontal and vertical consideration of history is extraordinarily fruitful. In fact, this method is based on a distinction of Greek philosophy: *being* (*Sein*) and *essence* are associated with the *vertical* aspect, *change* (*Werden*) and *existence* with the *horizontal* way of looking at history. Karl Marx took up this approach through his notions of a *given content* and a *changing form* of modes of production, for example. Considerations of being and essence became the object of (*probable*) *pure theory* with Keynes, while he attempted to come to grips with existence and change by (*probable*) *applied theory*. Hence, this double way of looking at historical phenomena allows, in fact, to integrate theory and history (Bortis 1997/2006, specifically chapter 3, pp. 103 – 130, chapters 4 and 5, chapter 7, pp. 371-80). Indeed, the vertical aspect is associated with causal factors permanently bringing about some natural or alienated social, political, or cultural phenomenon; in a way the vertical aspect is linked up with static theory. The horizontal aspect considers the changing forms in which acts of causation are exercised, which is the object of dynamic theory. In some instances, quantitative changes may bring about qualitative changes. A famous instance is the transition from Feudalism to Capitalism, explained by Marx through capitalist and market-cum-economic relations more and more extending at the expense of feudal or political relations, and the associated social and political implications, with the Church and Nobility being replaced by the Bourgeoisie and the Working Class.

Perhaps, the most dramatic illustration of the working of vertical and horizontal forces in history is provided by Germany (Meinecke 1965, pp. 205-11). The Holy Roman Empire was essentially a *Kulturnation*, based upon vertical causality embodied in the striving after perfection. Power politics associated with change set in after the Thirty Years' War in Prussia. At first these – horizontal – forces were defensive and become gradually more and more offensive to gain momentum around 1850. From the German unification onwards, the struggle for power intensified dramatically on the European and on the world level, with the cultural – vertical – aspect gradually receding. The First World War, quasi Civil War 1918-23, the Great Inflation 1923, and the Great Depression of the 1930s brought National Socialism into power. Of this movement Hermann Rauschning (1938) said that it expressed total nihilism, the destruction of all the traditional values, implying the complete annihilation of the vertical-cum-striving for perfection aspect. Given this, the horizontal forces, now embodied in pure power politics, worked out without any moral constraint. This line of reasoning will be taken up very extensively in the first section of the chapter on *Concluding*

*Remarks*, in fact, in the subsection on *Germany 1871-1945 and the Apocalyptic Age 1914-1945*.

The horizontal and vertical way of looking at history may be usefully refined through distinguishing specific types of causes (Bortis 1997, pp. 55-56). Once again Aristotle is fundamental. In fact, Aristotle distinguishes four types of causes that structure the whole of reality, i.e. nature, individual actions and society: the material cause, the efficient cause, the final cause and the formal cause. These various types of causes are related to the vertical and horizontal aspects referred to above. „The *formal cause* states how an act of causation goes on in principle and in general. In the real world the formal cause is always complemented by the *material cause*, which designates the application of some formal cause to a specific situation. Both types of causes act simultaneously. For example, the principle of the [Keynesian] multiplier, the formal cause, states how a dependent variable, the national product, is always governed by the autonomous independent variables and by the multiplier. This principle is embodied in any concrete multiplier process, which might be going on in the real world, linking, for instance, the investment sector with the consumption sector, i.e. the producers acting in both sectors, using specific means of production. The latter represents the material, so to speak, which is shaped by the formal cause (thus the notion ‘material cause’): given autonomous expenditures, the multiplier determines the scale of economic activity, hence the number of producers and the quantities of means of production put to use. Two additional types of causation specify how the formal cause works. The *efficient cause* captures determinism: a given cause produces a specific effect; for example, effective demand determines employment. Hence the deterministic impact of the socioeconomic system upon the behaviour of individuals represents a very complex process involving the efficient cause. Dynamic processes can also be captured by the efficient cause: heavy unemployment may set into motion changes in the structure of society, e.g. reduce the importance of the middle class. The *final cause* is related with teleology: an aim to be realized is the cause of the corresponding actions, which represent the means used to achieve that aim. The final cause manifests itself in the purposeful actions of man in the individual and social spheres, for example in the domain of economic policy-making“ (Bortis 1997/2006, p. 55).

The way in which the formal cause acts may change in the course of time. This is the driving force behind evolutionary processes, which may be linked with objective factors bringing about structural change (the efficient cause) or with finality, i.e. the endeavour of individuals and groups to reach individual and social aims (the final cause). Again, the efficient cause and/or the final cause concur with the material cause to result in real world evolutionary

processes, for example export-led economic development in some country or region during a specific period of time.

When dealing with historical situations and with historical change the distinction between *mechanical* and *organic* causation is of some importance (Bortis 1997/2006, pp. 56-57). With *mechanical* causation the relations between quantities are primary. For example, the social philosophy of liberalism is associated with mechanical individualism: causal acts go on between individuals and things as is exemplified by the profit- and utility-maximizing behaviour of producers and consumers, and between individuals, for example the interactions between individuals on markets represented by the exchange of commodities or of commodities and money. The social philosophy of socialism, however, is linked up with mechanical holism, which is perhaps best exemplified by the input–output model. Here quantitative part–whole relationships are set forth. Each sector exercises a specific function regarding the production of the social product. Central planning activities relate precisely to the regulation of prices and quantities based upon the functional part–whole relationship between complementary sectors. This implies a social regulation of distribution since part–whole relationships between sectors and ‘factors’ of production do not allow the isolation of the contribution of an individual sector or ‘factor’.

Mechanical causation, whether individualistic or holistic, plays a secondary role in humanist social philosophy, that is Keynes’s *Social Liberalism* underlying Bortis (1997/2006). Here man and society are considered organic entities, integrating physical and material, intellectual and spiritual elements.

*It is of the utmost importance to note that this vision of society does in no way imply totalitarianism, since with social liberalism society is ancillary to individuals, who, in fact, become social individuals. Society and the state are preconditions for the prospering of the social individuals. Such a state of affairs represents a state of Natural Liberty.*

Given this, *organic causation* plays a fundamental role in social liberalism. The various causes mix up and merge with the effect that a neat separation of causes becomes impossible; in a way, the mixture of causes is of a chemical, not of a physical nature. For example, interrelated sets of values cause individuals to strive for specific aims (Aristotle’s final cause). Or the entire institutional system concurs to governing the scale of economic activity (Aristotle’s efficient cause). The presence of organic causation in the real world certainly requires analyses of various kinds in view of setting up explanatory frameworks to come

tentatively to grips with specific phenomena; however, insight based on intuition is necessarily put to the fore, which means that *understanding* becomes much more important than *explanation* when causes are linked up organically. As a rule, very complex phenomena may only be approximately understood through relying on the notion of organic causation. This is the case, for example, of the Industrial Revolution in Britain, which will be considered below. Keynes's probability moves to the fore in this context.

To conclude this section we make some remarks on the issue of social and cultural change on the basis of *historical realism*, which underlies this essay (on this see, for example, Bortis 1997/2006, pp. 377-80). With historical realism, the historical process is, above all since the advent of Modernity, essentially conceived of as an interaction between socioeconomic systems and individuals and collectives acting within the system. On the one hand, systems determine, to some extent, actions of individuals and collectives; for example, effective demand governs output and employment and sets restrictions on individuals and collectives; on the other hand, individuals and collectives shape the system through their pursuing individual and social aims. In the course of time, circumstances, that is, the system, values and behaviour, change. Hence historical realism comprises a theory of social change which is one of the important subject matters of sociology: 'From its beginnings sociology was closely connected with the philosophy of history and the interpretations of the rapid and violent changes in European societies in the eighteenth and nineteenth centuries' (Bottomore 1971, p. 283). As a rule social change goes along with cultural change and is associated with varying uses of the social surplus. Perhaps, the most impressive theory of social change was established by Marx. In *Das Kapital* he emphasizes the deterministic influence exercised by the evolution of the socioeconomic system upon behaviour.

Technological, social and cultural change may be captured in principle by horizontal causalities (Bortis 1997, chapter 3, pp. 118-30). In the long run, the driving force behind social and cultural change is given by changes in the value system. In some periods of time egoism and materialistic values associated with power politics dominate, in others social and cultural aims are more intensely pursued. Social and cultural changes are linked with changes in the use of the social surplus as emerges from the social process of production. Technological change continuously produces new or improved *means* required to reach *given* aims. For example, the tremendous progress in the computer sciences has brought entirely new possibilities for storing personal data. This requires new legal means to protect individuals from state and other bureaucracies.

More specifically, two main factors bring about social change. First, progress in the natural sciences opens up new possibilities in the socioeconomic sphere. Partly, societies have to adapt to the new technological achievements, but partly the achievements may be integrated into an existing social situation. Second, there is the dissatisfaction of social groups with the existing situation, due to a discrepancy between an actually prevailing and a desired (natural) state of affairs: this is subjectively perceived alienation. Whether social change occurs at all depends on the distribution of power between conservative and progressive forces. In this context, the importance of the above-mentioned determinism exercised by the socioeconomic system should be borne in mind: if the system produces severe involuntary unemployment, change will be socially destructive in that poverty increases, for example. Social action may relieve some effects of poverty in the short term; the problem, however, consists in tackling the causes: for example, a very unequal income distribution may be the main cause of severe involuntary unemployment; hence parts of the socioeconomic system would have to be changed, i.e. distribution rendered more equitable in the case considered. This would require long-period institutional change related to the organization of society.

The organization of social and economic life was relatively easy in the basically agrarian societies preceding the Industrial Revolution. The very extensive division of labour initiated by the Industrial Revolution, and the importance of money and finance, enormously increased the complexity of socioeconomic life. The necessity to understand economic events, which were now no longer immediately obvious, gave rise to a new art, political economy, which should provide the conceptual basis for governments to organize socioeconomic life in monetary production economies.

Hence history may be understood as an incessant struggle by individuals and collectives to do better in all spheres of life in ever evolving material conditions and in a permanently alienated environment. In this, man is guided by fundamental ontological principles and by moral and aesthetic ideals, which can be but imperfectly perceived, however. Nevertheless, aesthetic near-perfection was reached at times as is attested by the great achievements in architecture, sculpture, literature, painting and music, which each society tries to preserve and to remember. In the political and social sphere, humanity seems, perhaps with a few limited exceptions, to have been less successful, and the possibility that self-amplifying alienation gets out of control will perhaps never vanish. However, the immense achievements in science and technology in the last two hundred years might provide the material preconditions for a happier life for all individuals. This is one of the main tenets of Keynes's vision (Fitzgibbons 1988, p. 53). But the social preconditions have to be created first: full employment and a fair

distribution of incomes are essential [Keynes 1973/1936, p. 372]. Population policies will almost certainly become increasingly important in the future. In this context, we ought to remember that Malthus and Ricardo conceived of an 'optimum' population size associated with the natural wage and the stationary state. And environmental policies will become crucially important.

Given the imperfection of human knowledge and of the perception of moral standards, history cannot and will never be a clean story of linear progress. The central reason is that alienation is always present in some form, which is another way of saying that historical development never was and never will be in a perfect 'common weal equilibrium'. Moreover, the alienated past will act upon the present to create new alienation: the attempt to repair past injustice by force may create new injustice; for example, people unjustly expelled from their homes may try to reconquer their land harming thereby the new inhabitants. Hence, the perpetuation of alienation in historical time implies that societies will never get into a comprehensive common weal equilibrium; this is analogous to economies which cannot get into a golden age equilibrium. Therefore, new problems and challenges ever arise and setbacks and even disasters, to be followed by periods of prosperity, seem inevitable. History seems to evolve cyclically around a broad trend of material and scientific advance. Progress is always relative however; for example technological advances may lead to setbacks or growing alienation in the social sphere: an excessive division of labour may lead to a disintegration of social life accompanied by excessive individualism and growing loneliness. Or, material affluence may negatively affect social and cultural standards.

Hence the great problems relate to the organization of society and consist of transforming potential economic growth into social and cultural improvement. Political action in this field must be guided by two factors: first, knowledge of existing socioeconomic situations which has to be provided by political economy and, second, a vision of the ideal (natural) state of society to be elaborated on the basis of social or political ethics which leads one to specify ends to be pursued. The probable knowledge of actual situations and of ends in line with human nature puts the politician in a position to act in the most appropriate way possible.

At present the socio-economic and ecological situation is such as to require a fundamental change in the relative proportions of the driving forces of history among each other. *Socio-economic determinism* must be largely eliminated through implementing Keynes's Social Liberalism. This would go along with eliminating by and large the *struggle for power* associated to aggressive capitalism embodied in the external employment mechanism, according to which each country attempts to secure high employment levels through a strong

position on the world markets. The reduction of both predominantly negative driving forces would imply substantially reducing alienation, which, in turn, would clear the way to greatly increase the weight of the third, positive and natural, driving force of history, the *striving for perfection* in all domains. This is a theme to be taken up somewhat more extensively in the final chapters of this essay.

### *A broad structure of human history*

The purpose of the present essay is to put the breakthrough to modernity into a global, world-historical context, leaving behind normative eurocentrism, and putting to the fore heuristic eurocentrism, which, in the form of a European *Sonderweg* (Mitterauer 2003), in fact, Europe as the Laboratory of World History, would become an aspect or a dimension of the world historical picture. More specifically, the aim is to set forth a broad structure of *reasoned* world history. To do so, we rely, in the main, on Ernest Gellner: *Plough, Sword and Book: The Structure of Human History* (1988), Marshall G.S. Hodgson: *Rethinking World History* (1993), specifically the conclusion by Edmund Burke III: *Islamic history as world history*, and Karl Jaspers: *Vom Ursprung und Ziel der Geschichte* (1955/1949). The broad structure of world history set forth in this chapter will be deepened in the next chapter and considerably deepened and extended in the first section of the chapter on *concluding remarks*, where a *more complete structure of human history* will be presented.

In the conclusion to Hodgson (1993), Edmund Burke III writes: „A more truly adequate world history, [Hodgson] argues, would have to begin with the proposition that the history of human literate society must be the history of Asia and its outliners, and that Europe has no privileged role in such a story. [As a consequence, a] world history worthy of the name must focus upon interdependent interregional developments on a hemisphere wide basis. [...] What fascinated Hodgson was the possibility of telling the tale of humanity as a whole but this time from the perspective of global history, and not in a skewed, Western, self-justificatory version. [...] For Hodgson, it was axiomatic that the constant acquisition of new techniques (cultural and otherwise) and discoveries all over the world cumulatively led to changes in the possibilities of future development everywhere“ (p. 309).

It is certainly true that new techniques and discoveries are necessary for general future development and that there is mutual interaction between the various civilisations. Two points have to be made on this. First, in this essay we attempt to argue that very specific conditions have to be fulfilled if new techniques are to result in economic development, or if a broadly



harmonious development is to come about on a world level. The conceptions to broadly even development derive from Keynes's *Social Liberalism* put to use here to come to grips with the all-important socio-economic dimension of Modernity. As will become evident in the course of argument, one cannot tackle the problems of Modernity without a very robust socio-political theory, which, in turn, must rest on a vision of man and of society. In this context, it has been argued in Bortis (1997/2006) that *Political Economy*, in fact *the key social science of the modern era*, is of particular importance. Second, the breakthrough to Modernity *has* taken place in Europe, in spite of Asian, particularly Chinese, superiority in the technical and scientific domains (J.A. Hobson). This is a point that is given particular emphasis in this essay. It will emerge that Europe is, in fact, the Laboratory of World History. Given this, Europe is particular, but not superior (Michael Mitterauer). Again, very specific conditions had to be fulfilled that the Breakthrough to Modernity could take place in England, and in England only, not elsewhere in Europe, and, even less, elsewhere in the world.

Burke III goes on: „In his emphasis upon the interconnections between civilizations and upon the cumulative development of the common stock of human techniques and cultural resources, Hodgson's Quaker convictions appear with clarity: all men are brothers and in the eye of history, Islam is but one venture among others“ (Burke III, in Hodgson 1993, pp. 309-310). Again, Hodgson's vision seems to be very individualistic and supply orientated. In fact, a much broader vision of man and of society is required to come to grips with the complexities of world history. Particularly, to master the intricacies of Modernity, Keynes's *Social Liberalism* and the associated social and political sciences, including social philosophy (Bortis 1997/2006) is perhaps most appropriate. This implies that, in this essay, we rely on an Aristotelian anthropology and social philosophy (Brown 1986), emphasising the *social nature* of man, to be able to put the works commented on here at their approximately right place in our attempt to come to grips with our subject, Eastern civilisation and the breakthrough to Modernity in the West, in a world historical perspective. And of crucial importance in this context, the Asian and European civilisations have developed very differently, partly on account of geographical factors, partly due to widely differing structures of the mind. The different ways of thinking have given rise to entirely distinct socio-economic and political structures in East and West (William S. Haas). Given this, one has to explain why these differences and complementarities have brought about the breakthrough to Modernity in the West. Moreover, it must be argued why, in spite of the very large differences between civilisations, the various epochs, peoples and civilisations are, nevertheless, on the same footing.

The structure of human history put to use here is made up of two different periodizations both of which are linked by the *surplus principle*, some implications of which will be dealt with in the next chapter. Given the technique of production, traditional or modern, the material basis of a society, the economy in modern terms, produces a certain output, part of which is used up by the producers in the form of necessary consumption. The remaining social surplus over necessary consumption provides, first, the means for non-necessary consumption and investment and, second, represents the material basis for non-economic activities, political, legal, military, cultural and religious.

The first periodization put to use by Hodgson relates to the way the output is produced, and, necessarily, also to the structure of output. „[It] is a twofold division between the Agrarian age (to 1800 C.E.) and Modern times, which serves to frame his discussion of the Great Western Transmutation [...]“ (Burke III, in Hodgson 1993, p. 310). In this vision of history the technical aspect of production, Marx’s forces of production, is crucially important. This is brought out very appropriately by Gellner’s time-periods of *Agraria* and *Industria*, which are preceded by *hunting/gathering* (Gellner 1988, p. 21). The neolithic Agrarian Revolution set in around 6000 B.C., and brought about a dramatic increase in the agricultural surplus in specific regions. This transformed societies and simultaneously enhanced their social potential. Indeed, entirely new possibilities arose for these societies. Urban civilisations emerged, in the West in Egypt, Mesopotamia, Persia and Greece. New institutions and activities come into being: government and administration, military organisation, credit money was created right at the beginning, there was division of labour leading up to the formation of various crafts, and above all an intensive cultural life set in, monumental architecture and sculpture being, perhaps, the most impressive manifestations. Nevertheless, in these urban civilisations, agriculture remained all-important, comprising around 90 percent of the working population. Given this, and the fundamental importance of the agricultural surplus, Gellner’s term *Agraria* is entirely justified. *Agraria* was to last until around 1800 AC. At this time the Industrial Revolution, starting in England, brought about *Industria*, which, in Hodgson’s supply-based view is characterised by „technicalization, a concept he defines as „a condition of calculative (and hence innovative) technical specialization, in which the several specialities are interdependent on a large enough scale to determine pattern of expectation in key sectors of the society“ (Burke III in Hodgson 1993, p. 313). Hodgson here thinks of the technically dynamic social process of production, which forms the core of a monetary production economy, the mode of production and circulation in the age of *Industria*. This age brought about a gigantic increase of overall labour productivity and the social surplus in the

industrialised regions of the globe. The social surplus was increasingly made up of industrial goods, which, in turn, were overtaken in significance by services. As a consequence of the rise of productivity, the age of *Industria* witnessed a tremendous increase in the social potential of societies, and the activities of the social individuals became more diverse and complex, while growing quantitatively. In the age of *Industria*, the social surplus arising out of the social process of production had created the material basis for *Modernity*.

While this first periodization of human history relates to production in general and to the production of the social surplus in particular, the *second* periodization put to use by Hodgson is associated with the appropriation, distribution and, above all, the *use* of the social surplus. In fact, as has already been alluded to, it is the *use* of the social surplus which characterises a civilisation; Gellner, for example, considers two main uses: *coercion*, state power bringing about the political ordering of society, which goes together with *sword*, the defence and, eventually, the expansion of the polity, and, *book*, representing culture in the widest sense, including, of course, religion. This broadly corresponds Jacob Burckhardt's three great 'potentials of action' (*Potenzen*) that can be built up through the use of the surplus: State, Religion and Culture (Burckhardt 1978/1905).

„From the perspective of the history of civilizations [...] a periodization composed of four major divisions is utilized [by Hodgson]: (1) the early civilizations (to 800 B.C.), (2) the Axial age (800 to 200 B.C.), (3) the post-Axial age (200 B.C. to 1800 C.E.), and (4) the Modern age (since 1800 C.E.). The term 'Axial age' Hodgson borrows from Karl Jaspers [1949/1955] to refer to the great period of cultural florescence which was formative of Chinese, Indian, Mediterranean, and Irano-Semitic civilizations“ (Burke III in Hodgson 1993, p. 310). The various civilisations of these four time-periods are all characterised by a specific *use* of the social surplus.

Both periodizations are highly relevant to come to grips with our subject matter, that is, putting the breakthrough to Modernity in the West into a wider world-historical context. Extensive use will, therefore, be made of both. At this stage we may, perhaps, repeat that *axial age* – *Achsenzeit*, discovered and coined by Karl Jaspers (1949/1955), represents the *first* of two crucial time-periods in human history, where, broadly speaking, the passage from myth and magic to reason and analysis took place, the *second* being, of course, the breakthrough to Modernity. In this first time-period, the crucial differences between Eastern and Western mind were shaped upon the common – mythical-cum-magical - basis of the bronze age, that is in the second millennium B.C. up to 800 B.C. (Haas 1956, Goody 1996). As Jaspers mentions, great empires emerged from *axial age*, particularly Han-China in the

East, and the Roman Republic who was about to overcome Carthage at this time, to lay the foundations for the Roman Empire. The long duration of Confucian China and the rise and fall of Imperial Rome were both crucial to the fact that the breakthrough to modernity took place in the West, not in the East. „[In this context,] Hodgson argues that great breakthroughs, of the sort that give birth to Modernity, were impossible under agrarianite conditions [because the size of the agricultural surplus required to bring about the breakthrough could not be sustained, as was also the case with China]“ (Burke III on Hodgson (1993), p. 311). This argument will have to be considerably modified in the light of Hobson (2004) and Seitz (2003). Indeed, the breakdown of the West Roman Empire gave Europe the chance of a *new start* through the Carolingian Empire who set Europe on a specific track ending up in the breakthrough to Modernity; it will be suggested below, that Mitterauer (2003) comes into the picture at this stage. This is to complement Hodgson’s argument, taken up by Hobson (2004): „Without the cumulative history of the whole Afro-Eurasian Oikoumene, of which the Occident had been an integral part, the Western Transmutation would be almost unthinkable“ (Hodgson 1993, p. 312). This is another proposition that will have to be complemented by an argument related the structure of European civilisation and its differences from Eastern civilisation (Mitterauer 2003 and Haas 1956). Moreover, it will have to be taken into account that very specific circumstances were required to bring about the Industrial Revolution. The breakthrough to Modernity could, as we shall argue below, only have taken place in Britain, not even in France, and not at all in China.

At this stage, we may already mention that, subsequently, we shall denote Jaspers’ “axial age” (800-200 B.C.), the breakthrough from myth and magic to reason and analysis, the *first* “axial age”. In the course of the *second* “axial age”, (800 – 2000 A.C.), the breakthrough to Modernity took place, the core period being 1750-1830, the years in which the English Industrial Revolution and the French Political Revolution took place.

In this essay we adopt, in principle, „Hodgson’s method of doing world history [through making] use of ideal types to inform and to orient [...] analysis“ (Burke III in Hodgson 1993, p. 310). This is also Haas’s method to compare Eastern and Western civilization, which will be extensively presented below. We conceive of *ideal types* as probable – in Keynes’s sense – attempts to capture what is constitutive or essential about a complex phenomenon, a civilization for example.

*It must be recalled that, given the complexity of our subject, an inadequate treatment of the problems considered, and glaring neglects are unavoidable; a lack of knowledge is of course*

*the primary case for these shortcomings. However, while inadequacies cannot be avoided, neglects have to be justified. In fact, regarding civilisations, the most evident neglects are Russia, India and, even more, Islam. Moreover, the pre-Columbian American and the old African civilisations are not dealt with at all, since they are not part of the subject matter considered in this essay. However, to compare the old American and African civilisations with the Eurasian ones would, probably, forcefully confirm that human nature is the same everywhere and at all times; for example, in a fabulous exposition of pre-Columbian American art in Geneva, Switzerland (2005-06), the Mayas have been compared with the Greeks; and, very significantly, an Agricultural Revolution took place on Peruvian territory about 7000 B.C. at about the same time as in Eurasia, and a first civilisation, the Norte Chico or Caral-Supe civilisation, emerged around 3500 B.C., approximately at the same time when the Egyptian and the first Mesopotamian civilisations came into being; given the fact that the Peruvian civilisations emerged entirely independently from the Middle Eastern ones, there is hardly better evidence on human nature being the same everywhere and at all ages. Moreover, the very high standard of old African art is well known; in addition, since it is likely that man has existed first in Central Africa (Chad) about seven million years ago, and, subsequently, in Southern East Africa, it may well be that, in Africa, civilisations may have existed of which no trace has remained, but which could explain the sudden coming into being of civilisation in Egypt and in Mesopotamia.*

Regarding Russia there is the impressive overview on Russian spiritual and intellectual life by Tomas Spidlik (2002): *Die russische Idee – Eine andere Sicht des Menschen*. According to Spidlik the Russian idea is essentially theological-philosophical, and his book suggests that Orthodoxy and Catholicism are complementary, with very large areas of intersection. Suggestions on Trinitarian Theology are fundamental: “The theological reflection on the theme of the Trinitarian Mystery has developed differently in East [Orthodoxy] and West [Catholicism]. Latin Theology starts, as Boëthius suggests, from Divine Unity, in which Faith discovers the relation between the three Persons. According to the Greek Fathers of the Church we first recognise The Father, The Son and The Holy Spirit, and based on this recognition we start longing for their unity [...]”

The Russians follow the Greek tradition, in an original way though. They integrate the reflexions on the Trinity into the domain of culture [at large, comprising the state, society and the economy]”(Spidlik 2002, p. 90; a.tr.). “Why this interest in the Trinity? The basic reason is simple. The Russians want to convey to the world the ideal of “all-embracing unity. This

unity is not just something, which overcomes diversity, but primarily as diversity, which embodies the capacity to bring about unity” (Spidlik 2002, pp. 91/92; a.tr.). Incidentally, the idea of the unity of Mankind is also basic to Henri de Lubac’s *Catholicisme – les aspects sociaux du dogme*. And starting from the Social and Political Sciences, most importantly from Political Economy, this idea also underlies this *Essay on the Philosophy and Theory of World History*. In this context, it is very important to note, the social liberal system of Social and Political Sciences as is just suggested in Bortis (1997/2006 and 2003a) inevitably grows out of a philosophical-theological vision, which is but hinted at in Bortis (1997/2006) and somewhat elaborated in this essay. Concretely, the unity of Mankind appears in this essay in the form of interlinked *historical-geographical federations*. The idea of structuring the world seen as family of nations through historical-geographical federations has, in fact, been introduced at the end of the section *on the world order of Modernity*.

And on India we cannot but to refer to Helmuth von Glasenapp’s great work on *Die Philosophie der Inder*, which exhibits the incredible wealth, breadth and depth of Indian thinking (Helmuth von Glasenapp, 1974).

As to Islam it seems appropriate to refer to Marshall G.S. Hodgson’s main work, which is, precisely, *The Venture of Islam*. This work is concisely presented by Edmund Burke III in his concluding remarks on Hodgson (1993). Just two sentences are mentioned here to illustrate the paramount importance of Islam as is set out in Hodgson’s work. „In world historical terms, Islamic civilization represented an attempt to establish a total civilization on a hemisphere-wide basis, embracing most of the ecumene“ (Burke III in Hodgson 1993, p. 310). And, in Hodgson’s own words, „the very excellence with which Islamicate culture had met the needs of the Agrarian age may have impeded its advance beyond it“ (Hodgson 1993, p. 318, taken from the *Venture of Islam, vol. III*, p. 204). Given this very important statement, we might mention some other important reasons, which, at present, prevent Islam from fully coming to grips with alienated Western-type Modernity. In fact, the personal element still seems to predominate over the institutional one, primarily social institutions, most importantly the social process of production and the great associated problems of price formation, distribution and employment (on the relationship between social institutions and economic theory, see Bortis 1997/2006, 2003a). The personal element is associated with the family, the clan, and with larger and smaller religious groups, as well as with the form of government, which, in turn, is, in some instances, linked to religion, and possibly to religious dogma, making thus socially appropriate changes very difficult. Moreover, economic life seems, as a rule - with important exceptions prevailing -, to be individualistic, with individual

freedom, as is associated with handicraft production, small trade, and cultural activities, highly valued. This implies that it may be very difficult to impose the discipline of the factory and of the social process of production in Islamic regions, since modern production may be associated with far-reaching division of labour, frequently implying boring and heavily alienated work.

Most importantly, however, the Islamic countries, above all those of North Africa and of the Middle East, and Iran, but also the Muslims of India and Indonesia, have been continuously and increasingly under direct or indirect foreign domination, Western in the main, since the advent of Modernity in the West. This had a very important consequence. Modernisation, that is, the setting up of an institutional superstructure along Western lines, has set in *before* Industrialisation, the building up of a modern material basis or a modern economy, to wit. The result was a very heavy dependence on the outside world, above all, on the West. Economic development has been hampered further through the presence of massive oil-reserves in vast parts of the Islamic world. Crude oil is exported and industrial goods and services are imported. This renders industrialisation very difficult, a fact known as the *Dutch disease*, a notion coined by the great Hungarian-British economist Nicholas Kaldor in the late 1960s. How indeed to build up a domestic industry when attractive Western consumption goods may be imported very easily?

*The Iranian Prime Minister in the early 1950s, Mohamed Mossadeq, was aware of this problem. His idea can, perhaps, be presented best by hypothetically postulating the existence of two Iran: Iran I with oil, and Iran II without oil. In principle, Mossadeq argued, Iran I should develop in the same way as Iran II; however, since Iran I can export oil, she will be able to import consumption and investment goods in addition to the industrial goods she produces; given this, Iran I will not only be richer than Iran II, that is, to be able to consume more, but she will also grow faster. This would be the normal state of affairs. However, the Dutch disease results in Iran I being poorer than Iran II. This fact can be generalised for large parts of the primary goods producing and exporting world.*

*As is well known, Mossadeq was overthrown through US American intervention on the grounds that Iran might become communist and join the Socialist camp. This event symbolises the heavy dependence of large parts of the Islamic world, in fact, of the economically less developed from the highly industrialised countries. In this essay, we argue that globalisation along Washington Consensus lines, free trade in particular, leads to growing inequalities between economically highly developed and underdeveloped countries. Given this, the*

*underdeveloped countries are literally squeezed into the straitjacket of a highly unjust global system. This explains violent reactions, including terrorism. These violent reactions are largely the result of utmost despair, and are, as Olivier Roy argues, directed against the system of globalised capitalism (Roy 2007).*

*The policy conclusion resulting from this state of affairs seems clear. The highly developed countries, particularly the Western countries, and here the United States in the first place, must stop from interfering into the internal affairs of developing countries. These countries may need some protection to be able to develop economically in an orderly way. In particular, the Islamic countries must be given the possibility to industrialise and modernise in accordance to the values of the great Islamic civilisation. More generally, we shall argue in this essay, that to restore national sovereignty is an essential precondition for building up a natural world order characterised by peaceful cooperation (on this see the two chapters preceding the concluding remarks). Once this is granted, there can be little doubt that a great civilisation like Islam will come to grips with Modernity in her own way. The important book by Youssef Courbage and Emmanuel Todd: Die unaufhaltsame Revolution. Wie die Werte der Moderne die Islamische Welt verändern (2008) is a strong indicator of the fact that the Islamic world is changing fundamentally and moves irresistibly toward Modernity.*

Given, then, the heavy outside dependence of most Islamic countries, the institutions, as far as they are present, are taken from the West and are ill adapted. The Western type institutional superstructure is, in fact, not in harmony with the material basis. For example, regarding the political sphere, Western type democracy could only work properly if the markets were self-regulating. However, since there is no tendency towards full employment at all, unrestricted competition leads, as a rule, on to very unequal income distribution and high levels of unemployment, which, through cumulative processes, may mutually reinforce each other. François Quesnay, the French Physiocrat, already predicted that Parliamentary democracy might result in socio-economic power centres exercising an important, though mostly indirect, influence on government affairs, above all if fundamentals regarding the system are at stake. This, in fact, Marxian proposition has been widely confirmed by the economic history of large parts of the world. In many Islamic regions, high oil revenues contribute to rendering income distribution even more unequal than it would be in the absence of such revenues, strengthening thus already existing power centers.

In unfavourable socio-economic conditions, characterised by a very unequal income distribution and high unemployment levels, parliamentary majority and opposition often form



adverse camps, with elections becoming struggles for political and economic privileges, sometimes even struggles for sheer survival. And in countries with a greatly differing social, ethnic and religious composition, parliamentary democracy may simply lead on to civil war, specifically if the differences between the diverse groups are large, as may be the case between traditionalists and – Western type – modernists in some Middle Eastern, Asian or African country for example.

Since, then, modern economies are unstable monetary production economies, appropriate institutions must be set up to stabilise the socio-economic system and to create the social foundations regarding employment, distribution, and education such that the social individuals can prosper. To bring about a harmonious institutional set-up is the main task of the government, which has to be above the political parties in particular and the partial interests in general. Moreover, the actions of the government must be based upon a very solid political economy based on a social philosophy, classical-Keynesian political economy and Social Liberalism respectively (on this see Bortis 1997/2006 and 2003a).

A supra-party government implies an alternative type of democracy, which is much more adequate for mastering the complexities of Modernity. On the one hand, the government would be responsible to the Parliament, the representatives of the people, and hence, indirectly, to the people. On the other hand, the Parliament would transmit problems existing in the various domains of socio-economic and cultural life to the government. In this way governing would become a dialogue between the government and the people, which, in our view, is true democracy. This broadly corresponds to the Swiss model of governing where the members of the Government are elected by the Parliament for an *indefinite* period of time, with each member of the government deciding himself about his retirement. All the important parties are proportionally represented in the government, which, in principle, has to stand above the parties and to bring about a consensus in the important policy issues. This allows, in principle, to pursue long-term policies aimed at increasing permanently the Common Good of the political society.

To conclude this chapter we may recall that the striving after perfection in all domains – attempts to realise Goodness, Beauty and Truth in all spheres – and the struggle for power in all domains of social, political and cultural life – associated with alienation – are mixed up in varying proportions in all *historical situations*. To bring to the open in more detail the striving after perfection and the struggle for power in various places and times is the object of historical work in general. One of the most comprehensive and profound undertakings of this kind is certainly Jacob Burckhardt's *Weltgeschichtliche Betrachtungen* (Burckhardt 1978 /

1905). In this work Burckhardt conceives of three great powers or forces (*Potenzen*) the state, religion and culture (second chapter) which mutually influence each other: the state shapes religion and culture, religion moulds the state and culture, and, finally, culture influences the state and religion (third chapter).

And, finally, it has been suggested that *historical change* basically comes about through tensions between alienated positive reality and the – normative – natural state of affairs. However, the changes arising out of this tension are not clear-cut because of imperfect knowledge about the existing and the normative situation. Given this the effects of actions are always uncertain to some degree, which implies that actions may produce unintended effects. The nature of change may be shaped further by changing power relations and the determining influence of some objectively given situation, which includes material-technical, economic, social and political elements, and the dominating values in these spheres, governing, in turn, the means used in the attempt to reach specific ends.

### *The structure of history and the invariable nature of man*

A fundamental question arises from the above: How is it possible to reconcile historical change, or eventually evolution, and the invariable nature of man? The kind of answer to be given has already been alluded to. It is, in fact, based upon the fundamental Aristotelian distinction between *essence* and *existence*. The immutable human nature, an essence, may come into concrete existence in very different forms, which, in turn, may change more or less rapidly, as was the case in Europe from Greek times onwards. However, historical realisations of the invariable human nature may also remain constant for very long periods of time, and then change fundamentally, after a long period of transition. The great instance of such a phenomenon is the stability of traditional China and her long and painful transition to Modernity in the 19th and in the 20th century, as is pictured in Seitz (2003).

Starting from the fundamental Aristotelian concepts of essence and existence of man as a reasonable and a social being, and from Sir John Eccles's grandiose *Gifford Lectures 1977-1978 on The Human Mystery* (Eccles 1984/1979), we would now venture the hypothesis that the notion of *evolution, in fact of Evolutionism*, should be *abandoned* and replaced by other concepts, associated to a *Creationist* view. This is to be illustrated here by the example of Man.

However, before going on, we briefly state our stance against evolutionism, making six points. In the first place, with evolutionism there are no essences, hence no identities of

individuals, collectives and entire civilisations. There is, in fact, no *being* (*Sein*) in the sense proper, that is in the form of *essences* and *substances*, there is only *becoming* (*Werden*). Strictly speaking even a very sketchy understanding of, for example, old civilisations, is not possible since there is no common denominator to make comparisons between civilisations. Given this, there are presently tendencies to abandon history and to 'construct' the future on the basis of subjectively conceived moral and natural sciences (post modernism). This reflects the Enlightenment idea of unlimited progress, which ultimately implies the irrelevance of history. Why indeed study history when, in the evolutionist view, the present situation is in all spheres superior to all that had prevailed in the past? This ahistorical idea of unlimited progress is closely associated with evolutionism, and had its, perhaps, last revival just after the breakdown of Socialism when the end of history was hailed (Francis Fukuyama). Moreover, Spengler's *Untergang des Abendlandes*, picturing the various growing, then flourishing and, finally, decaying civilisations, existing side by side, not understanding each other, is a prime example of *becoming* without *being* in the sense proper. With Spengler, pessimistic cyclical evolutionism coexisted with the optimistic and progressive evolutionism which came temporarily to an end with the First World War, but had a renaissance during the Cold War competition between Capitalism and Socialism, and reached a short-lived *apogee* after the breakdown of Socialism in Central and Eastern Europe.

The Creationist vision underlying this essay leads to an entirely different view on history, which now appears as a teacher (*Geschichte als Lehrmeisterin*). Perhaps most importantly, the study of the history of ideas crucially, even decisively influences the quality of present knowledge; to know about past ideas renders possible and successful the pursuit of – probable – truth in the present; this is particularly true of the humanities, but also of the social and political sciences. „The study of history is also immensely fruitful because it provides information on the nature of society and of man: the individuals living in various societies strive after the same immutable values in very different situations. The point is to observe and to attempt to understand the widely differing ways by which social individuals have attempted to reach greater perfection in the various spheres of life and to ask why they have partly failed and partly succeeded at times. Here the global view of events, i.e. history in the grand style, à la Vico, Montesquieu, Hegel, Marx and Toynbee for example, is complementary to the study of the details. The object of the former is the evolution of societies seen as [entities, structured through institutions,] the latter investigates the behaviour in specific spheres of individuals and collectives within institutional systems. The study of history is therefore not *de l'art pour l'art* made useless by progress. It helps us understand the present in the light of the past and to

make guesses at possible future evolutions. Galbraith puts this admirably when he says that ‘[the] present is the future of the past’ (Galbraith 1987). Perhaps the main reason why the study of history can promote the understanding of mankind and its destiny in the course of time is the presence of fixed reference points provided by fundamental values: ‘Sensible men mutually understand each other over thousands of years on the basis of commonly shared fundamental values [for example truth, honesty, sense of duty and the common weal]’ (Schack 1978, p. 18; a.tr.)“ (Bortis 1997/2006, p. 380). In this context, the splendid *Defence of History* against the attacks of Postmodernism by Richard Evans must be mentioned (Evans 1997).

Secondly, in a Creationist view identities and essences are inextricably linked to entities and wholes. This constitutes an additional case against evolutionism, which, in fact, postulates, that the entities or wholes emerge from their basic constituent elements. This contrasts sharply with the Creationist vision, which implies that the entity, some creature for instance, must exist *before* its parts in all instances.

*Incidentally, this holds also for natural social institutions, the state and the family to wit. Aristotle indeed insists on the state being prior to the individuals. On account of their social nature human beings simply could not exist as such outside some community or polity.*

This seems to be compatible with steered Evolution to some extent, but not with Evolutionism. It is indeed highly unlikely that chance has produced the immense diversity of living creatures with all their specific physical characteristics, and, above all, the intellectual and spiritual characteristics of Man. And even more important, it is almost impossible that chance should have produced the *harmony*, which is possible in nature, with all living creatures, specifically human beings, and, above all, in society. The good society and the good life, that is, a state of society and a way of life in line with *human nature*, that is, the *natural* socio-economic and political order to be realised differently in each country and in each epoch and time-period, cannot possibly be the result of evolution.

Third, then, with evolutionism these immutable values and those alluded to in the above would simply not be there. Since the fundamental values – Goodness, Beauty and Truth - are not objectively given for all spheres, striving for perfection in the absolute sense, in our view the most important driving force in history, is not possible. Probable knowledge about the essence of phenomena, that is their constitutive elements, as has been alluded to at the outset of the introductory chapter *Setting the stage*, would not be conceivable. There would be no

works of art expressing beauty to a degree such as to be considered beautiful by all civilisations at all times. And questions about the good life and the good society to be realised in changing material circumstances would remain meaningless.

What is true, beautiful and good is evolving. This implies that, with evolutionism, all values are relative and subjectively determined, that is by reason and empirically. Relative truth is ultimately based upon the empirical test – all propositions that have *not* been refuted empirically, or eventually through a rational argument, belong to the body of knowledge. Beauty is determined by success or failure; in fact, the market decides upon the aesthetical value of a piece of art. And in the realm of ethics, Kant's categorical imperative – to act according to universally recognised laws set by practical reason - and pragmatism – what functions – play an important role. All this might perhaps work in a perfect and self-regulating world, where social mechanisms, for example the market mechanism, co-ordinate individual rational actions in a way that is also socially rational. However, in an imperfect and possibly heavily alienated world without self-regulation, relative truths, aesthetical and ethical values are ultimately governed by *power relations*. Practically, everything – e.g. pieces of art, education – is expressed in money terms or, at least evaluated; the market invades all spheres of life; privatisation of public goods is just one expression of this phenomenon. *Everything becomes a commodity* (Marx), and power becomes essentially market power; *money rules the world* is, in fact, not a new phenomenon, but has become particularly important at present. As has been insisted upon earlier in this essay, *power* is the fundamental driving force in history in *alienated* situations.

*In analogy, the striving after perfection would be the natural driving force in history when a natural social and political order prevails, which renders possible the flourishing of all individuals.*

In a way, with evolutionism history would remain a permanent struggle for power, possibly associated to a Darwinian struggle for survival, with the intensity of the struggle varying in time and place. In any case, history would remain alienated history forever. Of course, the Liberal and the Socialist would claim that there is progress; this claim, however, has been disproved by the course of history itself and by many convincing arguments; indeed, after the downfall of Socialism around 1990, Capitalism experiences just now, by the end of 2008, and by the beginning of 2009, a very heavy crisis. Hence immutable, objectively given fundamental values are indispensable guideposts for humanity on the way to a natural order,

within which the social individuals may flourish, that is unfold their dispositions and broaden their capacities. In fact, mankind would err in the dark if these signposts in the form of immutable values did not exist.

A fourth case against evolutionism is the danger of feelings of racial superiority (mirrored by inferiority) coming into being almost inevitably. For example, Eurocentrism implies that the West is intrinsically superior to the East. Indeed, evolutionism implies that some civilisations evolve more rapidly than others and are able to reach higher levels of civilisation than others. The former may then feel the need to raise development levels in the latter. In this way a spirit of civilisatory mission associated with *Sendungsbewusstsein* may develop – the Romans in Antiquity, the West Europeans and Russians in colonial times, Imperial Germany after the Franco-Prussian war and now the United States of America are cases in point.

Evolutionism may also lead on to pursuing rather strange aims, i.e. the improvement of the quality of the human race by Eugenic Societies, with all the dangers this implies, above all in heavily alienated societies like Hitler's Germany.

The Creationist-Humanist, in fact Rankean, position adopted in this essay, however, puts, as far as essentials are concerned, all social individuals, countries and civilisations on the same level. Historically contingent differences occur through the coming into existence of these essences.

Fifth, evolutionism may be associated with some kind of Darwinism. If economies were self-regulating Darwinism might imply the survival of the fittest and the best. However, economies have presumably never been self-regulating. This is almost certainly true of modern monetary production economies as have emerged from the Industrial Revolution (see, for instance, Bortis 1997, chapter 5, specifically pp. 281-93). With self-regulation absent, the struggle for survival may become particularly intensive if heavy unemployment prevails. In such situations, it is not really the fittest – in the good sense – that will survive, but the – politically and militarily strongest, whereby, as has been extensively, argued in military literature, seapower has become of particular importance in the modern era. Once again, *power* emerges as the fundamental historical driving force in alienated situations.

In the sixth place, underlying the preceding points, there is, implicitly or explicitly, some association of Evolutionism with Pantheism. Nature and man are simply manifestations of a Supreme Being, for example, Phenomena produced by Hegel's Spirit. Regarding man and society, the highest manifestations of God would be the leading civilisations. The prime example of this association between Evolutionism and Pantheism is, of course, provided by Hegel's philosophy of history, based on the self-recognition of the Spirit in the course of

historical time, who, in the last stage of history, was supposed to be embodied in the Germanic world in a wider sense. Probably, the *Sendungsbewusstsein* of the West was associated with thinking, more or less explicitly, on Hegelian lines, or in analogy to Hegel. This, once again, suggests that there are strong links between Eurocentrism and Evolutionism of some kind.

Finally, it would seem that evolutionism makes an inappropriate use of the *analogy* of all being (*Analogie des Seins*). In fact, *physical* analogies and similarities, which exist *simultaneously*, are converted into *historical sequences*. This leads to immense difficulties for evolutionism. For example, how to explain the coming into being of the intellectual-cum-metaphysical-spiritual powers of human beings through the evolution of the very limited instinctive capacities of apes? The difficulty becomes all the more pronounced once the human mind produces outstanding results, as is the case with Beethoven, Mozart, Plato and Aristotle, to give some prominent examples. The fact that man is a reasonable being, endowed with a mind (intuition, reason, analytical powers), makes him *essentially* different from apes. There is a very large *gap* between human beings and apes that cannot possibly be explained in a plausible way by evolutionism on the basis of physical similarities. Incidentally, in the above section *Human mind and the acquisition of knowledge* it has been suggested that the acquisition of fundamental knowledge, the knowledge of principles to wit, is essentially a matter of the mind.

The creationist vision shaping the argument of this essay is based on a *clear separation* between Creator and Creation. This is the Catholic-Aristotelian vision of the relationship between the natural and the supranatural. In fact, this Aristotelian-Christian vision had emerged from a struggle with emanationist Neo-Platonism in the early days of Christianity in the third century; with the Creation emanating from the Creator, pantheistic developments were almost inevitable.

Given these arguments against evolutionism, we might now *plausibly argue, not scientifically prove* of course, that the concept of 'evolutionism' should be replaced by a combination of four elements: Creationist Interventions, unfolding of potentials, adaptations to differing circumstances, and, finally, diversifications on the basis of different values systems, associated with differing ways to realise approximately the immutable fundamental values, Goodness, Beauty and Truth.

*To avoid misunderstandings, evolution is perfectly compatible with these four elements, not, however, evolutionism.*

First, then, *Creationist Interventions* are plausibly required regarding the *Creation of the Universe* and the coming into existence of the various forms of *Life*. This point has been forcefully argued by Medard Kehl in his *Und Gott sah, dass es gut war – Eine Theologie der Schöpfung* (Kehl 2006). Second, there would be the *unfolding of potentials contained in invariable essences*. For example, man would have, in principle, been the same right since creation, with intuition and imagination, reason and analytical powers there, but yet as potentials. Maybe that Man has lived for millions of years in a state of *unconsciousness*, in the dark so to speak, like a seed below the surface of the earth. Perhaps, man was living in harmony with inanimate and animate nature, making use of subconscious forces, and possessing abilities civilised Man has lost long ago. Time and again, anthropologists point to the extraordinary faculties, instinct and physical ability, for example, already conscious, but still deeply rooted in the unconscious, stone-age hunters and gatherers may have been endowed with. The well-known extraordinary physical and instinctive abilities of North American Indians and of other peoples having remained close to the original natural state is a telling case in point.

The *breakthrough to consciousness*, in analogy to the moment in which the plant pierces the surface of the earth, must have been a *momentous event* in every respect. From this moment onwards, Man not only lived within Creation, in fact, he started to carry on and to complete, and, gradually, to dominate Creation, that is *to unfold his potential*. With Man becoming conscious about his surroundings and, subsequently, self-conscious, the monumental drama of human history started. This drama was characterised by grandiose achievements in the wide fields of Goodness, Beauty and Truth, brought about by the tremendous potential contained in human nature, but also by terrifying failures associated with destruction, this being due to *Alienation*, which, in the above, has been defined as the gap between the natural state of individuals and societies and concretely existing reality. There is alienation on the level of individuals, for example a lack of knowledge and an excessive striving after power in archaic, traditional and modern societies; and, sometimes, alienation may be system-caused in *Agraria* (for instance, the agony and the collapse of Rome) and, above all, in *Industria* (the two World Wars and the Great Depression of the 1930s, to give instances). In any case, Man, becoming conscious about his environment, and self-conscious about himself, started to *unfold and to develop the immense potential contained in the invariable human nature*. And, of crucial importance, *purposeful human agency* takes, in principle, place *in conditions of freedom*. But freedom is not absolute. There are, at any moment of time, objectively given natural,



technical, socio-economic and political conditions, which determine in part or set restrictions to the actions of individuals. Moreover, Man cannot do what he pleases, that is, for example, excessively pursue egoistic aims, or to exert ruthless power. Doing the bad is associated with alienation and will inevitably turn out to be socially destructive sooner or later. In fact, true *freedom consists in choosing the means* to aim at realising the fundamental values of Goodness, Beauty and Truth in all domains as well as is possible for human beings, that is, to strive after perfection. This, in turn, is acting in line with human nature. In fact, aiming at fundamental values in some sphere is, as a rule, associated with profound satisfaction; Aristotle even speaks of felicity. As a result the social individuals may prosper on the basis of society and through society to become more and more fully developed persons. However, *alienation* of various kinds – lack of knowledge, an excessive striving for power, coercion, determination of the socio-economic system – may reduce or even completely destroy the scope of freedom; misery, also a form of alienation, coexisting, as a rule, with system-caused involuntary unemployment may render freedom purely formal, that is without any material content. Below it will be argued that the aim of history is, precisely, to reduce alienation in all spheres of individual and social life. This is tantamount to increasing the scope of freedom. Perhaps the breakthrough to consciousness was the moment when man became *conscious about a specific sphere*, that is, of *Good and Bad*.

*Hence, following the Biblical account, specifically the Pentateuch, the first breakthrough realised by Man was the breakthrough to Goodness, that is, the problem of Good and Bad. This was to be followed by a second breakthrough, the breakthrough to Beauty, which reached perfection in the great civilisations of the Bronze Age, in Egypt and in Mesopotamia for instance. And, as has been suggested already and will be insisted upon below, Karl Jasper's Achsenzeit represents the breakthrough to the problem of Truth.*

Man's becoming conscious of his surroundings, and, subsequently, about himself, was, probably, also the beginning of the *mythical-magical world* of William S. Haas (1956, chapter V: The World of Magic). *Intuition and imagination* dominated completely, and were, like the tip of an iceberg, linked to the immense world of the *subconscious*, which has been roamed through, for example, by Carl Gustav Jung and by Indian philosophers and ascets, producing most incredible results (von Glasenapp 1974, pp. 452 ff.); Chinese natural medicine is probably also related to these subconscious forces which, perhaps, link Man with the whole of Nature and the Universe. It is possible that, in addition to becoming conscious about

Goodness, man also became conscious about *Beauty*, as the cave paintings of paleolithic man attest (see, for example, Cameron 1993, p. 25). The mythical-magical world started to reach perfection, primarily in the domain of Beauty, but, probably, also in the realm of Goodness, with the Agricultural Revolution, which initiated Gellner's (1988) *Agraria*. Near perfection, or at least very high levels, was reached through the Great Civilisations of the Bronze Age in the Middle East and the Eastern Mediterranean area, in India and China (from roughly 4000 to 800 B.C.). Beauty found expression in monumental architecture and sculptures, Goodness was articulated through legal prescriptions, the Ten Commandments and the Code of Hammurabi being eminent instances. Here we have that 'same crucible in which the major societies of Eurasia were fired' (Goody 1996, p. 226).

Certainly, the third factor shaping the history of mankind, *adaptation to differing natural, including of course climatic differences*, had been present from the beginning, that is, since Creation. This point is made by Haas (1956), but also, by Montesquieu in his *Esprits des Lois*. Probably, adaptation to varying natural circumstances is of crucial importance for plants and animals.

The fourth force explaining historical situations and historical change is *diversification on account of differing values systems, leading to the individualisation of civilisations, political societies, and particulars*. Individuals, clans and groups, peoples and civilizations strive very strongly for becoming unique (*einzigartig*), hence to diversify. Diversification probably came most forcefully into the picture in Jaspers's *Achsenzeit - axial age* (800 B.C. to 200 B.C.), in fact, *first* "axial age", as will be argued below. Here occurred the breakthrough from *Myth and Magic*, associated with *Intuition and Imagination*, to the *Logos, to Reason and Analysis* (*Vernunft und Verstand*). Hence, in addition to consciousness about *Goodness* and about *Beauty*, already established, *axial age* brought consciousness about the problem of *Truth*. It was during [*first*] *axial age* that civilisations become *fundamentally* diverse, where East and West emerged (see on this Haas (1956), but also Goody (1996) and Clarke 1997).

*The notion of differing value systems suggested above does not, of course, imply denying the existence of objectively given fundamental values, Goodness, Beauty and Truth to wit. Value systems differ in various civilisations because the fundamental values are pursued in different spheres and realised in different ways, or by different means.*

It seems likely that the third force, conscious adaptation to the natural environment, most importantly, perhaps, climatic differences, gradually becomes more important the further one

goes back in time; consciousness of human being has certainly existed for thousands, eventually for millions of years. On the other hand *diversification*, associated to the strong drive to becoming *unique*, becomes more and more important during and since *[first] axial age*. Let us state here that diversification and individualisation of civilisations, nations and individuals is of paramount importance. Diversification enables mutual enrichment and, consequently, a rich cultural life worldwide. The social potential of the peoples and civilisations of the entire globe may unfold on the basis of diversification, through mutual enrichment in fact. However, materialistic standardization, as we experience it under oligopolistic and global Capitalism, is a tremendous threat to humanity. This form of Capitalism tends bring about Marcuse's one-dimensional Man, who tends to consider profit and utility maximisation as ultimate aims - the existence of one-dimensional masses does, of course, not exclude a refined cultural life of a few. A mass consumption civilisation gradually emerges, deifying economic growth and luxury consumption, and everything is valued in money and is for sale. And side by side, there is mass unemployment and immense misery, a very unequal distribution of incomes and wealth, and heavy damage is done to the environment. In such a society, standardised quantities absolutely dominate most varied qualities, as are, precisely, associated with diversification. In a materialistic society, analysis dominates almost absolutely and gets even separated from reason which puts things in a wider context, with spirituality fading away almost entirely, and with the economy, science and technology becoming *ends* in themselves. This leads on to an atomistic society, excessive specialisation, and to a loss of perspective. Presumably, a materialistic society will head towards very serious difficulties, similarly to the declining and agonising Roman Empire, if there is no fundamental change in direction. Incidentally, Michael Rostovcev (1931) had observed that a process of *rebarbarisation* went alongside the agony of the Roman Empire. All this is, of course, not to condemn science and technical progress. However, it should be borne in mind that science and technology, *and* the economy, are, essentially, *means, not ends*. The ends, as is argued throughout this essay, are provided by the fundamental values of Goodness, Beauty and Truth to be approximated through the striving after perfection in all spheres of individual and social life.

### Further remarks on method: some notes on the social surplus

The concepts put to use in this essay emerge from the vision of man and of society suggested in the above. We have postulated that human nature, including the basic constitution of

society, is always the same everywhere. This implies that unchanging principles exist which hold at any time and in all places. In the socio-economic sphere the prime example is the surplus principle. The surplus over socially necessary wages (socially necessary consumption) and its distribution is a social and political process always and everywhere; in alienated situations, characterised by mass unemployment and social unrest, *social and political power* will be crucial for regulating distribution; in normal and orderly situations, with social conflicts largely absent, *social ethics*, distributive justice to wit, may shape distribution. However, while the surplus principle is invariable, its realisations are contingent: the production, extraction, distribution and use of the social surplus (G. C. Harcourt) may take on very different forms in space and time and may, as such, be continuously evolving.

Or, to speak of the *immanent* unfolding or development of a civilization does, of course, not imply that this civilization is invariable. For example, during the Mao period, China made *tabula rasa* regarding her Confucian past (Seitz). After her socialist experience, China engaged in the way of Capitalism, with social inequalities increasing, and may perhaps take up Confucian principles again to produce a more harmonious society on a higher material level.

In a way, 'immanent' always implies 'specific' or 'particular'. Regarding Europe, Mitterauer rightly speaks of a *Sonderweg*. This could be translated as *specific way* or *particular way*. There may of course be *interactions* between civilisations, in various domains, economic and cultural for example, or unidirectional economic or cultural *influence*. Strong influence may become *domination*. Here, the political and the military, as a rule, add to the economic and cultural elements, with coercion associated to all of them. Again, a specific or particular way of development goes along with the existence of invariable principles regulating human action or the functioning of societies.

Hence this chapter is about the *fundamental importance of the social surplus*, which links the socio-economic basis and the socio-political and cultural-religious spheres. Here, the very simple idea, that all social and political, cultural and religious activities require a material basis, is put to the fore; as a consequence, the economic factor necessarily has a far-reaching influence on the social, political, cultural and religious domain; the influence of the economy on these spheres of human activity has steadily increased since the Great Transformation and seems to have reached a climax by the end of the 20th and the beginning of the 21st century. Variations of this idea have been put to the fore by many great authors, Montesquieu for example. We think, however, that the materialist method, has been most systematical and most fruitfully put to work by Karl Marx, a point also made by Max Weber, who was by no

means a Marxist. However, as is also the case with other great authors, Aristotle and Keynes for example, we do not apply Marx dogmatically here, but use his work as a starting point for some considerations on the surplus principle and its implications.

In the following three sections some methodological issues are briefly dealt with. First, the fundamental importance of the surplus principle for linking political economy and history is set out. Second, the methodological importance of political economy for historical investigations since the Great Transformation is put to the fore. This leads, third, on to make some remarks on a very simple and most useful conceptual scheme connecting the material basis (the economy) and the social-political and cultural-religious superstructure; obviously, to have a system of political economy picturing how the material basis or the economy functions is of the greatest importance here.

### *The importance of the surplus principle*

The *surplus principle* as is put to use in political economy is of particular importance in this essay. This principle is the fundamental concept not only in Classical (Ricardian-Marxian) political economy, but also in Classical-Keynesian political economy (Bortis 1997/2006, ch. 3, specifically pp. 89-103). However, the surplus principle is also of crucial importance for historians (see on this Bortis 1997/2006, pp. 103-30).

The starting point to understand the significance of the surplus principle is the economy, seen as the *material basis* of a society. At the core of an economy is the social process of production, which had been very simple in traditional agrarian societies and which became of immense complexity in modern industrial societies. The result of social production is the social product. If the socially necessary consumption – equal to the socially necessary wages - is deduced from the social product, the *social surplus* obtains. The social surplus is at the free disposal of society and enables a society to build up and to maintain a social, political, legal, cultural, and religious superstructure. In principle, then, the problem is how the social surplus is produced, extracted, distributed and used (G.C. Harcourt). In all these interrelated processes social and political power relations and considerations of socio-economic and political ethics related to distributive justice evidently play a crucial role. In fact, there is always and everywhere a mixture of power and ethics governing the production, extraction, distribution and use of the social surplus.

This is the content of the surplus principle, which is generally valid. Now, as any principle, the surplus principle may be realised in very different forms. The particular form taken on by

the surplus principle, specifically the *use* of the surplus characterises a society, for example a feudal, capitalist or a socialist society. Moreover, the social surplus will be used differently in a peaceful, rather than in a society, aggressive towards the outside world, or in a society, in which materialistic values dominate over cultural values. In way, then, the use of the surplus characterises a society. Hence to compare how the social surplus is produced, extracted, distributed and used in different societies, and how these processes evolve in time is a most fascinating object of research for social and political scientists, including of course historians. Given the crucial importance of the surplus principle the classical political economists did not speak of economics but of political economy (Bortis 1997/2006, pp. 76-78). In fact, since the process of production of the social product is *essentially* a social process, the production, extraction, distribution and use of the surplus are, fundamentally, socio-political issues, too.

### *Political economy as the key social and political science*

While the surplus principle is most useful to deal with the whole of world history, (classical-Keynesian) political economy is the *key* social and political science required to deal with modern world history as has set in with Karl Polanyi's *Great Transformation* which took place in the second half of the eighteenth century. As such, political economy may be considered the *heart* of the social and political sciences, history, the humanities in a wider sense, and even theology. Indeed, without understanding how modern monetary production economies function it is impossible to pursue appropriate policies, in the economic, legal, social and cultural domains. This implies that the making of laws is also directly shaped by the functioning of the economy; for example, the way in which unemployment payments are institutionalised depends on whether involuntary unemployment is considered possible or not. The premises underlying political economy are shaped by the theorist's vision of man and of society, which, if analytically articulated, becomes a social and philosophy. And more fundamentally, visions and the social philosophies have theological roots. For example, Liberalism and the associated neoclassical economic theory are rooted in Protestantism, whilst Social Liberalism and Classical-Keynesian political economy rest on Catholicism. In a way, Theology deals with the Supranatural, which, of course includes the supranatural dimension inherent in Man.

However, political economy is the key social science of Modernity only as far as *method* is concerned. Regarding the *content* and the *values* associated to the respective contents, all other social and political sciences, as well as the Humanities, are ranking higher than political

economy. The most eminent social and political science is, in an Aristotelian vein, *Politics*, which, relying on political economy, law and sociology, and on social and political ethics, starts from given, possibly more or less alienated societies, to aim at establishing the good society as far as this is possible for fallible human beings. The sciences of law deal with the positive and the normative dimension of the legal set up of a society; political economy investigates the economic aspects of a political society: the problems of value, distribution, employment and money, most importantly; sociology tackles positive and normative issues related to the social structure of a polity. Philosophy and the fine arts deal with the results of the cultural activities of Man associated to values towering above the values linked to the social and political sciences.

The foundations of the system of social and political sciences, and of the humanities, philosophy and the fine arts to wit, are made up, first, of anthropology and social and political philosophy, dealing with the nature of man and of society; second, there are individual ethics and social and political ethics, inquiring about the good life and the good society. These fundamental considerations on human nature inevitably lead on to the supranatural dimension inherent to man as a social and political being, that is, theology. Quite evidently, theology deals with the highest values, for example the sense of life, and, as such, ranks higher than anthropology, dealing with the nature of Man, and individual ethics, the object of which is the good life; theology also towers above social and political philosophy, which is concerned with the nature of society, and social and political ethics, treating with the good society. Finally, in the course of history the fundamental forces pictured by the various sciences, the striving for power, socio-economic determinism in the modern era, and the striving for the fundamental values of Goodness, Beauty and Truth in all spheres of reality, are implemented in most various ways, and scientific history attempts to come to grips with the development in time of facts and ideas. As such History emerges as the universal science dealing with the origins, the path in time and the destiny of Humanity.

In this perspective, political economy emerges as a serving science, providing the clue on how legal, social and political problems are to be tackled. This corresponds to the ancillary nature of the economy in society. Indeed, the economy may be considered the material basis of society and the state, producing the social surplus, which, in turn, provides the material means to erect a social, legal, political, and cultural superstructure upon the material basis. This way of looking at socio-economic and political phenomena is, of course, Karl Marx's. Indeed, in so far as method is concerned, Karl Marx may be considered the founding father of the social and political sciences. Marx's *materialistic method* to carry out socio-economic and political

investigations has been and is considered immensely fruitful by a great number of social and political scientists, many of whom are not Marxists at all if the *content* of their analyses is considered. Max Weber is a prominent example. And Marx's materialistic method may be easily linked to historical analyses. This implies combining socio-economic and political theory, above all political economy, on the one hand, and history on the other (Bortis 1997/2006, pp. 118-30). In this essay, too, Marx's *method*, consisting in a combination of political economy and of history, is put to the fore. Since the Great Transformation this shows up most forcefully in the determinism exercised by the functioning of monetary production economies upon the social, political, legal, cultural spheres. Socio-economic determinism may even alienation in the material basis of a society, involuntary mass unemployment and a very unequal distribution of incomes and wealth most importantly, may lead on to greatly alienated social superstructure; the of alienation is of course shape by non-economic concepts; for example, the notion of *race*, and its implications, played a fundamental role National Socialist Germany.

*The use of the surplus and the interaction between the economy and the social-political and cultural-religious sphere*

This section we make some casual remarks about the interaction between the economy, the material basis of a society, and the social-political and cultural-religious superstructure. The economy, the social process of production, produces the social surplus, which provides the material foundations to build up the superstructure, for example, university buildings, opera houses, museums, buildings for the government and the state administration, and football stadiums. Hence, as suggested above, the social surplus links the material basis and the institutional superstructure. We may recall here that the production, extraction, distribution and use of the surplus characterises societies, allowing us to compare regions, countries and civilisations as well as to undertake most diverse historical investigations. The methodologically material basis / superstructure scheme was elaborated by the classical political economists, including Marx, who put it in a very wide context of sociology and politics as well as philosophy and history. This scheme and the interaction of basis and superstructure is an implicit methodological device put to use in various forms throughout this essay. In doing so we take the classical and Marx as a starting point for further thinking and do not follow them dogmatically. For example, we consider Marx the greatest political economist of the 19th century who most deeply understood Capitalism; nevertheless, we



would not agree with some of his theses, for instance, his law of the falling rate of profits or that a socialist revolution would first occur in the most advanced capitalist countries. In any case, to work properly with the material basis / superstructure scheme a solid theory on the functioning of the material basis or the economy is required. In this essay we argue that classical-Keynesian political economy (Bortis 1997/2006 and 2003a) seems most appropriate to understand the way in which modern monetary production economies work; however, this system of political economy may also be of some use to understand pre-modern economies through the notions of the external and the internal development mechanism for example (Bortis 1997, 2006 and 2003b).

To illustrate the possibilities of the material basis / superstructure scheme, we start from Jacob Burckhardt's *Weltgeschichtliche Betrachtungen* (Burckhardt 1978 / 1905). Burckhardt mentions three great powers (*Potenzen*) shaping each other mutually: the state, religion and culture. Given this, Burckhardt's considerations on World History are entirely located in the political, cultural and religious superstructure. It would seem that, in a normative perspective, state and religion stand, in Burckhardt's vision, in the service of culture. In a way, the sense of history is to be found in the highest achievements in the arts, as have, for instance, been realised in antique Greece and Rome and in the course of the Italian Renaissance (see Burckhardt 1978 / 1905, pp. 283ff., Nachwort by Rudolf Marx). Burckhardt's view is broadly in line with Keynes's and Dostojewski's. For Maynard Keynes, *beauty* and *friendship* are the prime values to be aimed at, and Dostojewski once said that the world would be saved by *beauty*.

Burckhardt's vision is evidently elitist and so are Keynes's and Dostojewski's. Moreover, Burckhardt entirely abstracts from the socio-economic basis, which produces the surplus required to bring about top achievements in the arts. For example, one may ask the question about the socio-economic conditions, which enabled the extraction and specific use of the surplus.

The approach taken in this essay is much broader. In a society organised according to human nature the social purpose would be to pursue the fundamental values of Goodness, Beauty and Truth in all domains and on all levels. We have termed the general striving for perfection a fundamental driving force in history. To give instances, this may mean to bring about the good state, with involuntary unemployment eliminated and income distribution socially acceptable. Within a well-organised polity, the social individuals would not meet socio-economic restrictions, involuntary unemployment in the main, in their attempt to realise the good life, that is, to prosper through good work, manual, intellectual and spiritual. It is likely

that the arts would flourish in a largely unalienated society. However, to bring about a good society it is not sufficient to largely eliminate alienation from the material basis. An appropriate education system, on which some suggestions will be made later, is certainly essential for a well-functioning society.

The material basis / superstructure scheme can be put to use to deal with a specific and very important type of alienation, that is, alienation as Marx sketched it in his entire work. Indeed, alienation in the economic sphere, brought about by mass unemployment and a very unequal distribution of incomes, causes alienation in the superstructure, that is, in the political, legal, social, intellectual and even religious sphere. The political sphere may get subdued to smaller or larger part to economic interests; in the legal sphere, mass unemployment and a very unequal distribution of incomes, may lead on to increase in criminal activities and to drug and alcohol abuse, requiring a law and order state; with large involuntary unemployment, social institutions, even the family, are heavily damaged by growing individualism and the mobility required by economic life, in many instances associated to the struggle for sheer survival. In the intellectual sphere, alienation shows up in the growth of ideologies in the service of the economically dominating large enterprises in production and finance; the still towering position of neoclassical-Walrasian economics, in spite of its failure to come grips with heavy crises and involuntary mass unemployment, is excellent example of an ideology maintained, as is very likely, by economic interest groups. In the 19th century, religion has been misused in many instances; given the dreadful earthly existence of the working class in the early stages of industrialisation, religion became a promise for a happy heavenly life; religion thus became alienated and Marx, very aptly, spoke of the opium of the people.

Marxian alienation running from the material basis to the social-political and cultural-religious superstructure has become crucially important since the Great Transformation. In the following we make some remarks on the wider implications of the use of the surplus and the way in which the material basis and the superstructure interact as are relevant for this essay.

The use of the social surplus is crucial as to the values dominating in a society. Indeed, the surplus may be used in relation to material values in the widest sense of the term, for example luxury consumption, or in relation to the fundamental values *goodness*, *beauty* and *truth* in some form, for instance, setting up an appropriate legal system, an education system in line with human nature, providing the basis for cultural activities.

The use of the surplus may be linked with two fundamentally different visions of the world and world history, that is, as are *evolutionism* and *creationism*. Evolutionism is associated to

‘enlightenment – liberalism – self-regulating markets’; socialism represents a reaction to liberalism; both liberalism and socialism represents secular strands of humanism. Creationism associated to ‘Catholicism – social liberalism – no self-regulation of markets, but with employment and incomes policies’. As has been suggested already, *evolutionism* denies the existence of an invariable human nature and, consequently, also *denies alienation*. *Creationism* precisely postulates an invariable human nature and the *existence of alienation*. Evolutionism and Creationism are associated with entirely different views on ethics. Evolutionism is associated with the great secular doctrines that have emerged from Enlightenment, Liberalism and Socialism. Both are necessarily associated to an ethic of consequence since there is no invariable human nature, hence no natural laws. In the liberal view human beings aim maximising utility in a wider sense; the socialist doctrine would advocate social utility maximisation. However, with Catholicism, goodness is objectively given and anchored in human nature, and so is system-caused alienation; given this, ethics is based on principles emanating from natural law. This is by no means obsolete. Indeed, “Keynes’s rational ethics . . . is an ethics of motives rather than consequences. It is similar to the doctrine of *Natural Law, the traditional philosophy* [our emphasis] which advocated the performance of duty, which understood rational action as being correlative with the virtues, the major way in which, the medievals believed, reason could be expressed in an uncertain world“ (Fitzgibbons 1988, p. 37). This confirms, once again, our claim that Keynes’s Social Liberalism is essentially the social doctrine of Catholicism.

In this part on the *Philosophy of History* the stage has now been prepared to present the books commented on here. In the next two chapters the works by Hobson and Mitterauer are presented. Three additional chapters put these books in a wider European and World context. Then we present Konrad Seitz’s book on China. Subsequently, some implications of these works are brought out, while putting them into a wider East-West context. At this stage Jaspers and Haas enter the scene, Jaspers on *Achsenzeit ([first] axial age)* and Haas on the *profound differences between East and West*.

Given this, the eight subsequent chapters are closely related to the theory of history. However, philosophical element are scattered onto the field of theory. And both philosophy and theory are shaped by the Creationist vision underlying the essay. Positive theory of history goes on with the next two chapters: *Attempts to master the effects of the Great Transformation* and *Assessing and evaluating Globalisation*. To these ten chapters on positive theory follow two chapters on normative theory, relating to *the natural order within states* and *on the natural*

*world order*. In the chapter on *Concluding Remarks* the theory of history dominates in the first section, where a more complete structure of history is presented. The remaining four sections of this chapter are predominantly philosophical. The chapter on *ways ahead* is, in fact, a policy chapter, which is complemented by a philosophical chapter setting forth the *philosophical underpinnings of the Second Great Transformation*. And the two concluding chapters are also of a philosophical nature.

## Theory and Philosophy of History

John M. Hobson: Asia influences Europe, but does not dominate her

John Hobson's remarkable book on the interaction between Europe and Asia after the fall of the West Roman Empire "argues that the East (which was more advanced than the West between 500 and 1800) provided a crucial role in enabling the rise of modern Western civilisation. [...] The East enabled the rise of the West through two main processes: diffusionism / assimilationism and appropriationism. First, the Easterners created a global economy and a global communications network after 500 [broadly following up the breakdown of the West Roman Empire] along which the more advanced Eastern 'resource portfolios' (e.g. Eastern ideas, institutions and technologies) diffused to the West, where they were subsequently assimilated, through what I call oriental globalisation. And, second, Western imperialism after 1492 led the Europeans to appropriate all manner of Eastern resources to enable the rise of the West. In short, the West did not autonomously pioneer its own development in the absence of Eastern help, for its rise would have been inconceivable without the contributions of the East. The task of this book, then, is to trace the manifold Eastern contributions that led to the rise of what I call the oriental West"(Hobson 2004, pp. 2-3). "The basic claim of [Hobson's] book is that [the] familiar but deceptively seductive Eurocentric view is false [...]"(p. 2).

J.M. Hobson succeeds admirably in the task he has set himself. His book contributes in an important way to M.G.S. Hodgson's undertaking to 'rethink world history' (Hodgson 1993). It may already be mentioned here that the very strong influence of the East upon the West over many centuries does not exclude that an *immanent* process of change and development took place in the West as is pictured by Mitterauer's European *Sonderweg*. In fact, in analogy to Greece taking up Middle Eastern ideas and creatively developing them to bring about the breakthrough to Truth in a particularly fruitful way in the course of first axial age (Martin Bernal and Walter Burkert), Europe took up Eastern ideas and appropriated Eastern resources to reinforce immanent factors at work to achieve the breakthrough to Modernity (John A. Hobson).

Indeed, to begin with Hobson draws, precisely, attention to this largely neglected but, in fact, very important point. He mentions Martin Bernal (1987, 1991) "argues that ancient Greek civilisation was in fact significantly derived from Ancient Egypt'. Likewise, the present book argues that the East provided a crucial role in enabling the rise of the modern Western civilisation" (Hobson 2004, p. 2). The crucially important parallel just alluded to:

‘Mesopotamia/Egypt - Greece’ and ‘East (Asia) – West (Europe)’ will be taken up below. It will be attempted to argue that specific immanent ways of evolving in the West rendered possible the creative use of Eastern ideas or to appropriate Eastern resources.

In „countering the eurocentric myth“ (pp. 1-26) Hobson takes on an impressive intellectual edifice resting on a powerful vision of history. Indeed, within the mainstream eurocentric theories „we can detect a latent – though occasionally explicit – triumphalist teleology in which all of human history has ineluctably been leading up to the Western endpoint of capitalist modernity. Thus conventional accounts of world history assume that this all began with Ancient Greece, progressing on to the European agricultural revolution in the low middle ages, then on to the rise of Italian-led commerce at the turn of the millennium. The story continues on into the high middle ages when Europe rediscovered pure Greek ideas in the Renaissance which, when coupled with the scientific revolution, the Enlightenment and the rise of democracy, propelled Europe into industrialisation and capitalist modernity“(p. 10).

„Two main points are of note here. First, this story is one that imagines Western superiority from the outset. And second, the story of the rise and triumph of the West is one that can be told without any discussion of the East or the non-West“ (p. 11). In a way this implies an inherent superiority of the West. Hobson speaks of “the Eurocentric iron logic of immanence”(p. 11).

Powerful intellectual systems are founded on Eurocentrism or, its counterpart, Orientalism. Hobson puts Karl Marx and Max Weber to the fore, in fact, two founding fathers of Eurocentrism.

*In fact, both Karl Marx and Max Weber could be termed heuristic Eurocentrists. This notion has been defined in the second chapter above – Problem and plan. Weber’s heuristic Eurocentrism rests on the specific way of development taken by Europe, Marx’s upon the determinism exercised by the capitalist system leading on to cumulatively growing differences in technology and wealth. Normative Eurocentrics, that is, the claim that Europe is intrinsically superior, is based on, or at least strongly associated with, racial evolutionism. This notion has been criticised above in the section on “the same human nature and differences between civilisations”.*

In fact, quite surprisingly, “Karl Marx’s theory assumed that the West was unique and enjoyed a developmental history that had been absent in the East. [For example, Marx sees China as a] ‘rotting semicivilization vegetating in the teeth of time’ “(Hobson 2004, p. 12). A

crucial passage is to be found “in *The Communist Manifesto* where we are told that the Western bourgeoisie ‘draws all, even the most barbarian, nations into civilisation [...] It compels all nations, on pain of extinction, to adopt the [Western] bourgeois mode of production; it compels them to introduce what it calls civilization into their midst, i.e., to become [Western] themselves. In one word, [the Western bourgeoisie] creates a world after its own image’ [Marx]” (Hobson 2004, p. 12).

*Probably, Marx is not wrong on this specific point. Indeed, in the chapter “East and West in a Wider Context – Karl Jaspers: Achsenzeit” below we shall see that Jaspers’s axial age – the passage from myth and magic to logos, to reason and analysis – brought about the destruction of the pre-axial age civilisations, or rendered them insignificant. In analogy, it may be argued, in line with Marx, that the Great Transformation initiated World Axial Age, the breakthrough to Modernity, with premodern civilisations equally wiped out or relegated to insignificance, temporarily at least; this is precisely what happened to China in the course of the nineteenth century. This fact, and, as just suggested, the inexorable determinism exercised by the capitalist system, first systematically and very clearly perceived by Marx, explains his seemingly eurocentric stance. Moreover, due to specific socio-economic and political conditions, capitalism could not have come into being in the East. However, we shall argue below, partly in line with Hobson, that this does not imply any superiority of the West.*

“[Indeed,] Marx’s dismissal of the East was [...] fundamentally inscribed into the theoretical schema of his historical materialistic approach. Crucial here was his concept of the ‘Asiatic mode of production’ in which ‘private property’ and hence ‘class struggle’ – the developmental motor of historical progress – were notably absent. ‘[The] direct producers [are] under direct subordination to a state which stands over them as their landlord. [Accordingly] no private ownership of land exists’ [Marx]. And it was the absorption of, and hence failure to produce, a surplus for reinvestment in the economy that ‘supplied the key to the secret of the unchangeableness of Asiatic societies’ [Marx]” (Hobson, pp. 12-13). Hobson (2004), but also Mitterauer (2003) and Seitz (2003) all substantially modify this statement by Marx.

“In Europe [, however, always according to Marx,] the state did not stand above society but was fundamentally embedded within, and cooperated with, the dominant economic class” (Hobson 2004, p. 13), specifically with the mercantile and industrial capitalists from about 1500 onwards. There is certainly considerable truth in this proposition. However, the

relationship between state and society/economy has changed in the course of time: in mercantilist-absolutist times, broadly from 1500 to 1700-50, there was a domination of the state over society and the economy, with the economy standing in the service of the state. This relationship was gradually reversed with the ascent and the domination of Liberalism, from around 1750-1800 onwards, with the state becoming ancillary to the economy (Heckscher, *Der Merkantilismus*, 1932/1930).

Marx's remarks on the close and specific relationship between state and economy/society are very important. This issue will be taken up in connection with Mitterauer's (2003) European *Sonderweg*. Again, it will be argued, in line with Mitterauer, that Europe was different from Asia, but not superior.

"No less importantly, Marx's whole theory of history faithfully reproduces the Orientalist or Eurocentric teleological story. In *The German Ideology* Marx traces the origins of capitalist modernity back to ancient Greece – the fount of civilisation (and in the *Grundrisse* he explicitly dismissed the importance of Ancient Egypt). He then recounts the familiar Eurocentric story of linear/immanent progress [starting from the Antique slave holder societies] forward to European feudalism and on to European capitalism, then socialism before culminating at the terminus of communism. [...] For Marx the Western proletariat is humanity's 'Chosen People' no less than the Western bourgeoisie is global capitalism's 'Chosen People'" (Hobson 2004, pp. 13-14). On the whole, Hobson is certainly right in arguing that Marx was Eurocentric, though, in our view, on the heuristic level; he probably did not exclude social change and subsequent capitalist development in Asia in the very long run, with Asian workers joining the *Worker's International* one day. However, sometimes, Marx may get near to normative Eurocentrism, which went almost without saying after the Great Transformation during the whole of the 19th century, and far into the 20th century. Marx's vision was also shaped by 19th century *Zeitgeist*!

However, "nowhere is the Orientalist approach clearer than in the works of the German sociologist, Max Weber [who asked] the most poignant Orientalist questions: what was it about the West that made its path to modern capitalism inevitable? And why was the East predestined for economic backwardness? [...] Weber's view was that the essence of modern capitalism lay with its unique and pronounced degree of 'rationality' and 'predictability'. [The] West was blessed with a unique set of rational institutions which were both liberal and growth permissive" (Hobson 2004, pp. 14-15).



*As suggested in the chapter “Problem and plan” above, Max Weber’s “Eurocentrism” was probably heuristic, denoting the particularity of Europe, without claiming superiority. This appears quite clearly from his “Die protestantische Ethik und der Geist des Kapitalismus” which does not always present a favourable picture of the association of protestant ethics and the capitalist spirit (Weber 1988/1920, for example, pp. 202-06). However, as has been suggested already, normative Eurocentrism, claiming that Europe is unique and superior, was pervasive in 19th century Europe, and far beyond, and it would be normal if Max Weber had adopted it to some degree.*

Two points are of particular importance in this context. “First, the differences in the two civilisations are summarized in Weber’s claim that Western capitalist modernity is characterised by a fundamental separation of the public and private realms. In traditional society (as in the East) there was no such separation. Crucially, only when there is such a separation can formal rationality – the *Leitmotiv* of modernity – prevail. This supposedly infuses all spheres – the political, military, economic, social and cultural” (Hobson 2004, p. 204).

This is a crucial point, deserving some consideration. The successful application of formal rationality to all spheres implies an individualistic view of society. Individuals become active in the various spheres, economic, social, political, cultural, with their rational actions being coordinated by some mechanism, most importantly supply and demand in the economic sphere. In a way the market gradually invades all the other spheres, with everything becoming a commodity (Marx). Basic to this vision is the notion of a self-regulating economy, which, in the final analysis, coordinates all the rational actions of individuals and collectives in a socially optimal way. Rationality is, basically, the rationality of the individual; social rationality is taken for granted through the mechanism of self-regulation, which is basic to the system of Adam Smith and to neoclassical economic theory. Indeed, the basic neoclassical model, Walras’s general equilibrium theory, pictures how a competitive liberal economic system would function *in principle*, and implies that the price mechanism brings about an optimal allocation of resources; this includes full employment of all resources, labour most importantly. The vision of economic self-regulation is, as a rule, associated with liberty and democracy. Governing becomes, in the liberal view relatively easy, since the market is supposed to solve the great economic problems, most importantly pricing, employment and distribution.

But, if there is no self-regulation, then democracy can function smoothly only in economically successful countries, successful exporters of industrial products for example, enjoying full employment or near full-employment. However, if there are grave socio-economic problems, unemployment and social unrest, democracy may become more or less formal, a law and order state may come into being, and an *elite*, political, military, or economic, may, directly or indirectly, *effectively* govern a country. This may even be successful *per se*. For example, Max Weber's successfully industrialising Germany was a monarchy. And, in 19th century Switzerland, a *strong* liberal government, through building up appropriate institutions, perhaps most importantly technical high schools and apprenticeships in view of securing high quality production, conquered a privileged position for Switzerland in the world economy. Or British economic development has been brought about by an aristocratic/bourgeois elite relying on political and military power (the British navy) to establish British domination on the world markets in the 18th century, a process that was to culminate in the Industrial Revolution which, around 1850, resulted in unequalled British supremacy worldwide (Cain and Hopkins 1993). Finally, democracy may even break down if the socio-economic situation becomes untenable. Germany in the early 1930s is a case in point, in spite of the fact that, in this country, democracy was functioning normally and satisfactorily in the 1920s, this in spite of a very difficult post-war situation. Thus, the possibility of a rational, democratic way of governing rests on a successful economy. If economies are not self-regulating, economic success is brought about through conquering a strong position in the world economy, mainly through exporting high quality industrial products and services. Hence, as a rule, it is not democracy and economic liberty, a free market economy, which produce economic development, and, finally, a flourishing economy. Rather, parliamentary democracy and a free market economy, and economic development are rendered possible through a favourable economic situation, whereby some kind of imperialism - economic, political, or even military -, and also protectionism may have played an important role in bringing about a strong economy; at this stage, it should be recalled that the United States were extremely protectionist in a crucial economic development period, broadly from the early 1860s to 1914. All this broadly coincides with Hobson's view. He indeed states that Eurocentrists "begin by taking the present dominance of the modern West as a fact, but then extrapolate back in time to search for all the unique Western factors that made it so" (p. 295).

This is of course not to argue that democracy is not the desirable, even the natural way of government. However, as alluded to repeatedly in this essay, if economies are not self-

regulating, a specific type of democracy is required: the government should stand above the parties and aim at setting up and encourage the coming into being of an institutional system which maximises the scope of freedom for the citizens, while at the same time establishing socio-economic foundations – full employment, fair distribution, and social security - such that the social individuals may prosper, unfold their dispositions and broaden their capacities. In the absence of self-regulation, the great economic problems, full employment and distribution of income most importantly, become problems of political economy requiring the co-operation between the state, on the one hand, and the economy and society, on the other. And, crucially important, a very solid economic theory is required if sensible socio-economic policies are to be pursued. An elaboration of Keynes's economic theory, Classical-Keynesian Political Economy to wit, seems a most appropriate policy foundation for monetary production economies (Bortis 1997/2006 and 2003a).

“The second general distinguishing feature between the Orient and the Occident was [according to Max Weber] the existence of a ‘social balance of power’ in the latter and its absence in the former. [Neo-Weberian] analyses commonly differentiate ‘multi-power actor civilisations’ or the European multi-state system from Eastern single-state systems or ‘empires of domination’. And they, like some Marxian world-systems theorists as well as a number of non-Marxists, emphasise the vital role that warfare between states played in the rise of Europe. [Consequently, by 1500 European] rulers were anxious to promote capitalism in order to enhance tax revenues in the face of constant, and increasingly expensive, military competition between states. [...] Moreover, the Eastern bourgeoisie was thoroughly repressed by the despotic or patrimonial state and was confined to ‘administrative camps’ as opposed to the ‘free cities’ that were allegedly only found in the West. In addition, European rulers were also balanced against the power of the Holy Roman Empire as well as the papacy, which contrasted with Eastern caesaropapism where religious and political institutions were fused. Finally, while Western man became imbued with a ‘rational restlessness’ and a transformative ‘ethic of world mastery’, in part of the energising impulse of Protestantism, Eastern man was choked by regressive religions and was thereby marked by a long-term fatalism and passive conformity to the world” (Hobson 2004, pp. 17-18).

This is indeed a forceful way of stating the essence of heuristic Eurocentrism, emphasising different social arrangements in East and West. Here, Max Weber's crucially important notion of the ‘social balance of power’ – echoed by J.K. Galbraith's ‘countervailing power’ - in fact implies that, on the background of a self-regulating economy, an equilibrium may also come into being in the social and political sphere. Hence, if there were sufficient competition, the

self-regulating market would not only bring about a tendency towards a market equilibrium, but also create the preconditions for a social and political equilibrium. The social equilibrium would, in principle, come into being through free flows of information, tolerance and non-discrimination, the political equilibrium through free elections. This is a powerful argument which, explains why the West has been propagating, and still is propagating ‘liberty, competitive free-markets and democracy’, and with particular intensity in this neoliberal age.

*It has already been alluded to what happens if markets are not self-regulating: Cumulative processes leading economies away from an imaginary equilibrium may set in, most importantly, involuntary unemployment and unequal income distribution may mutually reinforce each other; as a consequence, the sea of poverty and misery grows larger while, simultaneously, islands of immense wealth and luxury consumption expand. On account of economies of scale wealth differences between countries and large regions may also grow. Moreover, the market invades all spheres, even the state and education. With ferocious competition and struggles for economic, social and political position, even struggles for survival dominating, little or nothing can be done for the environment. In a way, social disaster is already there, and environmental disaster seems inevitable, if a fundamentally different approach in political economy and in politics in general is not implemented. Indeed, it will be suggested repeatedly, that Keynes’s Social Liberalism as set forth in Bortis (1997/2006, 2003a) seems the only way out.*

However, *normative* Eurocentrism is still very solidly established, in theory and in practice. Given this, it seems evident that J.M. Hobson attacks a formidable fortress. In his book he convincingly argues “that the Eurocentric story is problematic not because it is politically incorrect [the breakthrough to modernity *did* happen in Europe] but because it does not square with the facts”(Hobson 2004, p. 20). Indeed, David Landes claims that, “for the last thousand years, Europe (the West) has been the prime mover of development and modernity”(quoted in Hobson 2004, p. 20). And Hobson counters: “But the historical empirical record that I consult reveals that for most of the thousand years the East has been the prime mover of world development” (p. 20). Given this, he states his “central argument: [...] There was nothing inevitable about the West’s rise, precisely because the West was nowhere near as ingenious or morally progressive as Eurocentrism assumes. For without the helping hand of the more advanced East in the period from 500 to 1800, the West would in all likelihood never have crossed the line into modernity” (Hobson 2004, p. 19). In Hobson’s view, “the West got only

over the line into modernity because it was helped by the diffusion and appropriation of the more advanced Eastern resource portfolios and resources” (Hobson 2004, p. 21). In relation with “European imperial appropriation of Eastern resources (land, labour, markets) I emphasise the role of European agency or [imperial] identity [which] is in turn a socially constructed phenomenon” (pp. 23-24) starting with the [Christian] reaction against Islam (ch. 5). The next stage were the Crusades, followed by the ‘great discoveries’. Subsequently, ‘implicit racism’ justified European Imperialism (ch. 10). “Imagining the East to be backward, passive and childlike in contrast to the West as advanced, proactive and paternal was vital in prompting the Europeans to engage in imperialism. For the European elites sincerely believed that they were civilising the East through imperialism (even if many of their actions belied this noble conception)” (Hobson 2004, p. 25). It would seem that the civilising mission of the West was a by-product and, frequently, an ideological justification for a more fundamental socio-economic and political imperialism. Indeed, “the appropriation of many non-European resources through imperialism underwrote the pivotal British industrial revolution (ch. 11)” (p. 25).

Hobson sets out his really impressive argument in four parts. The first is about the East as an early developer and about oriental globalisation (pp. 29-96). The Islamic and African Pioneers built a bridge linking East and West from 500 onwards until about 1500 (chapter 2), thus setting up a global economy, the crucial significance of which “lay not in the type or quantity of trade that it supported, but that it provided a ready-made conveyor-belt along which the more advanced Eastern ‘resource portfolios’ (e.g. ideas, institutions and technologies) diffused across to the West. [This diffusion was] so significant that it underpinned the rise of the West [from about 1000 to 1500]” (p. 33). Chapter 3 is about Chinese pioneers who produced “‘the first industrial miracle’, where many characteristics that we associate with the eighteenth-century British industrial revolution had emerged by 1100” (p. 50). “Iron was used to make everyday items and tools [and it was not confined only] to weapons and decorative art [as Eurocentric scholars have often argued]” (p. 53). However, “the most advanced industrial-technological innovation was found in the textile industry with the widespread adoption of the water-powered spinning-machine for hemp and silk” (pp. 53-54). Yet, the Chinese industrial revolution did not lead to the factory system, nor did it lead to that self-generating process of invention-innovation with one invention calling forth the other as was the case with late 18th century England (Landes), in spite of the fact that the Chinese were pioneers in the construction of complex mechanical devices, i.e. of clocks (pp. 130-32). Nor did the Chinese industrial revolution lead to a fundamental social and political change. It

will be argued below that the English Industrial Revolution was a unique event, requiring a host of specific conditions that had all to be there *simultaneously*. On the one hand, a set of conditions resulted from a powerful specifically European, *immanent*, dynamics of development and change along the lines of Mitterauer (2003), Max Weber and Karl Marx. On the other hand, *it was precisely this specific way of development*, which enabled Europe to successfully ‘assimilate and appropriate Eastern resources’ (Hobson 2004, p. 2). This is *not* to criticise Hobson’s argument, but to complete and to deepen it.

Subsequently, Hobson convincingly argues that “the Ming proclamation of an imperial ban on foreign commerce in 1434”(pp. 61-62) did not lead to a withdrawal of China from international trade. Indeed, “most of the world’s silver was sucked into China [from about 1500 to 1800], thereby confirming that the economy was not only fully integrated within the global economy but was robust enough to enjoy a strong trade surplus” (p. 66).

In chapter 4 Hobson argues that, in spite of the relative Chinese retreat, the “East remains dominant: the twin myths of oriental despotism and isolationism in India, South-east Asia and Japan, 1400-1800” (74-96).

“Part II: The West was last: oriental globalisation and the invention of Christendom, 500-1498” (pp. 99-157) contains, in our view, some weak passages in Hobson’s otherwise great book, above all chapter 5: “Inventing Christendom and the Eastern origins of European feudalism, c. 500-1500”(99-115). The European agricultural revolution, which is at the basis of medieval Europe is seen as heavily influenced by the East, above all concerning the heavy plough. European agency emerges as inventing Christendom to counter the Islamic threat. “In the medieval context the ‘self’ represented all that was good and righteous while the ‘other’ was constructed as its evil and undesirable opposite. [Since] Christian prelates became the key players in the construction of European identity, they selected Islam as a suitable candidate [and constructed Islam] not just as evil but also as a threat” (Hobson 2004, p. 107). There is certainly some truth in this, but such an argument reduces European agency to countering Islam. Moreover, it would have to be taken into account that Christian Europe reacted, as would seem normal, against powerful Arab (Islamic) expansion. However, tragic excesses happened, above all at the end of the First Crusade “the massacre of Jerusalem profoundly impressed all the world” (Runciman 1992, p. 188). Finally, in this context, Mitterauer (2003) and Barbero (2004) very convincingly argue that in the Carolingian Empire the basis for a European particular way (*Sonderweg*) was laid, setting thus into motion a most powerful *immanent* process of development and change leading up, as will be suggested below, straightaway to the Industrial Revolution. This particular way was crucially shaped by

Christian values, profound faith, and the striving after perfection in the spheres of goodness, beauty and truth in all domains, and, very importantly, the promotion of the individual on the basis of performance, initiated by the Roman Church. Again, excesses cannot be denied. The Church became involved in power politics at times; this included the persecution of heretics, which was associated with exerting coercion over the minds. However, it has been mentioned in the section on *the driving forces in history* above that *the striving after perfection* and *the struggle for power* were always there in varying proportions in the course of – alienated - history.

Nevertheless, Hobson continues to provide, in this chapter, an excellent – and fascinating! - account of the spirit of invention and innovation present in non-European civilisations, for example regarding the clock, the most complex mechanical device existing at the time: “The greatest challenge in making a clock lay with the escapement mechanism (a device which regulates the movements of the shafts and dials to ensure accurate timekeeping). Cardwell noted that ‘we are left completely in the dark about the steps by which some unknown genius or geniuses invented the escapement mechanism which constituted perhaps the greatest single invention since the appearance of the wheel’. The riddle is solved by the clear fact that it was the Chinese (probably I-Hsing in 725 [almost incredible!]) who had invented the escapement mechanism and, moreover, there is evidence of its transmission across the West. Indeed, the idea seems to have spread to the Islamic Middle East. Then in 1277 (some sixty years before the Visconti clock) an Arabic text on time-keeping – which included the idea of the weight-driven clock with a mercury escapement – was translated in Toledo. Notable too is that virtually all the techniques and mechanisms of the European clock, including the automata, complex gear-trains and segmental gears as well as the weight-drive and audible signals, were present in Andalusian (i.e. Islamic Spanish) horology. Interestingly, Lynn White suggests that the six perpetual machines appear to have been inspired by the twelfth-century Indian, Bhashkara”(Hodgson 2004, p. 131). Here might have an explanation why in Western Europe, and in French-speaking Switzerland in particular, fabulous watches could be made and astonishing mechanical devices could be built, some of which are exhibited in the *Musée International d'Horlogerie* at La Chaux-de-Fonds (Switzerland).

Part III considers the West as a late developer and the advantages of backwardness: oriental globalisation and the reconstruction of Western Europe as the advanced West, 1492-1850 (pp. 181-280). Here, the West’s run, benefiting from the East, towards Modernity is vividly pictured. Again, Western agency is, basically, seen in terms of interacting with the overseas territories through benefiting from and appropriating Eastern resources. Hobson mentions the

unequal treaties, which were imposed, among others, upon “Brazil (1810), China (1842-1858), Japan (1858), Siam (1824-1855), Persia (1836, 1857), and the Ottoman Empire (1838, 1861). [While] the European economies industrialised through tariff protectionism [...] the Eastern economies were forced to move straight to free trade or near free trade. This served to contain their economies because it denied them the chance of building up their infant industries. [However,] the most offensive aspect of the unequal treaties lay with their general affront in Eastern sovereignty and cultural autonomy”(Hobson 2004, p. 260). The crucial importance of exports for the Industrial Revolution in England is also mentioned. “[The] triangular trading system provided not just large profits but also a huge demand for British exports in the absence of which British industrialisation would have been significantly constrained”(p. 270). [While] British industrial exports rose by over 150 per cent between 1700 and 1770, the domestic market increased by a mere 14 per cent” (p. 271). Trade with overseas countries was particularly important for Britain who nearly absolutely dominated world markets in the second half of the 18th century, the time period when the Industrial Revolution took place. “[For] the 1750-1800 alone, I estimate that British trade with the ‘periphery’ comprised about 15 per cent of national income. This is colossal”(p. 271). The crucial importance of exports for the British Industrial Revolution is emphasised by many economic historians, particularly Eric Hobsbawm in his *Industry and Empire*. This point will be taken up below.

In the concluding part IV Hobson argues in ch. 12, that “Western states have been far less rational and democratic during the period of the breakthrough [1500-1900] than has been supposed by Eurocentrism (p. 293), a point already mentioned quite extensively in the above. Indeed, “[Eurocentric] scholars begin by taking the present dominance of the modern West as a fact, but then extrapolate back in time to search for all the unique Western factors that made it so. Conversely, by taking the subordination or backwardness of the present-day East as a fact, they similarly extrapolate back in time to search for all the factors that prevented the breakthrough to modernity there” (pp. 295-96). This is, indeed, a common mistake made by ahistorical normative Eurocentrists. In fact, normative Eurocentrism is based upon an ideologically dominated reconstruction of history, telling a story of pure immanence, which, as Hobson rightly argues, does not square with the facts.

The rise of the oriental West (ch. 13) is thus due to, first, the diffusion and assimilation of Eastern resources through oriental globalisation (pp. 301ff.), second, to European agency/identity and the appropriation of Eastern resources (pp. 305ff.), and, third, contingency (fortuitous accident or good fortune), for example “that the Spanish stumbled



upon the Americas where gold and silver lay”(p. 313) or “that the Europeans often happened to be in exactly the right place at precisely the right time”, for instance, “the English East India Company happened to be in India at the time when the when the Mughal polity began to desintegrate [...]”(p. 315)..

“[We] can now see that the story of the rise of the oriental West *cannot be related in terms of the immanence of the European social structure* [our emphasis]. The leading edge of global power resided squarely within different parts of the East right down to about 1800. [...] After about 1500 the pendulum began very gradually to swing back westwards as the Europeans engaged in imperialism and simultaneously intensified their linkages with the East. But it was only well into the industrialisation phase that the leading edge of global intensive and extensive power shifted to Britain”(pp. 315-16). In a way, Hobson’s argument represents a kind of social process of mutual influence on the world level in the economic and technical domain. The West could ‘stand on the shoulders’ of the East to bring about the breakthrough to Modernity and has, subsequently, influenced the East. However, in the next chapter on Michael Mitterauer’s book it will be argued that, while Eastern influence on the West was certainly important, the crucial element was precisely the *immanence* of European social and political factors that enabled Europe to benefit from the East in way pictured by Hobson and to bring about the breakthrough to Modernity. Once again, this is not to deny the crucial contribution of the East to Western development. However, Europe, the Laboratory of World History, *on account of immanent processes* going on precisely in Europe, was able to benefit from and to appropriate Eastern resources.

Emphasising the mutual influence of civilisations, John M. Hobson, quoting Edward Said, concludes his book in an admirable way: ““Rather than the manufactured clash of civilizations, we need to concentrate on the slow working together of cultures that overlap, borrow from each other, and live together ... But for [this] kind of wider perception we need time and patient and sceptical enquiry supported by the faith in communities of interpretation that are difficult to sustain in a world demanding instant action and reaction [Edward Said]’.

This present volume has sought to provide just such an analysis. Moreover, I fully support Said’s clarion call for the further development of emphatic analyses that reject the constructed bipolarism of East and West along with its oft-accompanying racist politics, not least because global humanity demands no less. For in rediscovering our global-collective past we make possible a better future for all” (Hobson 2004, p. 322). On this pertinent statement one cannot but fully agree.

J.M. Hobson's book represents a momentous contribution, even a breakthrough to 'rethinking world history' (Marshall G.S. Hodgson). He puts the tremendous economic and scientific role of Asia and Africa on a world level between, broadly, 500 and 1800 into perspective, as well as the mutual relations between Asia and Europe. Indeed, Hobson's work is, basically, a study of the *interaction* between East and West on the economic-technological and political-military level in the main. In this interaction, European agency is, essentially, based on "the appropriation of Eastern resources through European imperialism" (Hobson 2004, p. 21). However, as has already been suggested, in each society and in each civilisation there are also *immanent* forces at work: visions of society and man associated with values, religious beliefs, ways of thinking, conceptions of society and of nature, social structures, political organisation shape agencies in East and West, including the specific way in which Europe and Asia have reacted at impacts coming from outside and the way in which a civilisation acts towards the outside world. In this view, European Imperialism is only one dimension, or, rather a consequence, of these immanent forces. The problem is to broadly understand Eastern and Western agency through the fundamental characteristics of their respective civilisation, as does Haas (1956). Once again, this is not to criticise Hobson, but to complement his argument. It is in the spirit of this essay to attempt to set up a comprehensive and global view of the breakthrough to modernity, trying to put each argument at its approximately right place. Now, heuristic and normative Eurocentrism is, evidently, an exercise in *pure immanence* of change which, applied to different cultures, implies a *parallelism* of development. Michael Mitterauer's book, which we now consider, is precisely a study in immanence, but paying much attention to parallel developments, specifically in Byzantium, the Islamic World and in China.

### Michael Mitterauer: Europe sets the stage for the road to Modernity

According to Max Weber's predominantly heuristic Eurocentric view the breakthrough to Modernity has its origins in Humanism and Renaissance, the gradual coming into being of Modern Science, Protestantism, the great discoveries, and, above all, Capitalism. Michael Mitterauer takes up Max Weber's *vision* of an *immanent European development*, and his *method*. He considers large groups of interlinked causal bundles that have produced a *specific* European way (*Sonderweg*) and carefully sets out differences with other civilisations, without

claiming any European superiority. In fact, while Mitterauer's book is essentially on the European *Sonderweg*, it is also an exercise in *comparative civilisation* (on this see the last section of the chapter on *concluding remarks*). However, in contradistinction to Max Weber, Michael Mitterauer, *very carefully*, argues that the basis for Europe's *Sonderweg* was laid in the early Middle Ages through the institutions of the Carolingian Empire. This *complete* change of perspective, and its implications, represents *Mitterauer's momentous contribution* to European *and* World History. Indeed, after the breakdown of Rome, and the social and political disorder that followed, the Empire of Charlemagne represented a *new* socio-economic and political *start* which crucially accounts for the particular way of development of Europe, based upon three pillars, the Graeco-Roman cultural heritage, the Christian doctrine, and, of particular importance, specific newly created institutions, possibly of Germanic origin, involving local self-government and participation at the government of the Empire. In fact, Christianity united and shaped the Graeco-Roman and the Germanic elements. Out of these institutions developed medieval Estate constitutions (*mittelalterliche Ständevertretungen*, p. 9), which ultimately led to political parties and democratic self-government. In this context, Mitterauer says, that "his first encounter with the phenomenon of a European particular way (*Sonderweg*) concerned parliamentism and democracy, not capitalism or industrialisation as is the case with many other researchers" (Mitterauer 2003, p. 9; a.tr.).

Hence, in the case of Mitterauer, it would be wrong to speak of Eurocentrism; at best one could speak of heuristic Eurocentrism. He explicitly considers *immanent* developments going on in other civilisations, Byzantium, China and the Islamic world, without arguing that Europe was superior or inferior, but just specific. His immanent method implies *parallelism*. Therefore, interactions between civilisations or unidirectional influence of one civilisation on another, as is pictured in Hobson (2004), are not considered. Given this, Mitterauer's immanent-parallel approach leads to a *comparative analysis of civilisations*, a topic taken up and put into a wider context in the *concluding remarks* of this essay. Parallelism implies considering inherent or endogenous factors or forces acting on preserving social structures or changing them in a certain direction. John Hobson's and Michael Mitterauer's work is thus complementary, but the links between immanence and interaction, that is how interaction with the East *shaped* the immanent development of the West, remain to be established and may give rise to most interesting research. It may be anticipated at this stage that Konrad Seitz (2003) combines the analysis of immanent developments in China with interactions that took place between China and the West.

In Max Weber's view, capitalism, mercantile and industrial, driven by Protestant (work) ethic was the essential element of European specificity. One would, therefore, have expected Mitterauer emphasising the genesis of the European bourgeoisie, the artisans and merchants of the cities of the High Middle Ages. However, without neglecting the economic element, he leaves aside these well-trodden paths. Instead, he sees the constitutions of the Medieval Estates, a *unique* social event in World History, which gradually developed into parliamentism and democracy, the crucial element that lead Europe into Modernity (p. 9).

*In this essay, we argue that parliamentism and democracy are typically elements of government of the winners of the economic development process, which set in after the Great Transformation (1750-1830). The winners may allow for a kind of democratic self-government because of a very good economic situation, brought about by exporting successfully for example. It will further be argued here that, since the economy is not self-regulating, the government should, as a rule, stand above the parties, governing should be for the people, and assessed and supervised by the Parliament.*

In addition to the constitution of Medieval Estates, Mitterauer then goes on to identify six other elements at the origin of Modern Europe, indeed of the Modern World. In doing so he goes right back to the early Middle Ages and late Antiquity. For Europe was, according to the anthropologist Louis Dumont, already set on a definite track in direction to Modernity by the year 1000 A.D. (mentioned in Mitterauer 2003, p. 9). This is also Mitterauer's opinion, which is contrary to Max Weber and the overwhelming majority of scholars, who seek the roots of modernity from around 1500 onwards. The crucial importance of Charlemagne and the Carolingian Empire for the immanent European way to Modernity is now increasingly recognised, for example by the Italian historian Alessandro Barbero (Barbero 2004), who considers Charlemagne as the father of modern Europe.

*It may be plausibly argued that the crucial difference between Michael Mitterauer and Max Weber can be found, to say so, in the 'treatment' of Christianity. With Mitterauer Christianity is fundamentally important to European development, and the Middle Ages appear as an epoch of technical, economic and social change, and even progress. Max Weber, however, tends to consider the Middle Ages as a retarding factor, due to obscurantism and dogmatism – abolished by Enlightenment! – and technical and economic stagnation. Weber's view has*

*dominated until recently, and Mitterauer (2003) is certainly crucial in reassessing the significance of the Middle Ages.*

Let us now have a glance at the content of Mitterauer's book. In seven chapters Mitterauer identifies in relative isolation the complex sets of factors at the origin of the modern world. In a Weberian vein, the last chapter (8) looks for the specific interrelation of these factors or circumstances (*Verkettung von Umständen*) setting Europe on the way to Modernity. Each chapter deals mainly with European developments. Regarding specific topics, differences with other civilisations are carefully worked out on the empirical level. It would be an interesting exercise to interpret systematically Mitterauer's empirical evidence regarding various civilisations on the basis of Haas (1956) who, as will be seen, compares East and West on the level of 'ideal-type' fundamentals.

Chapter 1 deals with the Agrarian Revolution of the Early Middle Ages (pp. 18-41). The introduction of new seeds, rye and oats, far better adapted to the wet and relatively cold climate of the European North West than the Mediterranean wheat for example, led to a substantial increase of the agricultural surplus which became the basis for a rich social, political and cultural life in Carolingian times, and subsequently. In fact, the early medieval agricultural revolution was accompanied by a shift of the European socio-economic and cultural gravity center from the Mediterranean area to North-Western-Europe (p. 17). A *new* cultural region (*Kulturraum*) came into being. Specific institutions were created that would end up in the breakthrough to Modernity in Europe. In fact, following up the breakdown of the West Roman Empire, the foundation of the Carolingian Empire represented a *new start for Europe*, a crucial fact, which we shall return to in the next chapter. It may already be mentioned here that the firm hand of the Roman Church was crucial to overcome the chaos prevailing after the breakdown of the West Roman Empire through establishing the Carolingian Empire.

Mitterauer deals in considerable technical detail with the crucial elements of the early agricultural revolution: the heavy plough, the utilisation of horses, the three-field system, new plants (rye and oats in the main), all of which were essentially complementary (pp. 18ff.). The growing importance of cereals – Mitterauer even speaks of 'cerealisation' (*Vergetreidung*) - led to the systematic use of the watermill. In Mitterauer's view, the watermill is a constitutive element of the agricultural revolution (pp. 22 f.), which also became crucial for proto-industrial developments (pp. 36 f.), laying the technological basis for the industrial revolution at the end of the 18th century.

Mitterauer, certainly rightly, puts the extraordinary importance of the watermill to the fore (pp. 37-38). Various products were processed: wheat, oil, paper, wood, stone, iron ore, to give instances. Different types of mills were put to use: mills to grind, to saw or to hammer, for example. Of crucial importance was the use of the water mill in the mining industry. “Regarding the mechanisation and work organisation within large enterprises in the mining industry in the late Middle Ages one may speak of a first stage of industrial development” (p. 38). And Mitterauer concludes that without the widespread use of the water mill and its various pro-industrial applications Europe would not have been led on the way to the Industrial Revolution (p. 38). Indeed, these generalised applications of the water mill certainly resulted in a European ‘machine building tradition’. To be sure, as Hobson (2004), convincingly argues, China was superior in this domain, too. However, it will be argued below that technology, and supply-side factors are only *necessary* to an Industrial revolution, but are far from being sufficient. Moreover, Mitterauer very carefully shows that the agricultural revolutions of the early Middle Ages in the Islamic World, including the Mediterranean area, and in China led on to very different ways in agricultural and in economic development in general (pp. 29-39). Crucially, and contrary to North-West-Europe, the “Champa-Rice-Revolution in China had no comparable effect on proto-industrialisation. [This Revolution] was based upon a single cultivated plant, which, in principle, is in no need of further processing, neither through milling, nor through baking. Moreover, there was no link with cattle breeding or the exploitation of forests. The links between agricultural production and the basic goods [leather, and wood, for example] required by [proto-industry] were thus lacking”(Mitterauer, p. 37; a.tr.). This is of paramount importance for our central thesis to be set forth below (*The industrial revolution – a chemical mixture explodes*): A great number of specific and interrelated developments – technical-economic, social, political, intellectual, spiritual - had to take place to produce a specific set of factors causing the Industrial Revolution in England.

This leads on to chapter 2 which deals with the social side of the agricultural revolution of the early middle ages, mainly with the division of the feudal tenure into two parts (*Zweiteilung des Landes, domaine bipartite*). The peasants (*Mansus- oder Hufenbauern*) held one part of the feudal tenure in the form of small tenure where they produced *independently* for subsistence production in the main. Given this, the peasants, even if bondmen, could improve their economic situation through better work initiated by ‘private initiative’, to use this modern term. Thus, there was a crucial difference between the early medieval bondman and the slave of antiquity who had no interest at in improving his situation – a fact of the *highest*

importance for the economic development of Europe. The feudal lord held the other part of the feudal tenure (*terra salica*, *Salland*, *Herrenland*), the *manor*, which was cultivated by the peasants (free or bondmen) by means of statute-labour under the direction of a superintendant (*Meier*) to produce the agricultural surplus accruing to the feudal lord (pp. 42-43).

The division of the feudal tenure into two parts (*domaine bipartite*) is of *fundamental* importance, and it is specifically West European, and as such broadly coincides with the territory occupied by Western Christianity. The ‘*domaine bipartite*’ was therefore unique in the world, and did not exist in other civilisations. Mitterauer states explicitly that the *domaine bipartite* is a *new start* regarding social organisation (p. 43). In fact, this institution is part of a *general new start of Europe through the Carolingian Empire*, which was to set Europe on the way to Modernity. This point will be taken up below (*The Sequence of Events in Europe*).

The agricultural revolution and its proto-industrial developments associated with the water mill took place on the manor, however, *with the peasants benefiting*. In this process the *royal manors* played a leading role, driven by the necessity to produce a particularly large surplus, part of which had to meet the requirements of the Empire, military in the main. Similarly, the *monasteries*, specifically Imperial Monasteries (*Reichsklöster*), played an equally important dynamic role. In a way, the monasteries represented agricultural and industrial innovation centers (p. 53). “The monasteries played an essential role in spreading the water mill, associated with the proto-industrial development” (p. 53).

Very importantly, *decentralisation* was basic to the political organisation of the Carolingian Empire. There was, in fact, no political center; indeed, the Emperor and his court moved from one Palatinate to the other. While in Carolingian times feudal tenures were *not* hereditary, they became more and more so in the course of the High Middle Ages. Very slowly, out of large feudal tenures, increasingly centralised nation states – England, France, Spain - began to take shape, with the process of nation building accelerating after 1500. In this context, Mitterauer explicitly states that ‘the European polities developed on the basis of feudal tenures, with federal tendencies dominating’ (p. 68).

*And Europe remained decentralised in the sense that an all European Empire never came durably into being. France resisted Hapsburg-Spain, and subsequently, England prevented the formation of a European super-power. In this way Europe represented also a political laboratory, producing what will be called below the natural international order, that is Europe, and the world, as a family of states.*

*One may perhaps add here that decentralisation in the political organisation implied a certain degree of competition between the various feudal tenures. Rivalry became more pronounced after the breakdown of the Carolingian Empires when Feudalism proper came into being, that is, with feudal tenures becoming hereditary. This system evolved to various forms of tenure and proved immensely dynamic because it unleashed the tremendous forces of self-interest, bringing about further increases in agricultural productivity.*

*Later, competition between tenures was superseded by competition and rivalry between European regions and nascent nation states, and, eventually nationalities states. On the one hand, this brought great cultural achievements, in architecture the building of towns, castles, churches and cathedrals, music, painting and sculpture. On the other hand, rivalry between the nascent nation states, and, eventually well-organised nation states, brought wars, economic competition, the European Expansion, Colonialism and Imperialism, and was one of the factors bringing about the breakthrough to Modernity. Once again two basic forces active in history, that is, the natural striving for Beauty in the main, and the alienated struggle for power are inextricably mixed up. Ranke's vertical and horizontal dimensions of history co-exist.*

Chapter three deals with the social relations associated with production on Carolingian feudal tenures characterised by the *domaine bipartite*. The process of production was complex. Not only agricultural goods were produced and processed; there were also proto-industrial developments. Complexity came in through the fact that peasants had to work on their tenures *and* on the manor, where, moreover, there was usually a mill for processing agricultural goods and associated with proto-industrial work processes. Definite functions had to be accomplished, and this required social mobility. "To fulfil certain work roles, was evidently the crucial criterion, not the living together of a community based on common descent" (Mitterauer, p.71). In fact, in a Marxian vein, social relations have to adapt to the forces of production, and not social formations, for example family clans, determining how techniques of production are put to use. This already points to the crucial problem of the relationship between individuals and institutions to be taken up below (sections *Institutions East and West*, *Institutions in a wider context* and *Institutions and Modernity*).

According to Mitterauer, a specific family structure, the 'Western family' favoured the creation of institutions *independent* of the persons acting within them. "The most important characteristic of the 'Western family' [pp. 78-83] is undoubtedly, not its constitution through descent, but representing a 'coresident domestic group' [Peter Laslett] independent of



descent” (Mitterauer, p. 78). For example, servants of various kinds, and tenants would be part of the family. Mitterauer argues that the Christian religion was basically hostile to the descent, father to son, principle and the subsequent formation of family clans comprising various generations. Instead attention was focused on the family proper, husband and wife, and on bilateral kinship, i.e. relatives of wife and husband. To this adds ‘spiritual kinship’ (godfather, godmother, for example). This was the origin of social mobility, and of institutions becoming gradually independent of the persons occupying them. In fact, Christianity itself is a community organised by a hierarchy of charges, which are occupied through ordination, not through descent (p. 83).

*In fact, Christianity postulates equality of nature of all human beings, which comes into existence in very different forms, however. This issue has been alluded to in the introductory section Setting the stage.*

Chapter 4 (pp. 109-51) deals with the origins of Parliamentary Democracy. Crucially, the relationship between the feudal lord and his vassals was, in principle, *not* based on kinship, Christian doctrine being hostile to descent. Yet this relationship had family character involving strong mutual links between the lord and his vassals. The lord had to provide *protection (Schutz und Schirm)*, the vassals had to bring in *counsel and assistance (Rat und Hilfe)* (p. 111). The fact that the lord had responsibilities towards his vassals was of crucial importance. The vassals had reasons to defend their interests, because ‘assisting his lord’ could imply heavy obligations, above all in times of war, or if large projects had to be realised, building castles for the lord, to give an instance. Constitutions and assemblies of the Estates (Nobility and Clergy) and, later, of the Citizens living in towns – the Third Estate, le Tiers-Etat - developed, the aim precisely being to defend interests and the position of the Estates in the political society. These assemblies ultimately led to the formation of political parties, in the course and after the French Revolution. The whole chapter demonstrates beautifully how Parliamentary Democracy associated with division of power developed out of these institutions created in the Early Middle Ages, and subsequently elaborated. As in Mitterauer’s book in general, the argument is very carefully worked out. Starting with the origins, the coming into being and the development of each institution is minutely sketched. Comparisons between civilisations are made and the particularity of European developments is focused upon.

The Pope and universal orders in relation with the Medieval Church as a highly organised community is the subject of chapter 5 (pp. 152-198). The Church brought a strong element of universality into the medieval world of particular powers never dominated by a single ruler (p. 152). Moreover, contrary to the Eastern Church in Byzantium and Russia the Western Church managed to get independent of political power, one important cause being the *fringe position of Rome* in the Carolingian Empire; consequently, the Bishop of Rome did not become court bishop of the Emperor (p. 153). As a consequence, the Roman Church emerged as the dominating institution of the Middle Ages, shaping its spiritual, intellectual, cultural and material life; however, the Church also participated in power politics.

Chapter 6 presents the Crusades as the roots of European expansionism, which is seen as a central aspect of the specifically European way (*Sonderweg*) (p. 199). Mitterauer considers two types of the expansionism: the Crusades representing religiously motivated military actions and the early types of colonial policy of the Italian 'sea republics'. First it is suggested that the crusades may be seen as a reaction against the Islamic expansion. The types of European expansion were very different. There was, for example, the expansion of the German knights towards the East, leading on to the foundation of Prussia, which, however, did not represent an early form of colonialism, but simply territorial expansion (p. 217). However, the sugar-cane plantations established by the Italian sea-republics on Mediterranean islands represented a proto-type of a specific form European expansionism to be practised on large scale in mercantilist and capitalist Colonialism (p. 218). The common Portuguese-Genoese trade activities in North West Africa are highly significant. They started already in the 12th century, and the Genoese settlement in Portugal became a constant in the early colonial history of this country (p. 232). And, politically, highly interesting: "The [Portuguese] dynasty of the Aviz which came to power in 1385 had its power basis not in the Nobility, but relied on the Bourgeoise, Portuguese *and* Genoese. Significantly, the kings of this Dynasty have been called *crowned capitalists* (p. 233). This foreshadows the absolutely dominating rule the Bourgeoise was to play in Western Europe, also a unique phenomenon worldwide. In accordance with Hobson (2004) Mitterauer (2003) mentions, that, "certainly, the Crusade ideology led on to an aggressive behaviour of the Europeans towards other civilisations" (p. 233). Following up Medieval proto-colonialism, economic motives appear as the strongest motive of European expansionism (p. 234).

Printing and preaching as early forms of mass communication are the object of the seventh chapter. Among other topics, Mitterauer provides a fascinating overview of the genesis of printing in various civilisations, and the differing lines of development.

Chapter 8 attempts to set out the connections or interrelations between the bundles of causes presented in the first seven chapters. All this is done on empirical-scientific basis. The material presented in all seven chapters is very rich, and important comparisons between civilisations are made. However, a unifying link between the causal forces set forth in the different chapters in the form of a vision of society, do not appear; the interrelations (*Verkettungen*) presented in chapter 8 remain on the level of phenomena. It is really Max Weber's value-free science put to use in a very original way. Indeed, Mitterauer shows brilliantly, at the level of phenomena, how the Carolingian Empire and the developments in various *interrelated* spheres brought about through its division have *set the stage or the basis* (*Grundlagen*) for the specific way (*Sonderweg*) to modern Europe. Painting in different colours, Karl Marx and Max Weber have greatly contributed to complete the picture. Interactions with Asia through capitalism and imperialism through appropriating Eastern resource portfolios as pictured by Hobson, appears as a result of immanent European developments. Following Hobson's predominantly 'supply side view' it seems evident that Europe has benefited from Asian resources, above technological knowledge. However, as we shall argue in the next two sections, technological knowledge is an important *necessary* condition for the Industrial Revolution and the breakthrough to Modernity, but far from being sufficient. Hobson also points to the existence of markets, but markets had to be acquired or, or more appropriately, to be conquered. This was rendered possible by the European *Sonderweg*, of which the first part has been pictured by Mitterauer, the second part by Max Weber and Karl Marx. Mercantile Capitalism and the rise of the Bourgeoisie, and the nascent nation states were all important elements leading on directly to the conquest of markets.

To end these considerations on Mitterauer and to establish a link to the next section we suggest nevertheless, a broad vision of the specific European way to modernity (Mitterauer's *Sonderweg*). This is not to criticise Mitterauer, but to complement him. The starting point is Montequieu who says that the Carolingian way of governing was *political* which he opposes to the *feudal* form of government (Bloch 1984, p. 232). According to Barbero (2004) political government essentially means governing in the *public interest* (p. 204). Since the counsellors of Charlemagne were high-ranking ecclesiastical dignitaries led by Alcuin this broadly corresponds to the Christian idea of governing in view of approximately realising the Common Good. This implies that the aim of governing was fundamentally *ethical*. Even bondsmen had *rights to use* part of the feudal tenure; the production of agricultural and manufactured goods on the feudal tenure was already a social process enhancing the social potential (productivity) of the associated individuals; incidentally, the Carolingian

productivity enhancing way of production stands in sharp contrast to the Roman slave economy where incentives to material progress were entirely lacking. Very importantly, there were elements of an education system favouring social mobility (Barbero 2004, pp. 281-83). Charlemagne, when visiting a school, explicitly stated that *only performance* counted, *not* descent. The aim of education was to create a body of imperial civil servants devoted to the Emperor. This implied that feudal tenures were *not*, in principle, hereditary. However, the Carolingian system was fragile and, consequently, short-lived. Specifically, heredity of the feudal tenures irresistibly set in, implying a decline of imperial and later of royal power. Nevertheless, as Mitterauer convincingly argues the Carolingian system set Europe on a specific way as is confirmed by Barbero: “the large [bipartite] feudal tenure meant a new take-off for Europe, new towns were created, linked through roads and waterways, supervised by the Imperial Government, a monetary reform rendering possible the circulation of a handy and uniform money in the whole of the Occident [and lasted in the United Kingdom until the early 1970s!] and setting into motion an untiring dynamism” (Barbero 2004, p. 330; a.tr.). The socio-economic sequence to be depicted below is well-known: the monetary exchange economy expanded, new cities were founded after the year 1000; in the cities an economic bourgeoisie came into being, artisans and merchants to wit; Roman Law, resting on the pillars of private property and contractual right, gained in importance; local and long distance trade expanded. The famous transition from Feudalism to Capitalism, depicted in different colours by Karl Marx and Max Weber, was on the way. And, to recall once again, all this was unique in world history. Europe already was and continued to be the Laboratory of World History. On the political level Montesquieu’s *feudal* government, as culminated in the 11th and 12th century, implied the domination of a multitude of small and big feudal lords, and led on to very different developments in Germany, France and England. These differences were to become crucially important for the breakthrough to Modernity in England, *not* in France or Germany. In Germany, the Emperors did not manage to break the power of the feudal lords, also because of their imperial policies in Italy, which used a great deal of political energy; in a way, the German Emperors neglected domestic affairs; given this, the Empire slowly dissolved into a multitude of principalities of most diverse size. The terrifying Thirty Years’ War (1618-48) was a bitter struggle between Catholicism and Empire on the one hand and Protestantism and Principalities on the other, with foreign interference greatly adding to the appalling devastations. This war and her geographical situation were the main factors causing Germany’s economic backwardness under feudal conditions until the beginning of the 19th century; however, following up the Stein-Hardenberg Reforms from 1807 onwards, Prussia

and Germany became, in the course of the second half of the 19th century, the main rival of the British Empire. This is a significant example of how the hidden potential of a society may unfold with dramatic speed.

France went the opposite way. The French Kings gradually managed to subdue the feudal lords and to create a centralised state of splendour and power. However, feudal rights – the right on agricultural surplus – remained, while the duties associated to the feudal government were, in large part, no longer fulfilled, implying the dominance of heredity over performance. This immense injustice, also put to the fore by Hobson (2004) in a larger context, was according to Alexis de Tocqueville the main cause of the French Revolution. It turned out to be of crucial importance for the Breakthrough to Modernity that the Huguenots, France's economic elite, were forced to leave the country in 1694 as the *Edit de Nantes* which gave them protection, was revoked. The Huguenots wanted to abolish the unjust feudal system, with incomes deriving from descent, not from performance (labour); moreover, a fair tax system was also on the agenda. This, the absolute French king (Louis XIV) and the aristocracy could not accept. Consequently, the Industrial Revolution *could not* have taken place in France, due to a specific evolution of the political institutions!

England, however, took a medium way, which led straight on to the Industrial Revolution! Through the Norman Conquest (1066) the King dominated the feudal lords, who, however, reacted through the Magna Charta, curtailing the power of the King (1215). Later, in the course of the reign of Henry VIII, with emerging Mercantilism, the Bourgeoisie grow rapidly in importance. However, the merchant was still the steward of the Kingdom's stock (Thomas Mun), implying that the economy was ancillary to the state. The gradual merging of the Bourgeoisie with the lower Nobility strengthened her political position decisively. The Glorious Revolution (1688) brought political power to the socially broadly based Bourgeoisie, with the King becoming representative. *The state now moved into the service of the economy.* The door to the Industrial Revolution was wide open.

The processes set into motion since Carolingian times can perhaps be characterised and summarised by looking at what happened at the level of the vision of society and man and on the real level.

To bring out the bare essentials, one might suggest that the Catholic (Aristotelian) vision of society and man, emphasizing the social and the ethical and, consequently, the Common Good, has been gradually replaced by the Protestant, essentially Calvinist vision, putting the individual, its self-interest and happiness to the fore. Since the 18th century Enlightenment era the Protestant vision was given a theoretical expression in the form of *Liberalism*. Here,

*the postulate of a self-regulating economy is absolutely crucial.* Given this utterly unrealistic assumption, liberal doctrine at once became a daydream, and, starting at the end of the 18th century, Industrial Capitalism marched on harshly on the basis of imperialism, colonialism and political-military domination, crisis-ridden, but nevertheless triumphantly, leading up through two terrifying World Wars and the ultimate destruction of the Socialist rival system, to the neoliberal Globalisation movement of the day.

However, a great number of eminent political economists, Maynard Keynes in particular, have argued that modern capitalist economies are not self-regulating at all, hence not viable in the long run, and that (Soviet War) Socialism, associated with central planning, was, equally, not viable in the long run, above all in peace-times. Given this, it has been argued (for example, in Bortis 1997/2006 and 2003a) that a social liberal alternative is strongly required. The doctrine of Social Liberalism, to be examined more closely below, would, incidentally, imply a kind of synthesis between the Catholic and the Protestant vision of society and man: the social individual and his liberty are all-important; however, the individual can only prosper, that is unfold his dispositions and broaden his capacities, on and through a social-cum-institutional basis, with full employment, a fair distribution of incomes, and an education system in line with human nature being of primary importance.

On the real level, it may be suggested that, in the middle of the chaos following up the breakdown of the Roman Empire and the devastations of the – Norman, Magyar and Arab – invasions of the 10th century, the Carolingian Empire represented an immense social ethical effort, resulting in a polity in which *all* the social individuals exercised specific social functions within newly created institutions, aiming thus at the Common Good. It is this, which is really implied in the beautiful expositions of Barbero (2004) and Mitterauer (2003). As such the Carolingian Empire was a most impressive realisation of the Catholic vision of society and man, forming the background of medieval political ethics, specifically within the framework of the Holy Roman Empire. However, as suggested above, particular interests in the form of hereditary feudal tenures overcame very quickly. To the age of feudalism (11th and 12th century) followed a long age of state building well beyond the middle of the 19th century. The striving after the Common Good was to a smaller or a larger degree supplanted by the striving for power and splendour, also in case of the Catholic Church. The struggle for survival brought a never ending sequence of wars and civil wars, European expansion, Colonialism and Imperialism, but also the breakthrough to Modernity where fabulous scientific, technical and economic achievements coexisted, and go on to coexist with immense socio-economic and environmental problems. And as Capitalism and, for some time,

Socialism made their way, the Catholic (humanist in the widest sense) and the Protestant (liberal) vision of society and man became ideals hovering far above contradictory and alienated reality.

In a way one could consider the developments set in motion since the establishment and the subsequent break-up of the Carolingian Empire until the present as a *second axial age* (*Achsenzeit*). While the *first axial age* (800 – 200 B.C.) brought the breakthrough to Truth, the *second axial age* (800 – 2000 A.C.) prepared and produced the breakthrough to Modernity, first in Europe and, subsequently, all over the world. Basically, this breakthrough occurred in science and technology, and in the economy, and raised a new challenge: the *political order within and between states*. Indeed, the Industrial Revolution brought about an immensely complex situation, and the question on how to master this situation *politically*, immediately arose. Two answers have been provided: Liberalism (Capitalism) and Socialism (with central planning). Both doctrines have a universal flavour, ultimately implying the abolition of states. Subsequently, we shall argue that both answers are inadequate; an intermediate alternative is required, *Social Liberalism*, as conceived by Maynard Keynes. A – strong - supra-party government is a central characteristic of this doctrine, and also implies a natural world order, the world as a family of co-operating states, possibly structured through historical-geographical regions and federations.

One might reasonably argue that the *second axial age* (800 – 2000 A.C.) should be divided into two subperiods, linked by a crucial *focal period* 1750-1830, the period of Karl Polanyi's Great Transformation, in which the English Industrial Revolution and the French Political Revolution took place. From the establishment of the Carolingian Empire (around 800) up to the Industrial Revolution and the French Revolution (around 1750) the *second axial age* was predominantly a European matter, *preparing* the Great Transformation. From approximately 1830 onwards the entire globe was more and more involved into the turmoil of dramatic change going on ever faster, reflecting the *effects* of the Great Transformation. Indeed historical developments accelerated in what could be called *World Axial Age* (around 1830 – 2000). There was, at first, very uneven development, mainly due to colonial relations. Highly developed and economically utterly underdeveloped countries emerged. Centres and peripheries came into being. This world system is presently, after the breakdown of Socialism, in a process of very rapid transformation, with giant countries like China, India, Russia and Brazil entering the world economic system. This will bring about gigantic structural changes, which are in fact already going on. The problem of a new world economic and financial order is now really on the agenda; on account of the present (2008) financial

crisis, the highest priority is indeed required; the environmental situation makes the need for fundamental change even more pressing.

These sketchy remarks on European developments clear the way to consider the course of events in Europe in some greater detail.

### The sequence of events in Europe

In the above we have extensively sketched Hobson's fascinating account about Oriental Globalisation 500-1800, with Europe benefiting from Asian resource portfolios through diffusion and assimilation as well as through imperialist appropriation to prepare the breakthrough to Modernity. Breaking new ground, Mitterauer shows how modern European social and political institutions grew out of Carolingian foundations. The – normative - Eurocentrists picture how the irresistible rise of the European bourgeoisie associated with strong states produced commercial capitalism, initiated colonialism, and thus enabled the breakthrough to Modernity. In this section we should like to deepen this argument, and set it out more systematically.

The starting point is a fascinating analogy regarding the relationship between Ancient Greece and Mesopotamia/Israel/Egypt/Persia – the Middle East for short - on the one hand, and between Europe (the West) and Asia (the East) on the other. In a splendid book Walter Burkert suggests that Greece has taken up the Middle Eastern heritage in various domains: alphabet and writing, poetry, philosophy, natural sciences and religion and *creatively* elaborated this heritage (Burkert 2003), the whole intellectual development process culminating in the grandiose Aristotelian system.

Burkert argues that, on the one hand, Greece was sufficiently far away from the Middle Eastern empires such as *not to be crushed* by their military power - there were military confrontations between Ionians and Assyrians and, of course, between Athenians/Greeks and Persians. On the other hand, Burkert suggests, Greece was sufficiently near to the Middle East to be *able to benefit* from her civilisations.

Burkert also points to the fact that the early (Mykenian / Cretian) civilisations in Greece and Crete vanished around 1200 B.C. (for unknown reasons) so that a *new start* was possible, enabling the Greeks to develop – in a particularly creative way – the achievements of the



Middle East. This gave rise to the extraordinary particularity (even uniqueness as Max Weber would say, but not superiority) of Greece and Europe.

Hence, the Greek particular way was possible because Greece was in a fringe position (*Randlage*), relative to the old civilisations of the Middle East. In analogy, the specific European way of development since the Carolingian Empire (Mitterauer's European *Sonderweg*) was possible, because Europe lies at the periphery of Asia. Hence, Europe could benefit from Asia, as John Hobson has forcefully argued, and one should add, without being crushed by her.

Indeed, no Asian power ever conquered Europe: The Persians were overcome by Athens (around 500 B.C.), the Romans finally vanquished Carthage in the three Punic Wars (264-146 B.C.), the Huns under Attila were defeated by Aetius on the Catalaunic Fields (451), the Franks under Karl Martell stopped the Arabs at Poitiers (732), the Magyars were contained by the Germans around the middle of the 10th century (*Lechfeld, 955*) and were subsequently integrated into Europe (Hungary); the same happened with the Normans (Normandie in France); *the Mongols reached Silesia and then returned to Mongolia to invade China*, a crucially important fact, also emphasised by John Hobson; the Ottoman Empire controlled the Balkans, but did not manage to conquer Vienna (1683).

*The victorious outcome in favour of Austria and, in fact, Europe of the battle at the Kahlenberg near Vienna in 1683 was brought about by the decisive intervention of the German-Polish armies led by Jan Sobieski III, King of Poland. The immense importance of this European victory is twofold. First, there is the religious aspect. Indeed, an Ottoman victory could have meant a decisive blow, perhaps even the deathblow for Western Christianity. Second, the importance of this battle is also political, social and economic. What was at stake was the particularity of Europe, in fact, her role as the Laboratory of World History. A European defeat might have implied that the English Industrial Revolution and the French Political Revolution would never have taken place. The Breakthrough to Modernity prepared in Europe since about 800 would have been aborted. Chance or Providence once again!*

*One may even go a step further. An Ottoman victory before Vienna in 1683 might have led to the destruction of Eastern Christianity, too. Indeed, Russia was still traditional and backward, since indeed, in 1683, the reforms of Peter the Great had not yet taken place. It is very likely that the relatively modern armies of the Ottoman Empire would have crushed the backward Russian militia quite easily. This is all the more likely, since Ottoman economic*

*and military strength would have been greatly enhanced by the access to Western economic power and to the highly developed military technology of the West.*

Moreover, for our overall argument, it is very important to note that the Mongols invaded China just at a moment – at the end of the 13th century - when perhaps the best opportunity for an industrial revolution existed there (see on this Hobson's account given above, and Seitz's below). On the other hand, the Mongol decision *not* to pursue their advance towards Central and Western Europe after their *overwhelming* victories at Liegnitz / Legnica (Silesia) and Mohi (Hungary) in 1241 was due to pure chance. In fact, their leader Batu had to return to Karakorum to deal with succession problems after the death of the Supreme Khan Ögödei (Hambly 1966, p. 128). Chance also plays a role in history and, in this case, chance – or, perhaps, Providence - was certainly a crucial element why the breakthrough to Modernity occurred in the West, not in China!

Moreover, after the total breakdown of the West Roman Empire around 500 and the ensuing chaos, *Europe*, like Greece after 800 B.C., had the immense chance of a *new start*, which, according to Mitterauer (2003) and Barbero (2004), took place through the institutions created in the Carolingian Empire. The ensuing *specific European path of development*, already determined around the year 1000, has been extensively dealt with above. Some crucial elements may be briefly recalled, and a few complements added.

The institutions set up in the Carolingian Empire, the great monasteries and the *domaine bipartite* in the main, and the ever stronger Western bourgeoisie probably constituted the main vehicle which enabled Europe to make use in a creative way of the achievements of Asia already well before 1000. Following up the First Crusade (1096-99), the trade relations with the Middle East established by the Italian sea republics, Venice and Genoa foremost, became of crucial importance for European economic development. Interestingly, economic development went on most intensely on the soil of Lorraine, the Middle Empire, in between France and Germany, as had emerged from the partition of the Carolingian Empire. Indeed, today's Netherlands and Belgium, the Rhineland, Lorraine, the Rhone valley and Switzerland, and Italy became the Bourgeois axis of Europe, with France and Germany still dominated by Feudalism. Most importantly, proto-industrial textile manufacturing developed in Flanders, while trade and finance boomed in Italy. All this was complemented by the trade activities of the Hanse towns and the Champagne fairs, the latter linking Northwestern Europe to Italy. The great discoveries enabled Europe to appropriate American and Asian resource portfolios from broadly 1500 onwards. It is at this stage that John M. Hobson (2004), which has been set

forth above, enters the scene to capture ongoing Eastern dominance and interactions between East and West.

The time-period of mercantilism, from, broadly, the great discoveries around 1500 to the end of the Seven Years' War (1763) saw the gradual taking shape of the European nations, under the watchful eye of England who, for fear of an eventual invasion, prevented the rise of an imperial power able to potentially dominate the continent. The mercantilist economies stood in the service of the monarch; the merchants and manufacturer's had, through their tax payments, to finance an increasing part of the rising state expenditures for military and administrative requirements of the nations in genesis (England, the Netherlands, France and Spain, for instance). In a way, 'the merchant was the servant of the king' (Mun 1664). A favourable balance of trade was the linch-pin for high employment levels and of economic growth: the export surplus had, in mercantilist view, two effects; first, it constituted autonomous demand, leading to a cumulative demand for consumption and investment goods, and, second, a favourable trade balance led to an increase in the quantity of money, consisting of precious metals at the time; as a consequence, interest rates tended to decline, investment increased, which, finally, resulted in an additional cumulative process of consumption demand. European wealth was further increased through trade, of spices for example, and the appropriation of overseas, also Eastern, resources.

*In this context, it ought to be mentioned that the flow of precious metals from Central and South America to Spain, and, subsequently, to all over Europe was perhaps most important. Carlo Cipolla estimates that, from, broadly, 1500 to 1800, about 82'000 tons of silver flew from Spanish America to Spain and Europe; presumably, a largely unknown quantity of gold would have to be added. These precious metals were basic for the expansion of European trade on a global level in the mercantilist era and, of course, also for European economic development in general.*

The rise of the bourgeoisie in the *service of the state* in mercantilist times was thus associated with the dominance of the external development mechanism, and with the diffusion/assimilation and appropriation of overseas, including, of course, Eastern resources as is pictured by Hobson (2004). The Glorious Revolution in England and Great Political Revolution in France brought about the transition from Mercantilism to Liberalism. Under Liberalism the state became in a way *subordinate* to the bourgeoisie and the economy (Heckscher 1932/1930), a fact, which characterises present capitalist economies.

At this stage two important problems have to be dealt with, first, machines and technical progress in the Middle Ages, and, second, resistance against innovations in England *just before* the Industrial Revolution. As related to machines, Michael Mitterauer, in the first chapter of his book on the Agricultural Revolution in the Early Ages, makes, as already alluded to, *very important* statements on the relationship between agricultural revolution and proto-industrial development (Mitterauer 2003, pp. 36-38). The basic agricultural products in use in Northwestern Europe (the Carolingian Empire), rye and oats, and others, had to be processed, in fact, milled and baked. These processes were carried out by simple mechanical devices driven by water-power (the water-mill). Now, it is of crucial importance that the water-mill was also applied to process non-agricultural products, paper and iron for example (p. 37). The simple machines driven by waterpower carried out different operations, for example sawing stones and wood (Mitterauer, pp. 37-38). These machines became very important after 1000 when, mainly in Northern Europe, cities were founded and churches, cathedrals and fortresses built. Presumably, a relatively low small population, that is a lack of labour, was an important reason for the use of these simple mechanical devices. In any case, this proto-industrialisation of the Middle Ages made the Europeans increasingly familiar with mechanical devices. A machine building tradition set in and the search for alternative energies began, the windmill most importantly. But the energy problem was solved in 1769 only, when James Watt presented an improved version of the Newcomen steam-engine, separating the engine proper and the condensator. This, probably, eliminated the last technological barrier to the Industrial Revolution, which, as is generally agreed, took place broadly from 1770 to 1780.

And, very importantly, Mitterauer notes that, in spite of overwhelming technological superiority, a machine building tradition did *not* develop on a large scale in China (Mitterauer 2003, p. 38); he even mentions that in eighth century China watermills, set into operation by Buddhist monasteries and rich merchants, had been destroyed in great numbers; at the same time the number of watermills increased dramatically in the Frankish Empire (p. 34). A numerous population in China and, consequently, an abundant labour supply, related to a fear of unemployment, were presumably important factors for the destruction of watermills there. Hence, there was a machine-building tradition in Europe, and this brings us to the second point, a somewhat unexpected resistance against innovations in the 16 century, and beyond. The crucial point is, that, in mercantilist times, the time-period preceding the industrial revolution, *labour-saving innovations were frequently heavily resisted*, mainly from fear of unemployment, even in England.

*Probably, the most important reason for unemployment was the price revolution that had set in following up the inflow of precious metals, silver in the main, from Latin America after 1500. The strongly rising prices led to a more unequal income distribution, a declining purchasing power for large parts of the population and, thus, diminished effective demand. Given this, unemployment was bound to rise, in spite of increasing state expenditures due to the setting up of standing armies and of a state administration. The employment effect of state expenditures was, probably, offset, totally or in part, by a rising population.*

On resisting labour-saving innovations in mercantilist times, Cameron says: “[There] were formidable obstacles to innovations [...]. One of the most ubiquitous was the opposition of authorities who feared unemployment as a result of labour-saving innovations and of monopolistic guilds and companies who feared competition. In 1551 the English Parliament passed a law forbidding gig-mills, a device used in the cloth-finishing trade; in this case the market prevailed over the law, as new gig-mills continued to be built. Lee was refused a patent for his stocking frame, and the first ones that he attempted to introduce in Nottinghamshire were destroyed by mobs of hand knitters. Lee himself took refuge in France and established a factory, with the patronage of Henry IV [a protestant who had converted to Catholicism, but continued to protect the protestant entrepreneurs, who were forced to leave France under the reign of Louis XIV in 1694]; the factory failed after the death of his benefactor, but the stocking frame continued to spread. In 1651 the framework knitters of Nottingham applied to Cromwell for a guild charter to exclude unwanted competition! The swivel-loom, a Dutch invention for weaving a dozen or more ribbons simultaneously, was prohibited in England in 1638; but it spread anyway, especially in Manchester and vicinity, where it created a large number of skilled operatives in advance of the great innovations that revolutionized the cotton industry.

None of these innovations mentioned here involved the use of mechanical power. The deficiencies of power sources and of building materials (mainly wood and stone) were natural obstacles to greater industrial productivity” (Cameron 2003, p. 115).

Regarding the transition to the factory system there were other formidable, socio-economic, obstacles because large-scale technological change runs against prevailing economic, social and political power and interest structures. Regarding the socio-economic factors David Landes provides a masterly account: “The technological changes that we denote as the ‘Industrial Revolution’ implied a far more drastic break with the past than anything since the

invention of the wheel. On the entrepreneurial side, they necessitated a sharp redistribution of investment and a concomitant revision of the concept of risk. Where before, almost all the costs of manufacture had been variable – raw materials and labour primarily – more and more would now have to be sunk in fixed plant. The flexibility of the older system had been very advantageous to the entrepreneur: in time of depression, he was able to halt production at little cost, resuming work only when and in so far as conditions made advisable. Now he was to be a prisoner of his achievement, a situation that many of the traditional merchant manufacturers found it very hard, even impossible to accept.

For the worker, the transformation was even more fundamental, for not only his occupational role, but his very way of life was at stake. For many – though by no means for all – the introduction of machinery implied for the first time a complete separation from the means of production; the worker became a ‘hand’. On almost all, however, the machine imposed a new discipline. No longer could the spinner turn her wheel and the weaver throw his shuttle at home, free of supervision, both in their own good time. Now the work had to be done in a factory, at a pace set by tireless, inanimate equipment, as part of a large team that had to begin, pause and stop in unison – all under the close eye of overseers, enforcing assiduity by moral, pecuniary, occasionally even physical means of compulsion. The factory was a new kind of prison; the clock a new kind of jailer. In short, only the strongest incentives could have persuaded entrepreneurs to undertake and accept these changes; and only major advances could have overcome the dogged resistance of labour to the very principle of mechanization” (Landes 2003, pp. 42-43). This explains why the Industrial revolution could never have happened neither in China, nor in France. In these countries, resistance would not only have been socio-economic as in England, the political resistance would have been even more formidable. And in China the ethical element would presumably have added, as emerges from the exposition of Konrad Seitz set forth below. As is indeed very likely, Confucian China would never have accepted the social conditions of the early 19th century European working class. Incidentally, at present China has to accept relatively bad conditions for part of her working class in order to catch up economically with the West. This is a telling illustration of the *determinism* exercised by the *non-selfregulating* World Economic System and by a socio-economically inappropriate process of Globalisation as is going on presently.

## The Industrial Revolution – a chemical mixture explodes

Now, we are in a position to set out, very tentatively though, the causes that brought about the Industrial Revolution in England and to provide additional hints at the reasons why this revolution could not have taken place elsewhere, in France or in China for example.

Indeed it is instructive to set up an analogy to understand better the coming into being of the Industrial Revolution in England, which was crucial to the breakthrough to modernity. There were, in fact, several forces – technical, economic, social, political – that had been at work inside Europe since Carolingian times (Mitterauer 2003) and regarding the relations of Europe with the outside world, particularly the East (Hobson 2004), sometimes openly, sometimes hidden, and that came together in just one country to produce a chemical mixture so to speak which exploded towards the end of the 18th century in England. We suggest that nowhere else this explosion, in fact, the breakthrough to Modernity, could have taken place. The forces in question were all but one *necessary* but not yet sufficient; as will be seen, one last element made the whole bundle necessary *and sufficient*. We are, in fact, in presence of what may be called organic causation. Here, contrary to mechanic causation, the causes do not act separately, but become effective as a bundle only, in fact, as an organic or chemical mixture, and it is not possible to neatly separate the single causes, and to precisely evaluate their importance, since all of them are necessary. The *necessary* conditions are associated with the intellectual scenery or *Zeitgeist*, but also with social-political and supply side economic-cum-technological factors.

The European intellectual scenery from the late Middle Ages onwards was dominated by the gradual separation of philosophy from theology which step by step brought about a weakening of links, later a separation, between church and state, state and society, metaphysics and science, with the economy progressively emerging as a quasi-autonomous and self-regulating mechanism. This view of the world was, at first, largely on the level of ideas, and, subsequently, got implemented in the real world. Rationality become more and more the rationality of the individual; the problem was to increasingly master the world (society and the state), and nature, in a way as to enhance, eventually to maximise the well being or utility of all individuals or of a smaller or larger group of individuals. These tendencies were associated with a very strong drive towards *individualisation*. The European individual gradually liberated itself from religious, political and social constraints, resulting in an atomistic society where society does not exist any more, a movement, which seems to have reached a climax at present. In part, this individualisation may probably be captured by the

broad tendency from *community* (*Gemeinschaft*) to *society* (*Gesellschaft*) perceived by Ferdinand Tönnies. This issue has been alluded to in *Setting the stage* above, and we shall return to it below.

In any case individualisation let loose tremendous forces. Capitalism, Protestantism and Nationalism (linked with nation building) were perhaps most important and reinforced each other as Karl Marx, Max Weber and many others had clearly perceived. Progressively, the Europeans, the English in particular, started to dominate the world from 1815 to 1914 similarly to the Romans in the Mediterranean area. After the Second World War the world was dominated by the Soviet Union and the United States for about 40 years; and, after the breakdown of the Cold War equilibrium of forces, the United States attempted to become the world dominating superpower; very quickly, the US were constrained, however, by newly emerging powers, China in particular, India and, presently, Russia again.

*Perhaps, the year 2008, shaped by the events around Georgia and by the widening real and financial crisis in the West and globally, might herald a world historical turning point. The East might gain global pre-eminence at the expense of the West, who had increasingly and, finally, almost completely dominated the world in the last 500 years. To prevent this, a Eurasian power block with an axis Paris-Berlin-Warsaw-Moscow seems the only way out. [It will be suggested below that this axis should appropriately be extended to an axis Paris-Berlin-Warsaw-Moscow-Ulan Bator (and Karakorum)].*

It is important to note, that the whole development was not only progressive. To be sure, since the twin English and French Revolution brought about the Breakthrough to Modernity, productive forces, science and technology, have unfolded in an almost unbelievable way. However, since, in our view, the market is not self-regulating the whole movement also embodied destructive forces, a struggle for markets, work places, raw material and energy resources, resulting in deep economic crises and political and military conflicts. The two World Wars are consequences of capitalism. Should the presently ongoing process of globalisation go on unfettered, with China and India, Russia and Brazil, all steadily enhancing their world-market position, the Western World, Western Europe and North America, in fact the entire World Economy, because of interdependencies, might collapse, similarly to the Roman Empire, if no fundamental change of direction is undertaken. Or, in an Orwellian vein, shifting alliances between powers and superpowers, might lead to a moving equilibrium, in between stalemate and disequilibrium, associated with a struggle for influence in the thinly



populated regions of Africa, the Middle East and Central Asia, richly endowed with raw materials and energy resources.

The *political* forces are those set forth by Mitterauer (2003): The European *Sonderweg* originates in the Carolingian Empire which laid, ideally, the basis for the gradual coming into being of parliamentary democracy, eventually associated to representative monarchy. The *social* forces are intimately linked with the almost irresistible rise of the European bourgeoisie towards economic and, finally, towards political power. We have mentioned above that, in mercantilist times, the bourgeoisie was still dominated by the state (the prince) with the state getting increasingly dependent upon the economic strength of the bourgeoisie. The economic strength of the nascent European nations was enhanced by an aggressive commercial, political and economic policies resulting in increasing colonialism and imperialism. Here, Hobson's arguments come in with full force though in modified form. Of course, a European self-identity developed which took on a feeling of superiority, even of inherent superiority at times. But, in fact, it was the divided Europeans, quarrelling and warring among themselves, who dominated the picture: the Portuguese, the Spanish, the Dutch, the English and the French, with Italy (Venice) being eclipsed. Imperialism overseas was a means of strengthening the European position. The rivalry among the nascent European nations finally resulted in the *almost absolute* domination of one nation state, England, already in the second half of the eighteenth century, which was crucial for the coming into being of the Industrial Revolution in precisely this country. For the moment, it is of fundamental importance to note that England was the first major European country where the bourgeoisie got effectively into power through the *Glorious Revolution* in 1688.

It has already been alluded to that, for purely political reasons the bourgeoisie could not have taken power in France, where the Huguenots, France's economic elite, were driven out of the country in 1694 by the revocation of the *Edit de Nantes*, nor in China, where the politically dominating civil servants headed by the Emperor, relying on Confucian ethics, would never have accepted a participation of the commercial and industrial classes in government affairs (see below, *Konrad Seitz on the sequence of events in China*).

The political dominance of the bourgeoisie in England implied that there was *freedom* to produce, to trade, contract, above all in the countryside. Moreover, the preceding changes in agriculture (enclosures) led to a supply of wage labour, swelled by dependent artisans, workers of manufactures and day-labourers. These are all very important socio-economic-cum-institutional preconditions for the Industrial Revolution - on this see the splendid

argument by David Landes in his *Unbound Prometheus*, Landes (2003), chapter 2: *The Industrial Revolution in Britain*.

Regarding the important *inventions*, all *necessary* supply side factors, the Asian impact may have been important, as Hobson (2004) has beautifully argued (see the section on *Asia influences Europe, but does not dominate her* above). As mentioned above, *machine building* seems to have been typically European although China may have substantially contributed to enhancing European knowledge (see also Hobson 2004). From Landes 2003 (chapter 2) and other accounts it seems to emerge, however, that the improvement of the steam engine by James Watt in 1769, consisting in the separation of the condensator from the engine proper, was of the highest importance since it *removed* the *energy bottleneck* and made the breakthrough to modernity definitely possible. Indeed, many economic historians argue that the Industrial Revolution really took off between 1770-80. However, inventions are not innovations. Inventions are supply side factors and, as such, necessary for the technical breakthrough to modernity, but for inventions to become innovations an additional factor is needed, *demand*. And demand must be *large* to produce revenues high enough to cover not only the variable costs (wages of direct labour, primary and intermediate goods) but also to reduce *unit* overhead costs, including of course fixed capital charges (amortisation) as much as possible; this enables the firm to set a competitive price while at the same time realising some target rate of profits. And demand must also be *sustained* in order that low unit overhead costs may be maintained durably since machines and factory building are durable and the entrepreneur cannot get rid of them in case of diminishing demand. Hence, it is, in fact, demand which, if added to the *necessary* political, social, economic and technical factors mentioned hitherto, makes the whole bundle of factors *necessary and sufficient* such that the chemical mixture could explode, in spite of the resistance of manufacturers and of the workers mentioned above. This is indeed the crucial point.

Once again David Landes provides a brilliant account on what he calls the *demand side* in Britain (Landes 2003, pp. 46-77). Domestic demand was rising quickly because of a rapidly growing population. “From not quite 6 millions around 1700, it rose to almost 9 millions in 1800 [...]. What is more, the absence of internal customs barriers or feudal tolls created in Britain the largest coherent market in Europe. [Moreover, from] the mid-seventeenth century on, there was a continuous and growing investment of both public and private resources in the extension of the river system and the construction of new roads and bridges” (Landes 2003, p. 46). In addition, probably due to a relatively equal distribution of incomes, “purchasing power per head and standard of living were significantly higher than on the Continent” (p. 47). To

this one may add, “a buying pattern favourable to solid, standardized, moderately priced products, and unhampered commercial enterprise”(p. 52). Far more important, however, was foreign demand, a point also made by Hobson (2004, pp. 270-71) as has been alluded to above. Landes mentions that, although trade statistics are imperfect, they show “a three- or fourfold gain in British exports (including re-exports) in the century from 1660 to 1760”(Landes 2003, p. 52). The “growth of Britain’s sales abroad, as at home, reflected in large part her natural endowment. [Moreover, she] had a strong maritime tradition, and, unlike most of her continental rivals, did not divert her energies into the maintenance of costly armies and territorial aggrandizement. Rather she concentrated her efforts on securing trading privileges and a colonial empire, in large part at the expense of her leading continental rivals, France and Holland. [...] No state was more responsive to the desires of its mercantile classes; no country more alert to the commercial implications of war. [Indeed, G.D. Ramsay, a British economic historian,] perspective notes the role of London in promoting this harmony of trade and diplomacy, contrasting in this regard the isolation of Bordeaux, Marseilles, and Nantes from Paris and Versailles”(Landes 2003, pp. 52-53). And one should immediately add that, regarding this specific point, the situation in China was similar to that of France. *The fact that the bourgeoisie was in power in Britain, not in France, nor in China, was of crucial importance regarding the breakthrough to modernity!* Indeed, Landes goes on to say that “Britain developed a large, aggressive merchant marine [and a navy to protect it as well as the sea routes and the colonies and dependent territories!] and the financial institutions to sustain it. [...] The most promising markets for Britain in the seventeenth and eighteenth centuries lay not in Europe, whose own industries were growing and whose mercantilist[-cum-absolutist] rulers were increasingly hostile to the importations of manufactures, but rather overseas: in the New World, Africa, the Orient”(Landes 2003, p. 53). In accordance with Hobson (2004) – see above – one should mention here that Atlantic trade, involving Africa and the Americas, was of particular importance; there was a trade deficit with China and the British successfully reduced textile imports, and imports in general, from India by levying tariffs which finally lead to that famous reversal of trade flows with India: Instead of importing textiles from India still in the 18th century, Britain became a massive exporter of textiles to India in the course of the 19th century: the Indian artisans had no chance against English factories. Eric Hobsbawm also stresses the decisive importance of demand, particularly export demand, for the Industrial Revolution in Britain. He writes that, between 1700 and 1750, British production for domestic markets rose by seven per cent, for export markets by 76 per cent, between 1750 to 1770 – a period which may be considered the

runway for the Industrial Revolution to take off – by another seven per cent for domestic needs and 80 per cent for foreign markets (Hobsbawn 1979, vol. I, p. 47). Hobsbawn also emphasises the very close collaboration between state and economy to protect maritime trades routes and overseas markets (vol. I, ch. 2).

To conclude, we *entirely* agree with Landes: “To sum up: it was in large measure the *pressure of demand* on the mode of production that *called forth the new techniques in Britain*, and the abundant, responsive supply of the factors that made possible their rapid exploitation and diffusion. The point will bear stressing, the more so as *economists, particularly [neoclassical] theorists, are inclined to concentrate almost exclusively on the supply side*”(Landes 2003, p. 77; our emphases). To this we would add that foreign demand was particularly important, a point which is in line with J.M. Hobson and E. Hobsbawn. This is particularly true for the second half of the 18th century. Indeed, in the course of the Seven Years War (1756-63) the British drove out the French from India and from North America, dominating thus almost entirely the world markets.

Hence the, *necessary*, supply side factors in a wider sense – political, social, economic, technical – as had evolved in Europe since Carolingian times (Mitterauer) could only become *necessary and sufficient* through *demand, particularly foreign demand*. Demand constituted the crucial element that made explode that ‘chemical’ mixture of causes that had come together in Britain over the centuries. The argument conducted in this section irresistibly leads to the conclusion that the *breakthrough to modernity*, the Industrial Revolution, could have taken place *only in Britain*. In France, the political preconditions were absent. Moreover, France could not sufficiently concentrate on the building up of a navy and a merchant fleet. Too large a part of the forces had to be devoted to the land army to ‘make’ France. Regarding China, as we shall see in the next section, demand would never have been sufficient to bring about an Industrial Revolution, even if there had been *no other* obstacles; however, the political, social and moral obstacles were even more formidable in China than anywhere else in the world.

Once the breakthrough in Britain had taken place, the other great European powers had to follow suit or to be wiped out as Karl Marx clearly perceived; this was an irresistible consequence of the aggressive and outward directed capitalism which emerged from the core period of the *second axial age, approximately 1750-1830*.

*Second axial age extends from around 800 to 2000 A.C.), which first period, 800 to 1830 A.C., European axial age to wit, prepared and resulted in the breakthrough to Modernity. Second World axial age, 1830-2000, spread Modernity all over the world.*

Indeed, Britain was the dominating world power from 1763 to 1815, and dominated almost absolutely from 1815 to 1914, although Germany became an ever more serious rival from, broadly, 1890 onwards. However, Marx in the 19th century and Keynes in the 20th century perceived with incomparable insight, that the socio-economic-cum political system that had emerged from the Great Transformation, capitalism to wit, not only brought tremendous advantages, mainly the stupendous rise in labour productivity due to capital accumulation and technical progress, but was also associated with very great dangers: heavy crises, precarious conditions of numerous workers, massive involuntary unemployment, wars, specifically, the two World Wars, individualisation accompanied by the partial annihilation of social institutions, the family for example. The determinism exercised by the immensely complex socio-economic system of capitalism became all pervasive and irresistible. John Nef, the US American cultural and economic historian, has that famous sentence towards the end of his *Western Civilization since the Renaissance*, largely written during the Second World War: “The industrial revolution has led the Western peoples to undertake more perhaps than they can manage”(Nef 1963, p. 413).

*Incidentally, the Industrial Revolution could eventually be associated with the attempt to build some kind of the Tower of Babel which, in turn, would express the great Enlightenment project linked up with optimism, belief in Science, and unlimited progress. Today we realise that the Tower cannot be completed. In Goethe’s terms, the Faustian project cannot be realised, the Zauberlehrling has lost control over events, that is, deterministic capitalism. In fact, in times of profound crisis, real and financial forces overwhelm individuals similar to a tsunami devastating broad coastlines.*

And Karl Polanyi, in his *Great Transformation*, also written during the Second World War, writes even more dramatically: “The idea of a self-adjusting market implied a stark utopia. Such an institution could not exist for any length of time, without annihilating the human and material substance of society; it would have destroyed mankind physically and transformed his environment into a wilderness. Society necessarily took measures to protect itself; however, these measures hampered the self-regulating mechanism of the market system

[which developed in a certain direction] and, finally, ruined the structure of society corresponding to it”(Polanyi 1977, pp. 17-18). One may, in part, disagree with Polanyi’s argument, above all with his postulate of self-regulation, but there are strong reasons to believe that the capitalist system associated with large free trade areas or even a global economy based on free trade is highly dangerous, precisely because there is *no* self-regulating market mechanism; this also emerges from the classical-Keynesian argument set out in Bortis 1997/2006 and 2003a. We shall return to this issue, very briefly though, in connection with China in the chapter *Konrad Seitz: The sequence of events in China*. Before doing so some very brief remarks on the significance of the French and the Russian Revolutions are made.

### The importance of the Great Revolution in France 1789 and the significance of the Russian Revolution 1917

A great many alternative states of the world would have been possible if crucial events had not taken place, or if the outcome of important historical events had been different. However, ‘hanging-in-the-balance’ or ‘silk-thread’ elements - chance for the scientist, Providence for the believer - brought about precisely the present situation, characterised by the failure of Socialism, resulting from the Russian Revolution, and shaped by the glaring deficiencies of ultra-liberal Capitalism, as emerged subsequent to the French Revolution and, of course, to the English Industrial Revolution. This situation, if appropriately made use of, might enable Humanity to bring in the harvest of – hitherto alienated - history. More concretely, this would mean moving in the direction of a - *social liberal* - natural socio-economic and political state of affairs in which the social individuals of all societies would potentially be able to prosper.

*Let us state right here that the point is not whether the French and the Russian Revolution were desirable. Edmund Burke and, of course, the European monarchs were against the French Revolution. And almost everybody in the West abhorred and goes on to dislike the Russian Revolution and its effects. However, both Revolutions took place and the point here is to bring out their world historical significance.*

Indeed, without the French Revolution, the Breakthrough to Modernity would have been half-made only. The English Industrial Revolution established, in fact, the material basis of

Modernity. This process is usually called Industrialisation, a process resulting in *monetary production economies*. Given this, industrialisation brought the technological end of the agrarian age, dominated by agriculture, handicrafts, and trade. However, the process of Modernisation, which fundamentally changed the institutional superstructure of a society, was the result of the Great Revolution in France. The Bourgeoisie took economic, social and political power. Feudalism was literally wiped out; the King, Aristocracy and the Clergy were deposed. Enlightenment brought a new *Weltanschauung*: Science moved to the fore and Religion become private, and, gradually, did no longer shape society directly. While the English Industrial Revolution gradually brought about ever stronger links between the economy and the natural sciences, thus giving rise to dramatic technological progress, the French Political Revolution gave an immense impetus to the social and political sciences in the widest sense of the term. Alexis de Tocqueville required an entirely new system of social and political science, because, he argued, an entirely new epoch had come into being; he may be considered as one of the founders of modern Political Science; Montesquieu related Law with Sociology and Politics, and with the Natural Environment, and, specifically, coined the notion of the division of power into executive, legislative and judiciary; Auguste Comte founded Sociology, François Quesnay established the first system of Political Economy and Adam Smith may be considered the founding father of Economics. On the real side, the French Revolution brought about Capitalism in a pure form, devoid of any feudal remnants, as were still present in England. Roman Law came to dominate uncompromisingly, private property became nearly absolute and even sacred, yet almost devoid of any social dimension; State and Religion were sharply separated, the – largely isolated - individual moved more and more to the fore, with society and the social greatly reduced, even decaying in some instances. Human rights were emphasised in theory, though not always practically implemented, and, as a consequence, frequently remained formal.

It was, in fact, Napoleon who rendered the achievements of the French Revolution permanent, preventing through his conquests the annihilation of the results of the Revolution through the feudal powers of the continent, allied to still semi-bourgeois, in fact aristocratic-bourgeois, England, where Edmund Burke condemned the Revolution. Subsequently, the Napoleonic reign enabled French revolutionary ideas to spread all over Europe and to get implemented there. Incidentally, Napoleon was not only one of the greatest military leaders of all history, he was also a great lawyer. To be sure, the fall of Napoleon in 1815 was followed by the *Restoration*. However, 1848 and, definitely, 1918 brought the total triumph of the Bourgeoisie, immediately constrained, however, through a working class who had gained

strength during the First World War; and working class strength was greatly enhanced through the Communist takeover of power in Russia.

Indeed, almost at the same time when the triumph of the Bourgeoisie and of Capitalism seemed complete, Socialism came into being in 1917 in still semi-feudal Russia. This was in contradiction to Marx's view. Indeed, according to Marx, Socialism should come into being first in highly developed capitalist countries. Marx perhaps overlooked the possibility that advanced capitalist economies, though crisis-ridden, would form a group of aristocratic countries, with the socio-economic conditions being favourable enough to prevent a revolution.

The Russian Revolution was, in a first stage, more of a *coup d'état* rather than a revolution, which really occurred during the Civil War 1919-1921. Indeed, the German High Command promoted the 1917 October Revolution, which, as such, appears as a crucially important 'silk-thread' element directing the course of history in a specific direction. In fact, Socialism in one country, the Soviet Union, constituted a dialectical counterpart to Western Capitalism. The socialist Soviet Union grew indeed strong enough to withstand the attack of National Socialist, in fact, National Capitalist, Germany. After World War Two, the Eastern Socialist and the Western Capitalist block mutually balanced each other in the Cold War Equilibrium. Given this, the Russian October Revolution had a twofold world historical significance. First, it enabled to carry out the socialist experiment, complemented through the coming into being of Communist China in 1949, rendered possible only by a strong Soviet Union in the background; to be sure, both Soviet and Chinese socialism were heavily alienated and, as such, far away from *Marx's humanist Socialism*, given the fact that both come into being in most difficult domestic and international circumstances. Second, the existence of a strong socialist block prevented the worldwide triumph of Capitalism, which, perhaps, would have definitely impeded world history to move on to a higher socio-economic level as is now possible with Keynes's doctrine of *Social Liberalism* and the associated system of *Classical-Keynesian Political Economy*.

Indeed, after the breakdown of Socialism in Eastern Europe and in the Soviet Union and following up the breakup of the latter, the 21st century seemed, as Jacques Sapir (2008) notes, to become an American century. However, Sapir goes on to note that the economic and social disaster in Russia, culminating in the financial crisis of 1997-98, and the Asian and Latin American financial crises occurring simultaneously, resulted in a strong nationalist reaction. Russia recovered and China became an economic and political world power. Simultaneously, the United States experienced growing economic, financial and military difficulties, reflected



in the humanitarian disasters in Afghanistan and in Iraq. At present, the economic and financial difficulties of Capitalism seem to be steadily growing, reaching a climax in the 2008 crisis of the financial system.

Hence, as will be suggested below, in the course of modern history, two great answers have been provided to tackle the immense complexity of the modern world that resulted from the Great Transformation. Industrial Capitalism resulted from the English Industrial Revolution and was definitely shaped by the French Political Revolution. Socialism came into being through the Russian Revolution in the form of a completely planned War Economy. Capitalism now faces growing difficulties and centrally planned Socialism has failed.

The historical significance of the French and of the Russian Revolution now emerges. Both have enabled to carry out the Capitalist and the Socialist experiments, in an alienated form though, and the course of history has been such that neither Capitalism nor Socialism could achieve world dominance. This has led the movement of world history to the threshold of a new world order. The material and intellectual basis has indeed been laid to realise Keynes's doctrine of *Social Liberalism* on the basis of the corresponding system of Political Economy, Classical-Keynesian Political Economy to wit. It will be argued below that the small and medium-sized state will play a central role in this *natural* world order which, ideally, would constitute a family of nations structured through historical-geographical federations.

### Konrad Seitz: The sequence of events in China

Konrad Seitz (*China – eine Weltmacht kehrt zurück*) has written a splendid book about Chinese civilisation, history, ancient and modern, and the interaction of China with the West, the whole embedded in deep considerations on the philosophy of history. The book is written in an elegant, crystal clear German and is, as such, also an aesthetical pleasure. Seitz writes about the *immanent* forces driving Chinese history and shaping its civilisation, and about China's interaction with the West, made up of peaceful relations, but also of clashes associated with her deep humiliation by the West in the long 19th century (1815-1914). Seitz is not Eurocentric at all. He shows deepest respect for the Chinese civilisation and argues that the West can learn from traditional and now, again, from modern China in various respects, perhaps in the art of governing and certainly in conducting foreign relations.

*This is not to ignore the presence of a strong government in China in these days, practising rather tough methods of governing occasionally; incidentally, this is true also of many other developing and transition countries. Indeed, the country is now in a profound transition process from Socialism to Capitalism, and struggling to improve her position in the world economy. Moreover, China is contending for an important political position on a global level. In this alienated Orwellian world, national and international power relations are crucial and, given this, a strong government may simply be a necessity. Incidentally, all the successful industrial countries of the day developed under strong governments, which, at times, did not hesitate to apply drastic protectionist measures to protect nascent domestic industries, to give an example.*

There are five parts. The first is about Chinese civilisation, the perfect civilisation according to Seitz, from the beginnings until the end of the 18th century. Part two pictures the breakdown of traditional China (1793-1949), followed by an overview of the Mao-period (1949-76), during which the old Confucian structures were wiped out - significantly this part is entitled *Tabula rasa*. The fourth part is about the birth of modern China and Deng Xiaoping (1978-97). And finally, in the fifth part, Seitz sees China's future as a walk on the razor's edge; there is, indeed, a delicate balance between rapid but uneven development and political and social stability.

Part I starts dramatically with the leaving of the immensely impressive Chinese merchant fleet, accompanied by the navy, the greatest fleet the world has ever seen, from the port of Liujia at the beginning of the fifteenth century. Yet in 1435 these expeditions were definitely stopped (Seitz 2003, p. 19). According to Seitz (pp. 20-21) 'superficial reasons were financial and military – the Mongols threatened again. However, the main reason was political: China was returning to the Confucian tradition. China was an agrarian state and agriculture only produced riches. Traders were considered parasites, above all if foreign trade was involved. Hence a long coastline is not sufficient to durably maintain a merchant fleet. The attraction of rich countries, producing goods lacking domestically, on the other side of the sea is essential. But, for China there were no such countries, China was by far the richest and the largest realm in the world and self-sufficient, just contrary to the relatively poor and backward West Europeans who dreamt of the fabulous riches of Asia, but which they ultimately found in the Americas. Moreover, foreign trade would produce rich merchants threatening thus the power of the ruling Mandarins. Foreign ideas might disturb social harmony. Instead of a merchant fleet the Ming-emperors had the Big Wall built, isolating thus China largely from the outside

world' (p. 21). Nevertheless, as Hobson insists upon, trade continued through the Europeans who now bought Chinese wares and paid with South American silver (see above, *Hobson: Asia influences Europe*). However, Seitz is certainly right in saying that the cessation of Chinese seafaring in the middle of the 15th century was a turning point not only of Chinese history, but of world history (p. 21). Indeed, the way was now free for the Europeans and, as argued above, domination of world markets was *crucial* for the coming into being of the Industrial Revolution in Britain. Now, the question is: Had the Chinese continued sea-faring, had they come to Europe and made some European countries tributaries of China, would an industrial revolution eventually have occurred in China? Almost without hesitation one can say *no*, although from the scientific-technical (supply) side all the preconditions were present as Hobson so convincingly argues. The social and political factors mentioned by Seitz (based on Needham) would have prevented the breakthrough to modernity, which was not only an economic-technical phenomenon, but also a socio-political-cum-cultural one as Landes forcefully argues. But even if the social and political obstacles had not been there, additional demand - the crucial factor for the breakthrough to modernity in England - originating from Europe would by far not have been sufficient to bring about the passage to the factory system in China, against the probably very heavy resistance of the artisans. On the contrary, demand coming from Europe would have been far less, because the Europeans would not have been in the possession of the American silver in case of a Chinese presence in Europe!

The title of Chapter 2 is significant: 'The most powerful and most advanced civilisation on earth' (p. 23). Indeed, 'for the greater part of the last 2000 years, China was not only the most populous country and by far the largest economy in the world, but also the technologically most advanced and best organised civilisation in the world' (p. 23), reaching its climax during the Song Dynasty (960-1279) (pp. 26-36), a statement which is broadly in line with Hobson's account as set out above. Seitz also points out that in 'the Song period the mind and the arts flourished, while being simultaneously an era of unprecedented economic development' (p. 31). Hence, everything was there except, as emerges from Mitterauer's account, machine building which seems typically European, probably initiated in Europe by a lack of labour – to build towns, churches, cathedrals and monasteries, and castles in the High Middle Ages – and by the increasing rivalry between the nascent European states from the late Middle Ages onwards. The lack of a machine building tradition was, of course, but one important factor accounting for the fact the industrial revolution did not take place in China, the insufficiency of domestic and foreign demand compared with the tremendous productive capacity based on artisanship and manufactures was presumably another. Seitz mentions two additional factors.

First, ‘a market economy and an industrial society were not compatible with the Confucian moral and government system. The Confucian elites aimed at stabilising state and society. The respect of order should go together with reasonable prosperity. Merchants and, eventually, industrialists with their unlimited desire to make money should not be allowed to disturb this great socio-economic-cum-political system equilibrium. The Confucians therefore despised the merchants – they were not productive, only agriculture ultimately was – and, above all, they would never have been ready to share power with them, only to be driven away from power’ (p. 33) as happened in France and in Europe after the great French Revolution. ‘A second weakness was the Confucian aversion against the military and a pacifist attitude, implying that moral superiority was sufficient to defend the country against alien enemies’ (p. 34). Indeed, in Europe the rivalry between the nascent nation-states (about 1500 to 1815, and beyond for Italy and Germany) brought about massive military expenditures, which contributed to maintaining and fostering the European machine building tradition started in the High Middle Ages. Nevertheless, Chinese military capacities were impressive: ‘In China, the Northern invasions starting in 1126 and culminating in the Mongol assault of 1234, brought the end of the Song Dynasty. The great defensive battles delivered by the Southern Song over half a century are important evidence for the military superiority of China over Europe; in fact, the Mongols defeated Russia, Eastern Europe and the Middle East in a very short time’ (pp. 34-35).

When discussing the high level of Chinese technology and China’s impressing economic development above all under the Song Dynasty, Konrad Seitz mentions very favourably Joseph Needham who, aided by Chinese and Western collaborators, started publishing his great *Science and Civilisation in China* from 1954 onwards, a work which initiated a decisive shift of perspective from the eurocentric to a global view of world history (p. 31).

To conclude this chapter Seitz suggests that ‘the stop to seafaring at the outset of the 15th century initiated very slowly and unperceptably the relative decline of China. The technological and military gap with the West widened, and in spite of a period of splendour in the 18th century, a deep fall set in the nineteenth century, transforming China in one of the poorest countries of the world’ (pp. 36-37).

Chapter 3 of part I on *reason based ethics* is one of the highlights of Seitz’s book. Chinese civilisation is shown to emerge from a time-period crucial for the development of the whole of humanity (800-200 B.C.), which has been termed *Achsenzeit* (*axial age*) by the German philosopher Karl Jaspers (Jaspers 1955, pp. 14-32). We have already mentioned the notion in *Setting the stage* above and we shall return to the immense significance of [*first*] *axial age* in

shaping the great civilisations in East and West. In this context, Seitz notes that during [*first*] *axial age* ‘man left the unchanging, never questioned and safe world of myth and gods to enter the world of Logos, where doubts and questions started the great journey of humanity, with the way still to go and the goal being largely unknown’ (p. 38).

‘For China [*first*] *axial age* was a time of breakdown, of the political and of the moral order. More than a thousand feudal lords entered in a darwinistic struggle for survival’ (p. 39). ‘Out of this situation of civil war Chinese philosophy was born. It was not philosophy of nature as with the Greeks, but *moral philosophy* from the outset [indicating that the *moral problem* was the *first* man became conscious of – see Setting the stage above]. The “hundred answers” given to the question how peace and harmony could be re-established finally focused on three: Legalism, Daoism and Confucianism’ (p. 40). Seitz mentions significant parallels in the West: ‘Legalism broadly corresponds to the Hobbes absolutist system, there are important similarities between Daoism and Rousseau’ (p. 41); perhaps one could add that there are, probably, large intersections between Confucius and Aristotle.

‘Finally, Confucius rose to dominance to become almost a Chinese state religion’ (p. 42). It is characteristic for Confucianism that ‘the moral-cum-social order was no longer founded on the feudal values of the Old Zhou Dynasty, based, in turn, on the faith in a heavenly God. Confucius knew that moral-social order had lost its heavenly basis and he attempted to base it on a rational analysis of human nature and on historical experience. Simultaneously, Confucius replaced hereditary nobility through a nobility of mind and of high moral attitude’ (Seitz, pp. 43-44). Far more than two thousand years later, at the beginning of the 19th century, Alexis de Tocqueville required a new political science based on ethics and to be implemented by a nobility of mind to master the problems of Modernity in Europe! This is also broadly in line with Keynes’s Social Liberalism. Indeed, Keynes had explicitly advocated that an intellectual *elite* ought, at least indirectly, to govern a country.

‘Basic to the Confucian view of society is the natural hierarchical order of the patriarchalistic family. The relation between the ruler and the civil servants to the people is analogous to family relations: the ruler is the father of the people. Two points are of importance here. First, the hierarchical relations are not one-sided and based on submission only, they are reciprocal. The subordinated owes obedience and faithfulness to the higher-placed, who, in turn, has to care about the problems of the lower and about his general well-being. Second, the higher-ranking should not impose through force, but through the impact of his high moral standard. In spite of the presence of a strict hierarchy, the Confucian system was, ideally, a profoundly humane world’ (Seitz, p. 44). Interestingly, Michael Mitterauer in his brilliant chapter on

feudal institutions pictures the essence of the political institutions of the Carolingian Empire in almost the same way (Mitterauer, ch. 4, specifically p. 110-11) and adds that this is alien to other forms of 'feudalism' [also Chinese] (p. 111). This is certainly true regarding the nature of the family – the Western family is entirely different from the Chinese family -, but not for tenure. In fact, in the short-lived Carolingian Empire and the very long Confucian era in China, feudal tenure was *not hereditary* but based on merit. However, Western feudal tenure became hereditary after the year 1000 A.C., and conflicts between feudal lords, later between the nascent nation-states became a rule. Conflict ridden (hereditary) feudalism prevailed in China between 481-221 B.C. and really ended with the establishment of the Han-dynasty, 206 B.C.-221 A.C. (Seitz, pp. 39-40). In this context it is also significant that the Italian historian Alessandro Barbero in his *Charlemagne – un père pour l'Europe*, establishes parallels with China concerning the art of governing as set forth by Seitz in chapters 3 and 4.

According to Confucian doctrine, 'society and the state are in order and harmony, if the individual or the group carry out the various complementary tasks required for the good and proper functioning of society and if the rights and duties inherent to all social relations are reciprocally balanced' (p. 44), bringing about thereby a situation of distributive justice. This passage has a distinctly Aristotelian flavour and strongly indicates that human nature is the same everywhere and at all times as has been postulated in the introductory chapter of this essay. Seitz goes on to say that the 'various social tasks should be fulfilled, not through coercion, but on the basis of a moral sense of duty. This moral attitude can be generalised only through education which, therefore, has to put develop the disposition to do the good, inherent in each human being, implying that Confucius presupposes that humans are good by nature' (Seitz, 44), as did the philosophers of the enlightenment and the Scottish moral philosophers, including of course Adam Smith.

*Here we have a definite difference to Catholic-Thomistic doctrine, which postulates that the principles making up Good Life and the Good Society are both objectively given and anchored in human nature. To approximately realise these ideals requires permanent ethical efforts. Due to greater or less imperfections of human beings the Good Life and the Good Society, can, as a rule, never be realised perfectly, but to some degree of perfection only.*

Chapter 4 of part I on the Confucian system of government is, like the preceding chapter on Confucian society, very important to explain why an industrial revolution could not have taken place in China. In fact, the Chinese (Confucian) way of governing reached near

perfection. The economy (agriculture) had an ancillary role and the aim of the political community was the good life of the citizens. Once again the large intersections between the systems of Confucius and Aristotle appear. ‘The Emperor rules through the moral authority of his exemplary behaviour, which disseminates among his civil servants and his people, encouraging them to reach high ethical standards, too’ (Seitz, p. 52). In the Confucian view, ‘governing is always governing for the people, never through the people. The modern Western view of democratic self-government is totally alien to Confucian doctrine’ (p. 53). Indeed, we shall argue in this essay that true democracy is, the local level excepted, not self-government, but a dialogue between government and people through the intermediation of the Parliament (see also Bortis 1997/2006, chapters 6 and 7).

In chapter 6 Seitz mentions that ‘Confucianism has given China an astonishing stability of culture and of institutions and very long periods of peace for about 2000 years, i.e. from the beginning of the beginning of the Han Dynasty (206 B.C.) until the end of the 18th century, formally until 1911, when the Qin Dynasty ended. As such Chinese civilisation was a counterpart to the European-Christian civilisation which was almost continuously engaged in war right from the beginning’ (Seitz, p. 80). Seitz also points to the admiration of the philosophers of the Enlightenment era for Chinese culture and government, Leibniz, Voltaire, and François Quesnay being prominent examples (pp. 70-74). Leibniz explicitly points to the Chinese superiority over Europe in the domains of Ethics and Politics (p. 72).

Given the European admiration for China, Seitz now makes statements of the utmost importance: ‘The European Enlightenment philosophers were particularly struck by two elements characterising Chinese civilisation: there was no Church, and a hereditary Nobility was lacking. China proves, the philosophers asserted triumphantly, that the people needs no Church to reach high moral levels and high standards of civilisation. Clerics and monks were but parasites, living at the expense of working people, spreading superstition and exercising an intolerable control on the way of thinking of men. The faith into Heaven of the Chinese and their reason-based ethics pointed the way to *Deism* [our emphasis] as propagated by the philosophers of the Enlightenment. Natural religion needs no Bible, true Revelation was to be found in Nature’ (Seitz, pp. 72-73).

In this context, it is of crucial importance to note that *the self-regulating market is part of Nature*. In fact, the vision of a self-regulating market is fundamental to the (Western) socio-economic and political doctrine of Liberalism, which, in turn, is an emanation of Deism. This is immediately obvious because, during the Enlightenment century, Protestantism and Deism gave birth to Liberalism. In the final sections of this essay we shall argue time and again that

the postulate of a self-regulating economy though seemingly self-evident, and therefore seductive, is, in fact, completely unrealistic and, consequently, highly dangerous if socio-economic policies are based on this postulate (Bortis 1997/2006, specifically chapters 5 and 6).

Seitz now goes to discuss the second element characterising Chinese (Confucian) civilisation, the absence of a hereditary Nobility: ‘Hence, in the view of the Enlightenment philosophers, the Church was superfluous, but so was European hereditary Nobility. And here also China provided a rational alternative: While in Europe an idle and unproductive nobility was an economic and social burden, China was governed by a learned and performed elite, which renewed itself each generation. [...] From the Jesuits the Enlightenment philosophers learnt, for example, that, in China, even in case of the death of a viceroy, his children did not inherit any of his charges; provided they were gifted enough, they had to regain their father’s rank through examinations and through performance in a civil servant’s career. Voltaire and his associates considered that in the Chinese polity the Platonian Utopia of a state governed by philosophers was realised’ (Seitz, p. 73). This is, in fact, what Charlemagne and Alcuin wanted, too. But, as alluded to above, *heredity*, associated with *self-interest* became, irresistibly became normal, and this, linked up with the rise of the Bourgeoisie and the increasing importance of the individual, was a crucially important element in setting Europe on the march towards Modernity.

In any case, Seitz argues that European admiration for China was *crucial* to prepare the French Revolution on the level of ideas, which, in turn, are decisive for concrete action. This leads Seitz on to conclude his argument with an irony of history. ‘Through the example of Europe the worries of the Chinese Confucian elite became true: that an opening up to another civilisation may cause the breakdown of the own cultural, moral and political order. Europe’s encounter with the thinking and the customs of other countries, mainly China, *has undermined decisively* [our emphasis] the legitimacy of the *Ancien régime*, the fact that Christian Religion went as a matter of course and the traditional social and political order. Hence, in the 18th century, China brought about a modernisation shock in Europe, while Europe destroyed Chinese culture in the 19th and in the 20th century’ (Seitz, p. 74). On a few pages Konrad Seitz pictures most forcefully the, perhaps, most important case of interaction between Eastern and Western civilisation. Given this, China played a crucial role in the breakthrough to Modernity in Europe. China’s science and technology contributed to paving the way to the English Industrial Revolution (John Hobson), on the cultural and political level



she contributed, decisively perhaps, to shaping the ideas which brought about the Political Revolution in France (Konrad Seitz).

However, by the end of the 18th century, the situation changed fundamentally: Europe's admiration for China turned into disdain (Seitz, pp. 75-77). Seitz starts his description with 'Montesquieu [who] distinguished three fundamental types of government, each being governed by a fundamental principle: the republic was associated with virtue, the monarchy with honour, and despotism with fear and terror. Subsequently, republic and monarchy were associated with the West, despotism with the East. The doctrine of Oriental Despotism was born. The Chinese refusal to trade reinforced this view. China, and the non-European world, became to be regarded as backward which opened the door to European Imperialism and the associated civilising mission' (Seitz, pp. 75-76).

*In fact, to refuse trade was considered barbarian in industrialising Europe on account of Say's Law, which states each supply creates its own demand. Given this, general overproduction, implying involuntary unemployment was considered impossible. In this view, to refuse trade meant that work places were destroyed in the economies of both trading partners. Concretely, if China refuses to exchange silk or porcelain against English textiles or machines work places are destroyed in China and England. This proposition rests on the premisses of a self-regulating exchange economy. Given this, based on this theory of international trade, Western countries – the US and England in the main - forced Eastern countries, specifically Japan and China, to engage in trade relations with the West. Incidentally, this liberal argument is presently also advanced to promote Globalisation.*

*In a monetary production economy, which is not self-regulating, things look entirely different. Exports may create work places, imports may destroy jobs; given this, foreign trade may be at the origin of growing differences in wealth and incomes between regions and countries – on this see Bortis 1997/2006, pp. 185-98.*

Subsequently, Chinese stability became to be associated with stagnation, and was opposed to progressive Europe. Like Hobson, Seitz convincingly refutes this view. 'Based upon Confucian ethics and under the leadership of the civil servant Gentry there was self-government of the various social institutions: villages, markets, merchant associations, and other' (Seitz, p. 77). In fact, the Christian-Western Principle of Subsidiarity was largely realised.

Chapter 5 is on the Chinese view of the world: ‘The Chinese did not understand their civilisation as a civilisation among others, not as Chinese civilisation, but simply as *the* civilisation. Only in China was civilisation realised, all the other peoples were barbarians’ (Seitz, 63) – *Eurocentrism* has a counterpart: *Sinocentrism!* This goes far to explaining why the Chinese rulers, at the end of the 18th century, did not take note of what was going on in the West, specifically they did not realise that the Industrial Revolution had started in England. Indeed, in 1793 China refused to establish diplomatic relations with Great Britain and to engage in trade relations; moreover, the novelty of British industrial products presented at the Imperial Court was ignored (Seitz, pp. 85-89). Very significantly, Seitz entitles the first section of chapter 7 with ‘1793: a last chance’ (p. 85).

The stage is now set to picture the dramatic and tragic modern history of China of which Konrad Seitz gives a truly masterful account, each section providing deep insights into an important event, each chapter naturally comes out of the preceding one and leading smoothly to the next. The reader gets a profound understanding of modern Chinese History on a multidimensional basis, encompassing the *Zeitgeist* of some period, as well as economic, social and political developments, initiated by the key actors. Throughout the dramatic sequence of events, the consideration of *immanent* developments on the various levels constitutes the backbone of the account. However, as just suggested, the interaction with the West, in fact, *unidirectional* Western influence, was crucial in the period of the breakdown of traditional China (1793-1949), vividly pictured in Part II. The last chapter (12) of this part carries the significant title ‘The long agony of a great culture (1861-1949)’. Part III pictures the systematic destruction of traditional China under Mao Zedong (1949-1976), appropriately entitled *Tabula rasa*. The birth of modern China is the object of part IV. It pictures the dramatic changes that took place in China under the era of Deng Xiaoping (1978-1997). Finally, part V sees China’s future as a walk on the razor’s edge. It pictures the era of Jiang Zemin (1997-2002). Perhaps, the key chapter is chapter 40 (pp. 443ff.): *Can China make it?* Seitz distinguishes between three revolutions that are going on in China presently: industrialisation, urbanisation and the transformation into a market economy (p. 443). He then identifies a series of major challenges: overpopulation, *unemployment (considered as most important)*, the environment, inequality, the spiritual, intellectual and moral vacuum, and corruption (pp. 443-47). Nevertheless, Seitz is optimistic, mainly because China’s leadership is competent and the government is conscious about the social problems and attempts to solve them (p. 450). ‘The aim [in 2000] of the Chinese leaders is to erect a well-functioning market economy until 2010. The intellectual elite required to reach this aim is being formed at

Chinese and Western Elite Universities. However, China's main assets are her laborious and ambitious people. They will make it! In all likelihood, China will succeed in setting up a market economy under the rule of law and to continue growing, even if erratically at times, at an average rate of seven percent for the next twenty years' (Seitz, p. 450).

This is a very optimistic, supply-side type, conclusion indeed, which is probably based upon the assumption of self-regulating markets under competitive conditions. If, however, markets are not self-regulating and effective demand governs economic activity, as is the case in monetary production economies (Bortis 1997, 2003a), then serious doubts about Seitz's optimism might arise, doubts which are in fact confirmed by the 2008 financial crisis, which is likely to be followed by a crisis in the real sector, showing up, in the main, in rising unemployment. Indeed, China's effort to maintain fast growth as far as is possible, could intensify the ferocious struggle on the world markets, accompanied by major structural changes in the world economy, possibly implying the decline of other regions. Conflicts between informal empires, for example, China and India, Eurasia (Europe and Russia) and North America could occur, perhaps accompanied by smaller or larger trade wars, or even military confrontations. In this context, protectionism, formal and informal, could increase.

*At present, a more realistic scenario is, perhaps, simply given by a developing struggle between the East (Asia and Russia) against the West (Europe and North America). However, the potentially always present Eurasian tendencies of Russia might change this East-West scenario temporarily or permanently.*

And, in such a conflict situation, there will be little room for policies aiming at the preservation of our environment. A more even and peaceful development of the world economy could, in our view, only obtain if very large economies, China, the USA, Europe, Russia, Brazil, develop on the basis of the *internal* employment mechanism, that is by stimulating primarily domestic private and state consumption, with international trade being a means to increase welfare above the level that can be reached domestically. We shall, briefly, return to this theme below when assessing globalisation and the problem of a natural world order.

For the moment, we may retain that Seitz's very optimistic conclusion contrasts somewhat with a crucially important statement he makes at the end of chapter 6: '[After 2000 years of Confucian stability,] China's world of duration should come to an end at the outset of the nineteenth century. Europe, the carrier of progress, was now gradually invading China. And Europe should leave China – and the rest of the World – only one possibility of choice: cut

the link with the past and march into the future together with Europe, or to perish in vain and helpless resistance against European rationality.

The Western – Faustian – culture has triumphed. Now, it is up to this Western culture to demonstrate whether it can lead humanity to a new equilibrium on a higher spiritual-cum-intellectual and material level of development or whether it will lead mankind on a way of decline or even destruction’ (Seitz, pp. 80-81). This statement of paramount importance is, it seems to us, *the* appropriate conclusion to Konrad Seitz’s excellent book. As just suggested, we shall take up the problems of globalisation and of the world order below.

In the next chapters the books commented on here are to be put into a wider context, making use of the remarks made in the introductory section where the philosophical stage for this essay has been set.

### East and West in a wider context – Karl Jaspers: *Achsenzeit*

*Achsenzeit* (*axial age*), stretching from, broadly, 800 B.C. to 200 B.C., is, in the grandiose vision of Karl Jaspers, *the* crucial time period in human history (Jaspers 1955, pp. 14-32). In *axial age* a fundamental transition started, the transition from myth and magic, intuition and imagination, to reason and analysis, and to theorising: modern man was born in this time period. Jaspers emphasises (pp. 14-15) that this transition took place *simultaneously*, precisely in *axial age*, and *independently* from each other in different great cultural regions of Eurasia. ‘Extraordinary events happened in *axial age*. In China lived Confucius and Laotse, most diverse variants of philosophy developed. In India, the Upanishads came into being. Buddha lived in *axial age*, and, similarly to China, all the possible variants of philosophy were explored, touching extremes like scepticism and materialism, sophistry and nihilism. In Iran Zarathustra conceived human history as a struggle between good and bad, in Israel, the great Prophets were active, Elias and Jeremy, for instance, Greece saw Homer, then the philosophers, elaborating, first, a philosophy of nature, and subsequently, Socrates, Plato, Aristotle.

In the course of *axial age* man becomes conscious about the real world as a whole, his existence and his limits. Man asks radical questions. All this happens through reflection. Theories, frequently contradictory, arise, accompanied by intellectual restlessness, leading to the fringe of intellectual chaos. This situation produced the fundamental categories, on the

basis of which reasoning goes on presently. The mythical age of the old civilisations – Cretan-Mycenaean, Mesopotamian, Egyptian, Indian, Chinese – which existed in tranquillity and serenity as a matter of course, where everything went without saying, unquestioned, had come to an end’ (Jaspers 1955, pp. 14-15). Indeed, in the introductory chapter – *setting the stage* – it has been suggested that *axial age* probably represents the *third* phase in the unfolding of the potentials of human nature, namely *consciousness about the problem of Truth*, the first two phases being consciousness about Goodness and, subsequently, about Beauty. The quest for truth meant asking questions, establishing theories, often contradictory, on the basis of differing visions of man, society and nature. The problem of Truth was also applied to Goodness and Beauty. Zarathustra thought systematically about Good and Bad, as did Aristotle about the good life and the good polity (Brown 1986). Moreover, Beauty became an important object of analysis with the Greeks.

*Incidentally, the fact that the breakthrough to Truth took place ‘independently’ in Greece (Europe), India and China during ‘axial age’ is another indication that human nature is the same everywhere and at all times – see on this the chapter ‘Setting the stage’ above.*

It is significant that small city-states, frequently at war among each other, shaped the political scenery during *axial age* in the Occident, India and China. The diversity of ideas corresponded to political fragmentation. *Axial age* ends with the formation of large empires, Alexander’s Hellenistic Empire and Rome, Republic and Empire, in the West, the Maurya-Dynasty in India, and the Han-Dynasty in China. Certainly, one of the main aims was to ensure peace. However, within these empires a dissemination of the ideas developed in *axial age* took place, and the achievements of *axial age* were preserved and consolidated. For example, Imperial Rome was – also – a vehicle to preserve and to spread Greek ideas, as was, of course, Alexander’s Hellenistic Empire. However, it is significant that the *first* Empire of human history, the Persian Empire was founded in the middle of *axial age*, around 500 BC. It would seem that Cyrus, its founder, aimed at applying Zarathustra’s doctrine’s about Good and Bad in setting up a universal Empire based on *ethics* (see below, section *World order in ‘Agraria’*).

Jaspers masterfully summarises the significance of *Achsenzeit*: ‘The new way of thinking established in *axial age* set the questions and the standards to the epochs having preceded it and to the eras which were to follow. The ancient civilisations that had existed before *axial age* faded away. The peoples who carried these civilisations become invisible so to speak,

because they mix up with the developments initiated in the course of *axial age*. Similarly, the prehistorical peoples remain prehistorical, until they are absorbed by the *axial age* - movement, or they become extinct. *Achsenzeit* assimilates everything. On its basis world history gets a structure and a unity, at least for the time being' (Jaspers 1955, p. 20).

*In this essay we argue there was a second – European - axial age – approximately from 800 to 1800 –, which brought about the breakthrough to Modernity in Europe broadly between 1750 and 1830. The subsequent World Axial Age (broadly from around 1830 until 2000) equally results in destroying pre-modern civilisations, as in line with Marx's famous statement – already quoted above - that the Western bourgeoisie 'draws all, even the most barbarian, nations into civilisation [...] It compels all nations, on pain of extinction, to adopt the [Western] bourgeois mode of production; it compels them to introduce what it calls civilization into their midst, i.e., to become [Western] themselves. In one word, [the Western bourgeoisie] creates a world after its own image' (Marx, quoted in Hobson 2004, p. 12).*

*Achsenzeit* set powerful *immanent* ways of intellectual development in motion. The way of thinking in the East (India, China) became *entirely different* from the state of the mind prevailing in the West. This is brought to the open by William S. Haas in his very important book *The Destiny of the Mind – East and West*. Haas precisely sets forth the fundamental differences in the general way of thinking, the working of the mind so to speak, in all domains that existed between East and West from the *close* of the *first axial age* (around 200 B.C.) onwards until the beginning of systematic Western domination of the East, coinciding with the *outset* of the second period of *second axial age*, that is *World Axial Age* around 1800, specifically from, approximately, 1750 (India) and 1820 (China). These differences seem very important to explain why, finally, the twin Industrial and Political Revolutions could have occurred in Europe only.

In the introductory chapter – *Setting the stage* – it has been suggested that the immutable human nature may come into existence in very different ways. This is not to fall into the Eurocentric trap. As Michael Mitterauer says, Europe went her particular – not superior - way (*Sonderweg*), and so, by implication, did Asia. Jack Goody is very explicit on this: "We can look at the history of the landmass of Europe and Asia in two ways. We can lay stress upon the division into two continents with two substantially different traditions, the Occidental and the Oriental. The Occidental derives from the classical tradition of the Mediterranean societies of Greece and Rome, culminating in the Renaissance, the Reformation, the

Enlightenment and the Industrial Revolution of Western Europe, while the Oriental came from quite 'other sources'. Alternatively, we can place the emphasis on the common heritage of both parts of Eurasia from the urban revolution of the Bronze Age, with its introduction of new means of communication (the written word), of new means of production (of advanced agriculture and crafts, including metallurgy, the plough, the wheel etc.) and of new forms of knowledge.

The account that is embodied in much Western sociological theory, history and humanities stresses the first and the resulting division of the continents into East and West. Without wishing to deny the specificity of cultural traditions [nor of] trying to make all the world the same [the fact is] that the major societies of Eurasia were fired in the same crucible and that their differences must be seen as diverging from a common base"(Goody 1996, p. 226). In his *Destiny of the Mind – East and West*, William S. Haas also starts from a common base for Europe and Asia, the Magic World, Jaspers' world of myth, including Goody's urban revolution of the Bronze Age. However, Haas argues that the differences that have come into being between East and West in the course of *Achsenzeit* through *immanent* developments are fundamental. Yet, these differences are not immutable. It is evident, that, starting with the 16th century, Asia underwent a fundamental change through steadily increasing European *domination*, a change which accelerated dramatically in the course of *World Axial Age* (from around 1800 to the present).

Before dealing with the fundamental difference between East and West as seen by William Haas we first consider his method, and some implications, and subsequently turn to his magic-mythical world, Goody's common base or his 'same crucible on which the major societies of Eurasia were fired' (Goody 1996, p. 226).

Haas's method is, perhaps, somewhat unfamiliar. His approach becomes more understandable if we recall from the introductory section that reason and analysis work on the basis of a vision provided by intuition. Indeed, Haas states at the outset of his work: "The insights of the mind occur variously. Some come as a final result of preparation emerging only after a long period of toil. But there are others [less frequent], where this order is reversed. Here the insight anticipates the thorough preparatory work, which logically is its condition precedent. In this case what really happens is that the material, which ordinarily serves as the springboard, is out of proportion to the import of the revealed insight. It is in fact this revelation which lights the path to further progressive knowledge and in retrospect discloses the steps, which normally would have led to it.

The theory developed in this book developed in this book belongs definitely in the second category. And the reader should bear in mind the original significance of the word theory. It is a vision. Indeed this book is the exposition and justification of a scientific vision. And it is an inherent characteristic of a vision that its origin can never be fully demonstrated” (Haas 1956, p. 9). Hence, Haas attempts to set a coherent vision of the phenomenon he considers; from his vision he may derive principles, which embody, *probably* in a Keynesian vein, the essential and constitutive elements of the mind in East and West. This is, in fact, the only way of proceeding if the phenomenon is very complex. The conventional scientific method would be very difficult to handle; probably it would be even impossible to apply it. In fact, this method implies building models (theories) starting from given premisses, to, eventually, obtain testable propositions to be used to test the robustness of the theory. There many unseparable problems associated with scientifically bringing out the differences of the mind in East and West, for example, where to take the data! As Haas suggests, intuition leading on to broadly understanding complex phenomena is the only way out. This has been alluded to in the introductory part of this essay, particularly in the first two sections on method and acquisition of knowledge.

This important difference in scientific procedures gives already a first clue as to the destiny of the mind East and West. “[Eastern thinking places] consciousness [intuition] above reason [and analysis] as the ultimate and superior datum” (Haas, p. 10). This distinction, however, puts to the fore *dominating* features only. For obviously, there is also systematic intuitive thinking in the West and rational and analytic thinking in the East. For example, Maynard Keynes claims that intuition is the first form of knowledge; Joseph Schumpeter writes that theories emerge from a preanalytic cognitive act, which could be called vision; there is also Pascal’s *Coeur* (intuition) as a precondition to Descartes’ *Reason*. On the other hand, the scientific, technological and economic achievements in the East sketched by Hobson attest a high level of analytical thinking there, and point to the fact that *inventive activities require deep intuition and a highly developed imagination*. However, the dominance of intuition and the principles derived therefrom in the East and the rule of reason and analysis in the West has had immense consequences for the type of civilisation that developed in East and West.

This is, perhaps, the moment to recall that *no* question of superiority of the East or the West is involved in this vision of things. *In principle*, as has been suggested above, *human nature is the same everywhere and at all times*. However, historical realisations, modes of existence, of human nature through concrete societies and the individuals living therein may differ very widely. This makes up the cultural variety of the world, the preservation of which seems



crucial to the future of mankind. Indeed, it is cultural diversity, which produces a rich cultural life within regions, countries and on a world level. This implies that eventually cultural interaction may lead on to *true* progress on the world level, meaning by this a reduction of alienation, that is the gap existing between an existing social situation and an ethically desirable – natural – state of affairs in which, gradually, the common good would be, approximately, achieved on a global level. In this way, the social potential of humanity could unfold in most diverse spheres, spiritual, cultural, social, economic and technical.

This vision of things implies, for instance, that the most modest traditional – prior to the 19th century - North American Indian tribe stands on the *same level* of as our materially highly sophisticated civilisation. Indeed, traditional – pre *axial age!* - American Indians had very high ethical standards, a very rich and sophisticated social life, their works of art look surprisingly modern, and they lived in almost perfect harmony with nature. Since one cannot give a ranking for fundamental values (David Hume), the famous conclusion drawn by the great historian **Leopold von Ranke** is inescapable: **‘Before God all epochs and all peoples stand on the same footing’** (**Vor Gott stehen alle Völker und alle Epochen gleich da**). To state things in this way should largely avoid misunderstandings in the present discussion about East and West in the course of history, specifically Eurocentrism and all that. Incidentally, this also implies that the Industrial Revolution was not necessarily progress only. This crucial event in the history of mankind is far better characterised by a Great Transformation (Polanyi), that is with profound change; here impressive scientific and technical progress coexists with growing alienation between man and nature; materialism is associated with a decline in religious and spiritual life; social and, possibly, moral and cultural regress may set in; too much division of labour may lead on to ‘over-specialisation’; as a consequence, a kind of ‘one-dimensional man’ (Marcuse) may emerge. The latter also explains the heavy resistance against the transformation emphasised by David Landes. One may go even further to say that the modern emphasis on rationality and analysis, science and technology, and the rational-economic at the expense of intuition and imagination, the values embodied in the realms of Goodness, Beauty and Truth, implying growing nihilism, could be highly dangerous for modern civilisation. This theme has been alluded in the introductory chapter and will be taken up below.

Given this, we return to Haas, who, similarly to Goody, argues, that “Eastern and Western civilizations descend from [a] common ancestor – the magic world. [...] Not only did it contain in potential form the two highest civilizations so far achieved. It marked man’s departure from a primitive way of life. This detachment from the primitive and entrance into a

new and higher sphere did not entail the abandonment of the instinctive world. [...] Just as this conception of the magic world lived on in some way in all consecutive civilisations – and by now means merely as a dead relic – so did the compound of animal drives live on. It is the position, the influence, and the value attributed to this magic inheritance that alone have changed ”(Haas 1956, pp. 96-97). Based on Haas’s outstanding work, the relationship between myth and magic on the one hand and reason and analytical powers in East and West will be dealt with in the next chapter.

The magic world presumably came into being with consciousness on his surroundings and self-consciousness of man and continued to prevail, probably in ever more elaborate forms, throughout the time period from the Agrarian Revolution – around 6000 B.C. - (Gellner 1988, p. 21) until Jaspers’ *Achsenzeit* (800 – 200 B.C.). “[However, the] magic world [produced by intuition and imagination] is closely related to the subconscious life of man”(Haas 1956, p. 98). “All great world conceptions are the work of the conscious mind [as was forged in Jaspers’ *Achsenzeit* through developing the faculties of reason and analysis]. However, the ties, which link them to the subconscious cannot be severed. Civilisations differ widely in the acceptance and the recognition of these ties. Western Civilisation offers the highest degree of resistance to the subconscious, whereas the East has found a way of coming to terms with it. The magic world however, lives in perfect harmony with the subconscious. Indeed this conception is rooted in and feeds upon that eternal subconscious which within limits can be processed and sublimated, but can neither be overcome, nor ignored with impunity”(Haas 1956, p. 99). In a way, the basic constituents of human nature are always present and exercise their influence on human behaviour, although some elements may move into the background at times.

Moreover, all this joins the vision mentioned above of an eternal human nature embodying a tremendous potential for most diverse forms of existence. Societies organised, broadly, in line with human nature, may reproduce themselves indefinitely. A prominent example is China since her foundation through the Han-Dynasty (200 B.C.) as was based on Confucian ethics, implying outright rejection of violence, war and imperialistic aggression, a point explicitly made by Konrad Seitz. This impressive political construction lasted until the 19th century when traditional Confucian China was fundamentally shaken through Western military power now based on modern industry. This started the long and painful process to modernisation as is masterfully pictured by Konrad Seitz. At present, the immensely complex situation associated with monetary production economies can, perhaps, only be mastered through a

return to traditional Confucian values, including the way of governing, as is explicitly asserted by the actual Chinese leadership.

In the West, the Roman Republic came to dominate the Mediterranean area at the end of the Achsenzeit (around 200 B.C.) and the Roman Empire rose to almost complete domination of the Mediterranean world. Rome was governed by the rich - Karl Christ terms Rome a *Timokratie* - and based on power and coercion, and perfect organisation, with splendour lavishly present, as were plunder and imperialism. The empire finally collapsed, and the rise and fall of Rome became a great subject in historical writing. Augustine provided the fundamental reason for the breakdown of the Roman Empire: 'Rome was not a true state, based on social justice, but a powerful machine of domination and exploitation' (Augustine, quoted in Hoerster 1987, pp. 67/68). Incidentally, Hegel reaches the same conclusion in his *Philosophie der Geschichte* (Hegel 1975, pp. 396, 427). Below, we shall briefly return to this highly relevant fact for this essay: that the foundation of a peaceful and morally based Chinese Empire (Han-China) occurred simultaneously with the rise to dominance of the Roman Republic in the West by extraordinarily aggressive policies that ended up in the formation of the Roman Empire. It is of crucial importance to note that this is not to condemn morally Rome. Around 200 B.C, the Roman Republic was engaged in a struggle for survival with Carthage, and imperialism was, perhaps, inevitable to secure peace. In heavily alienated situations *power* inevitably becomes the fundamental historical driving force, and Ethics (Goodness) is pushed into the background.

Subsequently, Haas points out the fundamental difference between modern knowledge and magic knowledge: "Unlike [Western] pragmatism, where knowledge exerts power over things *through ignoring their nature* [our emphasis], magic knowledge derived its influence from the immediate awareness of the [probable] essence of things. [...] The profound difference between the two forms of knowledge becomes evident at this point. In the magic processes of knowing, whatever the object of knowledge, it was the subject, which was ultimately transformed. Our act of knowledge, on the other hand, starts with *disconnecting* [our emphasis] the object from its natural surroundings and isolating it for the purposes of investigation. Inevitably this ends in affecting and altering the object itself. The culmination is scientific knowledge and the creation of a new objective world" (Haas, p. 106). Here, man attempts, relying on his capacities, to complete Creation, with all the tremendous scientific-technical achievements brought about in the eras of *Agraria* and, subsequently, *Industria*. A hallmark of the latter epoch is the dramatic acceleration of scientific-technical progress. But progress has ever been accompanied by setbacks and dangers. New forms of alienation in all

spheres of individual and social life have come into being since the Industrial Revolution, but also alienation between man and nature, showing up, for instance, in environmental problems. In fact, alienation – setbacks and dangers - occurs because the achievements of man are, to varying degrees, not in line with the laws of nature, including, of course, human nature.

However, dangers largely vanish and vast setbacks may be prevented if man adapts to, and attempts to perfect the situation produced by Creation, that is nature, including human nature – with the potential of human nature realised in differing degrees. Haas illustrates this fact by the relation between man and his surroundings, the relation between subject and object in the magic world: “Among other things most disruptive of the equilibrium of the magic world was the fixing of man’s position in the universe. In this world where the distinctions between animate and inanimate, conscious and unconscious, personal and impersonal, were almost non-existent, man could never claim a distinctive, much less the central, place. Caught up in a network of correspondences, he was both an active and receiving centre. In the same sense and by the same right as himself, all other beings were simultaneously subjects and objects. The opposition between subject and object – the antithesis which is the very backbone of our world – was absent from the magic world conception. And it was precisely this absence which gave to it its balance, its homogeneity, and its harmony”(Haas, p. 109). The old *pre-axial age* civilisations of China, India, Mesopotamia and Egypt are grandiose examples of perfection reached within the magical world, with nature and civilisation being fully integrated. These civilisations were, in fact, characterised by tremendous achievements in the realms of Goodness and Beauty, and also Truth, but yet acquired through *intuitive insight*, and *not* based on argument, as was the case in the time period following up *[first] axial age*. For example, it is well known that ancient Egypt produced considerable knowledge in astronomy. Subsequently, Haas considers Jaspers’ *axial age* and the different outcomes in East and West produced by this epoch. “[Here] man, the subject, asserts himself, his unity and identity with himself become firmly established. His contours and contents begin to be determined. No longer does he tolerate the coexistence with and within himself of quasi-independent impersonations [decentralized personalities] and he wants to be able to say *I* and *mine* in an unmistakable way.

*With this crystallization of the ego-subject the disintegration of the magic world commences”* (Haas, p. 111; our emphasis). At this juncture, it might be tentatively suggested that Haas’ *magic world*, comprising for example the world of the Celts and of the North Germanic peoples (Haas, p. 98) represents the rural equivalent of the urban civilisations which emerged

from the Neolithical Agrarian revolution in Mesopotamia, Egypt and Crete which represents Jaspers' *mythical world*. Both precede Jaspers *axial age* to which Haas now turns.

*However, Haas does not use the term 'axial age', although his book was published in 1956, seven years after Jaspers' work came out. This is somewhat surprising since Haas, a contemporary of Jaspers – both were born in 1883, Haas in Nuremberg, Jaspers in Oldenburg -, was teaching and doing research at Columbia University in New York from 1943 until his death in 1956. Presumably he knew about Jaspers' book and the term 'axial age', but did not want to mention it since he had discovered the axial age-phenomenon independently of Jaspers, and looked at it differently. In fact, Haas' analysis of axial age is on the basis of structures of the mind, which emerged from the passage of myth and magic to reason and analysis, giving rise to a fundamentally different Weltanschauung in East and West. Jaspers, however, just captures the axial age – phenomenon and focuses on its world historical significance.*

*(Incidentally, 1883 is a crucial year for the intellectual history of the West. Karl Marx died in this year, and William Haas, Karl Jaspers, Maynard Keynes and Joseph Schumpeter were born then.)*

Haas argues, in distinction to Jaspers, that the Eastern mind that emerged from the magic-mythical age was *fundamentally different* from the Western mind that emanated from the same crucible (Jack Goody). This is obviously of paramount importance to one of the fundamental questions dealt with here: Why did the breakthrough to Modernity, above all the Industrial Revolution, take place in the West, due to a specific European way (Michael Mitterauer), in spite of Eastern technological superiority (John Hobson) and superior Chinese political organisation associated with high ethical standards (Konrad Seitz)?

### William Haas: East and West are entirely different

The starting point is the fundamentally changing relationship between subject and object at the moment when the mythical-magical world comes to an end: "The subject, severing itself from the equilibrium of the magic universe [Jaspers' self-evident mythical world] rises above the network of dynamic correspondences. He forms a centre of his own. In shaping and

stabilizing himself he becomes the catalyser of the world. For with the isolation of the subject the formation of the object as an independent entity is necessarily connected. Things begin to assume aspects that are clear and permanent, the dynamic influences give way to neutral forces, and the ubiquitous transmutability of all things ceases to exist. And so the way is open to new world conceptions”(Haas 1956, pp. 111-12). *Achsenzeit* starts.

“These new concepts had to start from a new relation between subject and object. Having disrupted the [magic-mythical] world, which had held him spellbound on the same level as the rest of beings, man now faced the world as the object. At the same time he aspired to supremacy unknown to the magic conception. The relation between subject and object became problematic. It had to be determined anew.

*[The general human condition of the mythical-magical world is perhaps captured best by the Homeric notions of heroism and fate, and, associated with the latter: sadness is our destiny (Baricco 2006, back page); given this, fatalism is, probably, explicitly or implicitly dominating in the mythical-magical world, governing the general human condition. The axial age breakthrough to reason and analysis also involves the attempt of the subject to escape from the determinism of fate to understand what happens to him, in view of eventually becoming master of his destiny.]*

What now unfolds is a dramatic evolution of man’s consciousness [...] concentrated on the separate appearance of subject and object. Once this process was firmly established the new conception obviously would evolve into two great types. Emphasis could be laid on either on the subject or on the object”(Haas 1956, p. 112).

And now the crucial point: “The Western mind fixes the object as the *ob-jectum*, - that which is thrown against the subject – in a word, the opposite. The world surrounding the subject is an objective world. It is independent of the subject. This applies in the first place, but by no means exclusively, to the material world. The immaterial realm of the mind and the spirit obey the same bias, though to varying degrees. The objects of religious thought and worship we conceive to exist independent of man. And so it is with the absolute in most philosophical systems [...]. So from its beginning Western civilization has persisted in enriching both the visible and the invisible world by the uninterrupted discovery and creation of new objects. Nothing could better illustrate what the positing of or fixing the object as the decisive act means to the Western mind than the productive occupation with the world of objects and its recognition as a reality. Such is the main trend of Western experience and thought” (Haas

1956, p. 113). Hence Western man attempts to continue and to complete creation, but along his standards which may not be in line with the standards of nature, that is of Creation. Man becomes the measure of all things, with all the splendours this produces and dangers this implies. In fact, we are faced here with the Faustian – and Promethean - nature of Western man, which exploded, so to speak, in the time-period following up the Industrial Revolution. However, if the creations of Faustian man are not in line with his nature, alienation of some kind comes into being.

“Not so the East’s. The East did not so entirely cut the umbilical cord between subject and object. Unlike the West, the East did not permit the object to evolve into a realm arising independently in front of the subject. Clearly this means that the East despite its severance from the [magic-cum-mythical] world has remained closer to it than the West. To give full precision to this fact it would be preferable in relation to the East not to speak of object at all. For the term object necessarily implies, and with perfect reason in the Western use, the connotation of the opposite *vis-à-vis* to the subject. *What corresponds to the object in the West, in the East is better named – the other* [our emphasis]. This term indicates that whatever be the distance between the subject and the *other* it can never turn into the distinct cleavage which separates subject and object in the West. A certain bond and affinity thus persists between the two embracing equally the grim and the friendlier aspects of world and nature. Hence the calm and serenity, which despite the vicissitudes of fate and the violence of passions – both certainly not inferior to those of the West – permeate the East and tinge the creations of its art and its thought. The closeness of the non-subject to the subject – as we might say in avoidance of all misleading connotations – seems to be a residue of the [magic-mythical] world” (Haas 1956, pp. 113-14). These are crucial passages, which greatly contribute to understanding why the breakthrough to Modernity could have occurred in the West only.

### *Europe: Unity in Variety*

Starting from his central chapter V (The Magic World), Haas now develops the basic ideas just alluded to in the above. Geography serves as illustrative introduction. Europe characterised by “the structural principle of *unity in variety* [as] is expressed in its geographical shape” (Haas 1956, p. 12). Itself a peninsula it devolves in several others and, as such, “it plays lightly on the surface of the sea, inviting its waters. Europe resembles a living

organism whose tentacles stretch out for balance and movement, giving and receiving” (Haas 1956, p. 12).

However, “Asia weighs heavily on the globe. Its huge and compact mass defies the oceans that wash its shores”(p. 12). “The radiation of the great Asiatic civilizations cannot be compared with the cultural conquest of the whole European continent by Greece and Rome. Chinese civilization spread only Japan, Korea and to some extent to the countries of the South-East. The influence of India, which was mainly of a religious character, was limited to China [and] and South-East Asia. And the wide flow of Persian civilization to the Near East [and to India] did not transcend the religious, philosophical, literary, and artistic spheres” (Haas 1956, p. 13).

Geography provides the “raw material by which [a] civilisation can realize itself”(pp. 13-14). “Whatever may have been the Eastern influence accompanying the birth of Greek culture the Greek genius penetrated and assimilated it.

*[In fact, as has been already suggested, Middle Eastern influence on Greece must have been considerable, as, for example, Bernal 1987 and 1991 and Burkert 2003 both emphasise. Having had the opportunity to start anew around 800 B.C, the Greeks made creative use of these Middle Eastern elements to build their systems of natural philosophy and of philosophy in general.]*

*[Indeed, Haas goes on to say, in] using foreign elements as stimulants [...] the Greeks created their own world. And this was the matrix of western civilization [our emphasis]. Then the Greek spark sprang over to cognate Rome. Henceforth, this classic culture shaped the body of medieval civilization, Rome giving to the Church its visible organization and Greek philosophical thought permeating the structure of its dogma. Europe, thus integrated by westernised Christianity, at last proceeded to the scientific and technical stage, which was based on the secularisation of the medieval world conception and conditioned by the interest of the Greeks in science, biology, and medicine” (Haas 1956, p. 14). It “is to this origin that Western civilization throughout all change owes its coherence and congruity. This life-stream, springing from this one source and widening and increasing its momentum throughout the course of history, flowed far out to the delta of the various national cultures. This is the reason why there is in all European movements, intellectual, spiritual, economic or political, and wherever they may originate, an irresistible trend to extend to the Europe of their time and later to embrace the whole continent”(Haas 1956, pp. 14-15).*



“A special relation to time corresponds to this form of expansion in space. [In fact,] in the development of Occidental civilization, time has a function, which is totally distinct from that which prevails in the East.

In the Orient time is but a formal and extraneous condition to the unfolding of civilization. In the Occident, [however,] time is one of civilisation’s great determining elements” (p. 15). The reason is that time is related to evolution. “Genuine evolution is unity in variety perceived in the sequences of time [in the context of this essay *change – progress and decline* - might be more appropriate than *evolution*]. This is why a civilisation founded on such a structure possesses an essential relationship to time and confers upon it a particular mode, that of evolutionary as opposed to flowing time. [In broad analogy, with a human organism evolving through] “distinct periods – childhood, adolescence, maturity and old age – so an evolutionary civilization passes through different stages [which] are closely interrelated because, like the parts of an organism, they do not function in terms of one another, but rather in terms of and for the purpose of the whole [which makes the structure of Occidental civilization a unity]”(Haas 1956, pp. 16-17).

*It is very important to note that civilization seen in analogy to an organism is but a broad analogy, a framework to capture complex and interrelated causation on the level of ideas, which leaves the individual entirely intact. In fact, the individual becomes a social individual being shaped by society and civilisation.*

Indeed, the “attempt to cultivate the individual marked the beginning of Western civilization. It was the great achievement of Greece to mould the body, the soul and the mind of man into a unified whole. To do this, the Greeks considered everything in theory and practice as being relative to man. Hence, their self-imposed limitations. They rejected extremes and in all those fields of knowledge where they laid the foundations, they kept within certain bounds” (Haas 1956, p. 17).

Given this Greek basis, Haas insists on the fact that “Western history is [essentially] evolutionary history”(p. 19), each stage possessing a clearly discernable objective: Rome, the Middle Ages, the movement towards Modernity. There are fascinating passages giving hints why the passage to Modernity could only have happened in the West at a particular epoch. For example: “In the perfecting of the personality of man the Greeks sought to achieve a balance of all of its parts and the complete harmony of each part with the others”(Haas 1956, p. 20). Given this, *the “Greeks sensed the tremendous danger to which the Promethean goal*

*of a science of nature could expose man and his development* [our emphasis]. Dominated by measure and the idea of harmonious limitation, their great minds were aware of man's tendency towards the infinite, the limitless, and they foresaw the perils of excess latent in a science of nature pursued for its own sake" (p. 23).

In this context, the opposition between the "philosophy of discovery" and the "philosophy of construction" (p. 31) becomes of *paramount* importance since it points to the dangers of Western evolution. Haas opens the argument with a fascinating statement: "The spirit of modern science must be understood as the secularisation of the spirit of the Middle Ages with nature and the conception of nature taking the place of God and the conception of God.

At the outset the conception of nature as the sum total of eternal and mathematically demonstrable laws harmonized with the idea of God. These laws were believed to express God's greatness as Creator. In this new idea of nature and in man's relationship to it essential attributes of the Divine as well as man's religious attitude came to be secularised" (Haas 1956, pp. 30-31). This implied, in fact, a separation of philosophy from theology. However, there was still an "an unconditional devotion to scientific truth for its own sake, quite disassociated from any thought of its practical application, and from the lack of any egocentric motive.

The modern science of nature started [from a vision of nature] as a cosmos, a harmonious entity determined by perennial mathematical laws. This attempt to organize nature, to mould its phenomena so as to constitute unity in variety, assumed two major aspects, [...] the philosophy of discovery and the philosophy of construction" (Haas 1956, p. 31). "As the sky yielded its secrets, the initiators of modern science stood in deep humility before the momentous yet simple laws according to which God built and ruled the universe. Fully conscious of the revolutionary importance of their insight, they felt themselves to be the discoverers of truth eternal and divine. They were convinced that thenceforth one discovery after another would unfold before their eyes and they felt bound by these imperishable and unchangeable laws which they had discovered" (p. 31).

"In time, this view came to be contested and it was finally replaced by the conception of scientific thought, far from seizing and comprehending things as they are, constitutes on the contrary [a] system of signs and symbols, consistent in itself and therefore infinitely applicable. Hence, it was a [Kantian!] network flung over the necessarily unknowable reality" (Haas 1956, p. 31). Science ceases to be discovery, implying that science had divorced from metaphysics. "[Discovery became] invention and construction. So long as man had felt and acted as the discoverer of nature and its laws, he was in an objectively real world, God-

created and permeated by divinity. And he knew himself to be limited by the eternal order of things. However, as soon as he thought of his effort as a spontaneous constructive activity, he was freed of his bonds. While he lost faith in objective truth and while he might even deny such an idea any meaning, he could now claim sovereignty over his own mind, and be proud to impose the rules he invented on the phenomenon of the world. Here started the great adventure of the Western mind in its latest stage. The infinity of his task is apparent and so its correlate – the mind that conceives of itself as unbounded and absolutely free from authority” (Haas 1956, pp. 31-32).

Resistance against invention and construction, above all for military purposes, was strong, not only in Greece, but in Europe in the 15th and 16th and in the first half of the seventeenth century. This point is beautifully argued by John Nef in his *Western Civilization since the Renaissance* (1963/1950). Indeed, chapter 6 of part one (p. 113-33) is on Restraints on War, material and *intellectual*. He starts by mentioning that “Leonardo da Vinci’s lack of enthusiasm for the development of weapons [was proverbial. It is said that he] refused to give the world knowledge of his destroying engines. [For example, when] he wrote of an underwater boat, he remarked, ‘This I do not divulge, on account of the evil nature of man, who would practice assassinations at the bottom of the seas by breaking the ships in their lowest parts and sinking them together with the crews who are in them’” (Nef 1963, p. 118). John Napier had the same attitude towards engines of destruction, which had conceived and developed; he refused to disclose them (p. 122). “[This is] revealing of an attitude then prevalent and influential. There are some who still hold this attitude in the twentieth century, but it has almost ceased to influence history. The scientists who made the atomic bomb for the United States Government confined themselves to telling the government not to use it. Napier’s conception of his responsibilities had behind the weight of the classical Greek tradition” (Nef 1963, p. 123), which confirms Haas’ statement on the ancient Greek restraint on invention and construction. Nef mentions that René Descartes and Francis Bacon had the same attitude and concludes: “[The] prejudice against revealing the secrets of death-dealing engines was bound up with the closely related prejudice that wisdom was more important than knowledge, that knowledge could be properly employed only for higher ends than the material and the practical” (Nef 1963, p. 125). This is a statement of paramount importance, valid today more than ever, for it states that science without ethics is *alienated* science. In this essay it is implied that a wisdom-guided science is possible only if *a natural order is created within and between states*, and, within a natural political order, the economy, science and technology would emerge as *means, not as ends*, as seems to be the case presently (see the

corresponding sections below). In an alienated world, dominated by power and self-interest, sciences will remain alienated too, fostering social and political power and unbounded economic-cum- monetary gain.

This is the moment to recall the starting sections of the introductory part, *Some remarks on method* and *Human mind an the acquisition of knowledge* to appreciate the immense methodological performance of Maynard Keynes whose aim was to *reconcile* metaphysics and science on the basis of intuition, producing insight and understanding, Keynes's first form of knowledge (see on this Bortis 1997, chapters 2 and 7, and Bortis 2003a). In fact, Keynes, like Haas, was aware of the danger associated with the divorce of science and metaphysics that has occurred in the West. Hence, Keynes is not only of paramount importance for the conception of a new, comprehensively humanist, economic and political world order, but also for the kind of natural and social science to be practised in the future.

Moreover, Haas' brilliant argument may be linked to the sequence of events in Europe sketched above. Science, to be sure, brought about immense material progress; however, the benefits accruing are very unevenly distributed among the various countries and regions. Moreover, science has also been put into service of political power, to enhance military strength, in the process of formation of the European nation states. Subsequently, science has entered into the service of the national economies, and continued to serve political power, the result being a Galbraithian 'military-industrial complex', characteristic, first, for the Western countries, then subsequently, moving to other parts of the Globe. Presently, grave problems arise, for instance, with biological weapons and with genetic technology.

There are other problems arising. How to manage the immensely complex monetary production economies that emerged from the Industrial Revolution, and the very uneven development of which has resulted in tremendous inequalities, massive involuntary unemployment worldwide, widespread misery, with all its social and political consequences, including terrorism? (Of course, *terrorism* as is based upon the actions of a small and very well organised group of people, is entirely different from *popular upheavals*, which are broadly based and, as a rule, in part spontaneous.)

*General, non-nationalist, terrorism of the Al Qaida type, for example, is indeed directed against the presently prevailing socio-economic and political system of aggressive globalised capitalism and the immense injustice created by this system. This point is convincingly argued by Roy (2007).*

And will the world economy, given the absence of self-regulation, be able to cope in terms of employment with large emerging countries like China, India, Russia and Brazil. Supply will increase dramatically and world effective demand may be stagnating or increasing but slowly. All this should make Eurocentrics much more modest. Liberalism-Capitalism and centrally planned Socialism do not seem to be the appropriate answers to master the powerful forces that have been unleashed by the Industrial Revolution. A new answer will have to be found, which, in our view, can only be Keynes's *Social Liberalism* (comprehensively set forth in Bortis 1997/2006 and 2003a). This issue will be taken up below.

Haas is perfectly aware of the problems connected with the final result of the specific evolution, Faustian in the last stage, of the West as had emerged out of the magic-mythical age, the common basis of East and West. "No one who is not blinded by the prodigious progress of science and technique can ignore the danger, unprecedented in history, which is concealed in the illimitability of this venture. For it diverts men's thought, will and emotion and *estranges* [our emphasis] them from their *natural* [our emphasis] and adequate aims, subjugating them narrowed and distorted to its own purpose. Faced with this imminent threat of impoverishment of the Western mind and the perversion of its civilization, it becomes increasingly important to ask what would balance and canalise this scientific process so as to make it serve man as a whole and assume its due and beneficent place in the world. There are those who would reinstate Greek and humanistic ideas as the leading forces in our educational system. There are others who believe in a revival of Christianity. Both seem unaware that the formation of personality and the structuralization of the supernatural as well are sovereign ideals that belong to the past. The time of their uncontested ascendancy in Western civilization is over"(Haas 1956, pp. 33-34).

There are reasons to be less pessimistic on this. Given the invariable human nature, man will, as a rule, react in similar ways to specific deviations from nature, alienation to wit. Hence, Renaissance phenomena are not likely to be unique; for example, Nikolaj Berdjajew, in the face of the First World War and the Russian Revolution, thought of establishing a New Middle Ages to master the complexities of our age. Jacques Maritain goes in the same direction in his *Humanisme Intégral* in which he proposes a *New Christianity*, no longer essentially sacred as in the Middle Ages, but secular, that is, present everywhere in the world. The sacred would of course continue to provide the foundations of the secular.

In any case, technical progress may become true progress only if technology in the widest sense, including information technology for example, is considered a means to reach individual and social ends, material and cultural, in line with human nature, with alienation

largely eliminated. We shall briefly come back on this. But now, the Western “evolutionary process [as] is based and upheld by that one structure: unity in variety, as mirrored in an organism. Against this background the Oriental mind and civilization must now be presented and understood”(Haas 1956, p. 35).

### *Asia: Juxtaposition and Identity*

“The physical features of that part of Asia which gave rise to Eastern civilization [China, India, Japan, Persia] reflect the architectural plan of the East in the same way that European geography expresses the structure of European civilization. [In Asia separation through mountains, deserts and oceans dominates.] Albeit these natural barriers are not prohibitive, they have seriously obstructed land communication on a large scale between these cultural zones. For a sea route never compensates for the lack of conventional land communications” (Haas 1956, p. 36). Significantly, Michael Edwardes opens thus his *History of India – Geschichte Indiens*: “The history of India is fundamentally the history of the Hindu People, and her religion and her social organisation through castes brought about a steadiness in development, not to be found elsewhere. All historical events took place in an almost entirely closed world. Hindu society in its exclusiveness and its intricate structure resisted not only all the conquests and struggles, but was even strengthened by these upheavals. This remarkable stability had its foundation in religious faith from which Indian society gained her strength. However, such a social organisation did not produce a sense of unity within the Indian people, but brought about seclusion only’ (Edwardes 1961, p. 13; a.tr.).

As a consequence, no “universal and perennial interchange of culture ever existed between these four regions [China, India, Japan, Persia]” (Haas 1956, p. 36). “In the East there is neither a natural and continuous interpenetration of the national cultures nor a collaboration in their achievement of common objectives, nor their combination into a single evolutionary process. [...] They stand side by side in juxtaposition to the others” (p. 37).

“*Juxtaposition and identity* – this is the structure of the Eastern mind and civilization as contrasted with the *unity in variety* which is the characteristic structural principle of the West. Juxtaposition implies the positing of data – thoughts, emotions, attitudes, institutions, and the like – which data the Eastern mind feels no need to interrelate in order to establish a unit or an order. This capacity that the East has for leaving the data insulated and accepting them as such is evident from the way the Eastern mind deals with contradictions. Far from wanting to dissolve them, to bridge them by interpolating links, or to subordinate them to superior data as

the West always strives to do, the East seems to a high degree unaware of or at the least indifferent to the clash of the contraries. The single may be left single, multiplicity and variety may subsist, and pairs of opposites may remain untouched.

However, when it is felt necessary to free the solitary from its isolation, to do away with all the multiplicity and above all to overcome contradictions and the pairs of opposites, then the instrumental category applied by the East is identity. The East is the virtuoso of identification. [Necessarily the] clear separation implied by juxtaposition excludes compromise and transition. Thus identification necessarily emerges as the sole and radical means of establishing unity [between subject and object]" (Haas 1956, p. 55).

Thus, in the East man has remained nearer to the natural and considers this as unchangeable. The invariable Confucian order in China and the immovable caste system in India as emerged during or at the end of *Achsenzeit* are striking instances. In a similar vein, a Russian writer, Fedor Stepun, once said that in Russia landscape shapes man, while in the West man shapes landscape. On a higher level the latter is confirmed by the famous Greek maxim: Man is the measure of all things. This is totally opposed to the traditional Russian who would humbly and stoically accept his fate, forged, precisely, by the immensity of the landscape, which to shape would be a hopeless undertaking.

### *East and West*

In subsequent chapters Haas elaborates and deepens the basic proposition *Unity in Variety in the West* and *Juxtaposition and Identity in the East*. First, regarding society and the state, Haas remarks that the "man of the East accepts his social conditions and the established political form as natural and unalterable in principle. They are gifts from above and a liability" (Haas 1956, p. 57). "To the West, Eastern civilization appears conservative and stagnant. This is a rash and superficial judgement. It stems from a blind transference of Western standards, and an incapacity or unwillingness to admit of the Eastern form of mind and existence. In Eastern civilization there is inherent a power that is no less remarkable and efficient than that of the West because it operates in a subtler and less conspicuous manner. The East's reservoir of forces constitutes a concentration of intense power which is at variance with the West's power which moves by extension and the distribution of energy" (Haas 1956, pp. 57-58). Two important points are implied here. First, "Eastern man will adhere with pious fidelity and intensity to and persevere in whatever he creates in the material and immaterial sphere including the idea he has of himself. The Westerner, on the other hand,

will at any given moment take his stand intellectually and emotionally outside his creations and in so doing he prepares the way for replacing them by others” (Haas 1956, p. 58). And second, the “East strove for improvement within the framework of existing institutions. Rarely was there thought of turning against the values of tradition. While in the East discontentment in many cases was appeased by the correction and reform of actual conditions, Greece, and the West in general, did not refrain from radical measures. The overthrow of traditional institutions was always accompanied by elaborate ideologies. Since the time of the great social and economic reform of Solon social revolution marked the domestic history of Athens and the West” (Haas 1956, p. 66).

These passages and, in fact, Haas’s entire book, greatly contribute to understanding why an industrial revolution never could have taken place in Asia in general, or in China in particular. In China, technology was there, not the effective outside demand required. However, one may infer from Haas, that even if outside demand had been very strong, an industrial revolution would have been extremely unlikely. The Eastern mind and its ethical and political realisations would have constituted an *unsuperable* obstacle. Basically, this seems to join, to a large extent, the views of Joseph Needham, Jack Goody and Konrad Seitz.

In chapter V Haas sketches how the two structures of civilization, ‘unity in variety’ in the West versus ‘juxtaposition and identity’ in the East, came into being, and the subsequent chapters he sets out important implications of this structures. We cannot but provide a few hints at Haas’s fascinating account here. In chapter VI ‘Wonder versus Awe’ Haas elucidates “the manner in which these structures appeared, and how their appearance illumined, as if by magic, the atmospheres of the civilizations of the East and of the West” (Haas 1956, p. 121). In fact, Haas sketches here what happened in East and West during Jaspers’ *Achsenzeit*. The West is characterised by Plato who “declared wonder to be the beginning of philosophy, [voicing thus] a psychological fact pertaining not only to the Greek mind but to that of the West as a whole. In the psychology of wonder not only is there a clear separation between man in his wondering and the object of his wonder but his state of wonder lacks the elements of fear and dread” (p. 123). Man is the measure of all things! He dominates and shapes the objects.

However, in the East “it was the experience of awe which roused men from myth and traditional religious belief to the adventure of a great civilization. Awe – a state of solemn dread and arrestive veneration – unites man with the cause of his awe [which exerts a restraining influence on the Eastern mind]” (Haas 1956, p. 124). “What makes this state of



awe so prodigious a phenomenon is the immanent homogeneousness of man with the cause of awe, combined with that solicitation to follow it to the end.

While nowhere as clearly defined as in the identity of the individual soul with the absolute Brahman [it] is inherent in the conception of Tao [as it is in classic Confucianism where] the idea of human society and man himself, far from being rationalistic, was permeated with that sense of awe [...]” (Haas 1956, p. 125).

“Such were the contrasting atmospheres which heralded the emergence of the structures in West and East. These structures themselves made their appearance in phenomena of the highest spiritual and intellectual order” (p. 126). Haas then goes on to substantiate this proposition in the following chapters, which clearly demonstrate that there is no room for – normative - Eurocentrism. As suggested in the introductory section, East and the West are different but, nevertheless, stand on an equal footing. And, it will be suggested, that this fundamental cultural diversity must be preserved if there is to a fruitful exchange between civilisations. It is indeed through diversity only that higher levels of civilisation may be achieved through unfolding the potential of human nature, which, in turn is effected through social activities in all spheres, leading up to mutual enrichment.

Here just one point to hint at the potential of interchange between civilisations, which has started with the interchange between Greece and the Middle East at the outset of the first Millennium B.C. (Burkert 2003). Haas states at the outset of his seventh chapter: “[An open-minded approach to Eastern philosophy reveals that the term philosophy is actually *inapplicable* [our emphasis] – that it serves to obscure and to falsify the spirit of Eastern thought. [...] As conceived by the Greeks this love of wisdom included everything worth knowing, not merely as accumulated material, but organized according to value and significance. Thus philosophy, all encompassing and relying on metaphysics – the first philosophy – assigned to each field of knowledge its place, the categories constituting its object and likewise its method of procedure. [There is] the deep conviction that all wisdom, from the supreme to the lesser order, is, and it must be, expressible in concepts. Wisdom at any level is based on and is contained in conceptual thought, and its existence depends on the clarity of its formulations.

The East does not share this conviction. Discarding the multiplicity of objects and the fields of knowledge, ignoring to the utmost possible degree the concept as the vehicle of philosophic thought, the East attempts to establish immediate contact with the Real. This communication and what derives from it is, to the man of the East, - wisdom. Thus the Eastern mind is not concerned with love of wisdom in the Western sense, but with the love of

reality or essence” (Haas, pp. 133-34). These momentous statements would seem to suggest that in the *East the vision and intuition* interact to produce deeper insight, whilst in the *West reason and analysis* are put to the fore. This has been suggested in the introductory section, and Helmuth von Glasenapp (1974) broadly confirms this view in the final lines of his book on Indian philosophy. The broad significance of this crucial statement becomes also apparent from our introductory chapter, *Setting the Stage*.

In any case, Haas entire book is a very strong case against – normative -Eurocentrism. East and West are different, but on an equal, footing, having emerged from a same common base (Goody 1996, p. 226). The remarks just made on the entirely different approach to obtaining knowledge put to use in East and West also suggest that both civilisations are complementary as is expressed in the well-known dictum: *Ex oriente lux, ex occidente lex*. The East provides ideas and insight, the West takes them up and orders and elaborates. On the level of mind and intellect, this seems to be the message of Jack Goody’s *The East in the West* (Goody 1996) and of J.J. Clarke’s *Oriental Enlightenment* (Clarke 1997), on the technical-economic level Hobson (2004).

### *Institutions in East and West*

We conclude the presentation of Haas’ book by some highly interesting and most important statements he makes on individuals and institutions (Haas 1956, chapter IV, pp. 79-95). These are directly linked to the different philosophical approaches in East and West just alluded to. First, Haas’s argument is presented, and, subsequently, evaluated and put into a wider context.

Haas begins by stating that the “creation of the *polis* was the decisive step taken by the West toward a high level of civilization. The *polis* was a unique creation. [...] With the establishment of the polis, the Greeks, socially and politically, left the shelter of the natural for a power other than instinctive. The *polis* was the product of the rational in man”(Haas, p. 79). In terms of what has been said in *Setting the stage*, in ‘inventing’ the *polis*, the Greeks started to *unfold the social potential contained in human nature through applying the powers of reason to the sphere of the social and, above all, to the realm of the political*. The aim was the enhance the Common Good, that is the good and happy life of the social individuals on a socio-economic basis within society, through mutual enrichment in the social and cultural spheres in the main.

*In terms of Catholic Social Doctrine the social individuals become persons, precisely through social activities in all domains of life, that is, the social individuals are made richer spiritually, intellectually and materially through society. This, of course, implies that society is much more than the sum of the individuals composing it.*

The *polis* was an act of deliberate creation in the fields of the social and political, with the – implicit – aim of reaching higher levels of the social than was possible through the natural – in the sense of original – social institutions, the large family and the clan, to give examples. And unfolding the potential inherent in human nature implies reaching higher levels of civilisation through social activities, which cannot but take place than in the *polis*.

“The polis gave to the Greeks their feeling of superiority over other nations, whatever the endowments of those nations or their merits in other fields. The Greeks recognised the power and splendour of the Persian Empire and they appreciated the qualities and cultural achievements of the Persian people, but they could not forget that they lived under a despots rule [here, one aspect of Eurocentrism emerges!]. In the eyes of the Greeks, the polis had a very concrete and ever present shape. It was evident in the *agora*, the market place of the city where the temples of the gods stood beside the government and public buildings, in the theatre and the gymnasium and everywhere that *free citizens* discussed and treated the affairs of the [*souvereign*] city state” (Haas, p. 80, our emphases). Here, we probably have the fundamental origin of Eurocentrism. The sovereign city-state with self-government of free citizen is, of course, the ideal, which even if approximately, realised in parts of Greece, Athens around 500 B.C. for instance, rested on slavery – the citizens, again ideally, should be active in the political and cultural domains and live on the surplus produced by slaves and non-citizen artisans. Moreover, Thomas Aquinas, who carried on Aristoteles’ political theory, declared, significantly, monarchy the best form of government, as did François Quesnay in the 18th century. In fact, both realised that governing was too complex an activity to be self-government.

Both, Thomas Aquinas and François Quesnay, heralded the idea that the government – responsible to the parliament and hence to the people – must stand above partial and party interests to bring about a socially appropriate institutional set-up such that the social individuals may enjoy a maximum scope of freedom and, on the basis of this, may prosper, that is unfold their individual *and social* potential. Governing is therefore *governing for the people* on the basis of strong social and political theory grounded on a vision of man and of

society. This is, in fact, the basic idea of political philosophy underlying Keynes's *Social Liberalism* set out in Bortis (1997/2006).

In fact, the ideal – self-government of free citizens in the sovereign city-state - rarely worked in a closed and self-sufficient polity. The material basis for a democratic society, made up of free citizens, had, as a rule, to be secured through aggressive trade policies, frequently accompanied by expansion and imperialism. Indeed, Michael Rostovtsev points to the aggressive and expansive character of the Athenian democracy, above all regarding foreign trade, which led to a destructive war with Sparta, the Peloponnesian War to wit, with the Greek world ending up in Alexander's Hellenistic Empire (Rostovtsev 1941, ch. 19). Similarly, the Roman Republic reached her *apogee* around 200 B.C., in fact, between 264 to 146 B.C, when she remained victorious against Carthage, to end up in a terrible civil war, resulting in the foundation of the Roman Empire through Caesar and Augustus. And, a period of prosperity of about 200 years was followed by a long agony and, finally, the collapse of the Empire by the end of the fifth century (Rostovtsev 1931). To complete the picture one might add that the preparation to the breakthrough to Modernity, in principle, to free and competitive markets and representative democracy, and the effect of the breakthrough, in the course of *second axial age* (roughly 800 – 2000 A.C.), was a period of intense conflicts, Colonialism and Imperialism, culminating in the two World Wars, destroying European pre-eminence in the world. However, in a way similar to the Peloponnesian War resulting in the triumph of Greek ideas, the two World Wars, initiating and ending the Apocalyptic Age, may herald an epoch of domination of European socio-economic and political ideas, summarised by Keynes's *Social Liberalism*. Hence, similarly to ancient Greece, post Apocalyptic Age Europe might exercise, not political and military, but intellectual and spiritual influence, in the domain of the social and political sciences in the main.

*In fact, self-government may work properly only in relatively simple agrarian-cum-trade conditions or, in complex modern situations, if economic conditions are favourable, most importantly if employment levels are high and income distribution not too unequal. However, in modern capitalist societies, there is an almost inevitable tendency of the economy dominating the state, which has to support the economy in view of securing a strong position on the world markets, the central reason being that modern monetary production economies are not self-regulating. Given this, modern capitalism is necessarily conflict-ridden. In principle, self-government could work durably only if the economy were self-regulating. This liberal postulate underlies, in fact, the associated concepts of free markets and democracy.*

*Now, if capitalist market economies are not self-regulating then socio-economic conditions of the individual countries and regions will crucially depend upon their position upon the world markets. Successful exporters of high quality industrial goods and services with large value added will, as a rule, enjoy high employment levels and favourable socio-economic conditions, and vice versa. Subsequent to increasing unemployment levels, the socio-economic situation may durably worsen: there will be a tendency to more inequality in income distribution, an erosion of the middle classes may set in and crime and violence may increase. Given this, there will be a tendency towards a strong law-and-order government. In particularly dramatic socio-economic conditions, there may even be a tendency towards Fascism and totalitarian government. The 1920s and 1930s are an evident case in point. The Marxist theory that Fascism is a consequence of the internal contradiction of aggressive capitalism, based upon the external employment mechanism is certainly not entirely mistaken. In analogy, peaceful and humanist Socialism, as was probably developing in the Soviet Union in the 1920s, when the New Economic Policy (NEP) was pursued, changed into ferocious totalitarian Socialism once the struggle for survival between Capitalism and Socialism set in. Given this, aggressive Capitalism inevitably produces conflicts situations and strong governments, either on account of struggles between capitalist competitors, or else through a struggle against an alternative system. Hence, Keynes's Social Liberalism, based on Maritain's Humanisme Intégral and associated to Classical-Keynesian Political Economy is, as will be argued repeatedly, the only way out.*

Nevertheless, the Greeks related the problem of unfolding the social potential contained in human nature to the impetus provided by a new start, the *first* for Greece and Europe, that is, first *axial age*. In fact, we have already mentioned the next great attempt to systematically develop the potential set in human nature was made by the Carolingian Empire, which constituted the *second new start* for Europe, leading Europe, and subsequently the entire world, on the track to Modernity (Mitterauer).

Haas now goes on to consider the East: "Acting with greater caution and inspired by circumspect wisdom, the East kept man within his natural bonds. Even when the speculative flights of the Eastern mind seem to carry it an infinite distance from the natural, its social and political institutions remained close to the natural" (Haas 1956, p. 81). "Power and its adequate realization through autocracy were therefore recognized by East as the inevitable basis of political life and its abandonment would have resulted in chaos" (p. 86). "The unique exclusiveness of absolute monarchy in the East is so momentous a phenomenon that viewed

in its true light it cannot but conform the difference in structure between the two civilisations” (pp. 89-90). Regarding China, as Seitz points out, this form of government resulted from the great discussion on forms of society that took place during *Achsenzeit*, which resulted in a society based on Confucian ethics (see above, *Konrad Seitz: The Sequence of Events in China*). Haas generalizes: “According to the Eastern conception, what is inborn in man is an ethical endowment and a desire for salvation, there being an immediate way which leads from the natural and to salvation. Tradition and custom in the East occupy the same place in the social and political spheres as do those conditions and theories so freely created by reason in the West”(Haas 1956, p. 82).

Now, we come to the crucial remarks Haas makes on *institutions*: “Western man believes in man-made institutions. Not content, as the Easterner is, to receive from nature the forms of political life in the hope of filling them with a richer meaning, he puts his confidence in the forms he has himself created. [Western man when] faced with the discrepancy between the institution he has created and the idea from which it sprang, again and again is thrown back on his own mind in search of another idea, which promises to succeed where its predecessors failed. Yet his confidence in institutions remains unshaken throughout history. [...] Western man, therefore, almost since the beginning of civilized history, has for twenty-five centuries sought with untiring zeal to discover the perfect form of society and state” (Haas 1956, pp. 87-88).

*One fundamental aspect of this endeavour, perhaps not emphasized enough by Haas, is that social institutions should improve society and the state in an impersonal way, i.e. independently of the persons who act within institutions. The rule of the law, which holds for all individuals, or the establishment of scientific theories, which become objective and independent of the individual scientist are obvious examples. In fact, impersonal institutions are there to realise fundamental socio-political values: for example, equality before the law, with the influence of the personal element to be eliminated as far as is possible for human beings; render possible the best possible occupation of positions in the government or in the civil service through preventing these positions from becoming hereditary. All this is not to deny the crucial importance of the individuals working in the various institutions: ideally, they ought to act in the spirit of the institution so as to enhance the Common Good. This the Greeks attempted with their constitutions. Ideally, the basic problem of politics is to set up an institutional framework such that the social individuals may prosper, and this implies*

*enjoying a maximum degree of freedom (Bortis 1997). This theme will be taken up in the next section.*

“Eastern man, on the other hand, has never shared this faith in institutions, but has put his trust, without too many illusions, in man himself. Guided by an *intuitive* [our emphasis] knowledge, he hesitated to entrust his fate to so questionable an instrument as the autonomous concept, anticipating perhaps the dangers inherent in that device. [...] This seemingly negative attitude, however, is not all renunciation. It contains an insight into the futility of exchanging one form of government for another, and a belief that it is better to retain monarchy in the hope of raising the standard of rulers. Here, *the basic idea is that it is man himself which must be improved, not his institutions* [our emphasis]. Every form of society and government is good if man be good. And since it is vain to expect improvement through institutions, one must be content with the natural and traditional forms, man himself being the sole worthy object of reform” (Haas 1956, p. 88). China has, as Konrad Seitz points out, perhaps best realised this idea. Indeed, her Emperors had to reach the highest ethical standards, in order that the moral level of civil servants and citizens could be raised.

Finally, Haas points to the danger of the Western way of proceeding: “We in the West cannot be too often reminded that the accumulation of institutions, organisations and regulations distracts attention from man himself and that to live in a world dominated by institutions must in the long degrade him to the state of an unfree and irresponsible being. This is a dangerous process as with the growth of institutions man tends to lose sight of what is actually happening to him”(Haas, p. 49).

Indeed, the institutional system, *if not in line with human nature*, may lead to *alienation* of man and society from their natural state in which man would flourish, i.e. unfold his dispositions and broaden his capacities. There may be too much regulation of behaviour through various parts of government administration developing a life of their own, resulting in an ever-growing bureaucracy. Or, if alienation on the level of individuals becomes extreme, a one-dimensional, profit- and utility maximising man may come into existence, living in soulless law-and-order state. If, moreover, system-caused alienation, linked with involuntary unemployment, crushes the individuals, poverty and even misery may reduce man to a pure survival machine.

It is even possible that the system becomes uncontrollable as happened in the early 1930s when the National Socialist party, insignificant in the 1920s, saw its strength grow alongside with increasing unemployment, which reached peaks of more than thirty percent of the work

force in 1932. Social unrest and sheer despair swept Hitler into power, and the ensuing catastrophes were predetermined.

It is also significant to compare Chinese political stability, based on Confucian ethics, from the end of *Achsenzeit*, when the Han Dynasty came into being (220 B.C.) until the beginning of 19th century when Western interference set in, with politically unstable Europe, shaped by wars, starting with the Peloponnesian War at the end of the fifth century B.C. and culminating in two World Wars in the 20th century.

In any case, the issue on institutions raised by Haas is of overwhelming importance; this problem of institutions can only be somewhat more profoundly grasped if put in a wider context, based on some suggestions already made.

### *Institutions in a wider context*

Based on Gellner (1988) and Hodgson (1993), it has been pointed out in the section on *the structure of human history* above that, basically, only two great transformations in the mode of production have occurred in human history. The first was the Neolithic Revolution (around 6000 B.C.), that is, the *Agrarian Revolution*, the second was the *Industrial Revolution*, which came into being in England in the last decades of the 18th century.

The *agrarian age* thus lasted for about eight thousand years, covering thus the still dimly conscious Goody/Haas/Jaspers magical-mythical age of the old civilisations. This era was followed by Jaspers' *Achsenzeit* (800 to 200 B.C.) in which, as Haas suggests, the mind in East and West separated to give rise to differing developments in *post axial age* (200 B.C. to 1800 A.C.). In both eras the Middle East acted as a mediator between orient and occident, as is, for example, evident from Burkert (2003) for *axial age* and from Hobson (2004) for *post axial age*. The differences between East and West showed up not only on the level of the mind, but also in the political sphere, to give an additional example. In the East Confucian China (220 B.C. to 1800, formally until 1911 A.C.) features prominently as a monument of stability where *being* (Sein) dominates (*juxtaposition and identity*, according to Haas), as is masterfully pictured in Seitz; in the West, as Haas points out, *becoming* (Werden), change dominates the picture (*unity in variety* – Haas); every 500 years, approximately, fundamental changes seemed to take place: from Greece, flourishing around 500 B.C. to Rome, the foundation of the Empire at the outset of the Christian era, her decline and collapse by the end of the fifth century, followed by a period of troubles (500-1000), enlightened by the remarkable construction of the Carolingian Empire which set the stage for modern Europe



(Barbero 2004, Mitterauer 2003) around 800, from 1000 onwards the High Middle Ages, its crisis, Humanism and Renaissance (around 1500) which definitely prepared the second Great Transformation (Polanyi) of Humanity, the Industrial Revolution in Britain, associated to the Great Political Revolution in France. At present, around 2000, that is, 500 years after the gradual emergence of the Modern World from 1500 onwards, the West, and this time, the whole of Humanity, is, perhaps, again at a turning point. Fundamental institutional changes seem required to meet the tremendous challenges of poverty and misery, involuntary unemployment associated with a very unequal income distribution, and of rendering the world production system reproducible; this implies the issue of sustainable world development on the background of climate changes, possibly accompanied by food and water shortages. Moreover, the question of the world monetary, economic, and political order will have to be asked. Should Globalisation and the associated reduction of the role of nations and states, go on unabashed, or, is a new political organisation of the world required, with the nation and nationalities states gaining in importance, and with the World Family of Nation and Nationalities States eventually to be structured through Historical-Geographical Federations? In the subsequent chapters, these issues will be sketchily dealt with.

*It has already been suggested that the Russian intervention in Georgia in August 2008, and the political and military helplessness of the West in the face of this event, could signify a turning of the tide in East-West power relations. The West has increasingly dominated the world in the last 500 years. Now, this Western domination is, eventually, gradually coming to an end, and an Eastern, Asian-Russian period of world domination is, perhaps, about to begin.*

*However, this is in no way the beginning of the end of Western influence on world affairs, specifically of European influence. Quite the contrary, there could be yet another new start for Europe, the Laboratory of World History. Indeed, looking back briefly, the Peloponnesian World destroyed the Greek political world; however, through the Empire of Alexander the Great and the Roman Empire, Greek ideas spread all over the West and deeply into the East. Similarly, the breakdown of the Roman Empire in East and West brought about Christian Europe, Catholic, Protestant, and Orthodox. And finally, the two World Wars resulted in the end of European political domination in the world. However, as has already been suggested, European social, political and educational ideas could, eventually, rise to world significance presently. Indeed, Europe has, on account of her intellectual and political history, ideal*

*preconditions to become a model for the social and political organisation of a new world, in line with Keynes's Social Liberalism, and its wider implications.*

These brief considerations allow us to put Haas's remarks on individuals and institutions, made in the previous section, into a wider context. To start with one may say that in Gellner's *Agraria* (approximately 6000 B.C. to 1800 A.C.) the conditions of production, social and political relations, and cultural life were relatively simple, largely obvious, and, therefore, easy to grasp. In the economic sphere, agricultural and artisan production were individualistic and simple. The division of labour was crude, mainly between town and countryside, and in towns, of course, between artisans. The agrarian economies were *exchange* economies, with local trade dominating overwhelmingly, and with more or less intensive long-distance trade prevailing selectively in space and time. Money was a veil, mediating the exchange of goods. For the rulers, the most important economic problem was to levy taxes. Here, the main problem consisted in determining that part of the agricultural surplus that was to be appropriated by the 'state', the Prince in most instances. Institutions were, in fact, not required. Personal rule was possible, and the emphasis could be laid, as Haas pointed out, on the improvement of individuals. Many historians and social scientists argue that Eastern societies have approached perfection in the organisation of society. This was particularly true of China, as Konrad Seitz points out. As mentioned above, in such societies fundamental changes were, in principle, impossible, precisely because of the high degree of perfection achieved. Marshall Hodgson confirms this crucial point in the case of Islam: "The very excellence with which the Islamicate culture had met the needs of the Agrarian age may have impeded its advance beyond it" (Marshall Hodgson 1993, p. 318).

In contrast, however, Gellner's *Industria* (from 1770-1830 onwards), became increasingly, even immensely complex as the Industrial Revolution set in and its socio-economic and political effects unfolded: exchange economies were transformed, with various speed and to differing extent, into *monetary production economies*. The process of production became a *social* process of immense complexity due to the very extended, now even world wide, division of labour. Money and finance became of crucial importance. Indeed, goods are now always 'exchanged' against, paper or even invisible, money, and all the calculations of consumers and, much more important, of producers are made in money. Since 'production and investment takes time' (Paul Davidson), 'money became a link between the past and the future' (Maynard Keynes). The immense complexity of the economic phenomena (value and price, distribution, employment, money) required *systematic thinking* to come to grips with

them. Indeed, *economic theory* came into being with the Industrial Revolution. Alexis de Tocqueville went further and argued that a new kind of political sciences was required to guide the organisation of the new industrial societies. And perhaps most importantly, given the *complexity* of the Industrial Societies, *institutions are now required* to bring about, *ideally*, a well-organised and well-functioning society, primarily, to create the social foundations such that the social individuals may prosper. Concretely, this means establishing a state, government and state administration, a judiciary system, ideally establishing equality before the law for all, internal and external security must be guaranteed, a comprehensive education system has to be set up to permanently promote learning, science and research. In fact, in a complex modern society, individual and collectives would not be able to act at all if there were no institutions. If society is well organised, which means according to human nature, with alienation reduced to the minimum achievable by human beings, social rationality obtains, most importantly full employment. Such a situation would be socially ideal, and individuals and collectives would be able to act rationally, and may enrich each other through social activities in all domains, economic and cultural in the main. Hence social rationality establishes the preconditions for a peaceful living together of individuals and collectives and potentially enables their rational behaviour. However, social irrationality or alienation, most importantly system caused by involuntary mass unemployment, may lead to struggle for survival between individuals and collectives, specifically between social, ethnic and religious groups. And an alienated system leads to irrational behaviour of individuals and collectives. Indeed, in a heavily alienated society, with mass unemployment and an unequal income distribution, *chaos* may ensue, producing eventually a tyranny; as already suggested repeatedly, Germany at the beginning of the 1930s is an obvious case in point. In contradistinction, a society organised in line with human nature will tend to produce *social harmony* and *harmony for the individuals* composing it. This conception of the good society implies according to Catholic social doctrine that the rights of the individuals must be delimited and shaped by duties; for example, social duties arising within the family, or duties associated to the workplace; or else, an academic may be largely free to choose his domain of activity; academic teaching is, however, closely linked with the duty to relentlessly pursue the search for Truth. Fundamentally, the right to individual liberty does not imply the liberty to do anything compatible with positive law; liberty is, in fact, constrained and shaped by the duty to permanently aim at realising the fundamental values of Goodness, Beauty and Truth in the domains in which the social individuals are active.

We can now broadly guess one dimension of the significance of the Western obsession of changing, in fact, of attempting to improve, its institutions, whereby *improving institutions means making them more compatible with human nature*. The starting point is Aristotle's deep conviction that *man as a social being could unfold his potential only in society*, which had to be well-organised to enable the prospering of the social individuals. This is the *polis*. Given this, the state or the political society, is, in a way, prior to individuals composing it and is, in fact, a *precondition* for the good life of the social individuals. Moreover, society is more, even much more, than the sum of the individuals composing it. Through social activities, mainly in the domains of production and culture in the widest sense, social aims can be reached which independent individuals could not achieve. This implies that the individuals carry out specific functions - economic, political, legal, cultural -, which, subsequently, have to be co-ordinated, ideally in a way bringing about social harmony. Plato and Aristotle both asserted that state came into being precisely because individuals having differing dispositions, capacities and preferences *had to be brought together* in a well-organised society in order that their potential could unfold and, consequently, an increasing Common Good for all might be achieved. Left alone, individuals would be helpless.

In Aristotle's view it is the task of the government to fix or to encourage the coming into being of what should be aimed at *permanently* in a polity to render possible a good and happy life of the citizens. To create a harmonious and flourishing polity in line with human nature is the most difficult of all the arts, Aristotle says.

*This proposition is not only true of practical politics, but also of theoretical politics. Specifically, the question as to the nature of Man must be relentlessly asked, including the relation between the natural and the supernatural. In this field, Christianity, specifically Catholicism, has done great work. The essentially social nature of Man has consistently been put to the fore. Henri de Lubac, in his Catholicisme (1983/1938), even argues that the social, implying common aims, cooperation, coordination, mutual enrichment in all spheres of life, constitutes the essence of Catholicism.*

*However, one of the most important results obtained by Catholicism is certainly the clear, Aristotelian, distinction between natural and supernatural, between Creator and Creation. This does of course not exclude that the Supernatural is present in and permeates the Natural. But the Natural and the Supernatural do not coincide, as is the case with Pantheism. The great importance of the Catholic doctrine will become apparent in the long subsection*

Germany 1871-1945 and the Apocalyptic Age 1914-45, *contained in the first section of the chapter on Concluding Remarks.*

Now, in this context it is of the utmost importance to note that human nature is *not* something given, *natural in a narrow sense*, in fact, the natural in the original sense, as Haas seems to imply for the East. With the Greeks, Aristotle above all, the *natural* refers to an *end* to be reached, a *telos* to be aimed at, through the *unfolding* of the *potential contained in human nature*. And this potential is *essentially* a *social* potential, which can only be realised through *society and the state*, that is the political society. Within the political society individuals mutually enrich each other - culturally, socially, economically. The social individuals get more perfect through social activities and become (socially enriched) *Persons* in the sense of Catholic social doctrine (of which Aristotle is, in fact, the – pre-Christian! - founder). In this view, the *natural* is a *final – perfect – state of things* which, sometimes, attracts imperfect actual situations or, more frequently, requires an *ethical effort* if the actual state is to be brought nearer to the final – natural – state. This means that the *natural* is associated with Aristotle's *final causality* (*Finalkausalität*), with *the end mobilising the means* so to say, and, as such, is essentially *teleological*. Therefore, the Western obsession with change, trying out new conceptions, to go far beyond actual states of the world, applies so to say, also in the social and political domain. Now, to reach social aims *permanently*, *social institutions are required*, the *Agora* in the social and the *constitution* in the political domain, Plato's *Academy* and Aristotle's *Lyceum* in the domain of science and learning. And to reach higher social aims new institutions are required, which, if implemented leads to institutional change. All this is broadly in line with Haas and somewhat complements his views.

The Western obsession with institutional change since Greek times had, in our view, an important side effect which is of great importance as to the question why the Industrial Revolution and the Great Transformation associated with it could have taken place in the West only. In fact, institutional set-ups were ever changing in Europe: in Greece there were Aristotle's 158 constitutions and the associated experiments; Karl Christ (1984) gives an outstanding account of the evolving institutions of the Roman Republic and of the Roman Empire; the Early Middle Ages saw the birth of the *basically new* institutions of the Carolingian Empire, *shaped by Christianity*, which gave rise, first, to feudal institutions, and, subsequently, to the very sophisticated institutional set-up of the High Middle Ages, with nation states slowly taking shape (Mitterauer 2003); the institutions in Mercantilism and Absolutism were, again, fundamentally different from those of the Middle Ages; here the

nation states took a more definite shape. This permanently ongoing institutional change had *mentally prepared* the West to for the immense shock of Great Transformation and its consequences. In fact, the twin English and French Revolution opened the door to Modernity. Here, Liberalism and Socialism gave, once again, rise to entirely new institutional set-ups with entirely new social and economics problems, involuntary unemployment within capitalism for instance. In a way, *Europe* was the region in which the *institutional experiments of World History* were carried out (*Europa als institutionelles Experimentierfeld der Weltgeschichte*). *Europe* definitely emerges as the *Laboratory of World History*.

And, we have already suggested, that Europe had now the duty to go on being the Laboratory of World History. Indeed, Europe is by far best prepared to set the world on the way from presently ruling aggressive Capitalism to Keynes's Social Liberalism which would constitute a state of natural liberty. In doing so, Europe should not in the least interfere in the affairs of polities outside Europe. In fact, the European polities should just try being models of well-organised political societies, potentially enabling the social individuals to flourish. Given this, non-European countries would be in a position to take the European institutions in all spheres of individual and social life as a *reference point*, enabling them to bring into existence an institutional set-up in line with their specific ways of life to realise the fundamental values in all domains. In this view, the Western, in fact, Greek-Christian, obsession with institutions, and, eventually, with institutional change, is also the search for the Good Polity in ever changing material and intellectual conditions. In fact, the mode of production and the *Zeitgeist* have been continuously evolving since Carolingian times, to dramatically accelerate after the Great Transformation.

Hence *institutions*, socio-economic, political and legal, cultural and scientific, including economic, social and political theories, are *required* to master the modern era, that is to provide the social preconditions for a good and decent life of the social individuals, that is, the Common Good. Without social institutions in the material basis – enterprises, banks, shops – and in the social superstructure – government and civil service, a legal system, an education system, to provide examples – individuals simply could not survive, or life would be extremely miserable, even chaotic, as may be the case in a slum. It is no longer sufficient to improve man as was attempted in agrarian times in the East. With the ascent of *Industria* (Gellner) the institutional organisation of society had, in an Aristotelian vein, become crucial as a precondition for the good and happy life of the social individuals. Creating or favouring the coming into being appropriate institutions, resulting in a harmonious society in which the social individuals may prosper, had become the central task of the state. This task must be

based on political philosophy and its aims governed by Political Ethics, the fundamental value of which is the Common Good.

Given this the fundamental political problem of Modernity is to create the social, i.e. *institutional preconditions*, such that the social individuals may live decently and prosper, to become persons. Two answers have, in differing variants, been given to master the challenge of Modernity: Liberalism and Socialism. In the next section it will be attempted to argue that both answers are inadequate and that a new vision of socio-economic and political matters, and, above all, a new political economy is, at present, required. This, it will be argued, is Maynard Keynes's social and political philosophy of *Social Liberalism*, associated to *Classical-Keynesian Political Economy* (Bortis 1997/2006 and 2003a), and based on Jacques Maritain's *Humanisme Intégral*, which takes a comprehensive account of human nature, that is, of the natural and supranatural dimension of human nature.

### Attempts to master the effects of the Great Transformation

In the above section on *the industrial revolution – a chemical mixture explodes*, it has been suggested that a complex set of causes united organically to bring about the English Industrial Revolution towards the end of the eighteenth century. Moreover, it has been mentioned that an Industrial Revolution could not have happened in France, and even less in China. Almost simultaneously, a Political Revolution took place in France, with the Bourgeoisie gaining economic and political power at the expense of the ruling classes, in fact still estates, of the Ancien Régime, Aristocracy and Clergy. The immense significance of this Great Transformation (Karl Polanyi), which brought about Modernity, has been repeatedly alluded to above. In the wake of this Great Transformation, socio-economic and political phenomena became so complex that systematic thinking became indispensable in the attempt to understand the new situation. Karl Marx in the 19th century and Maynard Keynes in the 20th century both recognised that it is not possible to, at least approximately, understand the new world without knowing how the economy, now a monetary production economy, functions. Political economy had become and has remained *the key social science* of the modern era.

Two socio-economic-cum-political answers had been given to master the immense complex situation that emerged of the Great Transformation: Liberalism and Socialism.

Liberalism sees the economy, in fact the market, at the centre of society, surrounded by a political, legal, social, and cultural framework. Crucially, the market represents, in principle, a

self-regulating subsystem, which establishes full employment if competitive conditions prevail. Ideally, the market mechanism transforms optimising behaviour of individuals into a social optimum: Walras's *General Equilibrium* implies a *Pareto-Optimum*. Economic and, in part, social harmony is represented by, precisely, the general equilibrium of markets, where the opposed forces of supply and demand are in balance. While a general equilibrium implies *efficiency*, it does not, as a rule, imply equity. Full social harmony, associated with a socially appropriate degree of equity, can, in principle, be brought about through a sensible taxation of wealth and, perhaps even more importantly, through a free access to education associated with equal opportunities for all.

The liberal concept of self-regulation of the economy through competitive supply and demand forces had been taken from the then emerging natural sciences. Indeed, Adam Smith applied Newton's harmony of the spheres to socio-economic reality. In his hands, Newton's *law of gravitation*, bringing about harmony in the Universe, became *propriety*, a socially appropriate mixture of fellow feeling and self-interest. Propriety governed the natural prices at full employment, as brought about by self-regulation. The natural prices became, in Adam Smith's words, *centres of gravitation*, around which market prices fluctuated, thus evidently echoing Isaac Newton's force of gravitation. This vision of economy and society led to the famous doctrine of the invisible hand, out of which neoclassical equilibrium economics developed. Here, however, Adam Smith's socio-economic-cum-ethical concept of propriety, embodying self-interest *and* fellow feeling, *was replaced* by pure self-interest, that is profit and utility maximisation. Given this, it is important to note that Adam Smith's Liberalism essentially differs from modern neoclassical Liberalism. With Adam Smith ethics is *on* the market place, with the natural price being based on propriety, which through the fellow feeling contains an ethical element. With modern neoclassical theory ethics is the framework surrounding the market, where self-interest reigns.

From a higher standpoint, the self-regulating mechanisms in nature and in economy and society imply a *Deistic Weltanschauung*. God had created a perfect world and then retired, leaving it to man to create an appropriate institutional framework such that the potential contained in this perfect world may unfold. Through managing this potential man became the measure of all things. In any case, the Liberals of the 18th century and definitely those imbued with the 1848 spirit were honestly convinced that free and competitive markets and democracy would bring about a bright future for humanity. The autonomous individual acting in various spheres, political, economic, cultural, was put to the fore. Freedom was seen as the basic precondition for individuals to prosper on an ever higher level of material well-being.



The idea of overall progress dominated the 19th century, in fact until August 1914, when the Apocalyptic Age began. Ernst Jünger's *Stahlgewitter* definitely destroyed the remnants of the pre-modern world.

This already points to the fact that the historical implementation of the liberal doctrine of through Capitalism showed less bright a picture. On the bright side, there is, mainly, the fabulous technical progress, culminating in Internet, personal computers, and devices in most diverse sectors the ordinary person can hardly imagine. Marshall Hodgson (1993) certainly made a good point when he coined the term *Technicalism* to characterise the age opened by the Great Transformation. In this context, one should just remember that a person living around 1750 was nearer to a Stone Age human being living ten thousand years B.C. than to a person living at the outset of the twenty-first century.

On the socio-economic side the capitalist picture has been less bright, however, with darkness frequently dominating in time and space. Marx's *system-caused alienation* is a most appropriate fundamental concept to capture the social problems inherent in capitalist reality. Marx realised that a malfunctioning of the economic system lay at the heart of the human problems of capitalism: involuntary unemployment, unequal distribution of incomes, widespread precarious work conditions, all causing social problems: increase of crimes, social disintegration leading to an atomistic society, with Marcuse's one-dimensional man emerging. Indeed, many sensed that the capitalist system was highly instable and bound to go through severe crises, with an eventual collapse looming at the horizon. Marx predicted this possibility, and he has not yet been disproved by history. In any case the *Pax Britannica* of the 19th century ended in 1914, when the bid for economic and political supremacy on the world level between England and Germany initiated the great catastrophes of the first half of the 20th century: the two World Wars, the severe economic crisis of the 1930s, the Holocaust, and various Genocides. Politicians literally lost control over the immensely complicated system, particularly in Germany where the shocks of a lost World War, an attempted Socialist Revolution and Civil War 1918-23, a hyperinflation 1922-23, and mass unemployment in the early 1930s swept (democratically) the National Socialist party into power at the outset of 1933, a party, which had been utterly insignificant in the 1920s. Uneven development, growing disparities in the distribution of incomes, associated with mass unemployment, poverty and misery, a serious ecological situation coexist with islands of immense wealth of specific countries, regions and individuals, and almost unbelievable technological performances. And all this goes on at the background of an erosion of the middle classes, even in the rich countries. Incidentally, islands of wealth in the midst of a sea of poverty were

Maynard Keynes' fundamental preoccupation. The capitalist system has indeed an inherent tendency to producing widening wealth gaps on account of the external employment mechanism and increasing returns to scale; this is, in fact, the law of mass production: unit cost decline as quantities produced increase. Consequently, in free trade conditions, the enterprises of the highly developed countries using technologically advanced methods of production crush handicrafts and nascent industrial production in the developing countries on account of lower unit costs of modern final products. This fact has been put to the fore by Nicholas Kaldor in his *Economics Without Equilibrium*. In this context, an Indian economic historian once said that *development and underdevelopment are but the two sides of the same coin*. This is illustrated by the relationship between England and India, on which Michael Edwardes writes: 'following up the battle of Plassey 1857 trade and production in Bengal broke down and the flourishing country declined rapidly to reach a state of utmost poverty. In fact, in the first half of the 19th century India lost her 2000 years old worldwide supremacy in trade and industry, and became a supplier of raw materials and an outlet for Western final products' (see Edwardes 1961/1960, pp. 256-57, a.tr.).

Very great authors have pictured in dramatic words the dangers associated with the highly unstable capitalist system. Karl Polanyi writes in the foreword to his *Great Transformation* that the idea of a self-regulating market was utter utopia. To leave market forces unfettered would destroy the human and natural substance of society; this institution would have annihilated man and transformed his surroundings into a wilderness. Even the protective measures taken could not prevent heavy social alienation (Polanyi 1977, pp. 17-18). In this context Polanyi even speaks of one of the most serious crises of human history (p. 18), which is not surprising since he wrote his book during the Second World War. And John Nef significantly suggests that the "industrial revolution has led the Western peoples to undertake more perhaps than they can manage" (Nef 1963, p. 413).

The presence of systemic alienation and its social and psychological consequences gave rise to a second answer to the challenge of the Great Transformation, Socialism to wit. Marx thought that the institutions of private property lay at the root of the defects of capitalism, and argued that common (social or state) property would bring about a society free of contradictions allowing the social individuals to prosper. Marx undoubtedly had in mind a humanist-democratic socialism. However, the historical realisation of the socialist idea came about in most unfortunate conditions in Russia. Indeed, Socialism emerged from War and Civil War, and immediately after the Socialist Revolution the Soviet Union got involved in struggle for survival with Western Capitalism. Socialism ended up in a centrally planned

economy, the absolute domination of the Communist party and, in fact, tyranny. This brought about a specific type of alienation, that is, the frightening terror of the Stalin era. Subsequently, the Second World War brought death and destruction to the Soviet Union to an extent unknown so far in human history. After the Great War, the lack of personal liberty remained persistently, with the individuals continuing to be wheels in a huge planning machine, very weak technical dynamism in the consumption goods sector, resulting in a low labour productivity, and last, overcapitalisation because of an absence of interest rates and the squandering of natural resources due to low prices for primary products. A number of impressive achievements: a good education system, a satisfactory general infrastructure, no open unemployment, social security, day-nurseries, and others, could not prevent the breakdown of the socialist system, which brought about the end of the ‘short twentieth century, 1914-1991’ (Eric Hobsbawm). Probably, the system was destroyed from inside; many high ranking party members wanted to enjoy the privileges of their Western counterparts occupying similar positions. Moreover, finance capital, above all foreign, was ready to appropriate large parts of real capital built up in the socialist era. So the revolution was initiated from above.

*In China, too, Socialism emerged from War and Civil War and resulted in the destruction of traditional Confucian society and in a very authoritarian regime.*

The liberal and the socialist vision of the economy are in fact both taken from Gellner’s *Agraria* (6000 B.C. to 1800 A.C.). The economic theory of liberalism, neoclassical economics, is based on *exchange*, and *markets*. The market in a medieval town, with peasants exchanging agricultural products against goods produced by artisans, with money as an intermediary, provided the factual basis. The basic neoclassical model, Léon Walras’s *General Equilibrium Model*, is even a *real exchange* model, that is, exchange of commodities against commodities (C – C’). Money was subsequently introduced to facilitate exchange: C – M – C’. Alfred Marshall was, perhaps, the first neoclassical economist to perceive that modern economies fundamentally were monetary economies. Consequently, he developed a *monetary theory of exchange*, with factors of production C and final goods C’ always exchanged against money M: M – C ... MP ... C’ – M’, whereby, in the words of Piero Sraffa, a mysterious process, MP, links the factor markets, M-C, to the final product markets C’-M’, with M = M’. In fact, no surplus M’>M can arise in the neoclassical model, since

distribution is regulated on the factor markets, where, in addition, employment is also determined, with full employment being the rule in competitive conditions.

Socialism, implying a 'state managed economy' in some form, also emerges from *Agraria*. Marx, and Adam Smith, conceived of a natural state of affairs where private property did not yet exist and 'labourers got the whole product' (Adam Smith). However, not only 'primitive economies with very low labour productivity were communist societies' (Marx). Indeed, in the old city civilisations in Mesopotamia and Egypt, a kind of aristocratic socialism prevailed, as is ideally conceived of in Plato's *State*. For example, the agricultural land belonged to the rulers and agricultural production went on in a nearly military way, with peasants working under supervision set up by the ruler. This kind of aristocratic socialism was, probably, also realised, though in differing forms, in the old civilisations of Central and South America, as is suggested by Baudin (1928): *L'Empire socialiste des Inca*. Incidentally, once again, the same human nature shines through across the continents.

Marx's proposal for an alienation-free, socialist-communist, society was clearly based on the relatively simple conditions of the agrarian age. Some allusions to communism in his *Frühschriften* or in *Das Kapital* confirm this. For example, in the latter Marx mentions that in traditional Indian villages use values were produced directly without first becoming exchange values (*Das Kapital*, vol. I, pp. 56-57). Moreover, Marx thought that, in modern socialism-communism, humanity would be able to benefit from the tremendous increase of labour productivity that was taking place under capitalism. Indeed Marx considered that it was the historic role of Capitalism to enhance the forces of production. This would enable man to reduce labour time to produce the necessities of life dramatically and enable him to have proportionally more leisure time at his disposition, thus for social and cultural activities. The realm of necessity associated with determinism in production would be greatly reduced, while, simultaneously, the realm of freedom linked up with culture and creativity in all domains would expand (*Das Kapital*, vol. III, p. 828). Historical experience now shows that the dream has not been fulfilled, although there were considerable social achievements. This was, probably, also due to the fact that Socialism had come into being in economically backward countries, and in very difficult conditions subsequent to War and Civil War, not in the most advanced countries, having enjoyed tranquil conditions. Marx was, in fact, very sceptical about a Socialist revolution in Russia.

In fact, Marx did perhaps not sufficiently pay attention to the fact that the capitalist system would produce growing inequalities between capitalist countries, giving rise, in the extreme, to highly developed and greatly underdeveloped capitalist economies. And, of course, it

would be impossible to bring about a revolution in the former, which were, in fact, a kind of aristocratic capitalist countries. This implied, first, that the workers of the highly developed industrialised economies would remain nationalistic, basically wishing to maintain their privileged position. This nationalism clearly showed up before the First World War. And, second, historical reality confirms that socialist revolution came into being in less, or even underdeveloped countries, in Russia and China to wit, and not, as Marx would have thought, in Britain and in Germany.

Nevertheless, Karl Marx was the first Political Economist to have profoundly understood the nature of the fundamentally new socio-economic system, Capitalism. On account of his fundamental critique of (liberal) political economy in *Das Kapital*, he was, in fact, the giant of the 19th century, while the 20th century is dominated by the immense figure of Maynard Keynes.

Maynard Keynes realised that both, Capitalism and Socialism, were inappropriate answers to immense complexities brought about by the Industrial Revolution. Given this, Keynes devoted his life to working out a new political economy emerging from a new social liberal vision of man and of society. Specifically, he attempted to reconcile modern economic theory with older traditions of philosophy – including political philosophy; he also re-established links between metaphysics and science, via intuition, which produced the vision and, subsequently, the social philosophy. This has been suggested in the first section of the introductory chapter *Setting the stage*. Bortis (1997/2006, 2003a) is an attempt to elaborate Keynes's economic theory and to bring it together with classical (Ricardian) political economy. This classical-Keynesian system represents, in fact, the political economy of *Social Liberalism* as founded by Keynes.

According to the doctrine of Social Liberalism the central task of the state is to create or to encourage the coming into being of an institutional system such that the scope of freedom for the social individuals is as large as possible, enabling them to prosper, that is to unfold their dispositions and to broaden their capacities. In the socio-economic domain Social Liberalism implies the setting up of full-employment associated to a fair distribution of incomes. Indeed, if these fundamental Keynesian conditions are fulfilled most various social, ethnic and religious groups can live together, mutually enriching each other on the intellectual, spiritual and material level. However, if unemployment becomes important, life becomes a struggle for survival, and conflicts between social, ethnic and religious groups may arise.

Aristotle's vision of the state as the precondition for a good and happy life of the citizens becomes fully relevant here and links up with Keynes vision on man, state and society. This is

in line with Fitzgibbons (1988) and O'Donnell (1989) who, time and again, assert that Keynes wanted to bring together modern economics with the older traditions of philosophical and political thought. This incidentally implies that Keynes's Social Liberalism is associated to a strong, but non-interventionist state. As just alluded to, this requires setting up an institutional system, including the social 'full employment-cum-fair distribution' basis, such that a maximum scope of freedom for all citizens comes into being. Thus, the state has to set up a possibly harmonious social system through creating or favour the coming into being of appropriate institutions, and should *minimise* regulations of behaviour through laws and regulations, which reduce the scope of freedom. This would mean applying the Principle of Subsidiarity: the state should not intervene if a problem may be solved at the social or individual level.

### Assessing and evaluating Globalisation

It has already been suggested that there is no exaggeration in saying that a person living around 1750 stood nearer to a hunter living in the Stone Age, ten thousand years before Christ, than to a person living at the outset of the 21st century. The *economic and technical potential* achieved since the Industrial Revolution has been stupendous and provides a very great hope for the future. There is, however, an important precondition: the *socio-economic and political state of affairs* must be decisively improved if the immense technical progress achieved is to be transformed into generalised social and human amelioration. This was one of Maynard Keynes's basic tenets.

Indeed, according to eminent international organisations, two thirds of the world population, more than four billion people, are living in misery with less than two dollars per head and per day. In this context, the distinction between poverty and misery is important: poverty may be a choice or one may get out of it through an effort; misery, however, is system-caused and crushes the individual. Moreover, out of a world working population of about three billion, approximately one billion is involuntarily unemployed or underemployed. Again, in the classical-Keynesian view, involuntary unemployment results, very probably, from a malfunctioning of the entire socio-economic system, mainly through the connection between unequal income distribution and involuntary unemployment, but also through a lack of state expenditures. To this adds the ecological situation: global warming, water shortages, overuse of the soil and the ensuing threat of desertification. From this emerges a gigantic challenge.

Indeed, *the world production system has to be rendered reproducible*. This is associated with bringing about *sustainable development*.

And in this sea of misery in a threatened natural environment, the middle classes get progressively weaker and islands of immense wealth associated with fabulous luxury consumption expand. The whole socio-economic structure is very solidly established, with very rich people, multinationals and transnationals in finance and production dominate not only economically and socially, but, increasingly, also politically, with the power of the states getting ever weaker. Fundamental changes almost seem impossible.

*In her Mondialisation Conspiratrice the Greek economist Maria Negreponi-Delivanis provides a poignant picture of the actually ongoing process of globalisation.*

Given this, the present time is a time of profound contradiction. Almost unimaginable technological possibilities and wealth coexist with immense distress, due to a whole hierarchy of alienations. Fundamentally, in a Marxian vein, we have economic alienation (unemployment, unequal income distribution) as is situated in the material basis of a society. Economic alienation, in turn, produces alienation on the level of the institutional superstructure, that is, in the social, legal, political, cultural, and even religious domains. In the latter sphere Marx's famous '*religion as the opium of the people*' is appropriate in many circumstances; alienated religion may indeed become a tool in the hands of the ruling classes. This state of affairs results from a triumph of neoliberal doctrine and of really existing capitalism, which, both, have been strengthened by the breakdown of really existing Socialism. As alluded to in the previous part, *both* socio-economic and political answers given to the twin industrial and political revolution at the end of the 18th century have proved to be *inadequate*.

The more profound reasons for the breakdown of 'really existing' Socialism were, probably, the inflexibility of the planning mechanism, resulting in a technical stagnation in the production of consumer goods; this is associated with the important feature of the planned economy, namely that the socialist managers were in fact bureaucrats, basically aiming at fulfilling the requirement of the plan. On the social and political levels the lack of personal liberties was certainly also an important fundamental cause for the collapse the immediate cause for the breakdown of Socialism was, probably, political. A large part of high-ranking party members, active in the government and in administration, deliberately wanted the end of

Socialism to be able to enjoy not only economic, social and political power, and the associated privileges, but also the incomes of their social counterparts in the West.

There is one fundamental reason for the present and past difficulties of capitalism, namely the fact that *market (exchange) economies are not self-regulating*. This renders neoclassical economic theory, based on *exchange* and upon the law of *diminishing* marginal returns, almost completely inadequate to tackle basic issues in economic theory, for example value, distribution, employment and money in monetary production economies (on this see, for instance, Bortis 1997, ch. 5). It also renders political Liberalism inadequate in part, specifically the concept of countervailing power, government party and opposition for example, which echoes the law of supply and demand bringing about stability in the economic sphere. In fact, the government must, as is the case in Switzerland for example, stand, in principle, *above* the parties and pursue long-term policies aiming at bringing about socially appropriate institutions (Bortis 1997, chs 2, 6, and 7). Here is not the place to go deeper into these issues, which will be alluded to below, when the natural political order within and between states is briefly considered.

At this stage, just let us remember that the neoclassical exchange model still reflects the state of affairs that prevailed in Gellner's *Agraria* (6000 B.C. to 1800 A.C.). Agriculture dominated, the agricultural surplus was crucial to civilisation, handicrafts, and, eventually, manufactures, stood in the service of agriculture, and, as were located in the institutional superstructure, of ruling classes and of religion. There was also some trade, mostly local, but also some far distance trade. Money was of secondary importance. Its main function was to facilitate exchange. And, perhaps, most importantly, production was essentially individualistic. The basic neoclassical model, Léon Walras's *General Equilibrium Model*, reflects precisely these facts. This model pictures a real-exchange economy with the *agricultural* law of diminishing returns playing a crucial role regarding the existence of equilibria and an eventual tendency towards these equilibria; indeed, the law of diminishing returns renders the demand curves on factor markets and the supply curves on final goods markets well-behaved, that is downward and upward sloping respectively. Commodities are *exchanged* against Commodities:  $C - C'$ . Money  $M$  comes in to *facilitate* exchange:  $C - M - C'$ .

And, perhaps, the most important postulate underlying the economic theory of Liberalism, neoclassical economics to wit, is that competitive markets should produce a tendency towards a full-employment equilibrium. Subsequently, the size of the market is associated to a higher degree of specialisation and of division of labour, more intensive trade. All this is supposed to



raise labour productivity and welfare inside large markets. In the liberal view, a maximum welfare effect will obviously be achieved in a *global* market. However, it is evident that Globalisation requires gigantic structural changes. Indeed, every country and every region will have to find its appropriate position in the world economy. This means producing those goods, which allow for the largest comparative cost advantages possible. Given this, it should be evident that Globalisation is associated to gigantic structural changes. However, in the liberal view, the suffering and the sacrifice required to bring about these structural adjustments on a global level are worthwhile, since, in the long run global welfare will be maximised.

However, the economies emerging from the Industrial Revolution were not based upon exchange, but on *production*, which now became a *social* process; industries and sectors interact to produce the social product (Leontief). Commodities are now *produced* with Commodities and Labour (Piero Sraffa). Simultaneously, money and finance (the financial sector – banks and the stock exchange) became crucial. Market economies were subsequently replaced by *monetary production economies*. The new sequence now is:  $M - C \dots P \dots C' - M'$ . Money  $M$  is there right from the start of the analysis. Indeed, entrepreneurs (producers) have money and finance ( $M$ ) at their disposal to buy means of production (raw materials and intermediate goods, machinery) and to hire labour ( $C$ ). Within the social process of production  $P$ , labour, using machines, transforms the primary and intermediate goods into final goods  $C'$ . These are sold on the final goods markets for money  $M'$  which represents effective (monetary) demand for goods and services. Now, effective demand ( $M'$ ) may not be sufficient to buy output or production ( $C'$ ) at full employment. System caused, involuntary unemployment may come into being as a consequence.

In the 19th century, Karl Marx was the first to understand with unequalled depth the nature of capitalism. The towering figure in the twentieth century was Maynard Keynes, who was the first to convincingly refute Say's Law. This law states that supply creates its own demand, saving is always invested; hence general overproduction and involuntary unemployment are not possible. Say's Law may have properly reflected economic conditions of the agrarian age, Gellner's *Agraria*, characterised by markets and exchange, but proved to be entirely inadequate in the Industrial age. It has just been suggested, that modern economies are monetary production economies. Keynes convincingly showed that propositions that were valid in *Agraria* do not hold anymore. Investment now governs saving. In fact, both are equal and output and employment adjust to establish the equality between saving and investment. This implies that effective demand, a monetary magnitude, now governs output and

employment. As a consequence, system-caused involuntary unemployment may come into being. The great Austrian economist Joseph Schumpeter, one of the most eminent historians of economic theories, clearly perceived that Keynes had brought about a theoretical revolution: “[The Keynesian doctrine] can easily be made to say both that ‘who tries to save destroys real capital’ and that, via saving, ‘the unequal distribution of income is the ultimate cause of unemployment.’ *This is what the Keynesian Revolution amounts to*” (Schumpeter 1946, p. 517). Indeed, Keynes held that the “outstanding faults of the economic society in which we live are its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and incomes. [Up] to the point where full employment prevails, the growth of capital depends not at all on a low propensity to consume but is, on the contrary, held back by it [and] measures for the redistribution of incomes in a way likely to raise the propensity to consume may prove positively favourable to the growth of capital” (Keynes 1936, pp. 372-73).

Hence, according to the Keynesian law of effective demand there is no tendency at all towards an equilibrium at the full employment level. Involuntary unemployment is thus permanently possible, that is in the short, medium and long term. This is the central message of Bortis (1997/2006): *Institutions, Behaviour and Economic Theory – A Contribution to Classical-Keynesian Political Economy*, which puts Keynes’s theoretical edifice into its appropriate environment, that is, classical (Ricardian) political economy; on this, see also *Keynes and the Classics – Notes on the Monetary Theory of Production* (Bortis 2003a).

In a modern monetary production economy, the law of effective demand is complemented by the law of mass production, which states that there are forces at work tending to change the structure of employment and output levels. As already alluded to, the law of mass production states that average unit costs of industrial products fall if larger quantities are produced. The main reason is that technologies involving higher capital-labour ratios may be put to use if production expands, due to growing sales on domestic or foreign markets. These involve higher fixed costs and lower variable costs, hence the absolute requirement to expand sales in order to reduce average unit costs as much as possible. And, as a rule, more capital-intensive techniques also imply a more advanced technology. Given this, labour productivity increases and average unit costs fall, *if* production can be expanded. Now, on the basis of the law of mass production, Friedrich List has convincingly argued that large markets, made up of various countries and regions, with differing development levels, may greatly harm the less developed countries and regions, if free trade prevails. Contrariwise highly developed economies may be enormously benefit from trade relations with less developed ones. The

obvious reason is that the more advanced economies will be able to export to the less advanced countries precisely because average unit costs are lower and technological standards higher, on account of superior techniques of production and of a modern and attractive output-mix. Output and employment levels in the highly developed economies will expand, and, consequently, average unit costs decline further. However, infant industries and crafts of the underdeveloped countries will be crushed. In this context, two great political economists, Nicholas Kaldor and Gunnar Myrdal, have spoken of the *law of cumulative causation*, which leads to increasing inequalities in large, even globalised markets. In this way large markets and free trade tend to result in growing income and wealth gaps. The rich countries get richer, while the poor countries and regions get poorer. Simultaneously, the industrialised countries will, as a rule, enjoy higher employment levels, and vice versa.

*The Austrian economist Heinz Kurz has aptly remarked that two great books represent the fact that the Great Transformation has brought about winners and losers in terms of technological change and economic development. The story of the winners, Western Europe and subsequently the United States, is told by David Landes in his significant The Unbound Prometheus – Technological Change and Industrial Development in Western Europe from 1750 to the Present (first edition 1969, second edition 2003). The fate of the losers, India and Asia, is considered by Amya Kumar Bagchi in his highly important Perilous Passage – Mankind and the Global Ascendancy of Capital (2008). The present essay is, in fact, largely on the lines of Bagchi's book as far as the interpretation of socio-economic facts is concerned. Free market capitalism does not produce a tendency towards a harmonious full employment equilibrium, but brings about cumulative processes, resulting in growing inequalities between individuals, social groups, regions, countries and continents, and in massive involuntary underemployment or unemployment worldwide.*

*However, such states of affairs are not going to last for ever, specifically if a powerful transition economy, China in the main, manages to attract Western technology, which, combined with low wages, renders the Chinese economy extremely competitive on the world markets. As has been already suggested, there might well be a turn of the tide just now. The East is gradually gaining ascendancy, mainly due to the forceful development of China, and the West might have to face growing difficulties. The present – 2008-09 - crisis might accelerate these tendencies, mainly because the United States might be hit hardest.*

A complex argument is now required to give a probable answer to the question which theory, liberal neoclassical theory or social liberal classical-Keynesian political economy, is more plausible. In our view, there is *overwhelming* theoretical and empirical-historical evidence in favour of *classical-Keynesian political economy*. There are, to begin with, several theoretical reasons (see Bortis 1997/2006, chapter 5, specifically pp. 281-93). In the first place there is the result of the capital theoretic discussion. Since capital is a produced factor of production it is not independent of value and distribution and, as a consequence, larger quantities of capital cannot be associated to lower interest rates and vice versa. Hence the demand functions on the market for real capital goods in particular and on factor markets in general, are not well behaved, that is downward sloping. This implies that there is no necessary tendency at all towards a full-employment equilibrium (on this, see Harcourt 1972). Second, a tendency towards an equilibrium at full employment is unlikely because markets are interrelated; for example, if wages decline in an unemployment situation, employment will not necessarily increase, because falling wages may lead to a decline in demand for consumption goods and unemployment will rise, not fall, as neoclassical theory postulates. Third, institutions may influence the position of supply and demand curves in a way that full employment cannot be reached; cases in point would be too low a level of government expenditures, a chronic export weakness or a heavy dependence on foreign products.

There are also weighty historical reasons indicating that there is no persistent tendency towards a full-employment equilibrium. Most importantly, there are the great crises of the last quarter of the nineteenth century and of the 1930s. But there is also the precarious present situation, which has already been alluded to. Indeed, according to eminent international organisations, about two thirds of the world population lives in misery, and about one third of the potentially active population is underemployed or unemployed.

For all these reasons, basically because modern economies are *not* self-regulating, huge common markets, European and North American for example, and, of course, Globalisation, that is, the attempt to create a global 'free-market economy', will, very probably, be doomed sooner or later. Mass unemployment, staggering inequalities in income distribution, both resulting in poverty and misery on a grand scale, and environmental problems, already now represent an intolerable situation. The present – 2008-09 – situation is made worse through the crisis in the real and in the financial sector setting in now - perhaps we are faced with the downswing of the fifth Kondratief cycle (forth cycle: upswing 1950-73, downswing 1973-85; fifth cycle: upswing 1985-2008; downswing beginning in 2008). Given then the breakdown of

Socialism and the past and present difficulties of Capitalism, the question as to an alternative future economic and political world order now arises.

The natural order within states leads to a natural world order: the world as a family of states

Maynard Keynes not only understood modern capitalism like no other. He also proposed a comprehensive and coherent alternative to Liberalism, as is embodied in *Capitalism*, and to *Socialism*. This alternative, somewhat elaborated, could be called *Social Liberalism*, i.e. Liberalism on a social basis, the most important socio-economic components of which would be *full employment* and a '*fair*' *distribution of incomes* (Bortis 1997/2006, 2003a). Keynes's social liberal doctrine is also of the highest importance for the future World Order. In this section it will be suggested that socio-economic and political stability *within* countries is an essential precondition for mutually advantageous relations *between* countries. Alternatively, if alienation is reduced to a minimum within the various countries, alienation between countries will be reduced, too. Hence, a natural order within states would logically bring about a natural world order: *the world as a family of states*.

Before going on two questions have to be dealt with very briefly: Can the nature of man and of society be known? And why should the size of the state be limited, in other words, why can the very large polity, that is, the empire, not persist? To answer these questions requires an argument of considerable complexity; a tentative and probable answer has been attempted in Bortis (1997/2006 and 2003a).

A possible starting point for a brief answer to the *first* question is provided by the fact that both the founders of Liberalism – Adam Smith and David Ricardo - and of Socialism - Karl Marx in the main – have, on the basis of a comprehensive and complex argument, conceived of their visions of man and of society as something natural. Indeed, the classical political economists coined, for instance, the notion of the natural price, neoclassical economists consider the marginal productivity theory as a kind of natural law regulating distribution and bringing about social harmony; in his *Paris Manuscripts* Karl Marx equates the natural state of society with humanism and communism (Marx 1973[1844], p. 536). Now, in Bortis (1997 and 2003a) it has been argued that both, Liberalism and Socialism, are not able to come to grips with the complexities of the modern world and that a new, alternative, way is required:

*Social Liberalism* which is based upon an elaboration and extension of Keynes's vision of man and of society. What is essential or constitutive to Social Liberalism, hence represents the natural social order, can of course only be *probably* known, and merely known *in principle*; this has been argued in Bortis (1997/2006, chapter 2) and in the first section of the introductory chapter of this essay – *Setting the stage*. In any case, to establish the natural social and political doctrine, Social Liberalism to wit, requires a very complex argument based, in the main, on the history of socio-economic and political ideas, associated to a *discussion of the principles* underlying the fundamental approaches in social philosophy social doctrines, and, of course, on the effective course of history itself. Once the probably most plausible social philosophy is established, Social Liberalism to wit, the associated system of political economy may be elaborated; Classical-Keynesian Political Economy and the links to the associated social and political sciences emerge almost spontaneously (Bortis 1997/2006 and 2003a).

In accordance with the classical political economists, including Marx, a social liberal polity represents a complex institutional system, made up of a material basis (the economy) and of a political, legal, social and cultural superstructure. Appropriately conceived institutions and harmony between the institutions characterise a well-ordered polity, on the basis of which the social individuals may prosper to become persons. The social philosophy underlying Social Liberalism has been set forth most appropriately in Brown (1986, chapter 6) and in Schack (1978). Both imply ethical objectivity as is in line with the Creationist – non-evolutionist – vision underlying this essay. And it is of paramount importance to note that the Aristotelian-Thomistic, hence the Catholic vision of man and society underlies Keynes's entire work: "Keynes's rational ethics . . . is an ethics of motives rather than consequences. It is similar to the doctrine of *Natural Law, the traditional philosophy* [our emphasis] which advocated the performance of duty, which understood rational action as being correlative with the virtues, the major way in which, the medievals believed, reason could be expressed in an uncertain world" (Fitzgibbons 1988, p. 37). This statement can be extended without problems to Keynes's economics and his vision of law.

We may already note here that to distil principles of Natural Law or of political economy requires a comprehensive study of the history of legal and socio-economic theories. As Keynes perceived, in an immensely complex world, principles cannot be immediately established by intuition, but must be won by hard work. Moreover, to implement sensibly the principles of Natural Law requires, as Oswald (1957) postulates, a good knowledge of the real world (p. 41). However, *one may only come to grips* with the real world, most importantly

*with the functioning of the very complex socio-economic and political system of Modernity through socio-economic and political theories. Facts are silent, only theories make them speak*, the German political economist Erich Schneider rightly remarked. Here again, the problem is to find the most plausible theory, in fact, the theory reflecting most appropriately human nature. This will enable us to represent the natural state in its most probable form. This is not sufficient, however, because the real world is never in its natural state. Indeed, smaller or large deviations from the natural state may occur, that is, there is *alienation* to a smaller or larger extent. In addition to a theory of the natural state, this requires, in turn, a theory of alienation. We shall argue that Marx's theory of alienation is most appropriate: alienation in the economy, the material basis, given, most importantly, by a high level of system-caused involuntary unemployment and a very unequal income distribution, is fundamental, and brings about alienation in the legal and political superstructure. We may recall here that all the political economists of the enlightenment period, the classical political economists to wit, had a theory of the natural state and a theory of deviation from the natural state, which, in accordance with Marx, we call alienation; and the corresponding general policy was always aiming at a reduction of alienation, that is, to get nearer to the natural state.

On the whole, as is implicit in Oswald (1957), sensible law-making activities require a very solid knowledge of the social and political sciences, political economy and the science of politics in the main. All this is a plea to restore again the unity of the social and political sciences: social and political philosophy and ethics, politics, law, political economy and sociology. A comprehensive Aristotelian-Thomistic vision of man and society is required more than ever, conceiving of Man a rational *and social* being. One cannot cut Man and Society into pieces in order to study the parts – the economic, political, social and legal spheres – in isolation in an individualistic Enlightenment sense.

Ethical objectivity has, then, important implications for the conception of law. Indeed, law, like the other social and political sciences, is based upon a vision of society and man. Since the period of Enlightenment, the liberal vision has been dominating. It is important to remember here that enlightenment liberalism was considered a natural law system on an individualistic basis. Consequently, it has been attempted to set up rational legal system based upon individualistic natural law. Given, however, the clash of socio-economic reality prevailing under the realisation of economic liberalism, that is, capitalism, with the ideals of natural law, such attempts were abandoned. Indeed, involuntary unemployment and immense inequalities in income distribution, widespread poverty and misery and concentration of wealth and power among a few, did not square with the natural law ideal of liberty within a

self-regulating economy associated with a harmonious society. Subsequently, individualistic natural law has been abandoned and replaced by positive law. The purest expression of the positive law doctrine seems to be Hans Kelsen's *Reine Rechtslehre*, which is purely formal, and, in a way, is analogous to Walras's equally purely formal *Éléments d'économie politique pure*. Given this, Law and Economics have become autonomous and self-contained. This reflects the consequence of individualism, which has led to the splitting up of the social and political sciences.

Individualism-cum-positivism ultimately leads to legally regulating all domains of economic life on the level of phenomena, losing increasingly sight of the principle of justice underlying each legal situation. In his *Reine Rechtslehre* Hans Kelsen even pushes legal positivism to its ultimate consequences and goes as far as to deny the relevance of justice in law; condemning an innocent is for him making a new law (Oswald 1957, pp. 44-45)! This highlights an important implication implied in positive law, that is, the postulate of near-perfect knowledge in the legal domain; if the lawyer and the judge have a comprehensive knowledge of the system of positive law nothing illegal may happen. This reflects the Kantian approach to law: What *Justice* fundamentally is cannot be known. All we can do is to be legally correct on the basis of positive law subjectively established by law-making activities.

It would seem that the underlying idea is to establish ethical minima everywhere and, simultaneously to define the space of liberty. What is not legally determined by rules (*Gebote*) or declared illegal (*Verbote*) can be done. This is supposed to bring about legal certainty (*Rechtssicherheit*). This reflects the liberal vision of man, society, and, above all, the functioning of the economy: competitive markets bring about socially optimal results; the market price is the just price, and the distribution of incomes becomes a market problem. The legal system and the requirement of *Rechtssicherheit* belong in the liberal view to the framework surrounding the market and making sure that the economic agents act in a legally correct way. The market itself is considered a kind of natural institution, implying that any interference in the market mechanism is against nature. In a way, the market is the core of the liberal natural order. And the general market equilibrium at full employment of resources also implies a harmonious society. The legal system bringing about legal certainty (*Rechtssicherheit*) was supposed to complete the harmony of the social system.

However, eminent lawyers point to the tension existing between *justice* and *legal certainty*, for example Oswald (1957, p. 43). This specific tension is an expression of a more general tension between *form* and *content* in legal reality (Oswald, pp. 32ff.). The liberal lawyer will emphasize the form, implying that the competitive market brings about the right legal content;



indeed, legal formalism presupposes that competitive markets bring about economic efficiency, which is the basis to increase equity through, for example, regulating markets which do not work efficiently, the market for health being an instance, or through some redistributive measures, a negative tax to ensure a minimum income. In the liberal view the market price is, in principle, the just price and the functional distribution of incomes is a market problem. Hence the market complemented by some redistributive measure brings about *justice in exchange* and *distributive justice*; the market solves to a large extent the fundamental *material* problem of law, that is the problem of *justice*, and the liberal lawyer may concentrate on the form. As a consequence, in legal disputes, civil or penal, not solved by the market, the economic factor dominates increasingly, and the ethical element, fundamentally justice, is more and more excluded. Given this, for the liberal lawyer the tension between form and content does, in principle, not exist. Both form and content are, in principle, independent of each other. This is the consequence of the basically individualist liberal social philosophy: individuals act in differing domains, economic, legal, ethical, and social. Most importantly, competitive markets are supposed to solve the most important economic problems: value, distribution and employment. Given this, governing and law making become relatively easy in so far as the liberal view is concerned.

However, the liberal legal system becomes ever more complex because it concentrates on the regulation of behaviour; moreover, the real world does not function as the liberals think because *the economy is not self-regulating*. This leads on to system-caused alienation. In the economic basis involuntary unemployment and very unequal distributions of incomes may arise; this has consequences for the institutional superstructure: families fall into pieces, alcohol and drug problems arise, and violence and crimes increase rapidly; these types of systemic alienation require new laws and the legal system grows to become extremely complex. Moreover, contradictions may occur, accompanied by the ever-present gap between positive and natural law along Keynesian social liberal lines, which, on the level principles, is in accordance with the Aristotelian-Thomistic vision of man and society. In this context, conflicts between positive and natural law based on instructed common sense may arise.

*This may be illustrated by a very simple example. At an annual conference of the Swiss Society for the Philosophy of Law (Schweizerische Gesellschaft für Rechtsphilosophie) at Neuchatel (Switzerland) around 1990, the former Federal Judge (Bundesrichter) Otto Kaufmann presented a legal dilemma. According to a legal prescription (positive law) a man of foreign nationality should be expelled from Switzerland because of a drug offence.*

*However, the man in question was happily married to a Swiss woman and the couple had several children. As a consequence, expelling the man would destroy a sound family. Federal Judge Kaufmann reported that he desperately sought for a legal prescription related to the protection of families or something similar. His efforts were vain and the expulsion could not be prevented.*

Hence if positive law, unilaterally imposed by the liberal legislator, does not grow out of natural law, *accessible through refined and instructed common sense, that is, through rational argument*, grave injustice may occur. Positive law will always contain loopholes and, as the present example illustrates, the most important matter may be forgotten, perhaps because it goes without saying.

Given this, Wilhelm Oswald rightly says that the legislator must have a vision of the conditions of existence of man and society, which have to be legally shaped: “Der Staatsmann und Jurist muss auch Synthetiker sein und eine gute Wesenschau über die Dinge und Lebensverhältnisse besitzen, die zu normieren sind, sonst werden die Gesetze obsolet, bevor sie richtig in Kraft getreten sind” (Oswald 1957, p. 41). The struggle for the metaphysical foundations for the Sciences of Law and of Politics is of paramount importance (p. 41); in Bortis (1997/2006) it is argued that the vision of man and society and the associated social philosophy is also crucially important for political economy and, in fact, for the entire body of the social and political sciences, including the Science of Law.

Oswald now goes on to say that there is no science that produces good laws. To bring about an appropriate legal and economic order the legislators must cooperate with other social and political sciences: social and political philosophy and ethics, political economy, sociology and politics. The social and political sciences must deliver the raw material, which has to be shaped the lawyer to build up a coherent legal system (see Oswald 1957, p. 61).

We now arrive at the crucial point. The social and political sciences cannot deliver the raw to the lawyer just like that because there are different and rival systems of these sciences. This implies that there are differing visions on the Natural State and hence of Natural Law. Three visions have dominated Modernity: the liberal, social liberal and socialist vision. In this essay we oppose the presently dominating *liberal* vision of man and society with the *social liberal* one. Most importantly, the struggle between both visions has taken place on the level of the corresponding economic theories. The economic theory of liberalism, neoclassical-Walrasian economics, was set into opposition to the economic theory of social liberalism, that is, classical-Keynesian political economy. On the theoretical level the victory of the classical-

Keynesian critics was total as the outcome of the capital-theory debate and the Debreu-Sonnenschein critique show: there is no self-regulation of market economies, a fact also confirmed by the great economic crises, for example the crisis of the 1930s or the heavy crisis that started in 2008/09. Given this, the liberal exchange or market paradigm has to be abandoned in favour of the social liberal monetary theory of production. This means to abandon the pre-modern neoclassical-Walrasian market or exchange model, based upon the *principle of supply and demand* intimately associated to the *marginal principle* and *rational behaviour*, and to adopt the classical-Keynesian monetary theory of production. Three fundamental principles govern the functioning of modern monetary production economies, two of which are of classical origin: the *labour value principle* summarizes the *essential features* of the immensely complex social process of production, the *surplus principle of distribution* implies that the distribution of incomes is, positively, a problem of social power, normatively, of distributive justice situated at the heart of social ethics. Keynes has provided a third principle, the *principle of effective demand*, as is related to determining the scale of economic activity. These three principles imply that money plays a fundamental role; in fact, the processes of production and circulation simply could not go on without money and the existence of a financial sector, since goods are never exchanged against other goods, as is the case in a neoclassical-Walrasian framework, but always against money, which also acts as a store of value and, as such, is intimately connected to the financial sector.

Given this, we may reasonably claim that social liberal classical-Keynesian political economy is far superior to its liberal neoclassical-Walrasian counterpart. Moreover, the social liberal vision of man and of society, conceiving of man as a social and rational being, who can prosper on the basis and through society only, seems greatly superior to the individualistic liberal conception of man, which gravely neglects the social dimension of human beings. This means that the social liberal view of human nature, based on Aristotle and Aquinas, seems far superior to the individualistic liberal vision. It is thus be reasonable to build a Natural Law system on the social philosophy of Social Liberalism, which has very large intersections with Catholic social philosophy and social ethics.

This crucial point is greatly enhanced by the fact that, in social liberal classical-Keynesian political economy, *distribution*, based upon the surplus principle, is, in a normative perspective, a *social ethical* issue. This means that the two Aristotelian principles of distributive justice and justice in exchange enter the scene; distributive justice would be associated with determining the great shares in national income, the determination of wage structures and of relative prices, and the normal rate of profits; once distributive justice has

done its work justice in exchange is realised, too; specifically, in exchange, taken in the widest sense, both partner would get their due.

Now, Gustav Radbruch suggests that the two Aristotelian principles of justice should constitute the basis of the legal system (for example, Radbruch 1980 / 1925, pp. 37); given the fact that the same principles underly the social liberal classical-Keynesian system of political economy, we may now speak of a natural legal system, directly associated with Natural Law, not postulated dogmatically, but won by hard scientific work. Since political economy and law start from the same principles of justice Wilhelm Oswald's claim for a close cooperation between lawyers, legislators most importantly, on the one hand, and political scientists and political economists on the other, can now be realised. This implies that the material content of socio-economic and political matters is fundamental and the legal form becomes of secondary importance; in Oswald's terms, *materiale Rechtsethik* would now dominate the *Formalismus in der Jurisprudenz* (Oswald 1957, title page). This reflects a very important fact. Before the Great Transformation, with the economic conditions relatively simple and changing very slowly, the science of law, of course in the service of politics, had been the dominating social and political science. This is immediately evident for Rome, where a system of private law was elaborated and put into practice. In the Middle Ages, the Church, the Nobility and the Citizens (*Stadtrechte*) developed an intense legislating activity. This continued after the Great Discoveries around 1500, whereby the absolute state and the bourgeoisie were increasingly implementing Roman law within the framework of the nascent nation states. The Great Transformation brought immensely complex monetary production economies into existence; consequently, political economy became the key social science of Modernity, a fact blurred by the *mistaken* postulate of a self-regulating economy; given this the science of law seemingly continued to dominate. Presently, after the terrifying depression of the 1930s followed by a Second World War and with the onset of the 2008/09, the belief in the self-regulation seems to fade away gradually. After along preparation through Karl Marx and Maynard Keynes, and their followers, political economy seems, as is very likely, definitely to emerge as the key social science of the modern era, with the science of law losing its privileged position to become integrated into the system of social and political sciences; similarly, mainstream neoclassical-Walrasian theory will have to give way to classical-Keynesian political economy. Specifically, in the spirit of Oswald (1957), a very close collaboration between lawyers, legislators in the first place, and political economists will presumably get crucially important.

Given the above, positive law ought, as is implicit in Radbruch (1980/1952), to be based on natural law, with the principle of *distributive justice (iustitia distributive)* as the fundamental principle of *public law*, dealing with ethically correct proportional relations in the socio-economic and political sphere, for example, income distribution and the distribution of rights and duties between various levels of government, central, state, regional, and local. On the other hand, *justice in exchange (iustitia commutativa)* ought to govern the ethically appropriate relations between individuals and collectives. Based on these principles legal theories to be applied to specific domains and particular cases may be set up. As suggested above, the link between legal theories and political economy is probably most important. For example, to set up an appropriate legal framework for the system of social insurance, specifically of unemployment allowances, requires a theory of employment determination. Law making activities require knowledge about the phenomenon to be shaped by legal arrangements. The aim of a legal arrangement, for example to legally shape a social insurance system, requires, in turn, probable knowledge about the phenomenon giving rise to establish a social security system, for example the forces governing involuntary unemployment or the distribution of incomes. In any case, as Maynard Keynes suggested, legal arrangements in any sphere, economic or political for example, have to be such that the economist and the politician may act sensibly in any situation, “and, above all, [the lawyer has] to devise means by which it will be lawful for [an economist or politician] to go on being sensible in unforeseen conditions some years hence” (Harrod 1951, p. 583). As we argue in this context, Keynes’s requirement for law can be met best through acting on the basis of principles.

Given these intricate complexities and interrelations, ethical and legal judgements related to complex phenomena are always of a probable nature, *probable* in Keynes’s sense. The probable nature of legal judgements is bound to increase with the legal system and the objectively given situation getting ever more complex. Large gaps between positive law and probably perceived natural law may develop as a consequence. In fact, positive law is on the level of phenomena, and these are bound to change in the course of time; natural law, however, is on the level of *invariable* principles, which have to be distilled through very broad and deep historical and theoretical considerations. Principles are, in fact, applicable to *all* situations, however fast these situations may change; yet, with systems of positive law loopholes will always exist, inconsistencies may arise if the system gets very complex, and different interpretations of specific prescriptions are possible.

Given this, positive law cut off to various degrees from probably perceived natural law, may procure more or less certainty of application of the law (*Rechtssicherheit*) in a first stage;

however, if objective circumstances change parts of positive law may no longer reflect the original intention of the legislator; moreover, loopholes always exist or new one may come into being, and may be used by skilful individuals to their advantage; as a consequence, the legal system runs the danger of becoming the law of the financially stronger, and possibly also of the more skilled; social power may be relevant, too. Given all this, even minor cases may lead on to very long legal procedures, possibly enhanced by delaying tactics of one the parties; it is evident that delaying tactics are frequently associated with financial interests of the lawyer and the party he defends. All this may happen, and increasingly so, because the practice of law increasingly concentrates upon objective and quantifiable, purely economic-scientific factors, excluding subjective-ethical elements related to the individuals involved in a legal case; on the socio-economic and political side the social-ethical dimension of phenomena moves into the background, also because there are very diverse doctrines on this subject. And very importantly, the problem of asymmetric individual and social power, including asymmetric information, is not taken account of sufficiently in legal systems shaped by the liberal vision, which postulates the basically equal autonomous and rational individual, ideally endowed with perfect knowledge. Given this, with positive law and the legal system, the fundamental danger is that justice may be replaced, in some areas at least, by power to a less or greater degree. All these deviations from natural or common sense law based on the nature of a legal case could be called alienation of law or alienation in the legal sphere.

*A particularly dreadful case of legal alienation is provided by the football club Sion / Sitten (Valais / Wallis – Switzerland) during the Swiss football championship season 2011/12. Accused of having acquired a player still under contract some years ago, the international football association (FIFA) did not allow the FC Sion to integrate newly acquired players into the team for 2011/12. However, the Swiss football league, finding the FIFA orders inappropriate, took the opposite decision. Given this, the splendid Sion team – by 2015, the FC Sion was **13** times in the Swiss Cup Final and obtained **13** victories!! – had a good start in the Swiss championship and eliminated a European football giant, Celtic Glasgow, from a European competition. Now, the FIFA reacted strongly. The Swiss football league was put under threat if the FC Sion was not harshly punished: Swiss teams, including the Swiss national team were to be excluded from international competitions! As a final result the FIFA excluded the FC Sion from European competitions and the Swiss football league ruled that 36 points had to be deducted from the points won by the FC Sion in the Swiss football championship; according to the regulations of the Swiss football league the maximum number*

*of points that can be deducted is 12!! The final result of legal tribulations for one year, involving a great number of lawyers and with millions of Swiss francs squandered, was distressing: The Swiss championship and a European competition have been heavily distorted, and an excellent team had lost the fruits of its efforts during an entire season; in fact, the FC Sion was one of the favourites of the top Swiss league; however, because of the deduction of 36 points the club ended up on the last place at the end of the season; to this adds the unjust exclusion from an important European competition after having knocked out a prestigious Scottish team. And the affair has not yet come to end because the FC Sion rightly asks for a financial compensation. And what would have been a common sense judgement? Simply an appropriate fine – the innocent players of the FC Sion would not have been affected and the Swiss and European competitions could have gone on regularly. The time to take the decision would have been ten minutes or less, and plenty of time would have been left for a drink.*

Fortunately, however, it is very likely that most lawyers, when they are dealing with some case, rely, implicitly or explicitly, on the *principle of justice* putting to use instructed common sense. The same is true of judges when they render a judgement. This means bringing positive law nearer to natural law as far as this is possible, given certain legal conditions (*Rechtslage*) and an ever-present imperfect knowledge. Instructed common sense is, in all situations, the great door to natural law.

The problem involved here is that objective elements may, in many instances, be interpreted very differently, or may be arranged appropriately by a party engaged in a legal dispute; given this, theoretical, ethical and subjective elements may become fundamentally important in the proper applications of laws. The rising importance of objective elements *per se* in Law cases, and its implications, frequently results in more or less large gaps between law and Justice. However, we have already mentioned the German Lawyer Gustav Radbruch who suggests that positive law should directly emanate from the principles of Justice (*Gerechtigkeit*); as a consequence, a gap between Positive Law and Justice might be interpreted as alienation in the legal sphere. In his introduction to the Science of Law, Gustav Radbruch gives an excellent account of these issues (Radbruch 1980/1952, for instance on pp. 41-43). In this context, Radbruch argues, as has been suggested in the above, that the Principle of Distributive Justice (*iustitia distributiva*) is basic in Public Law; in Private Law the Principle of Justice in Exchange (*iustitia commutativa*) is fundamental. Given this, in a Natural Law System the Principle of Distributive Justice would have to be applied to all parts of the public

and social sphere, and the Principle of Justice in Exchange to all possible relations between the social individuals. In Bortis (1997/2006) it is insisted upon that, to apply both principles broadly correctly, requires a solid system of the social and political sciences; here, Political Economy in its being the key social sciences of Modernity is of particular importance. Without *probably* knowing how modern monetary production function in principle, good legal work, above all in the social and public spheres, and good politics are both difficult to realise. As Oswald (1957) suggests, a close collaboration between the lawyer on the one hand, and the political economist, the sociologist and the political scientist on the other, is utterly necessary in a complex and rapidly evolving modern society. The latter have to tell the lawyer how the economy, society and the state function. Subsequently, the lawyer has to legally shape the objects presented to him, the economy, society and the state to wit, in such a way that the applied political economist and social scientist and the politician can act sensibly in conditions of uncertainty, that is also in unforeseeable circumstances. This means the lawyer has to rely on legal principles, which allow the applied social scientists and the politicians, in collaboration with the lawyer, to adapt their action to all possible circumstances.

Given this, the basic problem of law consists in setting up the legal structure for the political institutions existing in a polity, and their relationship with social and economic institutions, and, in fact, with the entire population. This is a matter of Public Law. Ideally, this institutional system ought to be conceived in a way such that the scope of liberty for the social individuals is as large as possible, which, in turn, implies a harmonious institutional set-up at the full-employment level; the absence of involuntary unemployment would realise the right to work. Maximising the scope of liberty implies that the regulation of behaviour of the social individuals, including collectives, through Private Law ought to be minimised. The setting up of a legal system requires a very solid socio-economic and political theory, whereby Political Economy, the key social science of Modernity, is fundamentally important, a point insisted upon repeatedly in this essay. Hence, according to the social liberal vision and contrary to presently prevailing doctrine, Public Law is of primary importance, and Private Law emerges as of secondary concern.

To conclude these considerations on law, we may say that, in the spirit of Oswald (1957), the *content* must dominate the *form*. The content consists of the immensely complex real world, which can only be approximately captured by socio-political theories, among which political economy as the key social science of the modern era is most important. The lawyer must now legally shape this content, to give it a legal form through legislation. But it is crucial to recall Oswald's dictum: the form is necessary to avoid arbitrariness, but should never dominate the



content. Given this, in law as in the other social and political sciences, particularly political economy, action must be based on principles, giving rise to robust laws to ensure security of law (*Rechtssicherheit*). Indeed, as emerges from Keynes's economic *and* philosophical work, ***to act on the basis of principles is the most appropriate way to act rationally in a complex and rapidly evolving real world, about which we have imperfect and probable knowledge only and where uncertainty about the future always prevails*** [on *probability* in Keynes's sense see O'Donnell (1989, specifically Part I)]. The great problem is to uncover the most plausible principles on which to base our actions. In this essay, we suggest that Keynes's social liberal vision, which conceives of man as an *essentially* social being, is far superior to the individualistic liberal vision of the modern world.

In this context, Pierre Aeby (1884 - 1957), Professor of Civil and Commercial Law at the University of Fribourg / Switzerland (1911 – 1952), is reported to have said: *I only teach principles based on Natural Law; it is up to the students to apply these principles in their practical work*. This proposition seemed to reflect the basic position of the entire Fribourg Faculty of Law around 1950. Again, this points to the unity of the social and political sciences and to the consequent requirement of close collaboration between lawyers, political economists, sociologists and political scientists to shape policy making on all levels, including legislation. And policy making in the spheres of the economy, society and the state, including legislation, must be based upon principles, emerging from a coherent system of social and political sciences. This system of social and political sciences must, in turn, be based upon a vision of man and society, analytically articulated by a social philosophy. In fact, the sciences of politics and law, sociology and political economy must be based on a social liberal view, which conceives of man as a rational and social being in the Aristotelian-Thomistic sense. Indeed, the social liberal system of the social and political sciences emerges as the most plausible one, if compared with the corresponding liberal and socialist systems as is alluded to in (Bortis 1997). In this context, it is important to note that both the liberal and the socialist system of social and political sciences are, fundamentally, also conceived as *natural law* systems as clearly emerges from the writings of liberal and socialist writers. This implies that, to work out a system of the social and political sciences as closely in line with human nature as possible, requires studying in depth the history of social and political ideas. This leads on to the emancipation of the mind, which, in a Keynesian vein, is required to distil the most probable essentials of socio-economic, legal and political phenomena (on *probability* in Keynes's sense see O'Donnell 1989, specifically chapter I). This is why the great social and

political scientists and their theories are so important, particularly since the coming into being of the modern world in the second half of the eighteenth century.

In this context we should remember that governing, including legislating, is, as Aristotle insists on, the most difficult of all the arts, the central problem being to bring about social justice, distributive justice in the main. And the difficulty of governing has dramatically increased since the coming into being of modern monetary production economies with very extended division of labour and the crucial role taken by money and finance. Without broadly understanding how monetary production economies function and how they are related to society and the state, appropriate political action, including legislating, is not possible.

**Political economy had become and has remained *the key social science of the modern era*.** Without a coherent system of political economy, a coherent system of the social and political sciences cannot be developed. In this essay we have insisted on classical-Keynesian political economy, grounded on the social liberal vision of Man and Society, being the most plausible system of socio-economic theory (Bortis 1997). Given this, classical-Keynesian political economy must provide the basis on which a complete system of the social and political sciences, including the science of law, is to be built.

This leads to the second question, the appropriate size of the polity (see on this Bortis 1997/2006, pp. 393-410). Since according to the economic theory of Social Liberalism, Classical-Keynesian Political Economy, there no self-regulation in the economic sphere, governing becomes extremely complex. In fact, the various institutions of a society, that is the material basis and the political, legal, social and cultural superstructure, form a structured entity. This is so because the Common Good and the good life of the social individuals are themselves structured entities. From this the fundamental policy problem arises, that is, to create or to favour the coming into being of socially appropriate institutions and to bring about *harmony* between these *complementary* institutions. Given this, governing becomes extremely complex and difficult (Bortis 1997/2006, chapters 6 and 7), a fact already perceived by Aristotle. And the difficulty of governing has dramatically increased with the coming into being of modern monetary production economies with a sophisticated division of labour, and with money and finance being of fundamental importance. Given this, policy principles and their application now require a very solid theoretical foundation. This is why *political economy* has become, and has remained, the *key social science of the modern era*. From the complexity of the policy problem arises the fundamental reason why *the polity should not be too large to be governable*. The natural size of the state is thus the *small and medium-sized state*, as have come into being in Western and Central Europe, for example;

large polities ought to decentralise according to the Principle of Subsidiarity (Bortis 1997/2006, chapters 6 and 7).

To be able to get nearer to the natural state of a political society, the stability of the economic (material) basis is crucially important. The reduction of economic alienation to a minimum is, in a Marxian vein, a precondition for a stable social, political and cultural superstructure, widely free from alienation. According to the doctrine of Social Liberalism, it is precisely the role of the state to create, in collaboration with society, the social foundations on which individuals and collectives (various associations) may prosper (Bortis 1997/2006, 2003a). Full employment is particularly important. To put it in a nutshell: Involuntary (mass-) unemployment leads to *a struggle for survival*, concretely to a struggle for raw materials, markets, and, ultimately, workplaces. This alienated situation may lead to conflicts between social, ethnic and religious groups. And, very importantly, alienation *within* states may lead to alienation, that is, to conflicts, *between* states. This aspect of our problem will be considered in the next part.

However, appropriate social foundations render possible the peaceful living together of most diverse social formations, associated with the possibility of mutual spiritual, intellectual, social and material enrichment. The most important economic components of these social foundations are full employment - the absence of system-caused or involuntary unemployment - and a fair – socially acceptable - distribution of incomes. A high-level *public* education system, open to all and free of cost, is also essential to the social foundation. A strictly public education system tends to ensure the equality of opportunities and contributes to a high social mobility.

Full employment has to be brought about by the internal employment mechanism (Bortis 1997/2006, pp. 190-99): the state must fix the structure *and* the scale of government expenditures. These permanent institutionalised expenditures set the economy into motion through the incomes they create. In fact, the spending of these incomes brings about a cumulative process of consumption and investment. This process will be all the more powerful, the more equal income distribution is, since this enhances the spending power of the population. Hence the state must not only fix the structure and the scale of government expenditures appropriately, but also, simultaneously, pursue an incomes or distribution policy such that full employment obtains in the long run.

In principle, the tax rate  $t$  must be set at a level to ensure that the state budget is in equilibrium at the long-period full employment output  $Q_f$ :  $G = t Q_f$ . And, in a Keynesian vein, state expenditures  $G$  set the economy into motion and bring about the tax revenues  $T = t Q_f$

required to finance these expenditures. Hence government expenditures bring about the tax revenues required to finance these expenditures. This is analogous to Keynes's fundamental axiom saying that investment calls forth the saving required to finance it, and not the other way round.

*In this context it is important to note that a distribution policy should not necessarily aim at redistributing very high incomes. Such incomes are socially necessary if, in the long run, these are spent in socially useful way, to promote culture or to preserve the cultural heritage, for instance. An eventual excess of saving over investment at full employment, due to an unequal income distribution, should, however, be reinjected into the economy through a government budget deficit. At full employment we would have  $S + (T - G) = I$ ; hence if  $S$  exceeds  $I$  at full employment, the state should spend more than he gets ( $G > T$ ), which would absorb the excess saving and prevent the formation of speculative money balances. Thus monetary wealth would be held in the form of treasury bonds. The individuals having bought state bonds could of course dispose of their wealth at will through selling these bonds.*

Moreover, foreign trade must be broadly managed such that the current balance is in equilibrium in the long run (Bortis 1997/2006, chapter 6). In fact, given long-period exports and export earnings, the import of the necessary goods required in production must be ensured first. Subsequently, the imports of non-necessary goods, making up part of consumption out of the surplus, have to adjust in a way to ensure the long-period equilibrium of the current account. Needless to say that policies based upon the internal employment mechanism are extremely complex. To pursue such policies requires a stable international environment, rendering possible the co-operation between states.

In fact, within a stable international environment, each state may set up an institutional system such that individuals and collective enjoy a maximum scope of freedom and hence may prosper, that is to unfold their dispositions and to broaden their capacities (Bortis 1997, pp. 39-53). This brings about cultural diversity and reduces system caused alienation, which implies approaching the Common Good as much as is possible for human beings. Hence, the central problem of politics is, in an Aristotelian-Christian vein, fundamentally of a social-ethical nature.

Indeed, securing full employment and a fair distribution of incomes implies realising the *principle of solidarity*: nobody ought to be excluded from society or to be treated in an obviously unfair way therein. Other important aims to be pursued by the state relate to

increasing national wealth such as is compatible with the preservation of the environment, to spending tax incomes in a socially useful way and to contributing to organizing international trade relations in a way that is beneficial to *all* trading partners. In doing so, the state ought to co-operate with non-governmental institutions, which might be subsumed under the heading of *non-profit organizations*. Examples are various associations and co-operatives of workers, employers and consumers and non-profit organizations in the social and cultural sphere. However, the state ought to intervene in socioeconomic affairs only if some individual or some social entity is not in a position to solve some problem by itself. This is the *principle of subsidiarity*, which implies that state intervention must be such as to leave the greatest possible scope for freedom of action for all citizens. This implies creating or favouring the coming into being of socially useful institutions. Hence, the policy problem is, positively formulated, to create appropriate social foundations, not to influence the behaviour of individuals, the latter being a matter of individual ethics.

This view of the state has consequences for globalisation. Indeed, globalisation as it goes on at present, is associated, to a large extent, with a strong domination of particular interests in the form of huge multinational and transnational enterprises in production and finance, with states getting ever weaker. This type of globalisation is, to some extent at least, of a socio-economically damaging nature: work places are shifted around, implying that mobility is largely forced and not based on freely taken decisions. Unemployment levels remain high, and income distribution gets more unequal, because no constructive employment and incomes policies may be set up when economies rely on the external employment mechanism. This domination of particular interests weakens the state and renders constructive socio-economic policies based upon the internal employment mechanism almost impossible.

Given this, *constructive* globalisation may take place on the basis of stable states only. Indeed, with full employment or near full employment prevailing in the various political communities, the unrestricted mobility of individuals, free trade and flows of financial capital become possible. In this way, stable political communities and cultural diversity render possible a mutual enrichment of peoples and individuals at the material and cultural level.

In the middle-way spirit of classical-Keynesian political economy, the corresponding policy measures are also balanced in various respects (Bortis 1997/2006, chapter 6). For example, regarding technology, there is necessarily some mixture of autonomy and dependence. For instance, each significantly large country should have a machine tool sector of its own. This ensures a fundamental autonomy regarding technology, which, however, with rapid technological progress and differences in development levels, can never be absolute.

Autonomy may be reinforced, however, because each country ought to attempt to set up a technological structure adapted to its own needs and mentalities. Technology must adapt to man, that is machines must be in the service of man, and not ,man being crushed by machines – der Mensch als Anhängsel der Maschine’ (Marx). Moreover, some protectionism is required, mainly in order to be able to increase the level of employment in an open economy; this kind of protectionism is, in fact, part of the social basis alluded to above. Indeed, given exports, the import coefficient of non-necessary goods must be reduced if employment increases, in order to preserve the equilibrium of the current account. Once full employment is reached everywhere, there may be, in principle, free trade; policy action would be required only to correct eventually occurring current account imbalances (Bortis 1997/2006, chapter 6, and 2003b).

*Hence globalisation must go on in a specific, natural way, that is, in line with human nature; ideally, the world must become a family of states.* In the absence of self-regulation, the existence of strong – but not interventionist - states is indispensable, since only states can establish the social full-employment basis upon which individuals can prosper by unfolding their individual and social dispositions. The existence of sovereign and independent states is also the basis for international co-operation.

In the social liberal view, the principle of co-operation is not only basic within a country or a region but also between countries and regions. The co-operation between states and societies will be all the more beneficial the better the great socioeconomic problems, mainly the employment problem, have been solved within the individual countries. Several areas of co-operation relate to international trade relations. First, the principle of broad foreign trade management, specifically regarding non-necessities, must be mutually accepted so as to enable each individual country or region to achieve full employment (Bortis 1997/2006, chapters 4, pp. 190–9, and 6, pp. 326–43). As already suggested in the chapter on the *vision and the values underlying the Essay*, Keynes’s *National Self-Sufficiency* (1982/1933) is very important here. Some import management is, in fact, required since there is no mechanism ensuring an automatic tendency towards full employment on the regional, national or world level. Second, international co-operation is required in order to maximize the welfare effect of international trade based upon the principle of comparative advantage. This is bound to lead to an extensive international division of labour, giving rise to mutual dependence of countries in the sphere of production. Third, the proper delivery of goods, required in the process of production (necessary imports) from one country to another, must be ensured by a network of contracts in order to avoid disruptions of production in particular countries. A fourth domain

of international co-operation is money and finance, mainly the management of a world currency to be set up eventually, i.e. Keynes's *Bancor* (Bortis 1997/2006, chapter 6, pp. 338–39). However, the most important sphere of co-operation is certainly the natural environment. Effective action in this field seems possible only if a world economic order along classical-Keynesian lines is implemented (Bortis 1997/2006, chapter 6, pp. 319–48). Firms would no longer have to face elimination from the market and individual countries would no longer have to fear the loss of jobs when taking steps to protect the environment because full employment could be maintained by a socially appropriate management of foreign trade. The present struggle for survival on world markets does not leave much scope for really serious environmental policies.

Moreover, the existence of states, which set up the social full employment basis associated with the greatest possible autonomy for individuals and collectives, also guarantee cultural diversity within a political community. This, in turn, implies cultural diversity between states, which is, and will remain, absolutely necessary. Indeed, it is only in a culturally diverse world that individuals can mutually enrich each other, spiritually, intellectually, and materially, at a global level. Incidentally, this is tantamount to increasing the social potential of all the social individuals on a world level. This, as will be suggested below, is fundamentally important to realise the aim of history in a more complete and, consequently, richer way.

### The natural political world order as a precondition for polities in line with human nature

In the previous section it has been suggested that political societies organised according to human nature would logically lead to a natural political order on the world level, the world as a family of states. On the other hand, the natural world order is a precondition for the peaceful existence of nation states in line with human nature. Indeed, good polities, in line with human nature, cannot be built up if there is, for example, an inappropriate international economic order which, given the fact that economies are not self-regulating, forces all countries to struggle for workplaces through the external employment mechanism: enhancing exports by all means and attempting to keep the import coefficient as low as possible. Or if the political order allows unilateral interventions of some countries into the internal affairs of others, as was the case during the Cold War when the Capitalist and the Communist block attempted to

,export' their respective ideology and socio-economic and political model and attempted to maintain some precarious equilibrium of forces. In this vein, the endeavour of the West, after the downfall of Socialism, to promote democracy and free markets in other parts of the world may prove entirely inadequate, given the fact that market economies are not self-regulating. This endeavour may, in the target countries, that is, in economically under- or maldeveloped countries, simply result in the rule of the propertied classes, backed up by military and police forces; moreover, this may imply, for example, that export revenues of raw material and energy resources and eventual development aid is appropriated by the ruling classes of these countries. Given this, democracy may become purely formal without any material content.

*This is, of course, not to argue against democracy, which, however, must take on a differing shape. In fact, we have repeatedly argued that democracy in the sense of self-government is possible on the local level only. On the national level there must be a government for the people. That is, the government ought to stand above the parties and must remain in power for long periods of time so as to be able to pursue long-term policies aimed at setting up or favour the coming into being of appropriate institutions, as is, in principle, the case in Switzerland. However, to be able to formulate appropriate policies, the government must be able to rely on a very solid socio-economic and political theory, particularly a very robust system of Political Economy (on this see Bortis 1997/2006 and 2003a). To elaborate such theories is task of the Universities, specifically Faculties of Social and Political Sciences.*

Moreover, in the present age of globalisation, very large countries or blocks of countries will, as a rule, struggle for markets, political influence or military positions. This may be reinforced through internal problems within these polities. Heavy alienation in terms of unemployment and a very unequal income distribution, large amounts of finance capital in search of profitable investment opportunities, may lead on to aggressive behaviour towards other countries. This in order to attempt to create work places through the forceful use of the external employment mechanism: promoting exports by all means, attempting to reduce the import coefficient through some kind of formal or informal protection, for example. The struggle for final product markets may be, and in fact is, complemented by fights for securing the supply of primary products, that is raw materials and energy resources. Profitable investment opportunities abroad may be secured by more or less harsh interventions into the internal affairs of target countries. These activities may be enhanced by an aggressive foreign policy, including economic sanctions and even military interventions. In fact, the present



situation resembles considerably the state of affairs before 1914, but on a much larger scale. Before the First World War relatively small European countries struggled for relative power positions in Europe and in vast regions of the world; now all the countries of the globe, huge countries and groups of countries, are engaged in a struggle for supremacy, and survival, on a world level. However, possible influence spheres have become relatively small. Africa, the Middle East, Central and South East Asia are the most important cases in point. George Orwell's *1984* vision seems to get realised gradually.

Evidently, all this renders very difficult, if not impossible to setting up an internal order in line with a desired way of life corresponding to the mentality of the people in all countries, specifically in many economically or politically weak countries. Hence the question as to the natural world order and the problem of the natural political organisation of the various societies are inextricably linked. In fact, both questions mutually imply each other.

### *The problem of the world order*

Basically, the question as to the appropriate world order was in terms of coexisting city states, small or enlarged, versus empire. The polity could be a nation state or a nationalities' state. The discussion about the world as a family of states or as an empire (or as empires) is an old one. Perhaps the appropriate starting point is the Old Testament tale of the dream of Nebuchadnezzar on the destruction of the four empires, mentioned out the outset of the Book Daniel (Koch 1997). This tale would seem to suggest that empires cannot last because they are based on power and splendour, coercion and slavery, not primarily on justice and social harmony, that is on ethics; this weakness causes their breakdown, a fact echoed in a different way for new and modern times by Paul Kennedy's *Rise and Fall of the Great Powers*. Koch's important, though eurocentric work, deals with the reception and the interpretation of the Book Daniel for about 2000 years in Western Europe, in fact from the Hellenistic epoch to the present. There is no definite answer to the question as to the world order to be established after the breakdown of the various empires. However, a passage, related to the peace treaty of Westphalia (1648) ending the Thirty Years' War, is, it seems to us, of particular importance for the conception of a definitive World Order. This war brought, in fact, the factual end - with the formal end occurring in 1806 - of the Holy Roman Empire, the last of the - pre-modern - empires of Gellner's *Agraria* with universal claims. Koch now states: „From recent historical research emerges that the peace treaty of Westphalia has been conceived by *Cardinal Richelieu*. Though theologian, the French statesman does no longer think of

recognising the Hapsburg monarch as the Roman Emperor, having divinely founded preeminence among the European princes. Instead Richelieu conceives of a peace agreement between *Christian states of equal status*, all having equal rights, creating thus, for the *first* time in Europe, a community of states, mutually responsible and with the existence of the community of states secured through mutually binding collective agreements. This implies a *federalist* interpretation of the Book Daniel' (Koch 1997, p. 121; a.tr.; our emphases). Richelieu's grandiose conception of a European political order lies at the heart of the vision of the world political order set forth in this essay, the world as a family of states. It is certainly not by chance that a French diplomat, Gabriel Robin, has very recently restated the essence of Richelieu's vision of Europe for the world as a whole: 'France's foreign policy must have one central objective: the defence of a world made up of national sovereignties, because sovereignty is, simultaneously, the basis of independence and the foundation of responsibility [and, it may be added, the basis for globalisation to go on in an orderly way, with co-operation, not conflict, between states and continents dominating]' (Robin 2004, pp. 320-21).

Another instance of the discussion on the world order is the dialogue between Aristotle and his pupil, Alexander the Great, on the size of the polity. Aristotle argued that the state ought not to be too large, given the difficulties of governing, mainly because of the difficulty of bringing about distributive justice, laying thus the social foundations for a good and happy life of the citizens. Alexander, however, held that the Empire was the most appropriate political organisation, mainly to ensure peace, but also to bring about wealth and to realise splendour. However, historical experience shows that empires were, as a rule, not only associated with power and splendour, but were, as a rule, also predatory. This holds true also for the European mercantile empires, the colonial and even post-colonial empires. Imperialist states backed economic forces to gain economic and political advantages, with military intervention occurring if required. However, the existence of large and diversified political entities – traditional empires or, at present, nationalities' states - is required for two main reasons. The first is associated with ethnic, linguistic and religious diversity, which, *per se*, is highly desirable. Such polities result, as a rule, from long historical processes and ought to be maintained in order to prevent conflicts between the different population groups or even civil wars. Such wars may be enhanced by foreign interference, and they tend to continue since it may be impossible to draw mutually recognized frontiers. Second, large political entities may also be required to secure the balance of power on the regional or on the world level. The disintegration of a polity always creates a political vacuum leading to conflicts between the remaining powers eager to strengthen their international position.

But historical experience also shows that, if empires did not exist, wars between the small and medium polities were the rule. This is particularly evident for Jaspers' (first) *axial age*, but, as far as Europe is concerned, also for (second) *axial age* which brought the breakthrough to Modernity.

The discussion on the world order went on in Modernity. In his *Ursprung und Ziel der Geschichte* Karl Jaspers sees the post World War Two era 'as a preparation for the struggle for a planetary order' (Jaspers 1955/1949, p. 189). He comprehends this issue in terms of *world empire* or *world order* (p. 190). 'Empire would come into being only through violence [military or economic], and could be maintained only through exercise of violence [which could be legally based, as in a strong law-and-order state]. In World Empire peace would be brought about by a unique center of power [economic and/or political]. Order is maintained through violence. Planning and terror shapes the levelled-out masses. There will be a unique *Weltanschauung* which is imposed through propaganda' (Jaspers 1955/1949, p. 190). 'World Empire could eventually lead to a complete levelling-out of soul and mind, human life would be similar to the life of ants, intense but empty, with the mind drying up' (p. 193). Jaspers considers the possibility that a World Empire could split up into large continental empires. This is, in fact, the option envisaged by George Orwell in his *1984* on which we shall briefly come back below.

On the other hand, Jaspers conceives of the 'world order' as a unity [of various states] without a dominating exterior power. Unity is brought about by negotiation and co-operation' (Jaspers 1955/1949, p. 190). He goes on to say that 'world order would be the continuation and the generalisation of liberty within the restrictions set by the law. The political world order should concentrate on questions of existence only, which are of general significance and link together men and women worldwide. In the sense of natural law, Humanity as a whole should guarantee human rights and protect the individuals against violent actions of his state' (p. 191). Finally, Jaspers argues that world order would be far richer culturally than world empire' (p. 193). Jaspers' view is Kantian, and as such individualistic, implying a self-regulating economy. In a way his claims go without saying.

In this essay, however, it has been argued throughout that, given the fact that economies are *not* self-regulating, the problem is to set up an institutional system within each country, such that the social individuals may prosper on a social – full employment and fair distribution – basis. Here, it appears, once again, that political economy is the key social science of Modernity, not only because it has to deliver the conceptions required to shape the socio-

economic and political order within countries, but also the relations between them, that is, a design for the economic, financial and political order of the world as a whole.

The French diplomat Gabriel Robin has significantly entitled his 2004 book on foreign policy *Entre empire et nations*, and comes up clearly for a world consisting of sovereign but co-operating nations. Similarly, John Nef: „Medieval Europe at its best was an approach to unity in diversity [Haas speaks of the West as of *Unity in Variety!*]; modern civilisation which has taken possession of the globe during the past hundred years is nearer disunity in standardization“(Nef 1963, p. 5). This is a very accurate proposition indeed.

Jaspers' *levelling out of soul and mind with the mind drying up* (Jaspers 1955, p. 195) and Nef's *standardization*, as would occur if very large economic and political formations came into being, leads to a fundamental issue related to Modernity, that is the problem of *Nihilism*. In terms of what has been said in the introductory part *Setting the stage*, increasing Nihilism could be defined as a driving out, or a fading away of the fundamental values associated with Goodness, Beauty and Truth. Perhaps, most important is the loss of the notion of the good life, which cannot possibly be dissociated from faith, giving life a sense; and, in an Aristotelian vein, the good life is essentially social, implying that the question of the good is inextricably linked to the problem of setting up the good society. Nihilism implies that ends fade away and that the means become ends: indeed, in modern civilisation, science, technology, and the economy tend to become ends in themselves. Autonomous subsystems develop a life of their own, in part dissociated from man and society and, as such, gain power on men and women, even up to the point of crushing them. This may be the case with the market mechanism, the legal system, public administration, administration and bureaucracy in general, technology and science. On the other hand, the dominant aim of man is to perfect more and more these mechanisms, in a vacuum devoid of values, losing sight of man and of society as a whole, as is symbolised by the huge purposeless mechanical devices, constructed by the Fribourg/Swiss artist Jean Tinguely. This gives rises to alienated or unnatural societies, which Karl Marx, Emile Durkheim, William Haas, Herbert Marcuse, Ernst Jünger, and others, have in mind. Perhaps, the writer who has penetrated most deeply into the uniform, functioning smoothly, impossible to grasp, semi-darkness of nihilism is *Franz Kafka*, specifically in *Der Prozess*.

It should be evident that nihilism is a type of alienation. In this essay we argue that the aim of history is to reduce alienation in all possible spheres of economic and social life. The only way of *reducing nihilism permanently* is through *appropriate education*, emphasising the fundamental values and providing a sense of life. It is not possible to discuss extensively the

crucial problem of *education* in this essay; only some casual remarks will be made here and there; nevertheless, it must be emphasized that, as is very likely, *education on all levels will be the fundamental problem of the future*.

At this stage, we cannot but refer to John Nef (1967, chapter 9) who writes at the outset of this chapter, which, precisely, is on education, that „the final end of civilization is to cultivate truth, virtue [and goodness], and beauty of and for themselves [...] for the sake of man“ (Nef 1967, p. 265). In line with what has been said in the first to sections of the introductory chapter this would imply that the powers of intuition and imagination should be enhanced through an appropriate education in religion, philosophy, literature, in fact in the fine arts in general. Indeed, at the outset of this essay it has been suggested that the powers of reason and analysis get enhanced through strongly developed faculties of intuition and imagination; just let us recall Keynes who said that insight obtained by intuition was the first form of knowledge.

The teaching of religion from a very early age onwards seems to be of particular importance, for several reasons. First, children are, as a matter of fact, extremely receptive for stories, legends, tales, including Biblical tales. This strengthens the faculties of intuition and imagination. These faculties enhance the capacity of comprehensive reasoning, that is, holistic thinking (*ganzheitliches Denken*) and perceiving relations between phenomena (*Zusammenhänge sehen*). This, in turn, renders possible higher-level analytical performances at later stages of education. Given this, a second reason for teaching religion at pre-school and primary school level arises. Indeed, such teaching creates the preconditions for comparing religions in a spirit of openmindedness and tolerance at the grammar school and the university, enhancing thus the mutual understanding between members of the various religious communities. Third, some religious knowledge enhances the understanding of historical, social, political and cultural phenomena. These have indeed been crucially shaped by religion everywhere and at any time. Fourth, and perhaps most importantly, a comprehensive and compulsory teaching of religion stabilises and strengthens the social individuals emotionally *through providing a sense of life*. On the basis of education, the construction of the *good life* now becomes possible for all social individuals. This would certainly contribute to solving important social problems to a large extent, most importantly the problems of violence, addiction to alcohol and drugs, and associated problems. And, least but not least, religion develops *consciousness* about the great problems of Truth, Goodness and Beauty on the basis of a vision provided precisely by religion. The issue is about integrating Religion (Faith) and Knowledge, Religion and Ethics, social and individual, and,

to some extent, also on Religion and Beauty. It must be admitted that the Catholic Church has done very great work in this domains through the centuries. Indeed, in providing a vision to deal with the fundamental values of Truth, Goodness and Beauty through an excellent education system based on very solid *curricula*, the Catholic Church has done immense and unequalled work in shaping Christianity, starting from the Fathers of the Church, passing through the Carolingian Empire and the Scholastic system, until the present days. All this has very far-reaching implications. For example, without consciousness about ethical issues, social and individual life tends to get alienated to greater or less degrees. The legal system and the economy, and politics, simply cannot function properly without ethical foundations. All this has a very important institutional implication: The State and the various Churches must *not* be separated, as was fashionable following up the French Revolution, but they should *collaborate*. It has already been suggested that this would fortify the personality of the social individuals, resulting thus in a more stable society.

Moreover, as has been mentioned repeatedly, to render possible, permanently and in general, the good life for the social individuals, requires specific socio-economic preconditions, with full employment and a socially fair distribution of incomes being most important. Orderly socio-economic preconditions are particularly important for education in general and religious education specifically: for example, to speak about the good and almighty God to people living in utmost misery, without any perspectives, may be counterproductive and may be equivalent to utter cynicism, if this goes along with fatalistically accepting and maintaining a heavily alienated socio-economic and political situation. In such circumstances, there is a great danger for religion becoming alienated. Marx's *religion as the opium of the people* may become reality. Just to remember, Marx has criticised alienated religion, not true religion.

Of course, speaking about religion is highly appropriate if this is associated to providing hope and relief. However, this should go along with undertaking permanent efforts to reduce system-caused alienation. Most important in this context are the creation of new workplaces, also through public employment programmes, and an incomes policy aiming primarily at establishing higher minimum wage levels. The perfectly organised Catholic Church would be in particularly favourable position to vigorously press for profound reforms. This would be part of the *civilisatory mission of the Church* Eric Voegelin speaks about (see the second section of the final chapter, *Epilogue*). The Latin American Theology of Liberation is certainly on the right track in matters of social reform. Moreover, it has already been suggested that, regarding the reduction of system-caused alienation, Marx and Keynes can be powerful allies of the Catholic Church. In these days, ideological quarrels should move into

the background. The point is to co-operate to improve the socio-economic situation worldwide.

In this context the distinction between poverty and misery is of fundamental importance: poverty may be choice or one may get out of it through an effort; misery, however, is system-caused and crushes the individuals; the fact that monetary production economies are not self-regulating and that an unequal distribution of incomes may lead to higher involuntary unemployment is of crucial importance in this context.

To maintain and to improve or to, eventually, reshape the *curricula* on all levels of education in line with this humanist vision of man and of society is obviously a tremendous task. This task will have to be fulfilled in entirely different ways within the various nations of the globe, ensuring thus cultural diversity, each culture relying upon its historical heritage, with the history of ideas in all domains perhaps being most important. Finally, this humanist view of education implies that the education system should be in *state* hand at all levels and free to all in order to contribute to social justice, and to enhance social mobility. To achieve this aim a substantial part of the social surplus must be devoted to education, which means that the economy must be ancillary to society and the social individuals composing it. As already suggested, education in line with human nature will be the crucial issue of our future. Given its importance, the theme of education will be taken up in a later chapter, *Ways ahead* below.

### *World order in Agraria*

In the Empires of *Agraria* (6000 B.C. to 1800 A.C.) the social surplus was mainly used to establish and maintain political and military power and to produce cultural splendour; moreover, the social surplus, mainly produced by agriculture, was increased through conquest and plundering and the exploitation of slaves acquired through conquests. In fact, late or post *[first] axial age* was characterised by the rise and fall of empires. China's extraordinary stability has been mentioned, as has the rise and fall of Rome. The relative stability of India and of the Islamic world and the intense economic and cultural life in both civilisations, can only be mentioned here. In this section we deal briefly with the Persian Empire, as founded by Cyrus the Great in the midst of axial-time, mainly because this Empire might be considered, similarly to China, a model of internal organisation and of a world order in *Agraria*. To present Persia we rely on Gérard Israel's biography of Cyrus the Great (Israel 1987) and on the description of the reign of Darius the Great by Heidemarie Koch (1992).

For a relatively short-time, Persia probably equalled China in perfection. Moreover, and this important for our problem, the Persian Empire, in its being a link between East and West, heralds in a specific way the future natural world order. This is particularly interesting because Persia was, in fact, the *first* empire in human history. The fact that Cyrus solved the problem of the world order in conditions of *Agraria* with almost near perfection, points, once again, to the invariable human nature and to the presence of immutable values. In fact, *Goodness*, was applied to *the social and political sphere* in old Persia.

First, Cyrus saw himself as a *protector* of religion and the gods; simultaneously he considered himself a servant of the gods (Israel 1987, pp. 291-92). Moreover, there was a double election of the King, first through the people or their representatives and, simultaneously, through god, creator of heaven and earth (p. 293). The King's aim was unite the Empire under Persian authority through the conscience of a common destiny. However, *each people should preserve her own characteristic features*. Taxes should be levied in an orderly way and the defence of the country secured. Local power should be exercised by persons, loyal to the King, and enjoying the confidence of the people (Israel 1997, p. 296). Moreover, the charges of the local rulers – the satrapes – were *not* hereditary. Finally, there were royal inspectors controlling the satrapes.

*It is interesting to note, that the satrapes and the royal inspectors have their equivalents in the Carolingian counts and imperial inspectors (missi dominici)!*

In the concluding remarks of her book on Darius, second successor to Cyrus, Heidemarie Koch begins by stating: 'The founder of the Persian Empire, Cyrus the Great, was one of the most outstanding characters of World History. He created the social and political foundations of the first empire in history, making thus Persia a world power for more than two centuries; moreover, he did exceptional work in the cultural domain. Indeed, on his initiative Greek (Ionic) sculptors came to his new residence Pasargadae where they created works of architecture unknown in the East so far' (Koch 1992, p. 297). Here we have thus evidence of some early Western influence on the East; on the other hand, Burkert (2003) puts to the fore the important contribution of Persia, Mesopotamia and Egypt to the formation of Greek culture in general and of philosophy in particular; conversely, the destruction of the Persian Empire by Alexander the Great brought Greek culture eastwards – Jack Goody's pendulum was at work in this instance, too.



Darius the Great developed a system of writing to fix precisely the principles of his government and their application in everyday life (Koch 1992, pp. 297 ff.). On the principles Darius wrote: ‚According to the will of the highest Deity I am made to cherish justice and to despise injustice. I do not want the weak to be treated unfairly by the strong; however, I shall not tolerate the contrary, too. I take pleasure of all that is fair and right. I dislike liars. I am not irascible but I firmly dominate my feelings’ (Koch 1992, p. 297). Once again the invariable nature of man emerges, as does the existence of immutable values. The applications of the principles are equally astonishing. ‚Everybody, from the oldest person to the youngest, was included in a system of care. The workers received a salary set in line with age and performance. There was a maternity leave during which mothers received a minimum salary and special gifts for the baby. All the workers getting minimum wages received special rations to render their life easier. Those performing especially hard work, and the sick, received additional food. Man and woman got an equal wage; however, woman could work less to have sufficient time to care for the family. [...] Hence, care for the weak and absolute justice were Darius’s fundamental principles of government. [...] Everybody, also the weakest should participate at the common work. Everybody should make his capacities known and work accordingly. Darius always emphasized the importance of the common work of all the inhabitants of his empire [in view of the Common Good, one could add]’ (Koch 1992, pp. 297-98). In several instances, Heidemarie Koch insists on the modernity of these policy principles and their application. In this context, a member of the German government at the time of publication of Heidemarie Koch’s book is reported to have said that every German politician, occupying a position of responsibility, should read this work! Certainly, it is striking that the *first* empire of human history, founded in the middle of - first – *axial age*, was, like the Chinese empire founded about 300 years later, firmly based on ethics, that is, founded on the principle of Goodness. One may even say that the rulers of old Persia deliberately attempted to further the Common Good through consciously enhancing the social potential of the empire. Moreover, there seems to be considerable similarity between the Old Persian Empire and the Carolingian Empire regarding the principles of government and their application. There is the *common ethical foundation*, whilst the style of government and the nature of decentralisation were different; for example, there was *no* fixed imperial residence in the Carolingian Empire, residences consisting of Palatinates, and the *domaine bipartite* was an ingenious Carolingian institution, being crucially important for the breakthrough to Modernity in the West (see the chapter on *Michael Mitterauer* above). In any case, to

compare Cyrus and Darius with Charlemagne and Alcuin might be a fascinating and exciting undertaking.

### *On the world order of Modernity*

The Great Transformation brought a new type of Empire. The economy, associated with economic growth and the acquisition of wealth moved to the fore. Colonial empires come into being, with the double aim of securing outlets for final products and the access to primary products, that is, raw materials and energy resources.

With the dissolution of the colonial empires after the Second World War, the external employment mechanism continued to dominate, mainly because of the political difficulties to put the internal employment into practice (Bortis 1997/2006, pp. 190-99, and chapter 6; and Bortis 2003b). The various industrialised and economically less developed countries aimed at increasing employment levels through raising exports and keeping the import coefficient as low as possible. Now, with the creation of large free-trade areas and with globalisation, more and more countries will tend to rely upon the external employment mechanism to secure high levels of employment. Given this, the employment effect of foreign trade will be particularly strong if exports mainly consist of high-quality industrial products and services and if imports are, in the main, made up of primary goods, and with the terms of trade being favourable. High-quality industrial goods and services are, as Nicholas Kaldor (1908-86), the great pupil of Keynes, has emphasised time and again, labour-intensive, if account is taken of direct labour, indirect labour as is embodied in intermediate products, and past labour stored up in real capital, that is machines and equipment. However, primaries are essentially land-intensive, creating relatively few workplaces; moreover, the distribution of the export revenues, oil for example, represents a difficult problem.

Now, a contradiction is likely to exist between the external and the internal employment mechanism at the world level. In fact, *world economic activity* (output and employment) must be governed by the *internal* employment mechanism since the world, seen as a whole, is a closed system (Bortis 2003b, pp. 72-77). World government expenditures set world economic activity into motion, creating a cumulative demand for consumption and investment goods. The demand for consumption goods greatly depends upon income distribution, which governs the spending power of the world population. In fact, consumption demand is enhanced through a relatively equal distribution, and vice versa.

The *share* of world economic activity attributed to each country, is, however, governed by the external employment mechanism, based on exports, import coefficients and the terms of trade. As just alluded to, the employment of international trade will crucially depend on the structure of exports and imports. Specifically, successful exporters of high-quality industrial products or services will, as a rule, enjoy high levels of employment. Germany, Japan and Switzerland would be cases in point.

In order to successfully set to work the external employment mechanism, countries and regions have to offer favourable conditions in order to attract firms, which create additional work places and, subsequently, export the bulk of their production. The work force has to be of good quality, but wages not too high; the infrastructure should be in a good state and should be available at low costs to the users; public services, education in the main, should be of high quality, but taxes not too high. Taxes may, in turn, be lowered if state activities are privatised.

Now, given the endeavour to create, in each country, a favourable environment for exporting firms, it is likely that government expenditures stagnate or even decline at the world level. Even more importantly, income distribution has tended to become markedly more unequal in the last thirty years or so; this message is implied in James K. Galbraith and Maureen Berner (2001). Now, more unequal income distribution reduces the purchasing power of the population and, consequently, the demand for consumption goods; and stagnating or eventually declining government expenditures reduce the demand for public goods. Given this, long-period world economic activity – output and employment – tends to remain more or less constant or may even decline. As a consequence, the struggle for world market shares, mainly for industrial goods and services, will intensify. Through the external employment mechanism the successful exporters of high-quality industrial goods and services may nevertheless enjoy a satisfactory, even a booming economic situation. The losers, however, will be precipitated into the abyss of mass unemployment and of social and political instability. Indeed, owing to the law of increasing returns and to the principle of effective demand, Kaldorian cumulative processes may be set into motion resulting in larger inequalities of income, wealth and employment opportunities worldwide. All this implies that an inappropriate economic world order renders sensible economic policies within countries based on the internal employment mechanism almost impossible (Bortis 1997/2006, chapters 4 and 6). Hence, an alienated world order maintains or even increases alienation within countries, most importantly in terms of a widening wealth gap.

After the breakdown of Socialism, a new type of Empires is, perhaps, in gestation. It would seem that an *Economic Empire*, comprising multi- and transnational enterprises in production and finance, associated with international monetary institutions and backed up by strong political and military power, has been in the making for a short time but is rather unlikely to last. This is definitely confirmed by the 2008 financial crisis, which will greatly reduce the relative socio-economic, political and military position of the hitherto dominating West, specifically of the United States.

However, as suggested above, a kind of situation pictured by George Orwell in his *1984* could come into being, with three superpowers or loose Empires, *Eurasia* (Europe, Russia, and, perhaps, Japan), *East Asia* (China and India) and *Oceania* (the Americas, the Pacific islands, including Australia and New Zealand) struggling, economically and militarily, for raw materials and final product markets in Africa, the Middle East and Central Asia, and, more or less peacefully, for final product markets world wide.

*It has already been suggested, that, at present, a simplified Orwellian scenario might emerge, that is, East versus West. The East would comprise Asia and Russia. This scenario is volatile, however, mainly because Russia may go together with Asia or with Europe. Given this, Russia is a crucial element in the Orwellian power game. In our view, Russia and the Commonwealth of Independent States should, ideally, be independent of power blocks and form a bridge of peace between Europe and Asia. However, to render possible such a state of affairs presupposes a specific world order, that is, the world as a family states, structured through historical-geographical federations. This issue will be taken up at the end of this section.*

At present, the Orwellian scenario – which, in the real world, may take on various and evolving shapes - seems more likely than Economic Empire, and, is perhaps, already slowly emerging at present. However, both types of Empire would, very probably, lead to a catastrophe for humanity: cultural, economic and even military conflicts could become the rule; there would be little room for sensible economic, social and environmental policies because the struggle for power – and for survival - would absorb all the political forces; presumably, socio-economic conditions would become worse: poverty and misery would increase worldwide, as would mass unemployment, income distribution might become even more unequal. In sum, Huntington's 'clash of civilisations' might become reality. Moreover, the environmental situation would go on deteriorating rapidly, and might even lead to

environmental collapse. Such developments might occur because monetary production economies are not self-regulating, and, as a consequence, do not produce a tendency towards a harmonious general equilibrium at full employment. Quite the contrary, modern economies but may produce ever greater disequilibria due to economies of scale which tend to widen initial technological and wealth differences, with stagnating or even decreasing effective demand on the world level leading to increasing (involuntary) world unemployment.

*The argument just suggested has been greatly elaborated and specified by Jacques Sapir in his excellent Le nouveau XXIe siècle – Du siècle “américain” au retour des nations. Sapir argues that after the breakdown of Socialism and of the Soviet Union, it was generally expected that the 21st century would be shaped by the United States. Subsequent to the international financial crisis of 1997-98, the world went into a new direction, characterised by the reemergence of the nations, with Russia, China, India and Brazil gradually emerging as power centers of their own. A multipolar world is coming into being. This tendency is strongly enhanced by the present, 2008, financial crisis, to be probably followed by a crisis in the real sector.*

Thus the functioning of the present world economic system renders very difficult or even impossible constructive and permanent domestic economic, social and environmental policies within countries or Empires engaged in a struggle for survival on the world markets for final products and primary goods – raw materials and energy resources. Hence, since modern monetary production economies are *not self-regulating*, struggles for raw materials, markets and hence, workplaces, have led and may still lead to economic, political, or even military conflicts. The conflict potential will almost certainly increase with the rise of giant countries like China, India, Russia and Brazil.

In the last instance, the fact that monetary production economies are not self-regulating implies, as already suggested, that large economic free trade areas and, of course, globalisation based on the assumption of a self-regulating economy will not last long. Increasing involuntary unemployment and growing inequalities in income distribution will raise the extent of alienation to an intolerable degree, eventually producing, partly at least, a breakdown of the system, unless appropriate institutional changes are undertaken.

At present, two ways are open to humanity. The first, *alienated* way, as just sketched, would be shaped by power politics and very strong economic interests, symbolised by the drive of real and financial capital in search of profitable investment opportunities. In this world,

countries, coalitions of countries or even Empires would continue to struggle for markets and for raw material and energy resources, using economic, political or, sometimes, military means. The second, *natural* way would be *in line with human nature*, with the world as a peaceful family of co-operating small and medium-sized nations or nationalities states – large states would have to decentralise -, with a strong *supranational* United Nations Organisation, which aims at maintaining or favours the coming into being of viable polities. In such a – social liberal - world, private property would of course remain a central social institution. However, small and medium-sized enterprises would dominate with the separation between ownership and management less pronounced than is the case at present. Profits, normal and socially appropriate profits, would of course remain socially necessary as has been extensively argued in Bortis (1997/2006 and 2003a).

To escape the determinism exercised by the socio-economic system, as is implied in the first alternative, and the alienation associated to it, a huge policy effort will be required. This effort can only succeed if policy actions are based on a very solid socio-economic theory, which, therefore, will play a crucial role in every respect. Indeed, without knowing how modern monetary production economies function and how the economy is related to society and the state we cannot tackle the immense socio-economic, political and ecological problems of the day. Political economy had become and has remained *the key social science* of the modern era. Indeed, social liberal social philosophy and the associated system of classical-Keynesian political economy (Bortis 1997/2006 and 2003a) lead inevitably to highly probable conclusions on a world order in line with human nature. These conclusions beautifully emerge from *Keynes's vision* and the values associated with it: Full employment, fair distribution, the economy as the material basis for a well-organised society, within which the social individuals can prosper, mutually enrich each other in all domains of life, social and cultural most importantly, not only on the national, but also on the international level, the latter implying the world as a family of nation states, culturally diverse, with full world-wide mobility for individuals which would be associated with mutual spiritual, intellectual and material enrichment.

Given the failure of centrally planned Socialism and the very serious problems encountered by oligopolistic Capitalism, it is of the utmost importance to find the appropriate economic, financial and political organisation for the 21st century and beyond, to prevent the world entering a new period of conflicts, economic, political, or even military. The entrance of large countries like China, India, Russia and Brazil on the world scene will bring about tremendous structural changes and raise dramatically the demand for primary products (raw materials,

energy resources and agricultural products). We may recall here Konrad Seitz's dramatic, but appropriate statement in view of the agony and the final breakdown of Confucian China: „The Western Faustian culture has overcome. It is now up to this culture to demonstrate, whether she is able to lead humanity to a new equilibrium embodying a higher level of material and intellectual-spiritual development or whether she will drive humanity into a turmoil of decline and eventual collapse“ (Seitz, p. 80; author's translation).

This is a momentous statement. Indeed, if we let neoliberal capitalism make its way largely unfettered, then Seitz's ‚turmoil of decline and eventual collapse' might become reality, given the almost certain fact that monetary production economies are not self-regulating. In this view, a social liberal world order is, in a way, absolutely necessary if immense suffering for humanity is to be prevented.

At this stage a possible misunderstanding has to be dealt with. Social Liberal doctrine sees man and society as entities. This does *in no way* imply totalitarianism where the individual is, essentially, an exchangeable part of the social machine. Just the contrary is true, as is brought to the open in Bortis (1997, chapters 2 and 7). Indeed, according to the doctrine of *Social Liberalism*, society and the state are *indispensable, but ancillary* for the individuals who can unfold their potentials only *in* and *through* society. *In* society means that there must be preconditions or social foundations that have to be there if *all* the social individuals are to be given the possibility for a good and decent life: full employment, fair distribution of incomes, a public education system, a judiciary system, that is a well-organised economic basis and social superstructure. *Through* society signifies that the social individuals get more perfect through social activities, for example going to school, to university, discussing, reading, contemplating works of art and architecture, practising sports, and, last, but not least, the enhancing of manual skills; in a world with ever scarcer natural resources skilled trades – craftsmanship - might become of crucial importance again; Richard's Sennett's very important book *The Craftsman – Handwerk* is greatly significant in this context; indeed, the fundamental theme of the book is to reconcile Man and the world of Labour again.

Incidentally, the *unfolding of the social potential* of the social individuals making up political societies is basic to *Christian doctrine* which has set into motion a *second axial age* in Europe through the *Carolingian Empire*. This important issue will be taken up in the first section of the *Concluding Remarks: A more complete structure of human history*.

This means, as has been suggested, the role of the state in Social Liberalism is, on the one hand, a very important one: creating as much social harmony as possible and reduce system-caused alienation as far as is achievable for human beings (Bortis 1997/2006, chapter 6). On

the other hand, the citizens should hardly be aware that there is a state. Indeed, government activity, must, in the first place, be directed towards organising the social system, i.e. towards setting up appropriate institutions. This can only be done properly if there is a very solid economic theory from which appropriate policy conceptions may be derived, and, much more important, underlying theory, there must be vision of the society to be aimed at, and a vision implies values. Ideally, with alienation, mainly arising from involuntary unemployment and the social problems resulting therefrom, reduced to a minimum, the state would be almost imperceptible. Contrariwise, with heavy alienation - unemployment and social unrest, in the main - the state would have to be a law and order state, interfering heavily with the behaviour of individuals, reducing thus the scope of liberty.

This implies that *government and administration* must stand above the political parties if government is to be efficient in view of realising as much social harmony as is possible for human beings. Moreover, Parliament would have to take on a new role. The members of Parliament, representing the people, would supervise and assess government activity. In a way, Parliament would become a link between the government and the people, and governing would become a dialogue between People and Government.

At the outset of his *Politics* Aristotle says that governing, setting up appropriate institutions to create as much social harmony as is possible for human beings, is the most difficult of all the arts. And the difficulty of governing has dramatically increased since the coming into being of modern monetary production economies with very extended division of labour and the crucial role taken by money and finance. Without understanding how monetary production economies function and how they are related to society and the state, appropriate political action is not possible. Political economy had become and has remained *the key social science* of the modern era. That is, without a very solid social theory appropriate government action is not possible in the modern world. We have suggested elsewhere (Bortis 1997, 2003a) that the political economy of Social Liberalism, classical-Keynesian political economy, seems far superior to neoclassical economics associated with Liberalism and to the political economy of a centrally planned socialist economy.

Hence *the state will not fade away* as seems implied in Liberal and in Socialist doctrine. On the contrary, the idea of the state along Aristotelian-Christian lines, promoting social justice along social harmony, will have to be revived and implemented again. In China this may mean a renaissance or a strengthening of Confucian political ideas. Keynes, the founder of Social Liberalism, is very clear on this. Indeed, Athol Fitzgibbons (1988) writes: „Keynes’s innovation was to reconcile economics with the older traditions of moral and political



philosophy“ (p. 3). In fact, it would seem that the immense complexities of modern *Industria* (Gellner) can only be tackled on the basis of traditional, in fact, immutable values, social justice and social harmony, as are embodied in traditional, Aristotelian-Thomistic political science. This implies that state should not too large, in order that the great political problems may be tackled successfully. Small and medium-sized states as they exist, for example, in Western and Central Europe seem most appropriate. Large political entities will have to decentralise. This does of course not exclude the creation of new or the consolidation of already existing *continental* institutions in Africa, Asia, Europe (eventually Europe and Russia), Latin America, and North America. Such institutions would have to deal with common problems, to promote the collaboration between member countries and to defend common interests, including, eventually, representation within the *supracontinental* United Nations.

To end this section a problem arising with the notion of a world order conceived as a family of states has to be dealt with (see on the following suggestions Bortis 2007). In fact, history has not produced a harmonious world where all the states can coexist in peace. For example, Europe had to go through a large number of conflicts culminating in two World Wars until a politically reasonably stable situation could be reached in Western and Central Europe. Nevertheless, many frontiers still seem fragile. Moreover, in the Balkans the break-up of Yugoslavia has created a new area of conflict. Similarly, the break-up of British India into three states has produced the Kashmir conflict and the division of the Punjab, with great problems for the people of Kashmir and the ethnic community of the Sikhs. More generally, problems arise because of population movements resulting in a differing ethnic composition in some region, the division of former political entities, the creation of new states claiming the same territory, common resources to be shared, water and oil-fields, for example. And certainly there are other factors producing conflicts, for example, new frontiers drawn after a war.

International conflicts, above all related to frontier problems, might possibly be solved to a greater or lesser part, according to the circumstances, and the conflict potential greatly reduced, as well as potential conflicts prevented, *through structuring the world family of nations through forming sub-families of nations having a common historical experience; to this geographical factors may add, for example Euphrates and Tigris linking Turkey and the Eastern part of the Fertile Crescent*. If present in the mind of the people of some historical-geographical sub-family of nations through history manuals, commemoration of great events, the cultural heritage, architectural and literary for example, the common historical experience

may create a very strong feeling of community among most diverse social, ethnic and religious groups. For example, there are large historical intersections between Germany and Poland (Silesia, Pommerania, and East Prussia, with the northern part of East Prussia also belonging to another Historical Federation, that is the Community of Independent States). These intersections might become a very strong link, not a source of conflict, if both countries were to join a Historical Federation on the lines suggested below.

Bangladesh, India and Pakistan would be another prominent example of a historical-geographical entity, and so would, for example, Turkey and the countries of the Fertile Crescent. This historical-geographical criterion to form sub-families of nations seems to underlie Alexandre Adler's *l'Odysée américaine* (Paris, Grasset, 2004). On p. 173 Adler speaks, tentatively, of six powers that could ensure the stability of our world: North America, China, Europe, Iran and Turkey, South America, and the Centres of the Islamic-Arab World (Saudi-Arabia, Egypt and others). Other criteria to form sub-families of nations are possible, most importantly along religious or ethnic or religious-ethnic lines. This seems to be the criterion underlying Samuel Huntington's *The Clash of Civilizations and the Remaking of World Order* (New York, Simon & Schuster – Touchstone, 1997), who considers the following civilizations: Western, Latin American, African, Islamic, Sinic, Hindu, Orthodox, Buddhist, Japanese (pp. 26-27).

This historical-geographical criterion to form sub-families of nations is, it seems to us, the appropriate criterion, whilst the religious or ethnic or the religious-ethnic criteria are highly dangerous, ethnic purifications being one possible implication. In the historical-geographical view, religious, cultural and ethnic diversity appears as an asset, favouring an exchange of ideas, which, in turn, constitutes an enrichment, and provides the basis for a larger social potential, that is a socially and culturally richer society. Just let us remember here that in the social liberal view, the basic policy aim is of a social ethical nature, that is, to approximately realise the good society. The way to the good society will differ, according to the concrete circumstances, shaped, for example, by ethnic, cultural and religious factors. Regarding the Indian subcontinent, one may remember in this context that Emperor Akbar the Great (1556-1605) aimed at ruling over India through the reconciliation of religions (Hottinger 1998).

However, to form sub-families of nations along religious-ethnic lines, associated to the external employment mechanism, means establishing a variant of the Orwellian scenario of international power politics. Economic conflicts, mainly the struggle for raw material and the energy resources, for outlets for final products, and thus for market shares and work places would intensify. The competition for work places would bring down taxes and government

expenditures, but also wages; financial capital being constantly in search of more profitable investment opportunities would lead on to even more inequality in income distribution. Stagnating or lower government expenditures worldwide and a more unequal income distribution would result in a lower employment levels world wide, and intensify the competitive struggle for survival.

In an Orwellian vein, conflicts could also become political and military. Such struggles would take place mainly in thinly populated areas, but richly endowed with raw materials and energy resources. Orwell thought of Africa and the Middle East; now Central Asia might be added. Moreover, we may add that within an Orwellian scenario, social-cum-redistributional policies, and environment protection are almost impossible, except perhaps in some small and very rich countries. The world would be heading towards social and environmental collapse. Finally, to form sub-families of nations along religious-ethnic lines might, in some cases, lead to the tragedies of ethnic purification.

*Contrariwise, to break up existing federations may also lead to the horrors of ethnic purification. The break-up of Yugoslavia is a tragic example. The Yugoslav Federation should, in fact, not have been destroyed, but enlarged into a Balkanic Federation and put on new basis, in fact putting all social, ethnic and religious groups on the same footing. In a first step, Albania should have been included in this Balkanic Federation, which, incidentally, would have broadly solved the problem of Kosovo; incidentally, a Balkanic Federation was suggested by an Albanian sociologist, just at the moment, when the NATO bombing of Kosovo and Serbia started. But power politics and strong economic interests have been stronger. In any case, the great French diplomat Gabriel Robin (Robin 2004, pp. 15-30) is very severe with the diplomacy of the European Community regarding the handling of the Yugoslavia conflict; in our view, Gabriel Robin is entirely right.*

Unfortunately, the world is presently moving along the ethnic-religious variant of the Orwellian scenario. In this context, almost unnoticed, a gigantic arms race is taking place. In fact, according to the Stockholm International Peace Research Institute, arms production has increased worldwide by 46 percent from 1999 to 2009. Also according to the IPRI, defence expenditures in 2008 were equally impressive: USA 607 billion dollars, China 85, France 66, the United Kingdom 65, Russian Federation 59, Germany 47, Japan 46 and Italy 41.

And the struggle for final product markets and for raw materials and energy resources intensifies. And the international financial and monetary system is probably going to face

heavy disturbances, mainly because of huge disequilibria: the US current balance deficit and the very large dollar reserves accumulated by China, Japan, Russia and some Arab countries. To this would add speculative activities and an excessive drive to make money in the financial sector.

*Significantly, the financial crisis has greatly intensified by the end of 2008. Governments and Central Banks have to step in massively to prevent a breakdown of the world financial system.*

Moreover, how long will the real economy be able to produce ever larger profits to be transferred to share holders, bearing in mind that higher profits imply lower real wages and, consequently, less effective demand, output and employment. Moreover, huge amounts of financial capital are desperately looking for investment opportunities. Recently, Imre Kertesz, Holocaust survivor and Nobel Prize winner of Literature 2002, judged the present situation more dangerous than the one prevailing before the First World War.

Given this, to form sub-families of states along historical-geographical criteria seems the only way out. Such sub-families could be called Federations. The very first political step would consist in establishing a Supranational Institution that would take care of *common* problems of the Federation. Such problems could be foreign policy, defence policy, the administration of certain areas, and co-ordinating activities between the member states of the Federation. It is crucially important that, in a first step, the member states of the Federation should be *equally represented* in the Supranational Institution, irrespective of their geographical size or of the size of the population. The members of the Supranational Institution should be eminent stateswomen or statesmen, recognised in all member states of the Federation. Moreover, in the start period decisions would have to be taken unanimously. This would remove any mistrust from the weaker members of the Federation. As time goes on the Federation could become a Confederation and the Supranational Institution could evolve into a Federal Government, with the Federal Parliament representing the People indirectly, that is through the States making up the Federation. In any case, various political forms between Federation and Confederation should be possible. There would be no danger of authoritative government – the small or medium sized states or regions of large states would deal with the basic socio-economic problems, employment and distribution for example, by means of the supra-party presidential democracy briefly outlined above; in this form of government, the president and his government stand above the political parties, and the government would be responsible to the Parliament (on this see also Bortis 1997/2006, pp. 401-10). And, according the Principle

of Subsidiarity, the higher-level political institutions should only carry out tasks the lower level entities are not in a position to carry out. This would create maximum spheres of freedom for the social individuals living within States and Federations.

*Incidentally and interestingly, traditional Switzerland is an excellent example of a Federation as just sketched, which has evolved into a Confederation. In fact, before 1798 Switzerland consisted of independent states (Cantons). Common problems, most importantly foreign policy and economic questions, concerning domestic and foreign trade in the main, were dealt with by the 'Tagsatzung', precisely a Supranational Institution in the sense just mentioned. The 'Tagsatzung' lasted from around 1400 to 1848 to give way to two Houses of Parliament of a Confederation who elect a governing body ('Bundesrat') made up of seven members. 'De iure', the members of the 'Bundesrat' are elected for four years, 'de facto', however, for an indefinite time, since each member of the governing body decides himself on his retirement. The most important parties represented the Parliament are also represented in the government (Bundesrat), which, therefore, stands above the parties and is, as such, also of a supranational – supracantonal - nature. The fact that the members of the Bundesrat decide themselves on their retirement enables the Swiss governing institutions to adopt a long-period view in matters of government. Moreover, its supraparty character renders the Swiss government remarkably stable since it is not dependent on election outcomes, which, in any case, leave the relative strength of the parties largely unchanged, because of the proportional election system; or if there are changes in the relative size of parties, these go on rather slowly, as a rule.*

An excellent example of a sub-family of nations having a long common history and form a geographical unity would be Bangladesh, India and Pakistan - eventually Afghanistan could be added as Linking Country belonging also to another subfamily. This sub-family has obvious common problems: Kashmir and the Punjab to begin with; a common foreign policy and defence policy, which would prevent outside interference in relation with internal problems, might be additional common issues. In the spirit of both the Principle of Solidarity and the Principle of Subsidiarity, a Supranational Institution would deal with these common problems. On account of the principle of subsidiarity, Kashmir and the Punjab would have a very great autonomy in order to build up an orderly economy and an institutional superstructure in line with her values. This would also hold for all the other states and regions of Bangladesh, India and Pakistan. Of course, autonomy is not equivalent with autarky.

Domestic exports and imports would link all the states and regions of the sub-family. Based upon the principle of solidarity the Supranational Institution could bring about a transfer of resources from higher developed states and regions of the Federation to economically less developed ones. This would be in line with a further task of the Supranational Institution, that is co-ordinating activities. After some time, a common currency could possibly be established for all the States of the Federation, with each State nevertheless having a specific money to render possible an autonomous economic and social policy. This would be in analogy to the United Kingdom where there is an English, Scottish and Northern Irish pound, all having equal value, but being specific to each region.

To complete the picture one could imagine the formation of other sub-families or Federations the formation of which would constitute important steps to establish a more peaceful and more harmonious world. In each state, development could go on the basis the internal employment mechanism. The aim would be to organise the economic basis in a way such that full employment and an equitable distribution of incomes obtain. The social surplus emerging from the economic would enable to build up an institutional superstructure in each state and region in line with its values. A crucial value would now be the environment and sustainable economic activity worldwide. To realise a broad harmony between man and nature on the world level would require co-operation between subfamilies of states and continents. This co-operation would have to be co-ordinated by a strong supranational United Nations Organisation.

Some examples of other possible subfamilies or Federations may be now mentioned. In forming such sub-families, it should be possible that there may be intersections between Federations. This would mean that there are states that may belong to two, or in specific cases even to three Federations. Such states would be Linking States (*Verbindungsstaaten*).

An obvious Federation would be the Community of Independent States (CIS), which, ideally, would form a bridge of peace between Europe and Asia.

It might eventually be appropriate to reorganise Europe. It might indeed be the case that Europe in its present form may not be viable in the long run in a world where markets are not self-regulating simply because fundamental issues like employment and distribution cannot be dealt with in a satisfactory way. One might conceive of setting up two European state families or Federations. First, Western Europe: France, Germany and Austria, the Benelux Countries, Switzerland (!), Italy, Spain, Portugal, Great Britain and Ireland, and the Scandinavian countries. Historically this would be an extension of 'Old Europe', the Carolingian Empire, which, in turn, had emerged from the West Roman Empire.

Second, Central-Eastern and South Eastern Europe: Germany and Austria (Linking States); Poland, Czechia, Slovakia, Hungary; the Baltic States, Byelorussia, Ukraine (Linking States); former Yugoslavia, Albania, Romania, Bulgaria, Greece; Turkey (Linking State). This Federation would be based upon an extension of the Austro-Hungarian Empire merging, on the one hand, with Poland-Lithuania, and with the Western part of the Ottoman Empire, on the other hand (in a different form, such a Federation was suggested by Winston Churchill after the First World War). Going further back, an evident link to the East Roman Empire and Byzantium emerges.

The Mediterranean States might form another Federation (as suggested by President Sarkozy) with links to Europe, the Middle East and Africa. The Historical Reference point would, of course, be the Roman Empire, superseded in part by the Arab conquest.

Turkey and the countries of the Fertile Crescent (Kuwait, Iraq, Syria, Lebanon, Israel-Palestine, Jordan) would make up another Federation based upon history (these countries form a unique cultural unity since Biblical times and later became associated to the Eastern part of the Ottoman empire) and on geography; indeed the Euphrates and Tigris River link Turkey on the one hand and Syria and Iraq on the other; to share these water resources would be one great common problem arising in the Fertile Crescent – Turkey Federation. For historical reasons, Egypt should also be included in this Federation, because of her very strong Biblical links with Israel – it is indeed the Egyptian captivity, which formed the Nation of Israel out of the Israeli tribes. This Federation might provide the basis to solve the great problem of Israel-Palestine. The Turkey-Fertile Crescent Federation would be of particular significance and importance for the people of Israel. Indeed, the historical space of Israel stretches from Ur in Southern Mesopotamia through Israel-Palestine to Egypt.

Finally, we might mention a Federation based on the historical experience of (Cyrus's) Persian Empire and of (Alexander's) Hellenistic Empire: Iran, Turkey, Greece, Iraq-Kuwait, Afghanistan, the southern part of Central Asia. In the framework of this Federation, the Kurdish question might be solved. A Kurdish state could be formed with the corresponding regions still belonging to Turkey, Iran and Iraq.

These are of course just suggestions. Other historical-geographical configurations of Federations and Linkages between them are possible.

A strong, truly supranational UNO would be required to guide and to maintain the existing viable states, to favour the coming into being of new states and to form sub-families of states or Federations. The UN would also co-ordinate co-operation between Federations and, moreover, would prevent conflicts. Finally, within the framework of the UN a World

Resources Agency ought to be created, to husband non-renewable raw material and energy resources at present but also in the interest of future generations. Presently, the natural resources are controlled by individual states, and sometimes even by interest groups. The uncontrolled squandering of resources resulting from this might lead the world to the brink of environmental collapse. Indeed, in a world of ferocious competition with conflicts between power blocks permanently existing, it will be impossible to stop this squandering of resources.

The starting point for managing appropriately the world's natural resources could be the propositions made by Sheikh Yamani in the 1970s already. Very high prices for primary products, oil in particular, would force all countries, above all the industrialised countries, the United States in the first place, to switch to alternative energies, foremost solar energy. This would greatly contribute to preserving our natural environment. Moreover, precious non-renewable resources would be preserved for future generations through a reduction of the quantities produced. In this context, paying primary goods producing countries, above all poor countries, for leaving raw materials and energy resources in the ground, to preserve these for future generations, is certainly an excellent idea.

However, an orderly management of the world's natural – non-renewable - resources benefiting all the nations of the globe, and, above all, future generations, can only be achieved within a world order based on co-operation, with all Federations and Confederations being led by a strong UNO. The various Federations and Confederations of the world would have their representatives in a kind of World Parliament. The members of this Parliament would, in turn, elect the UN Governing Body.

This may sound somewhat utopian, but seems the only way out. Indeed the argument is simple and robust and may be realised without major difficulty, provided there is sufficient statesmanship available worldwide. The main reason why the argument is both simple and robust is given by the fact that all existing state frontiers remain untouched; moreover the Principle of Subsidiarity ensures that all the important objects of policy making remain with the existing states.

We might add here, that to be able to act effectively, the UN, that is the World Government, should be endowed with a military force possessing the most advanced weapons, including nuclear weapons for example. However, this military force, to be provided by the Great Powers, should *not* be placed under the control of the World Government, but under the *control of the World Parliament*. This proviso would render impossible any misuse of the UN military forces, and would remove any mistrust from the Great Powers. And, such an



arrangement would constitute a solid basis to start serious discussions on disarmament. An almost total and worldwide disarmament could become a serious possibility.

The paramount importance of the United Nations, enhanced by the creation of a World Parliament and a UN Governing Body, in fact a World Government, implies that these top UN institutions cannot be based in some large country or federation, for example, China, India, the United States of America, Russia and the CIS, the Eastern and Western European Federations, or Brazil. The country and its capital city that would host the top UN institutions should be small and nevertheless be of fundamental world historical significance. One city in the world only fulfils this requirement: *Jerusalem, the capital of Monotheism*. In this context, it will be argued below that religion, specifically monotheistic, but of course also other religions, will play a crucial role in a future, largely unalienated world. Another reason for making Jerusalem the capital city of the world, is the destiny of the people of Israel, who, after the destruction of her state by the Romans in 70 A.C., has been dispersed all over the world.

*Incidentally, two splendid works on Jerusalem came out just now (at the end of 2007). The first is by Othmar Keel and is about the history of Jerusalem and the emergence of Monotheism (Keel 2007), the second is by Max Küchler who wrote a handbook and a study guide on Jerusalem (Küchler 2007).*

The world historical significance of Jerusalem is of course directly linked with the role of the people of Israel in world history, which will be alluded to below, that is, at the end of the first subsection (From the beginnings to the Great Transformation) of the section on *a more complete structure of history* set out in the concluding remarks of third part of this essay (Theory and Philosophy of History).

To conclude these considerations on the natural world order, it may be restated that Maynard Keynes's humanist *social liberal* vision seems the only way out of the difficult situation produced by almost unfettered Capitalism and the long totalitarian socialist interlude. Social Liberalism, as has just been suggested, conceives of the coming world as a family of nation states, structured through Historical Federations and strengthened through continental institutions, culturally diverse, and, consequently, each polity having a way of life of her own, co-operating with each other, within the framework of Federations in the main, with a strong *supranational* United Nations, maintaining the existence or favouring the coming into being of viable states and stabilising Historical-Geographical Federations.

In the movement towards the natural world order of Modernity a moderate transformation of Capitalism *through reforms* will play an essential role. Basically, the external employment mechanism will have to be gradually replaced by the internal employment mechanism; this issue is dealt with and put in a wider context in Bortis (1997/2006, chapter 6). Moreover, the relationship between real and financial capitalism will have to be put on a new basis. The concluding remarks of this section are devoted to these issues; some implications will be taken up below, mainly in the subsection *Germany 1871-1945 and the Apocalyptic Age 1914-45*. Given this, these concluding remarks are made to avoid misunderstandings, also in relation to certain exceptional activities mentioned in this subsection, which cross the behavioural boundaries associated to the normal 'rules of the game' (Joan Robinson) prevailing in oligopolistic capitalism.

*It is very important to note that the transition to Social Liberalism can be carried through reforms, whether one starts from a socialist regime, Cuba for instance, or from Capitalism prevailing in most countries of the world. Perhaps, the basic reason why the reform path to a social liberal state of affairs is possible in every country, is that Social Liberalism implies a mixed economy, whereby the mix-up between public and private sector may vary from country to country, according to the differing mentality of the people.*

To start with it should be recalled, that, in this essay, it is postulated that Capitalism, the realisation of Liberalism, is highly unstable and is associated with cumulative processes leading on to growing inequalities between individuals, social classes, regions, countries and even entire continents; and, as a consequence of the growing inequalities in the distribution of incomes and wealth, involuntary unemployment increases. The social consequences are growing poverty and misery. These tendencies are reinforced by 'Washington Consensus' factors: increasingly free international trade and growing integration of all countries and regions into the world economy, reduction in the size of the state sector and growing privatisation. The final result consists in enhancing a specific world division of labour associated to a dual economy worldwide: highly developed regions and countries on the one hand, and utterly underdeveloped regions and countries on the other. The limits between the two extremes may be shifting: some underdeveloped countries may be on the way to becoming transition economies and eventually rise to the status of a developed or even a highly developed country, and vice versa.

This way of functioning of the capitalist economy is associated with the external output and employment mechanism; economic activity is governed by the volume of exports and by the export multiplier (Bortis 1997, pp. 190-98). Obviously, actually ongoing globalisation is based on the external output and employment mechanism and is, as such, associated to largely unfettered capitalism; and the economic theory of Liberalism, that is neoclassical economics, postulating a tendency towards a harmonious full-employment equilibrium in competitive conditions, appears either as naïve and wishful thinking or as an ideological cover-up.

Opposed to the external output employment mechanism is the internal mechanism governing economic activity. The latter is, in fact, associated to Keynes's Social Liberalism and Classical-Keynesian Political Economy (Bortis 1997/2006, 2003a). According to the internal mechanism output, employment, growth and development depend upon factors acting inside a socio-economic system. The economy considered is, in fact, a 'mixed economy' where a strong public sector co-exists with a large private sector. Small and medium-sized enterprises are, as a rule, privately owned; large enterprises may be private or public. Since, in a social liberal view, the economy is ancillary to society and the state, capitalism in a social liberal economy is, as a rule, fair and constructive; employment and incomes policies are pursued to achieve high employment levels and a socially acceptable distribution of incomes. In such an economy, foreign trade is, in a way, of an auxiliary nature: Exports are governed by natural endowments and historically grown specialisations; the size of imports and the overall import coefficient – the share of imports in gross domestic income – have to be compatible with full employment. As a rule, the fundamental policy aim is to build up the good society, that is, to attempt to realise the Common Good: the social surplus is to be used to realise political, social, and cultural values. And, very importantly, *each* small and medium-sized country should, in fact, have its own money to more easily realise these policy objectives. Given this, the internal output and employment mechanism is the natural socio-economic mechanism to be put to use in the small and medium-sized states referred to in the above chapters on 'the natural political order within states' and on 'the natural political world order'. Hence, this social liberal view of the economy and of society is associated to a constructive capitalism, which, in turn, is linked to a mixed economy. There is a solid private sector made up of small and medium-sized enterprises, and some large enterprises, which may be privately or publicly owned. There is also a strong public sector. The education system and the general infrastructure – railways, telecommunication, postal services, and eventually others – should be public. In principle, the economy should be a means to build up a well-ordered society, in

fact, the good society in which the social individuals enjoy a maximum scope of freedom and may prosper as a consequence.

As has been suggested repeatedly, the actually ongoing globalisation process is obviously based upon the external output and employment mechanism. Each country aims at achieving a high employment level through high export volumes and through minimising the import coefficient. The employment effect of exports crucially depends upon the nature of exports and imports. If a country predominantly exports labour intensive technologically advanced products, and imports land-intensive primary products – raw materials, energy products - and standard industrial products, the employment effect of international trade will be particularly strong, and vice versa. Given this, the external employment effect is basically about struggling for market shares for industrial products and for services and about securing the supply of raw material and energy resources. This type of aggressive capitalism, relying upon the external output and employment mechanism, is, as alluded to above, associated with cumulative processes resulting in growing inequalities, rising involuntary unemployment, and, finally, in the globalisation of poverty and misery worldwide.

Aggressive capitalism, based upon the external employment mechanism, may become destructive capitalism if the external output and employment mechanism is imposed through exercising some kind of power, economic, political, or even military. Economies functioning according to the internal output and employment mechanism are forced to enter large free trade areas or even the globalised economy through exercising some kind of power; hence, these economies have to be opened and to become export-orientated; moreover, such economies, frequently heavily indebted, are forced to reduce their public sector and to privatise. This kind of activity is likely to be exercised by powerful countries possessing a military-industrial complex; frequently, international monetary institutions are associated to such undertakings.

Colonialism and imperialism has been practised by the West European countries from the Great Discoveries onwards, and has gained momentum after the Industrial Revolution. Since the end of World War One, and, particularly, since the Second World War the United States have exercised the role of the dominating, sometimes even imperialist power, practicing neo-colonial policies, with the military-industrial complex certainly playing a crucial role. In many cases, neo-colonial policies may, as will be hinted at below, be associated to activities of a very few, but extremely powerful and well-organised groups, violating to more or less degree the ordinary ‘rules of the game’ of oligopolistic capitalism. In these activities, powerful absentee ownership, that is, concentrated fractions of financial capital associated to

the ownership of big industry, commerce and banking, may play a crucial role, as Cain and Hopkins (1993) have shown in their study on British Imperialism.

Now, a military-industrial complex has also existed in the Soviet Union, but was subordinated to the political forces, that is, the communist party and its central committee. It is significant that the dissolution of the Soviet Union went on peacefully, without the Red Army intervening. The lack of power of the armed forces in the Soviet Union is perhaps symbolised best by the suicide of Marshal Sergei Akhromeev on the fall of the USSR in 1991. The Red Army was indeed a tool of the political forces, and not backed by powerful economic forces, the Soviet Union being based upon a closed economy, also dominated by political forces.

Finally, two types of financial capital must be mentioned, socially productive and social unproductive, even damaging financial capital. Socially productive financial capital results in productive investment enhancing thus economic development through maintaining, improving and extending the productive forces of an economy, thereby creating new workplaces. However, socially unproductive financial capital may lead on to expanding the modern sector at the expense of the traditional sector, if effective demand is given, destroy workplaces and deepen the cleavage between the traditional and the modern sector; moreover, foreign investment in the primary sector, agriculture and mining, may just lead to a transfer of precious resources abroad without promoting economic development at all; finally, unfriendly takeovers in the primary and industrial sector may lead on to a rise of share prices and a more unequal income distribution, a transfer of financial and real resources abroad, while at the same time reducing employment; a few development islands may be created, with no impact on the overall development of an underdeveloped country. In fact, to render foreign resources socially productive in developing countries requires solid policy conceptions on a social liberal theory basis (Bortis 1997/2006, 2003a), and stable institutions, especially stable political institutions.

*Unproductive financial capitalism may also be associated to speculative activities and excessive moneymaking within the financial and the real sector of an economy. This may result in excessive prices for real and financial assets and to the creation of large overcapacities in the real sector. As soon as effective demand is no longer sufficient to absorb output, profits and investment decline. A stock market crash will normally ensue with the prices for real and financial assets sharply declining. Heavily indebted banks and individuals will get into difficulties. The present, 2008, crisis of the financial system broadly operates along these lines.*

Hence, regarding capitalism, two tendencies ought to characterise the movement from the presently prevailing alienated situation shaped by Globalisation towards a modern natural world order in line with human nature. First, the aggressive capitalism based upon the external employment mechanism ought to be transformed in a constructive capitalism based upon the *internal* employment mechanism.

*In this context it is very important to note that the internal mechanism is perfectly compatible with high levels of international trade based upon the principle of comparative costs. As a rule, small or medium-sized countries without noticeable natural resources have to specialise and will, therefore, have high export and import shares in national income. Switzerland and Japan would be cases in point. Contrariwise, large countries, richly endowed with natural resources, will, as a rule, have relatively low foreign trade activities in relation to their gross domestic product. Examples would be the United States, China and Russia.*

And second, unproductive financial capitalism must be gradually eliminated to prepare for the domination of socially productive financial capital; this means that the financial sector has to stand in the service real, that is, the productive sector, where values are created. Both tendencies are central themes of the political economy of Keynes's Social Liberalism, that is, classical-Keynesian political economy, as is set forth in Bortis (1997/2006 and 2003a).

As has been insisted upon repeatedly this is not to deny the fundamental importance of the financial sector in a monetary production economy. Without a financial sector a monetary production economy simply could not function. Nor does the above imply that no money should be located in the financial sector, nor that large fortunes should not exist. All individuals, all enterprises and third-sector institutions need to hold some money for precautionary purposes. However, the largest part of great fortunes should be used to set up foundations or be held in treasury bonds so as to channel money from the financial to the real sector. This is to prevent the latter from gradually becoming ancillary to the former.

## Concluding Remarks: some fundamental issues related to the breakthrough to Modernity

### *A more complete structure of human history*

#### *From the beginnings to the Great Transformation*

The breakthrough to Modernity is a *common achievement of Mankind*. To simplify to the utmost four great groups of causes have brought about this breakthrough. First, there is the specificity of development in East and West, given the entirely different structure of these civilisations, *unity in variety* in the West, *juxtaposition and identity* in the East (Haas 1956). Second, the tremendous impact of the East on the West set out by Hobson (2004), Seitz (2003), Burkert (2003), Clarke (1997) and Goody (1996); the East, particularly China, India and the Islamic world have influenced the West on account of the perfection of their respective civilisations (Seitz 2003 and Hodgson 1993). Third, we have the capacity of the West to creatively make use of the Eastern portfolios through specific socio-economic and political structures and intellectual developments, as are set out in Mitterauer (2003); these factors, and a specific geographical situation, made of Europe the Laboratory of World History. Fourth, there was the particular social and political situation of Britain around 1750 uniting all the necessary *and* sufficient elements to bring about the industrial revolution (*The Sequence of Events in Europe* and *The Industrial Revolution – a chemical mixture explodes*). The starting point of the considerations undertaken in this essay, Eastern Civilisation and the Breakthrough to Modernity in the West, may now be inserted into the course of world history to produce a somewhat *more complete structure of human history* than the one presented in the last two sections of the introductory part *Setting the Stage (The structure of human history and The structure of human history and the invariable nature of man)*. As a preliminary, some remarks on the nature of history are made, attempting thus to provide a tentative answer to what history is. These considerations will be taken up somewhat more extensively in the two final chapters of this essay.

The whole of human history may be conceived as the unfolding of the potential embodied in human nature, the search for and the realisation of the fundamental values, Goodness, Beauty and Truth, in all domains of individual and social life in most various forms and in most diverse circumstances, with alienation always being present to larger or smaller degrees. In this unfolding of human potential *social* processes taking place within communities or, later on, societies play a crucial role. Following Karl Marx, we may divide history into two parts.

First, there is *alienated history*, inappropriately called *Vorgeschichte* (*prehistory*) by Marx, and, second, we have *true or natural history* (*eigentliche oder natürliche Geschichte*), or, also, *history proper*.

*In accordance with common practice we shall use the term history throughout and employ the qualifications alienated, true or natural, only when needed.*

Hence the first part of history is shaped by alienation to a greater or less degree. Alienation is conceived of as a deviation of really existing political societies from ideal polities, in line with human nature, in which the Common Good would be realised; in a society organised in accordance with human nature, the social individual may prosper, that is unfold their dispositions and broaden their capacities. Of course, the objectively given ideal society in which the Common Good would prevail can never be fully realised; this is due to human imperfections and weaknesses, for example imperfect knowledge or excessive striving for power of some individuals or groups.

Given this, *alienation* is, in a way, the *gap or a tension* between *ideal* societies, in line with human nature, and *historically existing* societies, characterised by shortcomings of various kinds and to various degree, for example, exploitation, poverty and misery, involuntary unemployment, lack of access to education, an excessive domination of materialistic values. It seems obvious that the first part of the history of humanity, in fact Marx's alienated pre-history (*Vorgeschichte*), has not yet come to end. Indeed, alienation culminates at present, perhaps in a way similar to the time when the Roman Empire broke down and chaos ensued. Human history proper, then, should gradually reduce alienation to an extent in line with human capabilities. With the Common Good realised to the greatest extent achievable for human beings, history proper might begin.

The concept of alienation may be set into a very wide context. Indeed, Christian theologians would say that *alienation* and *fundamental alienation* (which seems more appropriate in this context than the theological term *original sin*) are parallels in the course of history. In the theological view, fundamental alienation represents, in a way, the distance between the overall social conditions of existence of humanity in some epoch and the Divine Order (an essence), to which the Natural Order is a parallel, representing, in fact, the concrete existence of the Divine Order. The natural order is, in turn, the *norm* for actually existing polities. As has been suggested repeatedly, the natural order is an essence capable of most diverse concrete realisations in the course of history. Indeed, in different epochs and places, the social



individuals are living in specific, most diverse social formations and in very different material conditions and with widely differing technological states of affairs prevailing. Now, with alienation representing the gap between the really existing societies and their natural state, alienation can be seen as running parallel to fundamental alienation in historical time.

In a way, fundamental alienation represents the distance between Man and his Creator, a fact that is appropriately captured by the German *Gottferne*. Given this, alienation would ‚measure‘ the distance between concrete human existence and the natural state of society, enabling the social individuals to prosper. In this perspective history may be seen as the permanent effort of man to do better, to realise the fundamental values – Goodness, Beauty and Truth – as perfectly as is possible for human beings in all domains and in most diverse historical circumstances, making use of most differing means. However, alienation is always there in a greater or less degree, the main reasons being *imperfect knowledge*, the *excessive* striving for *power* and wealth, in fact, *excessive* realisation of particular interests associated with *egoism* in the widest sense of the term, to which, in modern times in the main, adds *system-caused alienation*, involuntary unemployment and a very unequal distribution of incomes, with all the social and political consequences that may ensue from this type of alienation. We have already mentioned that huge efforts of theorising on socio-economic matters will be required to provide politicians with the conceptions to reduce present alienation. And this will have to be accompanied a very strong political effort. This vision of history strongly suggests that the social and political sciences are *essentially* moral sciences.

At this stage it ought to be mentioned that alienation and historical change as is associated with the unfolding of human nature are inextricably linked. In fact, each change tends to produce a new – alienated - situation and *knowledge* is required to master this new situation and to bring it into line more closely with the natural state of affairs. This can be most appropriately illustrated by mentioning what happened in and around first and second *axial age*. Karl Jaspers’s first *axial age*, brought, as has been suggested above, the breakthrough to Truth in a time of political turmoil in all three cultural regions concerned: small city states, frequently at war among each other, shaped the political scenery during first *axial age* in the Occident, India and China. This situation had to be consolidated politically, and the solution that emerged through new political knowledge was *Empire*. Indeed, as Jaspers explicitly mentions first *axial age* ends with the formation of large empires, Alexander’s Hellenistic Empire and Rome, Republic and Empire, in the West, the Maurya-Dynasty in India, the Han-Dynasty in China. Certainly, one of the main aims was to ensure peace. However, within these empires a dissemination of the ideas developed in *axial age* took place. What was

achieved in first *axial age*, the breakthrough to *Truth*, was preserved and consolidated through the great empires.

*In analogy, one might argue that the pre-axial age civilisations in China, India, Mesopotamia, Egypt and Greece consolidated the value of Beauty. And, perhaps, Goodness was consolidated through Truth – principles of government - on the political level through the founders of the Persian Empire in the midst of first axial age.*

Second *axial age* (800 to 2000 B.C.), prepared the breakthrough to Modernity in Europe (800 – 1800) and realised Modernity on a world level (1800 – 2000). It would seem that by now this breakthrough has been completed and time has, actually, come to *consolidate* its achievements on various levels: socio-economic, political, technical and ecological so as to create the preconditions for cultural flourishing in the widest sense. Time has now really come to overview what has been achieved since the British Industrial Revolution and the French Political Revolution, to evaluate these achievements, and to look for new and more appropriate approaches and theories in the field of the social and political sciences. On this basis new and more suitable policy conceptions may be formulated. This would mean consolidating the scientific and technical achievements of the Great Transformation so as to bring them into line with man, society and nature.

*Indeed, after the breakdown of Socialism and the growing difficulties of oligopolistic global Capitalism, illustrated by the 2008 financial crisis, time has come to initiate the transition to Social Liberalism through reforms based upon Classical-Keynesian Political Economy. In a way, this transition would constitute yet another Great Transformation, in fact, the third, the second being the breakthrough to Modernity, Gellner's *Industria*, and the first being the Agricultural Revolution, which gave rise to the great Bronze Age Civilisations.*

In the preceding chapters it has, indeed, been suggested that Liberalism-Capitalism and Socialism with Central Planning have not been capable of giving satisfactory answers to the challenge of Modernity. A new conception is needed, to come to grips with the complexities of the modern world, that is *Social Liberalism* which not only relies heavily on *Keynes vision* (Fitzgibbons 1988) but also on the Classical political economists, specifically François Quesnay and David Ricardo. Once again *knowledge* is required to consolidate, particularly knowledge about the functioning of the modern economy, now no longer a market or a

planned economy, but a monetary production economy. It has already been suggested that *political economy* has become the *key social science* of the modern era, which provides the basis for sensible policy making in the social and economic spheres. To set up a system of economic theory in line with the doctrine of Social Liberalism requires elaborating, synthesising and putting into a wider context the work of the great political economists, François Quesnay, David Ricardo, Karl Marx and Maynard Keynes. A first – tentative and provisional - step in this direction has been undertaken in Bortis (1997/2006 and 2003a), where a system of Classical-Keynesian Political Economy has been sketched. A fundamental implication of this theoretical approach is that modern economies are *not* self-regulating. Given this, the challenge of Modernity is to set up, on the basis of orderly socio-economic conditions – crucially full-employment -, *appropriate institutions* in the various countries and regions of the world, adapted to the mentality of the people, such that the social individuals may prosper and become persons.

The above implies the *Catholic – Theistic* view of history. There is no perfect world made up of self-regulating mechanisms, most importantly competitive self-regulating markets in the economic sphere, as is implied in – Protestant - Deism. In the Theistic view the social and political sciences are *essentially* moral sciences and *institutions*, associated with the *permanent pursuit of values*, are absolutely necessary to render possible the good and decent life of the social individuals. However, given an immensely complex modern reality, ethically appropriate action must be based on *knowledge* if economic, social and ecological situations are to be improved. Since, as has been mentioned in the introductory chapter *Setting the Stage*, *knowledge is always probable* and hence absolute knowledge is outside the reach of human beings if complex problems are tackled, an *openminded* and *non-doctrinaire* attitude is an essential prerequisite for theorising, that is, precisely, to select the most plausible (probable) approach to come to grips with a specific complex phenomenon.

Moreover, in putting the *Theistic* view to the fore we want to make clear explicitly that *very complex problems in the social sciences, like the problem dealt with in this essay, cannot be tackled without relying upon a firm value basis associated with a specific vision or Weltanschauung*. In the social sciences, when one is dealing with fundamentals or principles, scientific proof is impossible. In this case, the social scientist may, in a Keynesian vein, only try to understand and, subsequently, to persuade and to convince.

Given this very brief account on the meaning of history, to be considered more deeply in the last two chapters of this essay, we are now in a position to provide an equally brief record of *the structure of human history*. What has been said in the preceding parts forms the

background of our account, which, therefore, may also be considered a summary of the argument set forth so far in this essay.

To start with we may imagine man living, *unconscious* of his existence, in harmony with animate and inanimate nature, with his immense potential dormant. The breakthrough to *consciousness* must have been a momentous event – for the believer this might coincide with the exit of the Garden of Eden! Probably, consciousness was at first about existence, and, gradually, about potentials. When man started to realise his potentials in *free-will* conditions, *fundamental alienation* in the form of imperfect knowledge and striving for power presumably came into being at once, and very heavily. It may well be that natural communities broke up and individualisation and social fragmentation set in (Henri de Lubac).

*Perhaps Man was erring in the dark for very long time-periods as to the fundamental values of Goodness and Beauty, and later on Truth. And to reach consciousness about the existence of a transcendental Deity and a natural order required very firm supranatural guidance as the whole of the Old Testament suggests. The New Testament brought the breakthrough to consciousness about a state of natural social harmony as an aim, a telos, to be reached. The attempt to realise concretely this natural state of social harmony was rendered extremely difficult through ever new forms of alienation coming into being, including imperfect knowledge. It has been suggested that alienation culminated subsequent to the double Revolution at the end of the 18th century. Liberalism and Socialism had been vain attempts to come to grips with the immensely complex situation brought about by Modernity. The notion of Social Liberalism worked out in the course of the Apocalyptic Age 1914-1945 by Maynard Keynes and, implicitly others, Jacques Maritain for example, and elaborated and specified subsequently will, perhaps, definitely allow to reduce alienation decisively and to realise a natural state within and between the various polities of the world. This natural state would be characterised by social harmony since it would be broadly in line with human nature. The meaning of world history in the vision of Henri de Lubac now begins to emerge. It is the movement from the crude original social harmony, governed by determinism, that is, the efficient cause to, eventually, a state of social harmony as a telos, to be aimed at through the free will of Man. In between alienation prevailed, and still prevails, in most various shapes and intensities. And states of alienation bring about immense challenges that have been overcome more or less perfectly by Man, guided by chance in the course of evolution or, in the view of the believer, by Providence in the course of Sacred History. It will be suggested*

*below that the course of World History has been such as to lead Mankind to the threshold of the social liberal natural order.*

*Self-consciousness* proper came, perhaps, into being only in the course of first *axial age*. In any case, with gradually increasing consciousness about his environment, the journey undertaken by man throughout history to discover the fundamental values, Goodness, Beauty and Truth, embodied in Creation, and to realise these values in most various domains and in very different and ever-changing circumstances, had begun; however, as is very likely, heavy alienation in the form of struggles for domination and survival was there from the beginning. Man's journey through history started with the age of Myth and Magic of William Haas and Karl Jaspers. One may presume that in a very long first phase intuition and imagination were still most strongly linked to the subconscious. It may well be that these first men and women possessed intuitive-cum-instinctive abilities which modern man cannot even imagine.

Probably, the first value man became conscious of was Goodness, and Bad as an alienation. Then followed consciousness about Beauty, as, for example, the Stone Age wall paintings attest. These paintings, and also sculptures, astonishingly resemble modern art, thus pointing once again to the invariable nature of man.

The Agrarian Revolution (around 6000 B.C.), the first Great Transformation in human history, changed the *conditio humana* dramatically. Gellner's *Agraria* started, and should last until about 1800 A.C.! Myth and Magic, though still strongly linked to the subconscious, became more and more structured by reason, producing inventions (metal working, tools and weapons), refinements in the realm of Goodness and of Beauty. Agriculture produced a surplus, which, if substantial, dramatically increased the social potential of politically organised mankind. Most importantly, immensely impressive urban civilisations came into being, in Mesopotamia, Egypt, and in the North-Eastern Mediterranean, as well as in Northern India and in China. How this was possible seems to remain mysterious for the scientist; the believer would possibly invoke revelation.

*In the above, it has been suggested, that, perhaps, proto-civilisations may have existed in Africa of which no traces remain. Indeed, in Central Africa the remnants of humans having lived seven million years ago have recently been discovered. The eventual existence of African proto-civilisations, of which no trace remains, could eventually and very tentatively explain the sudden emergence of the Bronze Age Civilisations.*

A similar mystery, eventually related to revelation, surrounds the value of Goodness, which became Commandment (through Moses, eventually around 1500 B.C.) and Law. Around 2000 B.C. Hammurabi established a Legal Code, embodying civil and penal law and economic and social laws. Beauty flourished as the astounding works of architecture and sculpture of the ancient civilisations attest. A visit to the Louvre or the British Museum makes one think of almost superhuman beings having created the monumental sculptures of the first civilisations, a scientific mystery once again. These ancient Bronze Age civilisations constituted the basis, the common 'crucible in which the major societies of Eurasia were fired' (Goody 1996, p. 226). This proposition has been elaborated within the framework of the chapter on *William Haas: East and West are entirely different*.

The Great Transformation of the Agricultural Revolution is followed by Jaspers' *Achsenzeit* ([first] axial age), 800 to 200 B.C., which is yet another gigantic transformation in human history. Here we witness the breakthrough from the world of myth and magic, dominated by intuition and imagination, to the world of Logos, of reason and analysis (*Vernunft* and *Verstand*). After the great realms of Goodness and Beauty, the empire of *Truth* enters the scene of world history. [First] axial age is characterised by generalised conflict and war, between city-states and feudal lords, but also philosophical theories of all kinds, complementary and contradictory (Haas, Jaspers, Seitz). The treatment of *Achsenzeit* has been prepared in the introductory chapter *Setting the Stage*. [First] axial age has been mentioned in the parts on *Michael Mitterauer: Europe sets the stage* and in *The Sequence of Events in Europe*. This notion has been extensively dealt with in *East and West in a Wider Context – Karl Jaspers: Achsenzeit*.

It is during *Achsenzeit* that in East and West the invariable human nature came into entirely different forms of existence. This issue is dealt with in *William Haas: East and West are entirely different*. Eastern man, Haas argues, lives with the objects surrounding him. Hence there is no real separation between subject and object. Eastern awe before nature and tradition exerts a restraining influence on the mind. Therefore, in the East, perfection is sought within the existing. This also shows up on the level of the political. With *Achsenzeit* ending, individual, social and political life was based on traditional *ethical* values; with the Han-Dynasty, Confucian China came into being (220 B.C.) and lasted for about 2000 years (Seitz). The intimate relationship between subject and object led to holistic thinking (*ganzheitliches Denken*) in the East, heavily relying on intuition, with reason carefully formulating principles. Logographic writing was in line with holistic thinking. This way of thinking produced Eastern wisdom, so admired in the West (Clarke 1997, Goody 1996): *Ex oriente lux!*

In the West, in Greece, the beginning of *Achsenzeit* (around 800 B.C.) coincided with a *new start* and the possibility to benefit from the Middle East – Mesopotamia, Egypt, Persia (Burkert 2003). Object and subject separated, linked by *wonder*, which initiates the acquisition of knowledge. Reason (*Vernunft*) and analytical powers (*Verstand*) moved to the fore. Systems of thought were built, in Greek times, still ordered by metaphysics. Knowledge was still founded on wisdom. Nevertheless, wonder and the separation of subject and object led the basis for the domination (and exploitation) of nature, initiated by the West on a grand scale with the Breakthrough to Modernity, with science and metaphysics separated.

Haas insists on the fact that the Greek *polis* was a unique creation. And, it could it could be added, so was Greek political philosophy elaborated by Plato and Aristotle, above all Aristotle's *Metaphysics*, *Politics* and *Nicomachean Ethics*. Aristotle stressed the fact that man was a *social* being. The meaning of the *social* and its relations to the *polis* with Aristotle and its implications can perhaps be brought out best by the notions *Gemeinschaft* (*community*) and *Gesellschaft* (*society*) coined by Ferdinand Tönnies. The *community* is a *natural* social formation in the sense of *original*, *naturally given*, hence not man-made, for example the extended family, the clan or the tribe. Communities may also come into being spontaneously through necessity and subsequently historically grows and becomes traditional, for instance, or the Indian castes, medieval corporations, feudal estates. Within a community, the *social* may be expressed through solidarity and loyalty, for example, and the social functions are linked to persons. Ethics regulating the behaviour of individuals plays a fundamental role. Leadership is also personal and hierarchies are important. Heredity plays a central role. Communities are, as a rule, sharply separated from each other and social mobility is restricted. The traditional Indian caste system is an extreme example. However, there may be associations of communities in order to strengthen their position within a social formation.

*Society*, however, is made up and regulated by *man-made institutions*, which are *purposefully created*. Individualistic institutions regulate behaviour, for example, the regulations of private law. Or, within social institutions, individuals, equal in principle, perform certain functions such that a social aim may be reached; to give modern examples, an enterprise, a football team or an orchestra are social institutions. In principle, the social functions, for example, serving as a civil servant, a judge, a teacher, are *independent* of the persons occupying the charges in question. Now, it is the task of the government to set up and to encourage the coming into being of appropriate institutions. These institutions provide the framework for activities that must be exercised in a polity such that social harmony obtains. This is a matter of public law, regulating part-whole relationships, with distributive justice being the justice

associated with public law. In this sense the state, the polis, becomes the precondition for good and happy life of the citizens, one could say of the Common Good. Greek political philosophy, and its attempted application to the polis through constitutions, implies the *unfolding of the social potential* of man through creating institutions. Given this, the *social* and the *natural* now acquire a new dimension. The social potential and thus the Common Good may be increased through creating new and better institutions, that is, *institutions in line with human nature*. This implies that the natural in the social and political domain is no longer something *given* by nature, but became an *aim* to be realised, a *telos*. In the hands of Aristotle and of the great Greek statesmen, political philosophy and political action became *teleological*. Goodness acquired a new dimension: the question as to the nature of the good society and the good political society, the state, was asked. Aristotle created simultaneously political philosophy and political ethics by asking the questions: what *is* the state and *how should* the good state look like? In Tönnies's terms the *creation of institutions* implies a *move from community to society*. The individual detaches itself gradually from the natural ties attaching it to the community to become, in principle, *free* in the sense that the individual may choose at which institutions to participate, for example, to choose a profession or to choose to work in the public or in the private sector. Freedom is thus a precondition for the good life to be realised to various degrees of perfection and in very different circumstances.

However, a good *society must be a community on a higher level*, for without a sense of community, society would gradually become atomistic and, as such, would cease to exist – as it does at present to a large degree. Hence within a good society the individual is, in principle, free to choose the kind of socially useful work, becoming thus a *social individual* (Marx) and, if culturally enriched by society, a *person* in the sense of Catholic Social Doctrine. This implies that the persons pertaining to a well-organised society enjoy *rights*, the right to work or the right to education, for example, but they also have *duties*, mainly to do good work, manual or intellectual, directing or executive, in order to enhance the Common Good. To bring about a well organised, a good society, within which the social individuals may prosper to become persons, is the central task of politics. In such a society two institutions are crucial for social stability and social harmony, that is the *Western family*, referred to in the chapter on Michael Mitterauer's book, and the *education system*, with education balancing 'intuition and imagination' on the one hand and 'reason and analytical powers' on the other, and *providing a sense of life* through compulsory teaching of *religion*, including comparisons between religions to enhance the dialogue between religious communities; once again we can refer to Catholic Social Doctrine in this context. In view of the complexity of the policy task,



Aristotle says at the outset of his *Politics* that politics is the most difficult of all the arts. This holds true even – much - more for Modernity where good Politics, in the sense of setting up an appropriate institutional system, is possible on the basis of a very solid body of socio-economic and political theory only. Both themes, the *necessity of theorising and institutions and Modernity*, will be taken up subsequently within the framework of two sections within the present chapter on *Concluding Remarks*.

The movement *from community to society* was precisely set into motion *through the institutions of the Carolingian Empire*. The gradual development of modern society out of the feudal communities, which succeeded the Carolingian Empire, is the crucial *social result* of the *second axial age*, which occurred in Europe only. Perhaps, the Christian hostility to descent and the Christian tendency to create institutions independent of persons were the most important elements favouring the coming into being of Modernity. This emerges from *Michael Mitterauer: Europe sets the stage for the road to Modernity* (on this see also Barbero 2004). The problem of institutions has been dealt with above under the headings *Institutions in East and West* and *Institutions in a wider context* in the chapter on *William Haas: East and West are entirelyly different*. There the problem of alienated institutions, that is institutional set-ups not in line with human nature, has been alluded to. Moreover, it emerges from the chapter on William Haas that the East has remained far more on the level of the community than the West who has, since Greek times, attempted move into the direction of society. This explains, perhaps, in part why the East and Africa, even Eastern Europe, have difficulties to cope with Modernity as has emerged in Western Europe. Indeed, in the section *Institutions and Modernity* it will be argued that institutions are absolutely necessary to master the complexities of Modernity. A great number of countries suffer from the fact that they have not yet established institutions adapted to the mentality of their people, due to a lack of knowledge, the domination of particular interests, uneven development and to foreign interference, all this giving rise to a heavily alienated socio-economic and political situation. Summarizing these considerations on *axial age* we may say that the breakthrough to the search for Truth was achieved in East and West, though in different forms, the East privileging reasoning on the basis of intuition, the West putting reason and analysis to fore, pushing intuition and metaphysics more and more into the background. However, in the West, in Greece, a *second* fundamental breakthrough occurred: the foundation of the *polis* and the question as to the *good society*, mobilising more and more the social potential of the social individuals brought together in a political society. This means, ideally, enhancing, on ever-higher material and intellectual levels, the Common Good through man-made institutions. On

the level of reality there was, in the West, a movement from community to society. The conception of *polis* linked to the question of the good polity was decisive for the breakthrough to Modernity in the West in the course of second *axial age* (800 - 1800), with Modernity gradually spreading over the entire globe (1800 – 2000).

Jaspers mentions that *Achsenzeit* ended in East and West with the formation of great Empires (around 200 B.C.), the Han-Empire in China and the Roman Republic, which was about to gain supremacy in the Mediterranean area. As put to the fore by Konrad Seitz, individual, social and political life in Confucian was based on ethics; Haas and Hodgson emphasize that the East was striving for perfection within the natural as it was given. One may venture to suggest that China realised, in the course of post-*axial age Agraria* (Gellner), a political order broadly in line with human nature. This, in turn, would explain the widely admired extraordinary stability and long duration of the Chinese political society put to the fore in *Konrad Seitz: The Sequence of Events in China*. The Roman Republic, however, while gaining absolute supremacy in the West, ended up in a terrible civil war, which resulted in the creation of the Empire. The Roman Empire was based on power and splendour, not on ethics. Therefore, on the background of Plato's political philosophy, Augustine said that Rome was not a state. The anti-ethical nature of the Roman Empire was a most fertile ground for Christianity to unfold and to decisively shape Europe and, subsequently, the entire World.

Indeed, as has been suggested already, *Christianity* was at the basis of the *second new start* for Europe provided by the *Carolingian Empire*, which led the basis for the road to Modernity. This long way to Modernity could reasonably be interpreted as a *second Achsenzeit (axial age)* which came into being *in Europe only*, starting around 800 A.C. and perhaps gradually coming to end by now. Similarly to the first *axial age* in East and West, there were, in Europe, continuous conflicts and wars going on between feudal lords, and between Emperor, Kings and feudal lords, Emperor and Pope, and, subsequently, between more and more organised nation states. Konrad Seitz rightly speaks of fever-ridden Europe.

The second new start for Europe setting into motion the second, only European, *axial age* (about 800 A.C. to 1800 A.C.) has been pictured in *Michael Mitterauer: Europe sets the stage to for the road to Modernity* (see also Barbero 2004). The second *axial age* is about the breakthrough to Modernity on two levels, the scientific, technological and economic level (Hodgson's *technicalisation*) and the cultural and political level. Both levels are dealt with in the section *Europe: Unity in Variety* (on this see also Nef 1963) and in *The Sequence of Events in Europe*. The first level of *axial age* – science, technology, and the economy – is dealt with in *The Industrial Revolution – a chemical mixture explodes*. The chapter *John M.*

*Hobson: Asia influences Europe, but does not dominate her*, is about the crucial Eastern contribution to science and technology in the West. In *Konrad Seitz: The Sequence of Events in China* the crucial contribution of China to the breakthrough to Modernity on the cultural and political level is set out; we may just recall here the admiration of the philosophers of the Enlightenment for Chinese culture and political organisation.

In this essay we have insisted upon the immense complexity brought about by the modern world. Indeed, the West has embarked Humanity in an undertaking full of perils that has brought about tremendous catastrophies, most importantly the two World Wars, the Holocaust, various Genocides, deep economic depressions, and huge financial crises; moreover, there were and still are social injustice and alienation to the highest degree, mainly the sea of poverty and misery coexisting with tremendous scientific and technological progress and islands of immense wealth and luxury consumption. The immense achievements but also the huge perils of the modern world have been alluded to in *Attempts to Master the Effects of the Great Transformation* and in *Assessing and Evaluating Globalisation*. The breakthrough to Modernity raises an immense socio-political challenge to Humanity. What is, in fact, the appropriate political organisation of the modern world? Most importantly, *do we still need states*, given the fact that their gradual fading away has been suggested by liberal and by socialist doctrine? The crucially important question as to a political organisation on a world level *in line with human nature* is dealt with in the last two chapters preceding the chapter on *concluding remarks: The natural order within states leads to a natural world order: the world as a family of states* and *The natural political world order as a precondition for polities in line with human nature*. The problem is to create a harmonious institutional set up within and between societies and states such that the social individuals may prosper, that is unfold their dispositions and broaden their capacities. This is to take up and to develop the Aristotelian-Christian idea that, on the one hand, the state is the precondition for the good and happy life of its citizens who get, on the other hand, more perfect through social activities, in the cultural and economic domain most importantly. Hence the state, in fact *the small and medium-sized state, remains of fundamental importance*. Indeed, the state will be essential during the transition to a natural, social liberal world order, and will remain essential in this world order.

To master the immense socio-economic, political and ecological challenges of Modernity will equally be a *common task for Mankind*. Indeed, Modernity, as brought about by the Promethean-Faustian Western nature (Binswanger, Haas, Nef, Seitz), is full of perils. Both Socialism and Capitalism have proved to be inadequate answers to the tremendous socio-

economic, political and environmental challenges of Modernity. Both doctrines do not correspond to human nature, at least in part, and their implementation has produced an immense amount of alienation.

There are, in fact, several types of alienation. System-caused alienation within Capitalism is basically economic, involuntary unemployment and unequal income distribution, producing, in Marxian vein, alienation in the superstructure, social, political and cultural. The separation between science and metaphysics and between society and state on the one hand, and religion on the other, produces nihilism – the fading out of fundamental values –, which is also a type of alienation. Socialist alienation is mainly due to the paralysing influence of central planning, resulting in economic and technological stagnation, and is associated to a lack of personal liberties.

Again the East, specifically China, may point to the way out. Indeed, the complexities of Modernity can only be mastered through a return to traditional political philosophies, corresponding, in principle, to human nature. For China this would mean taking up Confucius and his basic concept of social harmony, implying harmonious social individuals. It would seem that Confucius and the notion of Social Harmony are, at present, gaining importance in China. And, again, the West would be able to take up positive impacts from the East and to develop these creatively on the basis of ethically based political philosophy, putting to the fore the good life of the citizens in a just society, the Common Good in the Aristotelian-Christian sense (Brown 1986). Maynard Keynes has laid the basis for this undertaking: „Keynes’s innovation was to reconcile economics with the older traditions of moral and political philosophy“ (Fitzgibbons 1988, p. 3). This idea has been developed and put to the fore in Bortis (1997/2006, 2003a), which exhibits, sketchily though, Keynes’s *Social Liberalism*, and the associated system of classical-Keynesian political economy. Given this, it has already been suggested that Europe should go on playing her role as the Laboratory of World History. It has even been argued that Europe has a *duty* to do so. Given the fact that Europe has benefited greatly from the Middle East and from the East, she has now the obligation to return something in the form of socio-economic and political ideas and policies. In fact, Europe should provide the example through setting up well-organised polities in line with human nature.

Having very briefly considered the *structure* of human history we return for a moment to the *meaning* of history, a subject to be taken up again in the *epilogue* to this essay. The starting point is a momentous statement by Karl Jaspers in relation with the *first axial age* (800 – 200 B.C.) when, in our view, the breakthrough to the problem of Truth occurred: „*Achsenzeit* took

place in China, India, Iran, Israel and Greece. Here man and his intellect were born a second time laying thus the foundations for history proper. However, there were civilisations, which were *not* touched by the *axial age* breakthrough, namely Egypt and Babylon. [Their civilisation had reached a degree of perfection in all domains – political, social, and cultural – such that a fundamental change was impossible. H.B.] Consequently, we Europeans are nearer to China and India than to old Egypt and Babylon, simply because the former performed the *axial age* breakthrough, not the latter. However, both Egypt and Babylon are of world historical importance. Indeed, Israel and Greece, in spite of getting ever more distant with them, both learned from them enhancing thus their potential. Subsequently, both Israel and Greece laid the foundation for Western (European) civilisation’ (Jaspers, pp. 58-59). This happened at a time, when, after the breakdown of the Roman Empire, Europe had the immense chance of a second new start through the Carolingian Empire within which, as has been seen above, the foundations for the breakthrough to Modernity was laid. The Carolingian Empire was based on two pillars: Graeco-Roman and Christian, in fact, *Judaeo-Christian*. In the above, the importance of Greece has been stressed through Aristotle. This is the place to make on some remarks on the role of Israel in world history, which greatly contributes to deepening our vision on the meaning of history.

The remarkable starting point is that the people of Israel came out of the age of myth and magic (Haas, Jaspers) with a spiritual heritage *completely different* from that of other peoples. Jaspers mentions that, all indogermanic peoples produced legends and heroic sagas of the Homeric or Germanic type, for example. These are characterised by heroism, fate and tragedy. In a similar way this is true of China and Mesopotamia’ (Jaspers 1955, p. 63). The *Pentateuch*, Israel’s heritage of the mythical-magical age, is of an *entirely different* character, however: It is the dialogue between the people of Israel and the Creator of this world. Johann Maier, author of a comprehensive history of the Jewish people, states that ,during the Babylonian captivity this spiritual heritage was written down, Monotheism was clearly established and hopes for a just social order (Eschatology) came into being. These expectations commanded the discrepancy between ideal and reality and led on to establishing an Utopia as a measure of the existing and promised the realisation of the Utopia, in case of a return to God and obeying his will’ (Maier 1980, pp. 115-17). In terms of what has been said at the outset of this section on the meaning of history, this implies a socio-economic and political order in line with human nature and with alienation – the distance between social reality and the natural and the Divine order - reduced to a minimum.

In modern times, various Jewish writers have, from a secular point of view, given a more concrete content to the idea of hope. Karl Marx's vision of Humanist Socialism, put to the fore in his *Frühschriften*, and *Das Prinzip Hoffnung* by Ernst Bloch, are certainly of crucial importance in this context.

Hence the vision of history established by the people of Israel is profoundly characterised by *hope*. In terms of the present essay, this hope is provided by the approaching of a natural state, a socio-economic and political situation in which the social individuals may prosper, and alienation is reduced to a minimum achievable by human beings. This is in stark contrast with the vision of the human condition implied in the heroic sagas of the indogermanic peoples, China and Mesopotamia, mentioned by Jaspers. Here heroism and fate are associated with *hopelessness*. No higher purpose can be seen in human existence; and only heroic deeds associated with tragedy can bring about a kind of immortality, because these deeds will be remembered by future generations precisely through tales. This leads to a sentiment of frustration: *sadness is our destiny*, Homer says of his heroes (Baricco 2006, backpage). All this points to a specific mission the people of Israel has been charged with to reestablish the relation between Man and his Creator which had been broken when man stepped out of the Divine order at the moment he became conscious of his existence and gradually started to create his own world in the course of history, unfolding thus, tentatively, his potential in ever alienated circumstances. The purpose was to reestablish hope for a better future through approximately realising the natural state enabling the social individuals to prosper. That the natural state should be founded on ethics, implying the reduction of alienation to a level achievable by human beings, had already been established in the *Book Exodus*, in fact through the opposition of the Ten Commandments with *excessive* money making and hoarding of money – Moses smashing the Commandment Tables in view of the people of Israel's dance around the golden calf.

*Whether Biblical tales have some historical background or not, is not of decisive importance. It is indeed the content and the significance of some Biblical passage, which is crucially important. Nevertheless, it is certainly interesting and relevant if a historical background for Biblical tales may be established since this would greatly reinforce the significance and the importance of the Bible as a whole.*

Thousands of years later Maynard Keynes, in the midst of heavily alienated times, warned of the disastrous effects of money flowing excessively out of the industrial circulation into the

financial circulation: credit and money creation through the banking system constantly lead on to investible financial resources, permanently supplemented by new saving, exceeding investment volumes; this process of money flowing into the financial circulation is enhanced through a high saving-income ratio due to an unequal distribution of incomes. This implies an *excessive* wealth accumulation. Moreover, too much speculation could prove very damaging to the real economy in terms of high levels of involuntary unemployment, making thus distribution even more unequal, mainly through the large profits that have to be realised to pay the dividends on shares, possibly overvalued through speculative activities, exercising thus a downward pressure on real wages. As has been alluded to repeatedly, Keynes proposed as a remedy „to reconcile economics with the older traditions of moral and political philosophy“ (Fitzgibbons 1988, p. 3), an idea carried on in Bortis (1997/2006). The fundamental problems are always there and the proposed solutions remain essentially the same, yet another indication for the invariable human nature!

It is highly significant that this vision of history was established in the midst of the first *axial age* to initiate definitely the Judaeo-Christian religious tradition. As has been suggested in the chapter on *Michael Mitterauer: Europe sets the stage for the road to Modernity* Christianity was crucial in the march of the West towards the modern world during the second *axial age*. And Christian doctrine will also be crucial to master the immense challenges of Modernity through Keynes's endeavour to bring together modern economics with the older traditions of moral and political philosophy. Considering that, in a wider view, the Judaeo-Christian tradition started approximately in 2000 B.C. with Abraham, one might be tempted to say that this tradition forms, in a way, the backbone of World History. Given this, the birth of Christ and the foundation of the Roman Empire around the year zero would seem to constitute the *crucial turning point* of world history – it is indeed remarkable that the two events occurred broadly at the same time. From this precise point of history onwards, Humanity seems to move towards a new age. Here the natural gradually emerges as an *aim*, a *telos*, given by the finality of human nature, and, as a consequence, the *final cause associated to freedom* becomes potentially active, leaving behind the old age, characterised by the state of nature in the original sense and the determinism connected to it.

The significance of the two *axial ages* now emerges somewhat more clearly. The first *axial age* made Humanity conscious about the problem of Truth and initiated theorising in the broadest sense, covering philosophy and the natural and social sciences. Theorising intensified in the course of the second *axial age*, first in the domains of theology and philosophy, reaching a peak with Thomas Aquinas, and, subsequently, medieval thinking was,

as Haas notes, applied to nature and society. In this process, the links between philosophy and the sciences loosened and was definitely cut in the age of Enlightenment. Modern science and technology came into being following up the core period of the second *axial age* (1750-1830) when the Great Transformation took place.

The knowledge acquired through systematic reasoning is not only an aim in itself. Knowledge is also a precondition for ethically correct action in all domains. This link between Truth and Goodness was already perceived by Aristotle. Keynes added that, in the complex situations of Modernity, probable knowledge is a prerequisite to approximately correct action having some ethical purpose. In this context, it should be remembered that the most probable theory can only be found through a comprehensive theoretical argument, mainly based on the history of thought and dealing with alternative theories; this issue has been alluded to in the first two sections of the first chapter *Setting the Stage* above.

In this context, two factors are of the greatest significance. Firstly, the two *axial ages* emerge as crucial stages in the process of unfolding of human nature. In the first *axial age*, in which the breakthrough to Truth occurred, the intellectual tools were forged that were applied to man, society and, above all, nature and technology, in the second *axial age*, which brought the Breakthrough to Modernity, in the West at first, and, subsequently, in the entire world. And secondly, *Christianity* brought about the movement from nature and its deterministic laws to the natural governed by moral laws in line with the finality of human nature. Ideally, this ought to go along with the elimination of modern system-caused alienation in view of establishing a state of natural liberty, that is, Keynes's *Social Liberalism* set into the wider framework of Jacques Maritain's *Humanisme Intégral*. As Keynes clearly perceived, this implies bringing Ethics and the Sciences, natural and social, together again; this would have to go along with putting the all the sciences on a metaphysical basis as has been emphasised by Jacques Maritain in *Science et Sagesse*. To bring about the synthesis between Science and Ethics on a metaphysical basis *in a way in line with human nature* is the fundamental task of Christianity. Realising this task as far as is in line with human possibilities would mean eliminating alienation to the greatest possible extent, that is moving from alienated history to *natural* history. This would constitute true progress.

#### *Germany 1871-1945 and the Apocalyptic Age 1914-1945*

However, there is no linear progress towards the natural state; in fact, states of affairs corresponding to the social nature of human beings have to be approximated through policy action based upon social and political ethics in each historical situation (Bortis 1997,



pp. 351-80). Indeed, improvements, characterised by reductions of alienation, may be followed by setbacks with alienation culminating, whereby the determinism exercised by the socio-economic system may be crucially important. Perhaps, the most dramatic historical instance of such a process is provided by Germany: the ethically and culturally eminent Carolingian-cum-Holy Roman Empire – of which a moving account is provided by Ricarda Huch - was heavily damaged by the terrifying Thirty Years War (1618-48) and became involved in world power politics after the formation of the Second Empire in 1871, to end up in the abyss of National Socialism in 1933-45 (later in this subsection it will be suggested that, in fact, Germany was *pushed* into the abyss of National Socialism and *kept there*). Indeed, the Thirty Years' War was *the* turning point in German history. According to common estimate, this terrible war reduced the German population from seventeen to eleven million, to five million after pessimistic estimates. A French historian said “that a war like this would have broken the backbone of any other nation; Germany, however, more than a century later, produced her second classical period in literature led by Goethe and Schiller.” Moreover, one could add, an *incomparable musical creation* took place in Germany-Austria over more than two centuries following up the end of this greatest of all religious-cum-social and political wars in the pre-modern West. Finally, building on Descartes, and taking account of the Greeks, very great work was done in Philosophy and History by Leibniz, Kant, Hegel, and Leopold von Ranke, to name but a few; and, starting from Hegelian philosophy, Karl Marx became the towering figure of 19th century political economy, the first political economist to have understood capitalism with unequalled depth, masterly combining economic theory and sociological-cum-political and historical analysis. And, significantly, the longing for peace remained deeply anchored in the German mind. Indeed, Friedrich Schiller's great poem *Die Glocke* ends by *Friede sei ihr erst Geläute*.

[To commemorate the beginning of *The Thirty Years War* 400 years ago (1618), three most impressive volumes have been published:

Herfried MÜNKLER: *Der Dreissigjährige Krieg – Europäische Katastrophe, Deutsches Trauma 1618 – 1648*, Berlin (Rowohlt Berlin Verlag GmbH) 2017

Georg SCHMIDT: *Die Reiter der Apokalypse – Geschichte des Dreissigjährigen Krieges*, München (Verlag C.H. Beck) 2018

Peter H. WILSON: *Der Dreissigjährige Krieg – Eine europäische Tragödie*, Darmstadt (Theiss Verlag – Wissenschaftliche Buchgesellschaft) 2017; englisches Original 2009

Taking account of these books and looking ahead to the first half of the Twentieth Century, we can assert that Germany has lived through two *Vernichtungskriege*, with both Wars lasting 30 years, 1618 – 1648 and August 1914 until May 8, 1945. In the first Thirty Years War, a very important, perhaps the fundamental aspect was the Austrian/German-Spanish striving for a Catholic Universal Monarchy, which clashed with the Swedish/Protestant – French endeavour to build up a Europe consisting of Christian States – Catholic and Protestant –, all being set on the same level; this implied putting an end to the pre-eminence of the *Emperor of the Holy Roman Empire of German Nation* among the European Monarchs.

Regarding the *Second German Thirty Years War*, this essay puts forward the thesis that the German Empire had to be totally destroyed in order to establish Anglo-Saxon-Zionist world domination and to render possible the creation of the state of Israel (the ultimate step of destruction, the implementation of the *Morgenthau Plan*, could, fortunately, not be completed because of Klaus Fuchs's action of world historical importance) – on this see the sections *Germany 1871 – 1945 and the Apocalyptic Age 1914 – 1945* and *Notes on ethics and alienation – the Apocalyptic Agee 1914 – 1945 further considered.*]

The terrifying devastations of the Thirty Years War produced, in a *defensive* vein, the Prussian military state to prevent outside aggression or interference and, simultaneously, to fill up the political and military vacuum in the North of Germany, in view of politically and militarily stabilising the North German plain; this was also to secure peace in the very centre of Europe, Brandenburg and her environment to wit, which was one of the regions that had suffered most during the Thirty Years War. Subsequently, the profound humiliation inflicted to Prussia and Germany by the defeats against Napoleon resulted, quite understandably, in an upsurge of nationalism, but also lead on to the great Prussian reforms associated, in the main, to the names of Stein, Hardenberg, and Wilhelm von Humboldt, which made of Prussia one of the most modern states in Europe; the military reform and strong nationalism finally resulted, in 1871, in the setting up of the Bismarck Empire; here, the modernised Prussian army constituted one of the tools to bring about German unity. Parallel to this, the Industrial Revolution in England left Germany and the European continent no choice: ,Industrialize or

Perish', Marx stated forcefully. Gradually, Germany became economically and politically increasingly *offensive*, almost by necessity, since the great depression of the last quarter of the 19th century - 1873-1896 approximately - brought heavy unemployment and forced millions of Germans to emigrate to the United States. The only way out was seen in the acquisition of colonies and dependent territories, from which primary products – raw materials and energy resources – could be obtained and which served as an outlet for final products. This led Germany into a gradually intensifying struggle with the British Empire for economic, military and political predominance on the world level. Two British authors, P.J. Cain and G.A. Hopkins, state on this: „The essence of [the British-German] conflict was expressed with remarkable bluntness [in a letter written] in 1907 by Viscount Esher, an important member of the Committee for Imperial Defence: ‚Meanwhile the Germans proceed unabashed on their way, and have their objectives clearly in view. The German prestige rising steadily on the continent of Europe, is more formidable to us than Napoleon at his *apogée*. Germany is going to contest with us the Command of the Sea, and our commercial position. She wants sea-power and the carrying trade of the world. Her geographical grievance has to be redressed. She must obtain control of the ports at the mouths of the great rivers which tap the middle of Europe. She must get a coastline from which she can draw sailors to her fleets, naval and mercantile. She must have an outlet for her teeming population, and vast acres where Germans can live and remain Germans. These acres only exist within the confines of our Empire. Therefore, *L'ennemi c'est l'Allemagne*'“ (Cain and Hopkins 1993, vol. I, p. 456). Robert Massie's *Dreadnought – Britain, Germany and the Coming of the Great War* vividly pictures the way to catastrophe.

The intensifying struggle between the British and the German Empire was, perhaps, the basic cause for the First World War, which, following up quasi-civil war 1918-23, the great German inflation 1922/23 and the profound economic crises of the 1930s, hitting export dependent Germany hardest of all industrial countries, led to the Second World War, where National Socialist Germany wanted to obtain her *Lebensraum* - Viscount Esher's *acres* just mentioned -, in analogy to the British and French colonies and dependent territories, in South Eastern and Eastern Europe, Russia most importantly. Finally, the war against the Soviet Union was to become a war of civilisations, the East against the West, and, as such, also a War between Capitalism and Communism. However, Capitalist rivalries turned the Soviet-German War into the Second World War.

In relation with the destiny of Germany, two points are interesting to note: first, a great number of intellectuals of the German language area, among them Jacob Burckhardt and

Friedrich Nietzsche at Basel (Bâle), were *opposed* to the creation of the Second German Empire in 1871, arguing that Germany must remain a *Kulturnation*, with Prussia being sufficiently strong to defend German territories; an Imperial Germany, devoting her energies primarily to exercising economic, political and military power would inevitably disturb the European equilibrium of forces, with severe consequences for the entire world. In this context, Charles de Gaulle remarked after the First World War that France had committed a world historical mistake in 1866, because she had not intervened militarily against Prussia and in favour of Austria after Sadowa (Königgrätz), preventing thus the formation of the Second German Empire and eventually favouring the coming into being of a North German state led by Prussia and of a South German State, possibly dominated by Austria, or, eventually by Bavaria at the exclusion of Austria.

*Probably, the main reason why France did not intervene after Sadowa was that she considered Austria still her archenemy. Indeed, when the Ottoman armies were advancing towards Vienna at the end of the 17th century, France, led by Louis XIV, had concluded a – weak – alliance with the Ottoman Empire! In this context, it has been said that, in 1919 at Versailles, Clémenceau, like Louis XIV, had continued to consider Austria-Hungary as France’s archenemy and wanted, and obtained, her destruction, against the advice of Winston Churchill, who clearly perceived the importance of this great polity for the stability of Central and South-Eastern Europe. Churchill, in fact, proposed to enlarge Austria-Hungary, most importantly, to include Poland, and to put all peoples of this polity on the same level, that is, with the same rights and duties. Moreover, a great power would have separated Germany and Russia, creating thus the basis for peace in Eurasia ranging from the Atlantic to the Pacific.*

*We may add here that Austria-Hungary was, at the time, typically a ‘cultural polity’, as was, Italy, to which have added by now France and Poland, for instance. All these polities are examples of polities made, in the first place, for peace, no longer for war, economic or military, and, as such foreshadow the future world order, that is the world as a family of nations mutually enriching each other in all domains. In relation with Austria-Hungary as a cultural entity there is a little anecdote on the great political economist Joseph Schumpeter who, around 1910, should have become Professor in Vienna, but for some obscure reason, was sent to Czernowitz in the Bukowina. Much later he said: ‘They intended to send me into exile; however, because of the immensely intense cultural life there, the years I spent at*

*Czernowitz were the happiest of my life. This extraordinary cultural life grew out of ethnical diversity. The Jewish community was the largest, and all peoples of Central, Eastern and South Eastern Europe were represented'. It has been mentioned above and elsewhere that, after the First World War, Winston Churchill had proposed not to destroy Austria-Hungary, but to enlarge her, while putting her on a new basis, equitable for all peoples living within this polity.*

This leads to the second point regarding the destiny of Imperial Germany. Indeed, to delimit in time his great work on the most recent world history (written in the 1950s): *Weltgeschichte der neuesten Zeit*, the Swiss historian Jean-Rodolphe von Salis selects precise points in time: 1871-1945. He thus wants to suggest that this part of World History is intimately linked with the destiny of modern Imperial Germany from the foundation of the Second Empire to the fall of the Third Empire.

Hence the Thirty Years' War transformed the peaceful, and ethically and culturally high-ranking Carolingian-cum-Holy Roman Empire into the increasingly power-minded Prussia-Germany which ended up, at the peak of a heavy economic crises, in National Socialist Germany, relapsing thus into the paganism of the heroic age as is pictured in Hans Urs von Balthasar's grandiose *Apokalypse der Deutschen Seele* (Balthasar 1998/1937-39), the whole movement ending up in yet another terrifying World War, producing immense suffering for the civilian population all over Europe, above all in Poland and Russia, and culminating in the horrors of the Holocaust.

However, we shall argue subsequently that Germany was *deliberately pushed* into the abyss of National Socialism and kept there; in fact, Germany was put on *Gestapo* and *SS* chains after January 1933, enabling to disfigure her by a most efficient propaganda system; as such, National Socialism is *not* a phenomenon that emerged naturally from the German character, but represents an *organised violation* of this character ending up in the *Apokalypse der Deutschen Seele*, which is equivalent to systematically produced *alienation of the German Soul*, to paraphrase Hans Urs von Balthasar.

*In our view, the wider meaning of Hans Urs von Balthasar's three-volume work directly emerges from the respective titles. The title of volume one – Der deutsche Idealismus – could be interpreted as Man refusing to submit to Divine-Natural Law and taking command of his destiny – Goethe's 'Faust' and Marx's 'Prometheus' are born; in an idealistic vein, Man shapes reality and is, as such, the measure of all things. In line with volume two – Im Zeichen*

Nietzsches – *Faust-cum-Prometheus* goes beyond the limited and narrow bourgeois existence to create the extraordinary and the outstanding, in fact to perform superhuman feats. The *Übermensch* enters the scene. However, the *Übermensch* can only realise his potential through setting himself superhuman tasks, which, necessarily must end up in failure, implying his perishing (if the task could be successfully accomplished, it would be human, not superhuman); death, however, means returning to the Absolute, to God, comprising in a Pantheistic vein Man and Nature; through death, der *Übermensch* becomes, in turn, a Hero, the highest manifestation of God – hence, the title of the third volume: *Die Vergöttlichung des Todes*. This deification of death represents the apocalypse of the German soul; also, this implies a return to paganism, in fact to Greek tragedy, on a gigantic scale though.

The possible manifestation of the *Apokalypse der Deutschen Seele* may be illustrated appropriately by a scene in a Nazi propaganda film produced around 1935. A damaged U-boat is sinking to the bottom of the sea. There is no hope for rescue. The commander addresses his crew for the last time and concludes with the words: *Zu leben verstehen's wir Deutschen vielleicht nicht so recht, im Sterben aber sind wir unerreicht.*

In the apocalyptic age 1914-1945, alienation – *Gottferne* – had reached its peak. This is due to the unlimited character of political, military, and economic power, money making for instance, and due to the striving of Man after infinity. In Goethe's terms, alienated infinity is represented by a straight line; given this, Man's striving can never be satisfied; for example, the conqueror always attempts to extend his empire or the greedy aims at accumulating ever more money; as suggested above, alienated striving after infinity is necessarily destructive. However, Goethe went on to say, that Man's natural striving after the infinite can be represented most appropriately by the circle. This means striving after perfection, that is, striving for Goodness, Beauty and Truth in all domains. Since absolute perfection is outside the reach of human beings this striving is infinite and nevertheless limited: always doing the same thing, while trying to ever improve the result. It is intuitively evident that the striving after perfection in all domains results in a harmonious and stable society.

The very short remarks on Hans Urs von Balthasar's *Apokalypse der deutschen Seele*, made above, relate to two themes taken up in this essay. First, the meaning of striving for power and of striving after perfection as the driving forces of history emerges somewhat more clearly. Second, the distance between the natural or circle-type striving after the infinite (the Carolingian-cum-Holy Roman Empire of German Nation) and the alienated straight-line type striving after the unlimited (National Socialist Germany) has perhaps been greatest in

*Germany in all human history. This may be due to the Faustian striving after the endless having been particularly pronounced in Germany, and, associated to this, is the German tendency to do things thoroughly, without compromise (deutsche Gründlichkeit).*

In the process that led to the coming into power of National Socialism, economic determinism associated with the functioning of the immensely complex world economic system certainly played a crucial role. How indeed could a political movement, marginal in the 1920s, become by far the strongest political party in the early 1930s? And how could a 'country, that had gradually established a well-functioning democracy after having lost a terrifying war, and, subsequently, had to abandon several centuries old stable political institutions' (Sforza 1931, pp. 15-20; American original 1930), end up in a most ferocious dictatorship? Indeed, three years after Carlo Sforza had expressed his admiration for Germany and deplored the situation in Italy, where Mussolini was already in power for several years, Hitler came to power in Germany, just at the moment when the economic depression was deepest, with involuntary unemployment standing at about one third of the work force. In fact, Hitler was *brought* into power to combat communism and social democracy in Europe and, in the longer run, to destroy the Soviet Union.

*Carlo Sforza was a most eminent Italian diplomat and a leading Liberal of the excellent 1848 vintage, who had left Italy for the United States after Mussolini's coming into power.*

An attempt to answer these questions must take account of additional factors, which amplified the stream of economic determinism acting on the scale of economic activity (on determinism see Bortis 1997/2006 and 2003a). Indeed, from 1918-1923, Germany was near to a full-blown civil war, opposing bourgeois-nationalist sections of the population on the one side, and working class and internationalist forces on the other, with the Social Democrats moving in between, probably knowing that the Western powers would never tolerate a socialist revolution, and a subsequent Communist take-over of political power in Germany. Moreover, an unprecedented hyperinflation destroyed the wealth of the middle classes and was accompanied by misery and starvation. Inflation, in turn, opened the way for foreign money and finance capital to acquire very cheaply real assets of high value in Germany, increasing thus greatly the bitterness of the population.

The *immense suffering* of the German population *after* the First World War and the hatred produced by the near civil and the Great Inflation war must indeed be emphasised. In his

excellent work on *the lost revolution – Germany 1918 to 1923*, Chris Harman points to both, suffering and hatred. Suffering peaked in the inflation year 1923: “The inflation had a devastating effect on a whole section of the middle class – those who lived off pensions, fixed interest bonds, their accumulated savings and rents from property. Even those with jobs had usually depended on such extra sources of income to keep themselves ‘respectable’. Now they suddenly found their dividend coupons and savings books were worthless. The most ‘respectable’ elements in German society were on the verge of starvation – the civil servants, the retired army officers, the university professors, the former policemen. People who had spent their lives carefully preserving a lifestyle that kept them a cut above the ‘common herd’ suddenly found themselves thrust down below it: the elderly gentlewomen would be queuing at the soup kitchen [and her son might desperately try to get some hard currency by selling objects of value to foreigners – life had become a struggle for sheer survival]“ (Harman 1997, p. 230). And, of course, the suffering affected also the working classes. Real wages declined and erratically rose when money wages were adjusted. Nevertheless, starvation became a reality for the workers, too, and looting was a normal consequence.

William Guttman and Patricia Meehan are very precise on a *particularly* sensible aspect of the Great Inflation, the *transfer of wealth to foreigners*, which, from a formal point of view may have gone on legally, but immensely added to the bitterness of the German population: “[...] there is no doubt that foreigners with their own currency did in fact acquire a considerable amount of wealth in Germany, especially property and shares in limited companies. It has been estimated that by 1923 foreigners had acquired 10 per cent of the total share capital of German businesses. The value of house property bought by foreigners is said to have amounted to several milliard gold marks; 25’000 houses in Berlin alone passed into foreign ownership. Again, these estimates are to be taken with a pinch of salt, but it was only too obvious to anybody who lived in Germany at the time that the sales of property to foreigners were indeed on a staggering scale.

It is a fact that some foreign students at German universities bought out of their monthly allowances entire streets of houses” (Guttman/Meehan 1975, pp. 95-96). In this context, William Guttman, one of the authors, reports: “Several years after the inflation, when I was a lawyer in Berlin, one of my clients was a Spanish doctor, then resident in Madrid or Barcelona, who owned a number of valuable tenement houses in Berlin which he had acquired when he was a student at Berlin University. He had paid a pittance for them and was now a rich landlord” (Guttman/Meehan 1975, p. 96).



A particularly tragic case was mentioned in a television documentary decades ago [in the 1970s or 1980s]: A War widow sold her farm in the morning and in the afternoon she could just buy a pair of laces! One may easily imagine the immense bitterness of those who were forced to sell or were persuaded to do so.

Guttman/Meehan briefly mention what happened in the legal domain: “When, in 1922, these property sales became more frequent and caused a scandal, legislative measures were taken to restrict the trade; but, by the interposition of men of straw, the formation of limited companies and similar devices, determined foreign purchasers largely succeeded in circumventing the restrictions” (Guttman and Meehan 1975, pp. 96-97).

To be sure, besides the foreigners, German citizens, including German Jews, possessing foreign currency, were among the winners of the inflation, too; the industrialist Hugo Stinnes, who also speculated against the Mark, won on a gigantic scale. “[Moreover, in] an odd way the Nazis themselves profited from the depreciation of the currency, which they so vociferously denounced as the work of Jewish speculators and the new democratic State. The young party was short of cash and relied very much on voluntary contributions from sympathisers, of whom plenty were to be found abroad, in countries with strong currencies. [A Nazi leader even remarked that for] 100 dollars one could buy a minor revolution” (Guttman and Meehan 1975, p. 94).

Significantly, the crucially important problem of transfer of wealth to foreigners is ignored in parts of the relevant literature at least. For example, in the important work by Feldman (1997), Guttman and Meehan (1975) are mentioned in the references, but not in the index of names and the entry *transfer of wealth to foreigners* cannot be found in the subject index.

To be sure, some foreign *or German* members of the Jewish community were involved in currency speculation and buying real estate at a large scale, accumulating thus enormous wealth; in fact, some German members of the Jewish community possessed foreign assets, among these dollars or other currencies and could therefore easily acquire property, landed or else, in Germany. All this was well-known in the Germany of the early 1920s, and later, but became a kind of taboo after the Second World War.

In any case, in two central chapters of their 1975 book (chapter 3: The Winners and chapter 4: The Losers), Guttman and Meehan provide an excellent account on the socio-economic consequences of the Great Inflation, specifically on the problem of the transfer of wealth to foreigners. Stefan Zweig even goes on to say that “[nothing] made the German people so embittered, so raging with hatred, so ripe for Hitler, as the Inflation” (Stefan Zweig, quoted in

Guttman/Meehan 1975, p. 238). In this essay, it is argued, however, that the coming into power of Hitler was much more complex than is suggested by Stefan Zweig.

What the Great Inflation did fundamentally change, however, was the relation between Germans on the one hand and German Jews and Jews in general on the other. Indeed, it was generally admitted that, before the Great German Inflation, the situation of the German Jews was, on the whole, very satisfactory. Some sociologists even spoke of a ‘German – Jewish symbiosis’. However, at a time when Germany was crushed and the Germans humiliated, the Great Inflation, the transfers of wealth to foreigners and some German Jews, and their socio-economic and political consequences produced very strong anti-Jewish reactions as emerges from a *really terrifying passage* to be found at the end of Maynard Keynes’s small account of his 1926 Berlin meeting with *Albert Einstein* in his *Essays on Biography* in the course of a dinner given in honour of Keynes by the German government (Keynes 1972 / 1926, Collected Works, vol. X, pp. 383-84) – Maynard Keynes, a great political economist, diplomat and statesman, a man with great composure, must have been very moved indeed when he wrote these lines. This passage culminates in the terrible proposition that it “is not agreeable to see a civilisation so under the ugly thumbs of its impure Jews who have all the money and the power and the brains” (pp. 383-84). Thus, the behaviour of a *very few* Jewish individuals, through enriching themselves excessively in the course of the German hyperinflation, exercising social power, and playing a dubious role in German politics, discredited the Jewish people in general and added to the more or less strong anti-Semitism prevailing in Europe, laying thus the basis for the catastrophe that was to follow. And the reference to Lloyd George in Keynes’s essay on Einstein sheds new light on the kind of political activities of some German Jewish individuals on account of the sinister role plaid by Lloyd George in English political life before the First World War pictured in Docherty-Macgregor (2017, orig. 2013, mainly in chapter 12, pp. 179-90). It is really about twisting and lying (Keynes 1972 / 1926, p. 384).

Moreover, the Nazis and others associated Jewish intellectuals to the leadership of Communism and to the *Dolchstoß*, the legend that the German army was not beaten on the battlefield but was stabbed in the back. However, the vision of life seen as a Social Darwinist struggle for survival, a vision greatly enhanced by the horrors of the First World War, and the racial theories developed by Gobineau and Chamberlain decisively contributed to directing Nazi hatred from *some* Jewish individuals to the Jewish people *in general*. To these elements added the terrible *post-war* suffering of the German population associated to the determinism of the socio-economic system to produce the terrifying blast, that is, the Holocaust, that

occurred in the final years of the Apocalyptic Age 1933-1945. The humiliating conditions of the Versailles Peace Treaty 1919, the Great Inflation 1922-23, the quasi-Civil War 1918-23, the Great Depression 1932-33, subsequently, the immensely complex events which led to the Second World War as are hinted at in this subsection and dealt with extensively in Tansill (1952) and Schultze-Rhonhof (2007) and, finally, the almost certain prospect of loosing the war already after the Battle of Moscow and definitely after the Battle of Stalingrad, were the crucial elements that made the deadly mixture explode. Indeed, based on Ralf Georg Reuth's *Hitlers Judenhass – Klischee und Wirklichkeit*, we shall suggest at a later stage that *the factual entry into the War of the United States in late summer 1941 without declaration of War, was, as is very likely, the crucial element, which led on to the Holocaust.*

In this context an important question arises: were informed German circles (politicians, diplomats, German intelligence, high-ranking officers, for example) aware of the significance of the Balfour declaration at the end of the First World War, particularly during the Versailles Conference? In fact, with a strong Germany, free to act on an international level, the foundation of Israel would have been impossible because of the excellent relations of Germany with the Middle East, dominated by the Ottoman Empire. If, at the end of the First World War, informed German circles were indeed aware of the fact that the Balfour declaration implied the destruction of the German Empire, this would constitute a crucially important element to explain the tremendous increase of anti-Semitism in Germany in the early 1920s, which would have been very strongly reinforced by the anti-semitic effects of the Great Inflation hinted at in the above (Guttman / Meehan 1975, mainly chapters 3 and 4, Keynes 1972 / 1926, *Collected Works*, vol. X, pp. 383-84).

In the months of Civil War at the beginning of 1919, opposing the social democratic government and the military on the one hand to the workers and associated soldiers on the other, hatred rose to immense proportions, as a passage taken from Harman (1997) illustrates: “[The workers were asking for the socialisation of big industry. But the workers’ request were countered by the social democratic government, which,] while pretending to draw up its own plans for socialisation, had been making careful preparations with the military High Command. Freikorps units began to move from Bremen towards the Ruhr and General Watter used them to disarm the local security force in [Münster] and arrest the soldiers’ council. From [Münster] the units crossed into the Ruhr itself, entering the mining village of Hervest-Dorstein. Their entry was resisted by a group of about a hundred armed miners. But Freikorps

artillery soon smashed such resistance and the mining villages of the area were occupied, with the usual mass arrests. At the end of the day 40 miners were dead, including Fest, the leader of the workers' council, who was battered to death while hiding in a church" (Harman 1997, p. 104). Or, on March 4, 1919, a large and very effective strike began in Berlin. "All industrial activity in Berlin grounded to a halt, the electricity supply was cut off, and the buses, trams and trains stopped" (Harman 1997, p. 109). However, on March 6, "the Social Democrat Union leaders in Berlin [...] called for an end to the strike. When they found themselves a minority in the assembly of workers' councils, they simply withdrew from it and issued their own leaflets and posters calling for a return to work.

The *Freikorps* immediately took advantage of this betrayal and the splits within the workers' ranks. They began to break the strike, ensuring the distribution of supplies to the bourgeois part of the city. Within two days the strike was no longer effective, and the strike committee felt compelled to call for an unconditional return to work. By 9 March, the strike and the fighting were over.

But Noske and his friends were not satisfied. They were out to win a war, not merely a battle. And they felt that neither the revolutionary left, nor the working class movement were now in a position to defend themselves. The attack which followed 'far exceeded in frightfulness that which Berlin had experienced in January [1919]. For days the government soldiery conducted a campaign in the eastern quarters of Berlin with all the resources of modern warfare – with cannons, bombs and aeroplanes. Innumerable houses were damaged, and some were completely demolished by grenades and explosive bombs. In many cases workers in whose homes rifles were found, were shot dead' [Heinrich Ströbel, *The German Revolution and After*, London 1923, p. 134]. The death toll has been estimated at between 1'500 and 2'000, with 20'000 wounded. The number of those killed on the left was ten times the number on the government side" (Harman 1997, pp. 112-13). Finally, the fatal year 1923, when inflation peaked, saw the fascist movement gain in strength. "The fascists are advancing, said [Heinrich Brandler, general secretary of the Communist Party in summer 1923]. Their attacks on the working class could take different forms: 'The attack of the fascists need not begin with a Kapp putsch; it can begin with the imposition of military rule in Saxony and Thuringia; or with the proclamation of a separatist Rhineland-Westphalian republic. It can follow on from an attack on the wage struggles of workers. In any case, we are on the verge of bitter struggles. We must be entirely ready to act' [Brandler].

It would be necessary to draw Social Democratic and non-party workers into this action, said Brandler. 'Our party must develop the combativity of its organisation until they are not

surprised by the unleashing of civil war. The attack of the fascists can only be put down by opposing Red Terror to White Terror. If the armed fascists shoot on workers, we must be prepared to annihilate them. If they put up against the wall one worker in six, we must shoot one fascist in five. In the spirit of Karl Liebknecht and Rosa Luxemburg, into battle!’ [Brandler]” (Harman 1997, p. 257). One fact immediately emerges: in heavily alienated socio-political situations, only power counts, and ethics is largely eliminated; ethics tends to become ridiculous, since it means weakness, and, as such, ethics may even become dangerous, because, in a merciless struggle, the weak will inevitably be on the losing side. It is in such situations Hitler and Stalin were acting.

[Digression:

To understand somewhat more profoundly the behaviour of Hitler and Stalin requires considering the implications of the social philosophy of totalitarianism, which, in the Soviet Union was associated with the concept of a classless society, in Nazi-Germany with the notion of race, associated with biological Social Darwinism. In a totalitarian society, individuals have, in principle, no autonomous existence, but are significant only as parts of the social machine; in a totalitarian society, the *social* – realising social aims with the individuals performing specific functions – is pushed to the extreme to result in a tightly organised collective in which power, most importantly military power, reaches a peak. In Stalin’s Soviet Union the state and the classless society were the supreme values, the ultimate end, and the individuals only means to reach the communist ideal. In Hitler’s Germany, society was also classless, structured by the nation-state, resulting in a powerful political entity, the German Reich, with the individual Germans entirely standing in the service of the political entity, being simple means to reach to reach the political end.

In a totalian society, individuals are thus sacrificed without moral scruples to reach some political aim, disregarding thus largely the rights of human beings. In a liberal and Christian perspective, this sacrificing of individuals represents a crime, in a totalitarian state these sacrifices are absolutely necessary, above all in extreme, heavily alienated situations, given for instance, by the merciless struggle between Capitalism and Communism in the 1930s and in the Second World War. In a way, it might now be argued that Hitler and Stalin committed crimes against individuals while, simultaneously, attempting to do the best for their countries, above all, to remain victorious in the ferocious struggle of the Second World War.

However, with ethics pushed into the background on the level of the collective, outstanding ethical behaviour may be possible on the individual level in heavily alienated situations. For

example, it is reported that individual German soldiers assisted Russian civilians, and that Russian soldiers took care of German civilians to a large extent during the last months of the Second World War when millions of Germans had to leave their home country.

Evidently, an argument of this kind has far-reaching implications. What to think, for example, of the members of Docherty/Macgregors Secret Elite who brought about the First World War and humiliated Germany subsequently (Docherty-Macgregor 2017/2013) or of the power elite around Roosevelt/Morgenthau who silently orchestrated the Second World War (Tansill 1952)? And a more intricate problem would be the merciless destruction of the American Indians by the European invaders.]

This terrible post-war suffering and the hatred accompanying it, must be seen in the perspective of Germany, and Austria-Hungary, who, on account of their geographical position, have endured a much greater ordeal than France and England in the second half of World War I, because of very precarious food supply conditions, with the hardship in Russia having been out of proportions. Indeed, as Ernst Jünger mentions, towards the end of the Great War, German soldiers had not enough to eat in many instances, and, consequently, had to fight with an empty stomach, while French, English and American soldiers were, as a rule, very well fed. Hence while the sacrifice made on both sides was immense, German suffering was still greater. Given all this, Germany was a deeply shocked country in 1923-24, and the immense amount of suffering was emphasised by all political movements, the National Socialists in the first place. This extremely difficult situation sharply contrasts with the euphoria that accompanied Germany's steep ascent from 1871 to 1917. In this time-period the economic and political latecomer Germany become a serious challenger to the most powerful polity of the time, the British Empire, setting her into opposition to almost the entire economically developed world. The deep fall of Germany after the Great War, accompanied by the immense suffering of very large parts of the German population, goes far to explaining the terrifying political and intellectual earthquake of 1932-33, at a time when the world economic crisis peaked.

*Incidentally, similar events occurred in Russia after 1991. A great inflation destroyed the domestic currency and, thereby the savings of the population, clearing the way for foreign finance capital to buy cheaply valuable assets. This resulted in the formation of some of the very large fortunes in a very short period of time; again, this produced adverse feelings against the West in general, and specifically, against Western finance capitalism in large*

*parts of the Russian population. And, significantly, the notion democrat has become a swearword in Russia! Indeed, in a heavily alienated situation a strong government is required to put a country on the track again. Or else, if the government is weak, informal, sometimes hidden power centers will effectively rule in a disintegrating society, as was Russia after the breakdown of the Soviet Union.*

How, then, could democratic Germany, almost at a stroke, two years after the publication of the above-mentioned book by Carlo Sforza in 1931, end up in a most ferocious dictatorship? Many questions still remain unanswered and will, probably, always remain unanswered. In our opinion, two points are crucially important. First, what has really happened during and immediately after the Great Inflation in Germany 1922-23 in matters of redistribution of incomes and wealth? Who acquired wealth, eventually at very advantageous terms, and who lost? There can be little doubt that these wealth transfers compounded the suffering of the German population and opened new dimensions in the hatred already prevailing. And the effects were absolutely devastating: “Das Jahr 1923 machte Deutschland fertig – nicht speziell zum Nazismus, aber zu jedem phantastischen Abenteuer. Die psychologischen und machtpolitischen Wurzeln des Nazismus liegen tiefer zurück, [...]. Aber damals entstand das, was ihm heute seinen Wahnsinnszug gibt: die kalte Tollheit, die hochfahrend hemmungslose, blinde Entschlossenheit zum Unmöglichen, um am Ende, nur durch die reine Willenskraft und Brillanz über Allem zu stehen; das ‚Recht ist, was uns nutzt‘ und ‚das Wort unmöglich gibt es nicht‘. Offenbar liegen Erlebnisse dieser Art jenseits der Grenze dessen, was Völker ohne seelischen Schaden durchmachen können“ (Haffner 2008/2002, pp. 54f.). The last sentence of this Haffner quote is indeed significant: „It would seem that an experience like the Great German Inflation lies beyond the boundaries, a people may support without heavy psychological damage.“ The terrifying blast that was to occur in Germany at the beginning of 1933 was prepared already in 1923, after civil war and inflation, after terrible suffering and with boundless hatred in place. These elements combined with the inexorable determinism of the capitalist system and led Germany to highest degree of alienation in the whole of human history.

Second, then, a profound knowledge about the functioning of capitalism, specifically the interaction between the financial and the real sector, on the basis of very solid economic theory is indispensable in this context. As has been argued repeatedly in this essay and elsewhere, political economy had become and has remained the key social science of the modern era. In any case, there was a complex and tragic interaction between the functioning

of the world economic system and the behaviour of the German population and politicians, with strong economic interest groups, associated to capital and labour, in the background, in an objectively given situation. Indeed, the crisis hit Germany ferociously, mainly because of the breakdown of international trade; by the help of an ingenious graph, Charles Kindleberger impressively pictures the dramatic breakdown of international trade, the volume of which declined from about three billion dollars in 1929 to less than one billion dollars at the outset of 1933 (Kindleberger 1979, p. 179)! As a consequence, more than thirty percent of the German working population was involuntarily unemployed; part of the urban population was temporarily starving and plundering set in. On the top, an entirely inadequate liberal (neoclassical) economic policy precipitated the country into the abyss; indeed, government expenditures were cut down to prevent deficits in the state budget which came into being as output and employment declined; in fact, liberal doctrine held that government deficits would reduce saving, hence investment and thus the creation of future workplaces. In these chaotic conditions, almost everybody welcomed the strong leader who was supposed to restore order and to set people to work. And the role of powerful social forces should not be forgotten. Indeed, the sinister *Nacht der langen Messer* indicates that National Socialism had *moved away* from being a party of *all* the German working people, possibly organised through professional corporations (*Berufsstände*), that is, the vision of a hierarchically structured, but classless society (*Volksgemeinschaft*), to become a party in which economic forces, large capitalist industry to wit, plaid an important, perhaps even a decisive role.

This is a crucial point. It is indeed frequently argued that National Socialism was anti-capitalist. This is only partly true. The Nazis despised unproductive, even damaging *financial* capitalism. However, the National Socialists heavily relied on productive *industrial* capitalism – productive is of course used here in the technical sense; anything may be produced, bread or weapons. In any case, big industry associated to military power, plaid a crucial role in the process of the democratically correct coming into power of Hitler and his National Socialist movement. Chris Harman has an excellent passage on this event: “Hitler could not have come into power if he had relied just upon the stormtroopers. He also depended upon the active collaboration of those forces in German society which had been given a new lease of life by Social Democratic governments in November-December 1918 and April 1920 – the generals, the top government bureaucrats, the great industrialists and landed interests. [...]

The generals and industrialists still had to reckon, however, with a powerful, Social Democrat led labour government. To retain a minimum of Social Democrat compliance, they had to stop just short of an all-out onslaught on the working class. In the years 1930-32 they used the



Nazis as a counter-balance to the workers' movement, retaining their own freedom to manoeuvre by allowing each to keep the other in check. But as the crisis dragged on, they found the price they had to pay for Social Democracy – the continued toleration of certain gains made by the workers in the past – was too high. The generals and industrialists estimated late in 1932 that ruling with a Nazi movement that would destroy the working class organisations was preferable to ruling with a Social Democratic movement that would try to buy off the workers. [...]

Early in 1932 Social Democratic support had ensured Hindenburg's re-election as president. Now he repaid the Social Democrats. He agreed to the removal from office of the democratically elected, constitutionally sound right wing Social Democrat led government of Prussia [...] by the [help of the] Reichswehr that had been built from the *Freikorps*.

This was only the dress rehearsal. At the end of 1932 Goebbels confided to his diary the fear that the Nazis had missed their chance; they had received fewer votes than the combined SPD-KPD total in the second general election of 1932; [the combined left-wing parties threatened to take power,] and disillusioned stormtroopers were going over to the Communists by the thousand. The future, Goebbels wrote, 'is dark and gloomy: all prospects and hopes have completely vanished.'

But at this [crucial!] point the old rulers of Germany threw their weight behind Hitler. *The industrialists Thyssen and Krupp met Hitler and were reassured that he would follow their interests [this does not imply at all that Thyssen and Krupp were true Nazis; both underestimated Hitler and wanted simply to use him to contain the Left and to destroy the Soviet Union; incidentally, Fritz Thyssen later joined the Resistance against the Nazis]*. The former Chancellor from the democratic Centre Party, Papen, negotiated with Hitler. Then Hindenburg gave the Nazis control of the government. Those who had been saved from 'socialisation' by the Social Democrats in 1919 now worked with Hitler to destroy the Social Democratic labour movement" (Harman 1997, pp. 303 – 305, our emphasis).

Moreover, by "the time of the third great crisis hit Germany in 1929-33 the Communist Party was no longer a *positive* factor, pointing a way forward as it had in 1918-20 and 1923. [...] Certainly it was capable of attracting millions of workers, especially unemployed workers, who saw no future in Social Democracy. But it could not translate that into a challenge to the hold of the Social Democrats over the organised labour movement, because of an insane, Moscow-ordained ultra-leftism [...]. Moscow had decreed that social democracy was the same as fascism and the German Communist leaders then ignored the threat of real fascism. [...] While the Nazis made their way towards power, the KPD continued to talk gibberish

about the danger of ‘social fascism’ and to lull workers to sleep with the slogan, ‘After Hitler, us’. The degeneration had come full circle. The whole world has had to pay the price” (Harman 1997, p. 307).

Harman’s excellent account may be complemented by a few additional points. First, Stalin did, perhaps, not want a Communist take-over of power in Germany, because he wanted to maintain the leading role of the Soviet Communist party in world communism. Second, Lenin and, subsequently, Stalin probably knew, that the Western powers would never have admitted a Communist take-over of power in Germany. It is highly likely that the Social Democrats and the ‘industrial-military’ power centre knew this, too. This might explain in part the more or less intense tacit collaboration of these two, opposed, socio-political formations from 1918-1932; the problem was to forestall a Communist seizing of power and, simultaneously, to prevent foreign intervention into an eventually ongoing civil war, which might have resulted in a partition of Germany, for example in Rhineland-Westphalia, including Baden; Southern Germany (Württemberg and Bavaria), and Prussian dominated North Germany. And, third, the German military-industrial complex and its US counterpart both wanted the destruction of the Soviet Union. A National Socialist Germany was certainly the most efficient tool to reach this aim. Stalin, in turn, knew that a confrontation between Capitalism and Socialism was inevitable; indeed, the Rapallo Conference 1922 was the starting point for modern re-armament of Germany and the Soviet Union; tanks and aircrafts were produced in the Soviet Union under German technical direction in the 1920s and the early 1930s; there were even common manoeuvres to make the Russians familiar with combining infantry, tanks and aircraft.

*The appropriate combination of these three arms, fundamentally important in modern warfare, had to be ensured technically by cordless telephone. In fact, in his War Memoirs Charles de Gaulle maintains that, in 1940, France had enough tanks and airoplanes, but that the communication between them, and infantry was largely lacking, and if there were possibilities of communication, training had not been sufficient to bring about efficient coordination. General de Gaulle considers this lack of coordination as a major reason for the crushing defeat of France in 1940.*

Moreover, from 1933 to 1941 Germany continued to transfer modern technology to the Soviet Union in exchange for precious raw materials, of which stocks were built up in Germany to prepare for war. The Soviet armament factories were established just behind the Ural, in

Western Siberia, out of reach for any aggressor. Historical determinism inexorably made its way.

In this context, the sources of the ferocious anti-Semitism that emerged after the Great German Inflation in 1922/23 must be taken up again. Two long-term factors stand out, a 'scientific' element and social-political one. The 'scientific' element is represented by racism associated to Social Darwinism on evolutionist foundations (Gobineau and Chamberlain). This factor was greatly enhanced by direct battlefield experience of many Nazi-leaders and members of the movement and by the terrible suffering after the war, and the hatred accompanying this suffering, as has been alluded to above. As a consequence, the life of individuals and of nations and races was seen as a merciless struggle for survival. The social-political element, represented by various anti-semitic formations in Germany is set forth in Peter Pulzer: *Die Entstehung des politischen Antisemitismus in Deutschland und Österreich 1867-1914*. Finally, there is a short-term factor, the immense hardship and the limitless hatred produced by the events of 1918-1923 (Revolution, near Civil War, and the Great Inflation), which has also been alluded to above. The hatred of the Nazis was directed against two socio-economic formations, the Communists and the representatives of finance capital having access to foreign currency; as suggested above, real assets of high value could be acquired very cheaply with foreign currency during and just after the Great Inflation; even if such transactions went on legally, they must have caused greatest bitterness among the population in the climate of immense hatred and suffering that prevailed around 1923.

*It is frequently argued that foreign capital was on the losing side in the Great Inflation. This is true of foreign capital that had been invested before the inflation started. However, during and immediately after the Great Inflation huge fortunes could be made through acquiring real assets of high value, as has been the case in Eastern Europe and Russia after the breakdown of Socialism and of the Soviet Union. An important reason was that, at times, the external value of the Reichsmark, expressed by the exchange rate, declined more sharply, than the internal value of the German currency, measure by the rate of inflation.*

Now, the National Socialists considered members of the Jewish community as leading figures of the Communist party and as important representatives of financial capital. Subsequently, based on the racist theories alluded to above, the hatred engendered by a very few individuals, most of whom were well-intentioned and strongly engaged Communist idealists, turned indiscriminately against the Jewish people *in general*. The immense injustice of this attitude

emerges most clearly if it is considered that a great number of German Jews had fought for Germany in the First World War. However, in a heavily alienated situation, not only ethics is eliminated and replaced by crude and ruthless power, irrationalism may come in heavily, too. In fact, irrationalism is nothing but alienated reason.

In this context, it may be appropriate to reiterate some remarks made on the relationship between National Socialism and Capitalism. Indeed, it is only partly true that National Socialism was anti-capitalist. In fact, the Nazis came into power by the decisive help of *industrial* capital, big industry to wit, and subsequently were closely associated with the military-industrial complex. Industrial or real capital was considered highly productive and socially, politically, and, above all, militarily useful, given the merciless struggle for survival, which, in Nazi view, governed the relations between the various races, the First World War being a striking example. The hatred of the Nazis was, in fact, directed against *financial* capital, which was considered of a parasite nature, an attitude, which, incidentally, is gaining ground at present among populist movements. The ongoing 2008 financial crisis will certainly reinforce this view.

*In modern monetary production economies, the relationship between real and financial capital is indeed delicate, and difficult to grasp. For example, in his Treatise on Money, Maynard Keynes suggests that 'depressions arise because money is flowing from the industrial circulation to the financial circulation' (on these notions see Keynes 1930, vol. I, chapter 15); a short and very tentative attempt to set forth the meaning of this Keynesian proposition regarding the relationship between the financial and the real sector is to be found in Bortis (2010 and 2013a). In our view, the financial sector is of the greatest importance in a monetary production economy. Indeed, a modern monetary economy simply could not function without money and a financial sector. However, finance must stand in the service of production, and not the other way round. Indeed, if finance dominates production, that is, the real sector, the entire economy may be damaged through increasing inequalities and growing unemployment, associated to more precarious work places. The domination of finance may even lead to a substantial change in society. Indeed, social relations, based on confidence, are damaged or even destroyed and increasingly replaced by financial transactions, resulting more and more in an atomistic society, governed by mistrust; on this Dembinski 2008 provides an excellent account.*

Hence irresistible objective socio-economic forces combined with economic, social, political and military power, and frightfully enhanced through immense suffering and limitless hatred, made the fatal outcome inevitable, the behaviour of the main actors, for example of President Hindenburg, being of secondary importance; probably Hindenburg was simply set under immense pressure, which is also a kind of determinism. Once in power, the Nazi regime ruthlessly crushed any resistance, and its reversal was impossible. All this proves, once again, that Karl Marx was a very great political economist indeed; he understood the fundamental determinism exercised by the capitalist system like no other.

Now one could argue that Germany was nevertheless historically guilty because she had started the First World War and thereby brought about the sequence of events that followed, governed by iron determinism. It is true that Germany had an evident interest that the war started as early as possible. Indeed, in a long-term view, Germany stood largely alone against three great powers, the British Empire, France and Russia; her allies Austria-Hungary and the Ottoman Empire were economically less developed, as such dependent upon her, and, above all, politically unstable. Many of the various nationalities making up both Empires were in fact striving after independence, which made their long-term future uncertain. Most importantly, however, Russia was industrialising fast and her population of 130 million around 1910 was already far superior to Germany's (65 million), *and the Russian population was growing at a tremendous pace*. Moreover, an increasingly stronger Russia would weaken Austria-Hungary, Germany's most important ally, through enhancing the striving after independence of the Slavic peoples of the Empire and, eventually of Hungary. Given this, her enemies could wait, Germany could not; in fact, Germany was in a trap, time was working against her. As a consequence, she urged Austria-Hungary to take severe measures against Serbia after the assassination of Archduke Franz Ferdinand and his wife Sophie at Sarajevo.

This objectively given power constellation and its evolution was the most important reason for the outbreak of the First World War, precisely in August 1914. In fact, only Russia did not want war at that time, because she was not yet ready. However, many, secretly, wanted the war, for various reasons: to put an end to the armaments race, to display one's military strength; France wanted to reconquer Alsace-Lorraine; England aimed at containing German economic political and military power, naval power above all. There were even joyful demonstrations in favour of the war, above all in Germany, confident in her military strength, but also in France. Generally, a few great battles were expected to take place, as had been the case in the war between France and Prussia-Germany in 1870-71, possibly embellished by heroic deeds. When the war broke out in August 1914, people in France and in Germany

expected their soldiers back home by Christmas of this year! And some, rather naïve economists argued that the War would have to end by November 1914 approximately, because there would be no more money to finance it! This was to overlook the fact, that money is only a representative of value; as long as there were real resources, men, weapons, and food, the War could of course go on.

So the war was started almost lightheartedly. Nobody foresaw the horrors to come, not even military experts - later, it was argued that the machine gun, preventing Infantry to move freely, transformed the war of movement into the stalemate of the trenches war. In any case, subjective factors, like the oft-mentioned rather bold statements of the German emperor or not very skilful German diplomacy were of secondary importance in the outbreak of the war. After the War everybody wanted to prove that all efforts had been made to maintain peace, which seems indeed evident from diplomatic documents. But, as E.H. Carr once said, good politicians or diplomats never write down what they *really* think, when the issues are crucially important, complex and delicate. Indeed, in the power game it is normal to hide one's true intentions, which, however, are brought to the open through strong action.

*However, it must be emphasised that the harsh statements, for example the infamous Hunnenrede of the Kaiser in 1910, and the frequently 'reckless behaviour of the German leadership around Kaiser Wilhelm II' (Keynes) probably greatly contributed to the almost complete isolation of Germany after the Entente Cordiale in 1904, and to the very severe treatment of Germany at the Versailles Peace Conference. Given this, the Treaty of Versailles became the starting point for a new war, instead of becoming the beginning of an era of peace in Europe – indeed, just after World War I nobody could imagine another war of this kind. In any case, the words and deeds of Wilhelm II stand in sharp contrast to the cautiousness of Bismarck who did everything to consolidate the international position of the new German Empire; Bismarck might even have sought an arrangement with France on Alsace-Lorraine once it had become clear that the British Empire could no longer be considered an ally of Germany. All in all, it was perhaps Wilhelm II who initiated the destruction of Bismarck's unification achievement. Economic and military power was given primacy over cautious foreign policy, specifically good relations with Russia in the tradition of Bismarck (Carr 1951, pp. 112-13). In fact, military power had moved in the service of the economy. This domination of the economy over sensible politics through a military-industrial complex is itself an expression of the implacable determinism exercised by the capitalist system. Historically, economic factors had been at the origin of major wars: in fact, both the*

*Peloponnesian War and the Punic Wars were, basically, economic wars as Michael Rostovcev argues in his Geschichte der Alten Welt (Rostovcev - Rostovtzeff 1941-42, vol. I: chapter 19 and vol. II: chapters 5 and 6).*

*In any case, a fair treatment of Germany at Versailles, as might have been possible without the excesses of the era of Wilhelm II, would probably have brought about German frontiers as they existed in 1937, simply because these were, broadly, the historical frontiers of Germany in the West and in the North East. These German frontiers would have preserved the essence of Bismarck's unification achievement, while at the same time rendering possible normal relations between Germany on the one hand, and France and Poland on the other. As such, the 1937 frontiers of Germany would have constituted the basis for peace in Europe. However, the Versailles Treaty and the sequence of events that followed brought Hitler into power. Subsequently, it was Western Apeasement Policy, culminating in abandoning Poland in 1939-40, ultimately aiming at the destruction of the Soviet Union by keeping Hitler in power that prevented this peaceful solution. Churchill was right in his desire to get rid of the Nazis right at the beginning, in 1933, but he was largely isolated. And there can be little doubt that a good number of high-ranking Wehrmacht officers, General Werner von Fritsch for example, were aware of the appropriateness of the 1937 frontiers and desperately tried to depose Hitler; this was rendered impossible by Apeasement Policy. Moreover, many high-ranking officers of the Wehrmacht who knew about Hitler's aggression plans in the East after November 5, 1937, probably also knew Bismarck's saying: As the Prussian Ambassador to Russia at St. Petersburg I looked into the icy eyes of the Russian Bear, and I got frightened – Ich blickte in die eisigen Augen des Russischen Bären, und Angst ergriff mich. Indeed, to have good relations with Russia was a constant in Bismarck's foreign policy.*

In relation to the horrors of the First World War as set out in his *In Stahlgewittern*, Ernst Jünger once said “that, in the Middle Ages, the military leaders of both sides would have come together and would, on ethical grounds, have put an end to hostilities; however, in the modern materialistic and nihilistic era, when power and money are the top values, millions of human beings had to die for nothing.” This became true at an even greater scale in the Second World War, various Civil Wars, the Holocaust, and the frequent Massacres of Civilian Populations, above all on the Eastern Front and in the Balkans. To speak of the Apocalyptic Age for the time-period 1914-1945, as we do in this essay, seems entirely justified. Alienation, termed as *Gottferne* in the above, reached indeed its peak.

These considerations on the fate of modern Imperial Germany 1871-1945 (von Salis 1951 ff.) quite naturally lead on to some reflections on “determinism and chance in history”, with determinism being associated to the functioning of the socio-economic-cum-political system governing output and employment levels, and chance linked to behaviour of groups and of individuals, given economic activity levels (Bortis 1997/2006, specifically pp. 103-18, and chapter 4). Of course, system and behaviour are always interrelated: at any moment, actions of individuals and collectives take place in an institutional and technological set-up making up the system; in turn, action gradually modifies the system, and sometimes directs it in a completely unforeseeable way.

The starting point is 1871, the year of the foundation of the Second German Empire, made up, broadly, of the industrialised Northwest and Silesia and the predominantly agricultural South and East. Bismarck realised the precarious situation of the new German state, which run the risk of being isolated and surrounded by powerful enemies: France, the British Empire and Russia. This required a new type of equilibrium in Europe. Given this, there had been rumours that Bismarck, perhaps, did not want to annex Alsace-Lorraine and was contemplating France as a future ally against the British Empire on the one hand and Russia on the other. Certainly, these rumours were not unfounded. The British Empire, France and Russia had many areas of conflict, mainly regarding colonies and spheres of influences in the non-European world. Not humiliating France in 1871, as Austria-Hungary was not humiliated in 1866, would have been yet another ingenious move by Bismarck. The whole of the European Continent and, in addition, the entire Ottoman Empire would have been united against the British Empire and the Russian Empire. World history would have taken an entirely different course. Possibly, Europe would still be the leading world power at present. But just to think just of one possible implication: Yugoslavia would never have come into being, and Poland and Greece would perhaps not be independent yet. In a way the whole of history seems to lead to the breakdown of empires, a kind of political dinosaurs, and to the formation of viable small and medium-sized states which, as has been argued above, may come together in subfamilies of states in the form of Historical Federations, having common problems and a common historical experience, putting thus to use the Principle of Subsidiarity in a modern way.

However, at least three powerful reasons led to the annexation of Alsace-Lorraine. First, Germany argued that the cessation of Alsace-Lorraine to France laid down in the Peace Treaty of Westphalia (1648) had been highly unjust, since, at the end of the Thirty Years War she was destroyed, weak and helpless and had to accept all the points of the peace treaty



which were, in fact, imposed on her. Through annexing Alsace-Lorraine this injustice was to be repaired, a point strongly argued by the German writer Theodor Fontane (whose grandfather was a Bordeaux Huguenot, named Fontaine!). Second, through annexing these already industrialised territories, the agricultural South of Germany wanted to strengthen her relative position compared with the industrially already powerful North dominated by Prussia. Since Bismarck wanted to include the South German States in his Second Reich at any price, he had no choice than to give in. A third most powerful reason was advanced by the Prussian-cum-German military command. For security reasons the entire left-hand side of the Rhine river had to be in German hands to be able to defend the country more easily against France, the most formidable military power in Europe since about 1500. French armies had, in fact, invaded Germany at a large scale twice: towards the end of the Thirty Years' War, from 1642 onwards, led by Condé and Turenne, and, of course, in Napoleonic times.

The annexation of Alsace-Lorraine made France a mortal enemy of the new German state who had no choice than to seek an alliance with the British Empire. This, however, obstructed German economic expansion overseas and prevented Germany from acquiring substantial colonies and dependent territories to get hold of primary goods (raw materials and energy resources) and outlets for final products. Indeed, any attempt to acquire colonies and dependent territories of substantial size would have led to a clash with England and her Empire. In the heavy depression in the last quarter of the 19th century, a Kondratiev downturn probably caused by overcapacities set up through the preceding railway upswing (broadly from 1848 to 1873), there was, very probably, limited room for economic expansion; a struggle for survival between enterprises came into being, leading on to a concentration process in industry: cartels and *Konzerne* were built up; moreover, unemployment must have stood at high levels, since millions of Germans had to emigrate to the United States. The German industrial bourgeoisie considered this situation increasingly untenable and pressed for expansion overseas. Moreover, a new sharing out of the colonies between the European colonial powers, specifically between Great Britain and Germany (*Neuaufteilung des Kolonialgebietes*) gradually became a theme of discussion. To fundamentally reorient German policy, Bismarck was dismissed in 1890 and Tirpitz was to decisively shape German policy subsequently.

*In fact, Bismarck did not want to acquire colonies at a large scale, because he wanted the British Empire to remain an ally of Germany, to prevent her isolation. However, the German industrial bourgeoisie and Admiral Tirpitz considered that Bismarck's foreign policy was still*

*shaped by tradition, and that Bismarck did not appreciate the importance of colonies for a powerful country as a source of raw materials and as an outlet for final products.*

The drive overseas required building up a strong navy. This definitely started an armaments race. The stage for the deterministically unfolding events sketched above was set: the *Belle Epoque* constituted a cover-up for a heavily ill Europe with the traditional religious, moral and political order gradually weakening and with science and belief in unlimited progress gaining in momentum. Thomas Mann's *Zauberberg* is a vivid picture of the *Belle Epoque* and its cruel end brought about the Great War, followed by the Great Depression of the Thirties and the Second War, accompanied by the Holocaust and by Genocide, above all in Russia and Poland.

The German decision to build up a navy after the dismissal of Bismarck is an excellent example to illustrate the unintended effect of decisions taken under uncertainty and imperfect knowledge, or, eventually, with the intent to disguise the true motives. Indeed, Alfred von Tirpitz argued after the First World War (Tirpitz, *Erinnerungen*, 1919) that Germany had started to build up a navy in order to increase German bargaining power in view of an eventual new sharing out of the colonies worldwide; in fact, Germany complained bitterly that the overwhelming English position regarding the possession of colonies gravely hampered German economic development. This sounds plausible. However, the English argued equally plausibly that Germany wanted to get into a dominating position on the world level - economically, militarily and politically - and that the combination of a powerful German land army and a strong navy constituted a deadly threat to England and her Empire. This situation had been aptly analysed by the Swiss historian Willy Schenk in his doctoral thesis: *Die deutsch-englische Rivalität vor dem Ersten Weltkrieg in der Sicht deutscher Historiker – Missverständnis oder Machtstreben?* (Schenk, 1967). The confrontation of two equally plausible, but contradictory positions inevitably leads to a violent outcome (Marx: *Zwischen zwei gleichen Rechten entscheidet die Gewalt*), and this is what happened through the First World War.

The time-period between the two World Wars may perhaps be understood best by having a look at the highly important, but apparently not very well known review of Maynard Keynes's 1919 *Economic Consequences of the Peace* by the Norwegian-American sociologist Thorstein Veblen (Veblen 1920). In this review Veblen points to the irreconcilable opposition between Western Capitalism, above all concentrated fractions of finance capital associated to the ownership of big industry (Monopoly Capitalism), commerce and banking (*absentee*

*ownership*), and Soviet Communism, which had come into being through the Russian Revolution in 1917. In fact, the struggle was about the distribution of large parts of the economic surplus. The Communists, and eventually the Social Democrats, wanted to socialise the profits of large (joint stock) companies and the land rents accruing on large estates and to spend these profits and rents in a socially useful manner. Diametrically opposed to this, the shareholders obviously wanted that large parts of profit were paid out in the forms of dividends, and the owners of large estates wanted their rents in full. Evidently, there was an irreconcilable conflict here.

This argument is broadly in line with the single tax movement in France and in the United States in the main advocating that land should be nationalised, and that the state should rent out the land to get tax revenues. Even the founder of the economic theory of Liberalism, Léon Walras, argued for the nationalisation of land in view of getting tax revenues for the state.

*Incidentally, the Russian Revolution, an event of world historical importance, was, in fact, brought about by chance. Indeed, it was the German High Command who financed the revolution, in fact, a coup d'état in a first stage, and rendered it possible through transporting Lenin by train from Zurich, via Germany and Sweden, to St. Petersburg. The peace treaty of Brest-Litowsk seemed to pave the way for German victory. In fact, after the First World War General de Gaulle argued that, in normal circumstances, Germany should have indeed won this War, following up the breakdown of the Eastern Front. He went on to suggest that the U-boat war, wanted by Germany's military leadership, Hindenburg and Ludendorff, had caused the defeat of Germany, because this specific war was the main reason for the United States to enter the Great War; had Germany been ruled by a civil, not a military government, she could, in de Gaulle's view, have remained victorious. Once again fate was suspended at the silk thread of chance, directing the stream of determinism in a certain direction.*

In face of the still ongoing civil war in Russia, Veblen now states: "The [...] central and most binding provision of the [Versailles] Treaty (and of the League) is an unrecorded clause by which the governments of the Great Powers are banded together for the suppression of Soviet Russia. [...] Bolshevism is a menace to absentee ownership. At the same time the present economic and political order rests on absentee ownership. The imperialist policies of the Great Powers, including America, also look to the maintenance and extension of absentee ownership as the major and abiding purpose of all their political traffic. Absentee ownership, accordingly, is the foundation of law and order, according to that scheme of law and order

which has been handed down out of the past in all the civilized nations, and to the perpetuation of which the Elder Statesmen are committed by native bent and by the duties of office. This applies to both the economic and the political order, in all these civilized nations, where the security of property rights has become virtually the sole concern of the constituted authorities [incidentally, Adam Smith makes similar statements in Book V of the Wealth of Nations!]“ (Veblen 1920, pp. 468-69).

*Veblen's argument does not exclude the fact that the Versailles Peace Treaty was very harsh to Germany as Keynes states in his 1919 Economic Consequences of the Peace, above all regarding reparations payments. However, one must understand France, who insisted on high reparation payments, given the very large destructions on her and on Belgian territory; moreover, France had paid large reparations in 1815 and in 1871; given this, it was quite understandable that she insisted on Germany paying large reparations following up the Treaty of Versailles 1919. In fact, the great winner in Versailles was the British Empire because the strictly applied parts of the Treaty decisively weakened Germany's overseas trade, and her export capacity in general; most importantly, Germany's navy was destroyed and her commercial fleet substantially reduced. Moreover, Germany was held down militarily, however, only as long as the Soviet Union was militarily weak.*

Given Veblen's irreconcilable conflict between Bolshevism and absentee ownership, an abyss of mutual mistrust and hatred between the Capitalist and the Socialist camp came into being in the time-period between the World Wars. This objectively given situation explains many actions of politicians in this period. For example, the Western Powers, in line with the Peace Treaty of Versailles prevented the democratic Weimar Republic from rearming, but did not intervene, when Nazi-Germany started to rearm and when Hitler occupied the Rhineland in 1936.

*In this context it must be mentioned that a considerable number of high-ranking German officers, Generaloberst Werner von Fritsch for example, were eagerly looking for an occasion to overthrow the Nazi regime, also for personal reasons: most high-ranking Wehrmacht officers, in fact, deeply despised the böhmischen Gefreiten! Here one must add, however, that to overthrow the Nazi regime in periods of peace would have been exceedingly difficult since the Gestapo certainly kept the top officers of the German army under very close surveillance. Incidentally, the fate of General von Fritsch is a telling example. Right from the beginning*

*National Socialist Germany was in fact a totalitarian police state with freedom of thought and, even more, the possibility of alternative action completely abolished. Only a major setback in foreign policy or a strong military reason (an intervention of the Western powers) would have provided the possibility to depose Hitler. Such a strong military ground had, in fact, arisen several times: in 1933/34 when Germany started to rearm on a grand scale, in 1936 when the Rhineland was remilitarised; twice in 1938, first, on the annexation of Austria and, second, on the annexation of the Sudetenland; in March 1939 when the remainings of today's Czechia became the Protektorat Böhmen-Mähren; and, finally and most importantly, in 1939-40 when the Western Powers should have intervened in favour of Poland. Already in 1936 the Wehrmacht officers could have easily deposed Hitler, had the French or the British sent a battalion only in the direction of the Rhineland; and by the end of September 1939, when it was definitely clear that the Western powers would not intervene in favour of Poland, Generaloberst Werner von Fritsch chose to die honourably before Warsaw, realising that Germany was lost. And after the rapid fall of France in May 1940, Hitler was promoted Gröfaz and, as such, his power could no longer be challenged, even by the Generals in wartime. The tragedy could now take its inevitable course, and the Stauffenberg Attentat on July 20, 1944, even if successful, occurred too late to save Germany.*

*A terrible fate awaited the officers who had conspired against Hitler. For example, Marschall Erwin von Witzleben was, like others, hanged at a cable attached at a butcher's hook (Fleischerhaken mit Stahlkabel). Such was the appalling end of a member of one of the finest officer corps Europe had produced - realist, responsible and noble men, who, in the tradition of Bismarck, never wanted that war with Russia, just as the great (silent) majority of the German people.*

*However, Europe and the world paid attention to the Nazi rowdies (Schreihälse) only, a miserable tool in the hands of the Capitalist International, who, in driving Germany into a war with Russia, misused the finest qualities of the German people, for example the sense of duty, loyalty, thoroughness, in a situation of turmoil produced by the First World War, followed by a quasi-civil war, the Great Inflation 1922-23 and the Great Depression of the 1930s, which had hit Germany hardest of all industrialised countries. Germany was entirely disoriented and was ready to follow a strong-willed ruler to lead the country out of the crisis [however, the traditional leadership of the Reichswehr and most responsible politicians and intellectuals as well as men and women of common sense did not want Hitler and the Nazis who, in fact, were put into power through a cloak-and-dagger operation (Nacht-und-Nebel-Aktion)]; indeed, as will be suggested below, Hindenburg had been lying to two eminent*

*German officers, Hammerstein and Bussche-Ippenbug, in asserting that he would never nominate Hitler Reichskanzler, although he had already taken the decision to do so]. In this situation the Capitalist International, by skilfully using power and money, had a relatively easy game in bringing about war against Communism, a war, which, simultaneously, would also overcome the Great Depression of the 1930s. In this context, one should recall that, since mercantilist times at least, wars have been considered an efficient means to overcome an economic depression. In this vein many economists and economic historians suggest that the Second World War decisively contributed to getting the US economy out of the Great Depression of the 1930s, and, subsequently, the tremendous military expenditures in the Cold War period were an important cause of the unprecedented economic upswing following up World War Two.*

*In fact, in the early 1930s, when the economic crisis set in with full force, and with the German people in deep turmoil, Germany would have needed a strong, but wise government; perhaps a non-partisan government of experts led by a general, for example Ludwig Beck or Werner von Fritsch, would have been most appropriate; general Hans von Seeckt had in fact created the doctrine that the Reichswehr should stand above the parties; President Hindenburg would have had the power and the prestige to form an independent expert government. Incidentally, General Kurt von Schleicher wanted to move in this direction. However, his proposal to dissolve the Reichstag without fixing a precise date for new elections, as was required constitutionally, was rejected by Hindenburg who, this time, did not want to act against the Constitution. Here the consequences of legal formalism most crudely emerge. In fact, private and public law ought to be based on material (concrete) ethical principles (Oswald 1957), maintaining Germany as a polity based on justice in this case; grounded on social ethical principles in the spirit of Aristotle and Aquinas a common sense decision (Keynes!) in line with evident real facts could have been taken (it is highly likely that Gustav Radbruch would have agreed on this notion of law and the subsequent way of proceeding). Given this, Hindenburg could have accepted Schleicher's proposition without major problems, eventually in modified form; for example, he could have required that governing be based on decrees, as had already prevailed under Chancellor Brüning. This would have maintained the Reichstag, and, as is very likely, the Nazis would have lost in political importance very rapidly. However, Hindenburg was perhaps too much of a Prussian, eager to fulfil his duty through following formal rules, hereby rigorously applying Kant's kategorischen Imperativ. Incidentally, the Nazis were perfectly aware of the danger represented by Kurt von Schleicher, who, as a consequence, was murdered together with his*

wife on June 30, 1934, in the course of the Röhm-Putsch. And let us also remember that Gustav Radbruch, in the evening of January 30, 1933, pronounced the significant words: *Mit denen will ich nichts zu tun haben*; given his uncompromising opposition to the National Socialist regime, Gustav Radbruch, the highest-ranking German lawyer at the university level, was the first German University Professor to be removed from office by the Nazis.

Moreover, Gustav Radbruch's son Anselm fell in 1942 in the Battle of Stalingrad, as did two of Anselm Radbruch's friends, Ernst Gieser and Albrecht Hördt. As a rule, the sons of the opponents to the Nazi regime, and even friends of the family, had to fight in the front line; on the other hand, the sons of Nazi bigwigs (*Nazi-Bonzen*) were allowed to distribute letters and parcels far behind the front line.

Finally, Hindenburg's refusal to consider Schleicher's highly sound common-sense proposition on legal grounds clearly shows that Maynard Keynes was entirely right regarding positive law, which perhaps may, in normal circumstances, provide an appropriate basis for action, but may completely fail in unforeseeable exceptional circumstances; in fact, Keynes said: "[I do not want a lawyer to do the thinking for me.] I want him to tell me how to do what I think sensible, and, above all, to devise means by which it will be lawful for me to go on being sensible in unforeseen conditions some years hence. Too often [some legislators and lawyers] busy themselves to make common sense illegal [this is exactly what happened in the Hindenburg-Schleicher-Hitler case alluded to above]" (Harrod 1951, p. 583)).

However, in any case, Big Capital wanted Hitler, with the fear of Communism playing a decisive role. And just after Hindenburg had nominated Hitler as Chancellor, "Ludendorff, who had participated in Hitler's failed putsch of 1923, sent him a prophetic letter: 'By appointing Hitler as Reichskanzler you delivered our sacred German fatherland into the custody of one of the greatest demagogues of all times. I solemnly predict that this man will be the ruin of the Reich and will bring down unspeakable sufferings on our nation. Coming generations will curse you in your grave for this deed'" (Bagchi 2008, p. 281, quoting Diether Raff, *History of Germany*, p. 263). It is appropriate to reproduce here the German original of this terrifying and highly important letter which shows that the problem about Hitler and the implications of putting him into power were very well known among the German officer corps, and, certainly, also among most moderate and responsible politicians, as well as most intellectuals: "Sie haben durch die Ernennung Hitlers zum Reichskanzler unser heiliges deutsches Vaterland einem der grössten Demagogen aller Zeiten ausgeliefert.

Ich prophezeie Ihnen feierlich, dass dieser unselige Mann unser Reich in den Abgrund stürzen und unsere Nation in unfassbares Elend bringen wird. Kommende Geschlechter werden Sie wegen dieser Handlung im Grabe verfluchen" (Raff 2001, p. 320).

Interestingly enough, almost immediately after the publication of Raff's book it has been attempted to show that the letter is a forgery. What could be the motives? Probably, some people would like to claim that only specific, for example, leftwing social groups and political parties were true anti-Fascists, implying that most Germans had been either indifferent or else more or less enthusiastic followers of the Nazis. Throughout this subsection we want to suggest that this is *totally wrong*. A first element to support this proposition is that the large percentage of Nazi votes in the two general elections of 1932: 37.3 (31st of July) and 33.1 (6th of November) was an expression of despair in a very deep depression with the number of involuntarily unemployed broadly ranging from 30 to 35% in 1932! Indeed, in the 1920s the Nazis represented a ridiculous fringe party, obtaining around 2% of the votes only, and this in spite of the fact that the 1920s had also been years of bitter suffering for most Germans: the humiliation inflicted by the Peace Treaty of Versailles 1919, the quasi civil war 1918-23 and the hyperinflation 1922-23 and its economic and social consequences. Given this, it is highly likely that Ludendorff's letter to Hindenburg *is not* a forgery, but that deliberate attempts have been undertaken to show that the letter *is* a forgery.

It is, of course, true that after January 30, 1933, the number of Nazis increased at a tremendous pace, for three main reasons: First, responsible politicians, intellectuals (journalists, teachers and professors most importantly) and *Wehrmacht* officers in important positions were gradually dismissed or given unimportant posts, and replaced by persons entirely loyal to the regime. Second, Nazi indoctrination was systematic, total and extremely efficient, aiming specifically at indoctrinating the German youth; this powerfully emerges from the first great Nazi propaganda film *Triumph of the Will* (*Triumph des Willens*); the aim was to overcome the humiliation inflicted to Germany by the Treaty of Versailles through reestablishing German honour and dignity, and tacitly, to prepare the conquest of *Lebensraum* in the East and simultaneously to wipe out Communism in Europe and to destroy the only existing communist country, the Soviet Union to wit. Third, there was strong social coercion: young people had to join the SS to prevent the social exclusion of their families, and entire families had to be sympathetic to the Nazi party to prevent grave disadvantages to their children, entrepreneurs had to join the NSDAP to get government orders.

And following up the terrifying experience of the First World War, the humiliation by the Treaty of Versailles, the quasi-civil war 1919-23, the hyperinflation of 1922-23 which



brought the ruin of the Middle Class who lost their savings and resulted in very large transfers of wealth to individuals possessing foreign currencies, and the Great Depression of the 1930s which hit Germany hardest of all great industrial nations, having reached its peak in 1932 with involuntary unemployment rates around 35 per cent, Germany was in a turmoil and thus particularly receptive for the propaganda actions of the Nazis and the social coercion exercised by them. The final result produced by all these factors was the *Apokalypse der deutschen Seele* masterly pictured by Hans Urs von Balthasar (1998 / 1937-39). On the social and political side, the *Apokalypse der deutschen Seele* showed up in a state of utmost Alienation with ruthless power becoming the dominating force. Alienation, that is, the distance between a really existing situation and the natural state characterised by the striving for the Common Good, reached a peak in Nazi-Germany and in other totalitarian states, Stalin's Soviet Union in the first place.

The Nazis considered indoctrination and propaganda as well as organising power demonstrations and bringing about loyalty to the régime as means to reach a fundamental aim: to create a great and powerful Germany that would by far surpass the greatness of the Second Empire and, at the same time, would overcome the terrible humiliation inflicted on her by the Treaty of Versailles, restoring thus the dignity and the honour of Germany. And the energy put into reaching this aim was very impressive indeed, with Biological Social Darwinism playing a crucial role: in the merciless struggle for survival, only the strongest peoples would escape extinction or reduction to a meaningless state. For crushed and humiliated Germany, survival required, according to this doctrine, iron will and utmost determination. Adolf Hitler embodied these qualities to the highest degree. In fact, he belonged, together with Göring, to these *men of steel* forged in the furnace of the First World War. Subsequently, iron will and utmost determination became the hallmark of the Nazi movement.

(In this context, it is interesting to note that the leader of the Soviet Union was also a *man of steel*, who put into effect very tough measures, that is, the collectivisation of agriculture and the building up of a heavy industry in the 1930s, which caused millions of deaths, in order to be ready for the final battle with the capitalist West.)

[We have noted in several instances that in the Apocalyptic Age (1914 – 1945), especially in its final stage 1930-1945, *Alienation* reached an unprecedented peak. And this extreme state of Alienation was produced by socio-economic determinism inherent in the capitalist system. Given limited effective demand on a world level, Germany, on the one hand, and the anglo-Saxon countries on the other were increasingly engaged in a struggle for market shares for

final products and the attempt to get hold of raw materials required in the process of production. Each power block attempted to develop through the external employment mechanism, which on account of the fact that markets are not self-regulating, inevitably produces conflicts and wars (a very short presentation of these issues is Bortis 2019b). Socio-economic determinism was compounded by the Anglo-Saxon-Zionist striving for world domination and the struggle between Capitalism and Socialism for the socio-economic cum political order.]

[Given these consequences of biological Social Darwinism based on sheer power and working within the contradictory capitalist system, the fundamental importance of the *social liberal-cum-catholic vision of man and of society grounded on social and individual ethics* once again forcefully emerges, that is, the social ethical ideal of the *Common Good*, closely associated to the individual ethical notion of Man as a *Person*, potentially able to prosper on account of his dispositions and the acquisition of capacities.]

Given the fact that, in the Nazi period, Germany was firmly in the **iron grip** of the *Gestapo* and the *Schutz-Staffeln (SS)*; moreover, *denunciation* certainly played an important role, creating mistrust between individuals and within social groups and social entities, even families, where the younger members could eventually be Nazis, while the parents and grandparents tacitly and implicitly remained moderate members of the political centre. Given this, alternative thinking or even resistance became impossible. All this was certainly very well known in Western government, diplomatic and above all, intelligence, circles. This is the main reason why Western non-intervention between 1936 (the re-militarisation of the Rhineland) and 1939 (the destruction of Poland who was shamefully left in the lurch), just to use Germany and the German people as a means to crush the Soviet Union, is *highly criminal*. The attitude of the Western powers was particularly disgraceful because the plot plans of important German generals were certainly well known through intelligence; in fact, Admiral Canaris, the head of German Military Intelligence, belonged to the group of conspirators, consisting mainly of high-ranking officers! Given all this, the Hitler regime could have been wiped out with very little effort by the Western side.

*In any case, whether Ludendorff's to Hindenburg letter is a forgery or not, is not very important since it is the expression of the silent responsible overwhelming majority of the Germans, above all of informed Germans like politicians, army officers and intellectuals who*

*intuitively grasped the terrible ultimate consequences of a seizing of power by the Nazis. In this sense, Hindenburg and Ludendorff were both brothers in spirit since it is well known that Hindenburg also utterly disdained Hitler! Given all this, one may imagine that the pressure exercised on Hindenburg must have been immense; probably, the fear of Communism, eventually of a left-wing alliance between Social Democrats and Communists, was decisive as the 1932 election results clearly suggest. However, as has already been mentioned above, by “the time of the third great crisis hit Germany in 1929-33 the Communist Party was no longer a positive factor, pointing a way forward as it had in 1918-20 and 1923. [...] Certainly it was capable of attracting millions of workers, especially unemployed workers, who saw no future in Social Democracy. But it could not translate that into a challenge to the hold of the Social Democrats over the organised labour movement, because of an insane, Moscow-ordained ultra-leftism [...]. Moscow had decreed that social democracy was the same as fascism and the German Communist leaders then ignored the threat of real fascism. [...] While the Nazis made their way towards power, the KPD continued to talk gibberish about the danger of ‘social fascism’ and to lull workers to sleep with the slogan, ‘After Hitler, us’. The degeneration had come full circle. The whole world has had to pay the price” (Harman 1997, p. 307). Hence, given Harman’s excellent account, the danger of the Communists or of a Social Democratic – Communist coalition getting into power in Germany was virtually non-existent! This decisively strengthens our thesis: Hitler was brought into power and maintained in power to destroy the Soviet Union and, eventually, by means of a great war, to get out of the Great Depression of the 1930s, that is, to save the Capitalist system.*

*Let us nevertheless recall the results of the election of November 6, 1932: The Nazis (NSDAP) got 33.1% of the votes, a loss of 4.2% compared to the election of July 31, 1932, and the number of seats was 196 (-34); and for the Social Democrats (SPD): 20.4% (-1.2) and 121(-12) seats; and the Communists: 16.9% (+2.6) and 100 (+11) seats. After the November election, thousands of stormtroopers left the Nazis to join the Communists; Goebbels was in despair, thinking all was lost (Harman 1997, pp. 304-05). In France, at the end of 1932, the socialist leader Léon Blum wrote an article in Le Figaro entitled La Fin de Hitler! At this crucial moment, “the old rulers of Germany [the generals and the industrialists, according to Harman] threw their weight behind Hitler. The industrialists Thyssen and Krupp met Hitler and were reassured that he would follow their interests. The former Chancellor from the democratic Centre Party, Papen, negotiated with Hitler. Then Hindenburg gave the Nazis control of the government” (Harman 1997, p. 305, our emphasis).*

In fact, the support of industry and finance wishing a stable anti-communist government was quite massive; there is even a letter of industrialists and bankers, written already at the end of 1932, to Hindenburg asking him to appoint Hitler as Reichskanzler; subsequently, a great number of German entrepreneurs were *forced* to join the Nazi party to ensure the survival of their enterprises. However, before Hitler could be nominated Reichskanzler, German Monopoly Capital and industry in general had to be sure about the intention of Hitler. This is quite understandable. After all the Nazi party was called *Nationalsozialistische Deutsche Arbeiterpartei*, the basic idea being a synthesis between Nationalism and Socialism, in contradistinction to the internationalist and even universal Socialism dominating the scene after the First World War. The *Night of the Long Knives (Die Nacht der Langen Messer)* 1934 dispelled the last doubts on true Nazi intentions. In fact, from January 30, 1933 onwards the NSDAP should have been called *National Capitalist Party*.

*Given Hindenburg's utter disdain of Hitler, his nomination as Reichskanzler raises questions. Besides the pressure on Hindenburg, were there deliberate attempts to minimise the importance of this appointment? Was Hindenburg made to believe that Hitler could be kept under control without problems; after all, only three of eleven Ministers belonged to the NSDAP? The opinion that Hitler and the SA and SS could be kept under control seems to have been quite widespread; for example, Admiral Canaris is reported to have said that there would be no major problem in keeping the SS in check (all this was to totally underestimate the role of the Gestapo). Enzensberger mentions that even Generals Hammerstein and Schleicher conceived, at times at least, of the possibility that the Nazis should participate in a government to prevent a civil war opposing the Reichswehr and the SA and the SS and thought Hitler could be kept in check (Enzensberger 2008, pp. 107-10). In any case, as will be seen below, Hindenburg was not sure about the possibility to keep the Nazis in check by political means and, therefore, nominated personally, against the will of the constitution, the Reichswehrminister (Blomberg) to contain the Nazis, the SA and the SS to wit, through the Reichswehr. However, as Ludendorff, high-ranking Reichswehr officers and many politicians perceived, all this would prove to be impossible since the Nazi-core was excessively tough and utterly determined right from the beginning, putting ruthlessly to use armed forces, the SA and, subsequently, the SS, to eliminate or to neutralise political opponents immediately after having been put into power, with the Gestapo instantly playing a crucial role. Given this,*

*Ludendorff's intuition was right: Hitler should never, under no circumstances, have been nominated Reichskanzler.*

*At this stage, it should be mentioned that many of those who brought Hitler into power later joined the resistance against the Nazis. A prominent example is Fritz Thyssen who turned against Hitler in 1939, because he strongly opposed war with the Soviet Union.*

*Ultimately, however, it must have been the fear of a left-wing government made up of Social Democrats and Communists that led Hindenburg to nominate Hitler. Upon the advice of Franz von Papen, who was convinced that it was possible to contain and eventually to eliminate Hitler, Hindenburg had very probably taken the decision to nominate Hitler on January 26 at the latest. As emerges from Enzensberger (2008), Hindenburg was, in all likelihood, even lying on this (pp. 102-104). Indeed, on January 27, he received two Generals, Hammerstein and Bussche-Ippenburg (Enzensberger 2008, pp. 103-104). Hammerstein presented Hindenburg the reasons not to designate Hitler: the boundlessness of the Nazis and the fact that parts of the Reichswehr could disobey a Nazi government (Enzensberger 2008, p. 104). In reply Hindenburg pronounced the famous words: "Sie werden mir doch nicht zutrauen, meine Herren, dass ich diesen österreichischen Gefreiten zum Reichskanzler berufe" (quoted in Enzensberger 2008, p. 104). When it became clear that Hindenburg had lied, Hammerstein met Schleicher and others on the morning of January 29. Hammerstein said that Hindenburg was no longer sound of mind; given this, it would be necessary to declare the state of emergency, to arrest Hindenburg and to seek an alliance with the Social Democrats, and to alert the Potsdam garrison. Schleicher refused: Hindenburg was too popular; given this reason only, the Reichswehr could not undertake any action against Hindenburg. However, in the subsequent years, Hammerstein repeatedly remarked that violent action against Hindenburg should have been undertaken after all (on all this see Enzensberger 2008, pp. 104-106). Nevertheless, Schleicher was probably right. The tragedy could take its course.*

*Hammerstein, very lucidly, suggested in the subsequent years that Germany found herself in the disastrous situation of 1932 because **the Centre and the moderate Right had no conception to deal with the crisis** (Enzensberger). Once again, the necessity of a clear-cut middle-way social philosophy (Social Liberalism) and an economic theory between the extreme economic theories associated to Liberalism (Capitalism) and to Socialism (with central planning), classical-Keynesian political economy (Bortis 1997, 2003a, 2013a, 2013b and 2015) to wit, forcefully emerges.*

*To end up, Hitler had been made Reichskanzler on the basis of one third of the votes only! And, crucially important, the number of Nazi votes had been greatly inflated by the deep depression – 30 to 35 per cent of unemployment in Germany in 1932! Indeed, in the 1920s the Nazi party had been virtually non-existent politically! This exceptional (crisis) situation, characterised by a political stalemate – 37.3% of the for the Social Democrats and the Communists and 33.2% for the Nazi-party – would have required an exceptional form of government; a non-partisan government supported by the Reichswehr, standing, in the spirit of General Hans von Seeckt, above the parties, would have been most appropriate. In a long-term perspective, and given the exceptional short-run deep crisis situation and the political stalemate of 1932; in a medium and long view there was indeed no strong objective reason at all to nominate Hitler as Reichskanzler. This greatly amplifies the role played by Monopoly Capital.*

*Indeed, in our view, the industrialists (Monopoly Capital) only, representing a very small fraction of the population, threw their weight behind Hitler, not the generals; in fact, the Generals Kurt von Hammerstein and Hans von Seeckt were totally opposed to Hitler, as were all the leading generals, with the exception of Werner von Blomberg and Walther von Reichenau, who, in fact, were not really Nazis, but simply wanted a stronger Wehrmacht. So it must have been Monopoly Capital, which exercised, directly or indirectly, that terrible pressure on Hindenburg. At this stage one should just recall Luchino Visconti's *The Damned*; the German subtitle – *Götterdämmerung* – brings to the open most dramatically the absolutely tremendous importance of nominating Adolf Hitler as Chancellor of the German Reich. Once again, the course to be taken by World History was suspended at a silk thread (der Lauf der Weltgeschichte hing an einem seidenen Faden). Had Hindenburg been given the opportunity to act according to the von Seeckt doctrine in the exceptionally deep economic and political crisis situation of 1932 – the Reichswehr must stand above the parties –, a non-partisan government of experts led by a general could have been formed quite easily and the threat of a civil war between Communists and Nazis, or, eventually, between the Sturmabteilung (SA) and the Reichswehr, would have been dispelled; this strong non-partisan government would have had the power and the authority to abolish the Versailles Treaty, specifically reparation payments, restoring thus German dignity, a precondition for peace in Europe. Subsequently, after the crisis had been overcome, the Prussian model democracy as had existed from 1918 to 1932 could have been re-established again, not only in Prussia, but also in the whole of Germany. Given this, World History would evidently have taken an entirely different course! This is the reason why it is claimed in this essay that all*

those who have brought Hitler into power and maintained him in power for economic, political and ideological reasons are among the greatest criminals in all history. *Indeed, the Second World War and the Holocaust would not have taken place if Hitler had not been made Reichskanzler or if the Nazis had been driven out of power between 1936 and 1939 at one of the many favourable occasions that occurred.*

*However, those who have brought him into power, that is, fractions of the German economic, political and military power elite are far less guilty than the foreign power elites in question. In fact, those few Germans who brought Hitler into power thought that it would be possible to contain the Nazis, politically and militarily. This was to totally underestimate the joint role of the Gestapo and the SS, and their numerous informers and snoopers, who had the whole of Germany in an iron grip, such that no reaction, physical, verbal or through writing, was possible. Given this, the foreign power elites involved had a relatively easy game in orchestrating the Second World War. Indeed, because of his fanaticism, his iron will to wipe out Communism and to conquer Lebensraum for Germany in the East, Hitler's behaviour was entirely predictable.*

*At this point it could be argued that the totalitarian Soviet Union would have persisted and that Stalin would eventually have attacked Europe. It has already been suggested that a Soviet Russian attack would have been highly unlikely with Germany normally armed. Russian workers would have had to fight against German workers, which is utterly contrary to Communist ideology; moreover, the long supply routes could have been easily interrupted; finally, contrary to Hitler, Stalin was basically cautious. Moreover, the totalitarian Soviet regime also came into being because of the fear of an inevitable war with the West. Without this fear the totalitarian Soviet system would presumably not have lasted long. In fact, in Germany humanist Marxism progressed rapidly; there was indeed a KPDO (Kommunistische Partei Deutschlands Opposition), and the opposition was against the Stalin regime. It is highly likely, that in the long run humanist Marxism would have overcome.*

*However, to come back to Hitler's nomination as Reichskanzler, the old President, having no choice, desperately tried to create a countervailing power to Hitler through appointing personally General Werner von Blomberg as Minister of Defence (Reichswehrminister) before appointing Hitler; this went against the spirit of the constitution, which prescribed that Ministers are to be nominated by the Reichskanzler. However, Blomberg's nomination was like building a small sand barrier against a tsunami; indeed, Blomberg seemingly turned out to be pro-Nazi subsequently, and, together with General Walther von Reichenau decisively contributed to building up a national [capitalist] Wehrmacht – in this view, Blomberg seemed*

*to be a kind of Trojan Horse! However, Blomberg only wanted to restore an equilibrium of military forces between Germany on the one hand and the other great European powers, France, the British Empire and the Soviet Union, on the other hand. Certainly, he did not want the Wehrmacht to be used for aggressive purposes, most importantly to attack the Soviet Union. Indeed, after November 5, 1937, the day Hitler had disclosed his aggression plans in the East, Blomberg turned forcefully against the Nazis and was promptly eliminated as Reichswehrminister by an intrigue set up by Göring at the very beginning of 1938!*

*Since the Reichswehr counterbalanced the armed Nazi forces, one may suppose that representatives of Monopoly Capital also got in touch with Blomberg to make sure about his readiness to participate in a government led by Hitler, before recommending him as a Defence Minister to Hindenburg. Probably, then, the nomination of Hitler was carefully orchestrated, also in the sense that the Reichswehr was eliminated as a countervailing power to the armed Nazi forces (SA) at the moment of Hitler's nomination through the presence of Blomberg. But even if the Reichswehr had attempted to prevent Hitler's coming to power by force, the outcome of the ensuing civil war would have been entirely uncertain, given the military strength of the SA. It is even likely that the Nazi troops would have won, as, incidentally, General von Hammerstein had concluded after having evaluated the relevant military forces present in Germany. Given this, it seemed reasonable for Blomberg to accept Hindenburg's offer, opening thus the possibility to strengthen German armed forces in view of establishing a military equilibrium of forces in Europe, and, at the same time, to discard the possibility of a civil war in Germany.*

*Hence, given the strength and the activities of the SA, subsequently of the SS, and, above all, the Gestapo's laying Germany into chains, only foreign intervention could have got rid of the Nazis once Hitler was in power. Churchill had perceived this problem immediately and had proposed adequate action, but was kept aside and even dubbed naïve, because he did not perceive the hidden purpose of keeping the Nazis in power. And, as is well known, foreign intervention would have been possible and strongly justified several times between 1936 and 1939. The fact it did not happen strongly confirms our thesis.*

*At this stage, we should mention Prussia, a political entity that disappeared from the map of Europe after the Second World War. It should be recalled here that, in spite of being deeply humiliated by Napoleon's armies, Prussia produced, in most difficult conditions, reforms that made her one of the most modern, if not the most modern state in Europe. For example, the education system set up by Wilhelm von Humboldt was to become pioneering in Europe, and beyond. Moreover, Prussia most ably initiated and led German economic*



*development, which, subsequently, turned out to be the most impressive in Europe and the world until 1914. The natural sciences and the humanities continued to flourish on a very high level in Prussia-Germany after 1871, in fact, until the early 1930s, when, given the rise of the Nazis, a great number of high-powered intellectuals left Germany and Central Europe. And, very importantly, in the 1880s the worldwide first complete social insurance system was set up in Prussia-Germany. Of course, there were also serious imperfections, for example the rigid Obrigkeitsstaat, which limited personal liberties (but nobody has as yet durably created the perfect state in the complex conditions of Modernity!). And we have already suggested that decline and destruction set in with the imprudent power policy of Kaiser Wilhelm II, who abandoned the very cautious foreign policy of Bismarck, aiming at good relations with the Great Britain and Russia. After the First World War, the Freistaat Preussen 1918-1932 was definitely modern, progressive and democratic and was, as such, governed throughout by a centre-left coalition made up of the Social Democrats, the Catholic Centre Party (Zentrumspartei) and the Deutsche Demokratische Partei. In a way, Prussia represented a republican model state! This must be considered an almost incredible achievement after a terrible war and the breakdown of the traditional political institutions, which led the eminent Italian diplomat Carlo Sforza, one of the great European liberals of the time, who had left Fascist Italy, to admire Germany (Sforza 1931)! It should be added here that Prussia and Weimar Germany never asked in the slightest to change the frontiers that had emerged from the First World War. The moderate Weimar politicians of Prussia and Germany, and the high-ranking officers of the Reichswehr, certainly realised that these (broadly) historical frontiers of Germany and Prussia enabled Germany to live in peace with France and Poland; simultaneously, the essence of Bismarck's unification achievement was preserved. Prussia was at first heavily damaged by the Preussenschlag in 1932 (the parliamentary order was abolished and political power was exercised by a Reichskommissar), subsequently by the centralisation policy of the Nazis, and definitely destroyed by the victorious "allies" after the Second World War. Given all this, to erase Prussia from the map of Europe must, in the light of the argument set out in this subsection, be considered a historical crime.*

*The abandonment of Poland was the last step to direct the Wehrmacht against the Soviet Union. The British historian Edward Hallet Carr gives an excellent account of the dramatic events (Carr 1951). Following up the annexation of the remainings of Czechia on March 14, 1939, "a Soviet proposal for an immediate conference of the anti-Fascist Powers at Bukharest to concert military measures was rejected by Great Britain; and a British proposal for a pact between Great Britain, France, Soviet Russia and Poland for mutual consultation*

*in the event of an act of aggression, though accepted by Moscow, was rejected by Poland”(Carr 1951, p. 128). The Polish refusal is entirely understandable, because such a pact would have meant Soviet armies marching through Poland in the direction of Central Europe! Certainly, France and Great Britain, and the United States, did not want this and must have been relieved about the Polish refusal, which, incidentally, was expected. “Then on March 31, 1939, without any further approach to the Soviet Government, Great Britain gave to Poland a unilateral guarantee to come to her assistance if she was attacked”(Carr 1951, p. 128). And, very importantly, in mid-May, France followed suit in promising military assistance to Poland in case of a German attack. The French promise was of the highest importance because France had one of the strongest armies in the world. A French intervention, backed by British forces, would have been disastrous for Germany. Tansill (1952) even suggests that the Roosevelt had promised France and England ‘all aid’ in the event of a Nazi attack upon Poland (p. 555)! In any case, the German Generals would probably have had easy going in getting rid of the Hitler regime had the Western powers attacked Germany at the beginning of September 1939, this all the more so as general Kurt von Hammerstein, a notorious enemy of the Nazis was in command of the Western army that should defend the Western border of Germany against an eventual French-British [-cum- US] attack!!*

*However, an important qualification regarding France is to be made here. In fact, France as a traditional ally of Poland would have had strong reasons to effectively attack Germany right at the outset of September 1939. However, the nightmare of the First World War still weighed heavily on France, much more than on the other belligerent countries. Relatively speaking her losses had been indeed heaviest due to her comparatively small population. Given this, France was in no case able to start alone a war with Germany. Therefore, France would only have attacked if she had been strongly backed by Great Britain and the United States. Moreover, France between the World Wars was still a country dominated by small, even very small, and medium-sized enterprises, and Capitalism, especially Monopoly Capitalism was insignificant; as such, France was not really a valid member of the Capitalist International. Finally, Great Britain had been the great winner at Versailles, since German naval power had been largely destroyed and her commercial fleet greatly reduced; in these circumstances, a large German land army was of no direct threat to her, and it could be reasonably expected that, given Nazi fanaticism, the powerful German war machine – not permitted by the Treaty of Versailles! - would ultimately be directed against Soviet Russia, as indeed happened.*

*In the late thirties, however, the German air forces emerged as a deadly threat to England, but the Royal Air Force was, ultimately, up to the challenge. And, due to her geographical position, the United States had nothing to fear from a Great War in Europe.*

*Given all this, we may reasonably conclude that Great Britain and, above all, the United States played the crucial role in the Capitalist International, with German Monopoly Capitalism being on the executive side so to speak, at least at the beginning when the German capitalists and their associates thought that the Nazis could be kept under control. The basic idea was simple: Germany must be driven into a war with Poland, which would, it was hoped, immediately lead the Soviet Union to declare War on Germany; simultaneously, as an ally of Poland, the Western powers could attack Germany at any moment, above all in case of a possible German victory in the East, preventing thus Germany of becoming a world power, eventually strong enough to dominate the entire world. In these circumstances, the Molotov-Ribbentrop non-aggression pact came as a very unpleasant and unexpected surprise to the Western powers, but not to Churchill, who, of course, knew what had been going on, although, for obvious reasons, he could never write this down, even not in his War Memoirs. In fact, being aware of the terrible danger represented by Nazi Germany, Churchill had indeed suggested to get rid of the Nazis early in 1933 already. Yet, it is not sure whether he grasped at once why Hitler was kept in power nevertheless; given this, he was, as an American biographer notes, considered naïve. However, at the end of August 1939, Churchill certainly understood the situation perfectly, including the fact that Hitler wanted to avoid a two-front war at any price. And Stalin, who thought that a German attack would take place in 1944/45 only, was happy enough to have some additional years to prepare the confrontation and was eager to safeguard these precious years by a treaty.*

*In this context, it must be mentioned that the 1934 agreement between Germany and Poland stipulating that all frontier problems between both countries ought to be solved peacefully, was of crucial importance for Nazi Germany because it represented a most precious means to avoid a two-front war. Indeed, the Western powers would have had no reason at all to attack Germany, either in case of a common Polish-German attack of the Soviet Union, or else of a preventive Soviet attack against Poland and Germany, quite the contrary, if the Red Army had advanced westwards! Perhaps, Nazi Germany even hoped to transform her Lebensraum attack against the Soviet Union into a Western Crusade against Soviet Communism, involving thus France and British Empire and the United States into a war against the Soviet Union.*

*In these circumstances, it is entirely understandable that Nazi Germany desperately tried to avoid a war against Poland in August 1939, precisely to prevent a two-front war; indeed, for Göring and Hitler, both soldiers in the First World War, to get involved in a two-front war once again was certainly a nightmare. Considering all this, one cannot get rid of the impression that the Nazi attack on Poland must have been carefully orchestrated; indeed, a situation had to be created which left the Nazis no choice but to attack. Gerd Schultze-Rhonhof's detailed description of the events that occurred in the days before the Nazi attack on Poland goes far to confirming this proposition (Schultze-Rhonhof 2007, pp. 487-532).*

*In this context it is very important to note that the Geheime Zusatzprotokoll to the non-aggression pact between Nazi-Germany and the Soviet Union, concluded on August 23, stipulating the partition of Poland, was made known to an American Diplomat in Moscow in the morning of August 24 by the German Diplomat Hans Herwarth von Bittenfeld, in office in Moscow; at 12 noon of the same day the American ambassador Laurence Steinhardt sent the content of the Geheime Zusatzprotokoll to the Ministry of Foreign Affairs in Washington. However, President Roosevelt did not inform the Polish government immediately (on this see Schultze-Rhonhof, 2007, pp. 470 and 494)! Indeed, had the US and the Western powers informed Poland about the Geheime Zusatzprotokoll to the German-Soviet non-aggression pact, Poland might, given the terrible danger, immediately have sought a peaceful solution to the Danzig issue with Germany in the spirit of the 1934 agreement, in spite of Nazi-Germany having repudiated this agreement on April 28, 1939 because of the British-French guarantee declaration for Poland. However, the Western powers did not want peace between Germany and Poland; given this, the decision was taken by the US not to immediately inform Poland on the Geheime Zusatzprotokoll of the Molotov-Ribbentrop pact. Perhaps, it is at this very moment – 24/25 August 1939 - that the Western powers decided not to attack Nazi-Germany in case of a Nazi invasion of Poland, hoping that, in not too far a future, the Nazis would invade the Soviet Union nevertheless and would not attack France and the United Kingdom, given the passive attitude of both countries. However, unfortunately for the French and the British, Hitler did not fall into this trap, but fell into the other, much more important trap, when his armies invaded the Soviet Union on June 22, 1941. In any case, unfortunate Poland was betrayed and sacrificed, and shoved down the throat of two terrifying monsters.*

*However, in 1939 Poland collaborated significantly with the Western powers to bring about a War and to expand westwards in an important way. This emerges from Stefan Scheil's*

*slim volume Polen 1939 (Scheil 2014). Indeed, after the First World War Polish nationalism was extremely strong, as is understandable after the three partitions of the country between 1772 and 1795, and the fact that, subsequently, Poland ceased to be an independent state between 1795 until 1918. After the First World War the Polish boundaries were not defined in the Eastern and Western direction – plans of a great Polish Empire were made between 1918 and 1939. The defeat of Germany in 1918 provided the possibility to expand in the Western direction. Colonel Jozef Beck in association with Marshal Pilsudski worked out plans to attack Germany since the early 1930s (Scheil 2014, pp. 48ff.). In 1939 time seemed ripe to realise the westward expansion: Poland had concluded alliances with the Western countries stipulating that France and the United Kingdom would immediately attack Germany in the West if Germany attacked Poland. The German attack on Poland on September 1, 1939 was provoked as is described in detail in Scheil (2014) in order to realise massive expansion plans in the Western direction. However, as argued in this essay, France and the UK did not intervene in order to involve Germany in a two front war that should end up in her destruction and, simultaneously, to weaken the Soviet Union. And Poland was sacrificed as is confirmed by Scheil: “[Die polnische Kriegszielpolitik – massive Expansion nach Westen - schlug fehl, Polen wurde verraten und wurde so] zum Opfer eines der dreistesten Betrugsmanöver, von denen die Weltgeschichte zu berichten weiss” (Scheil 2014, p. 79). In substance, the same conclusion has been suggested in this essay.*

*[Incidentally, Gerd Schultze-Rhonhof provides an excellent and meticulous account of German-Polish affairs from 1933 to the beginning of September 1939; see Schultze-Rhonhof (2007, pp. 357-536, specifically pp. 485-536). While we do not agree with Schultze-Rhonhof’s assessment of Hitler and the Nazis, we think that his book contains a wealth of detailed and useful information, which provides a solid basis for the interpretation of the complex events related to Germany on the one hand and Europe and the United States on the other, from, broadly, 1900 to 1939. The title of Schultze-Rhonhof’s book is indeed significant: 1939: Der Krieg, der viele Väter hatte – Der lange Anlauf zum Zweiten Weltkrieg.]*

*The reaction of the Western powers to the Molotov-Ribbentrop Pact shows once again that, under no circumstances, they wanted to participate in a war against the Soviet Union as allies of Germany. France, and, above all, Britain and the United States, had no interest at all to fight and in Germany becoming a world power through a victory in the East. The Western powers indeed hoped that Germany and Soviet Russia would decisively weaken each other in a long and exhaustive war, preparing thus the ground for an expansion of the capitalist*

*sphere, mainly benefitting the United States and, eventually, Great Britain. On the other hand, it must be said, the Soviet Union hoped that Germany, if attacking Poland, would get involved in a long and destructive war with the Western powers, preparing thus the ground for an extension of Communism all over Europe, under Soviet leadership. This, incidentally, might contribute to explaining the rapid fall of France in May/June 1940, a suspicion that has been confirmed by Annie Lacroix-Riz (2006 and 2008)! In any case, both Germany and the Soviet Union had a very strong mutual interest in a non-aggression treaty at the end of August 1939: Germany avoided a two-front war and Russia gained precious time, simultaneously hoping for a long and exhaustive war between the Germany and the Western powers, which would not only prepare the ground for extending Communism in Europe, but would also eliminate Germany as a rival for leadership of the international Communist movement. Once again, the key role of Germany in the Apocalyptic Age 1914-1945 emerges in line with the terrible fate that awaited the central power Germany after the coming into power of the Nazis, almost by necessity.*

*On this background, the subsequent betrayal and the abandonment of Poland in September was the last act of the carefully orchestrated action of the capitalist powers (the United States, Great Britain, France and German Monopoly Capitalism on which Hitler relied and which, presumably, largely directed Hitler's actions on this matter) to destroy the Soviet Union through German military might. There was really a Capitalist International at work; the links between US and German Monopoly Capital were particularly strong, a fact that explains many things, for example that after the attack on the Soviet Union large US enterprises backed the German war effort (probably the best account of the role US corporations in Germany before and after the beginning of the Second World War is Pauwels 2006). Among other facts, it is well known that the German tanks would never have arrived at the outskirts of Moscow without American petrol (Pauwels 2006, p. 67). Given the mortal enmity between Capitalism and Socialism all this was quite normal once the war had begun and should not give rise to an outcry.*

*All in all, the US military-industrial complex and the associated corporate enterprises and political circles, that is, the US power elites, had probably been the driving force in the Capitalist International; in fact, Schultze-Rhonhof (2007, p. 558), quoting Tansill (1952), mentions a remark by the US ambassador to London, Joseph Kennedy, who, just after the end of World War Two suggested that Britain would never have orchestrated a German-Polish war without the continuous pressure exercised by the United States; in this context it is well known that Henry Morgenthau, who was certainly very well informed about the situation in*

*Germany, had a decisive influence on the European policy of the United States from 1933 onwards. It was, then, the eminent US historian Charles Callan Tansill who had first mentioned Joseph Kennedy's highly important remark (see Tansill 1952, pp. 555-57): "[In Kennedy's view,] neither the French nor the British would have made Poland a cause of war if it had not been for the constant needling from Washington" (Tansill 1952, p. 556). Subsequently, Tansill quotes Joseph Kennedy speaking of the English Prime Minister Neville Chamberlain who made a statement that could also have been made by Adolf Hitler: "Chamberlain, [Kennedy says,] stated that America and the world Jews had forced England into the war" (Tansill 1952, p. 556; "and the world Jews" is deleted in the German edition, Tansill 2000, p. 338 below). This very important statement is highly unjust to the American as well as to the Jewish people. In fact, Chamberlain should have spoken of the US American power elites to which some Jewish individuals with their international connections belonged to, probably as advisers in the main; almost certainly, Henry Morgenthau played the main rôle here: indeed, given the fact, that he was, as is highly likely, the outstanding expert on Germany, he became, quite naturally, the most eminent adviser to President Roosevelt.*

These highly important Tansill quotes are based on the Forrestal diaries. Admiral and Secretary of Defence under Truman, James Vincent Forrestal (1892 – 1949) died under mysterious circumstances. Did he know too much?

Another highly relevant remark may be made here. It is, in fact, known that Neville Chamberlain's father, Joseph Chamberlain (1836 – 1914), one of the founding fathers of British Imperialism, was strongly in favour of a British-German agreement *before* 1914. Joseph Chamberlain, like Otto von Bismarck, probably realised that British-German antagonism would ultimately destroy the economic, political and military predominance of Europe on a world level in analogy to the destruction of antique Greece through the *Peloponnesian War*.

*It would seem that the US power elites were broadly divided into two groups, first, the economic or big (monopoly) capital group, industrial and financial, and, second, the political group, the makers of domestic and foreign policies; both groups are interlinked; however, in capitalist countries the political group tends to dominate ultimately, because of its capacity to shape foreign policies. Both US power groups had a central aim, to destroy communism in Europe, to smash the Soviet Union and, eventually, to weaken social democracy. However, while the monopoly capital group was in part pro-Nazi and was ready to support Nazi*

*Germany's World War Two effort to crush the Soviet Union (Pauwels 2006), the political group was, like Churchill, aware of the danger of a German victory in the East. The aim of the latter group was to weaken both the Soviet Union and Nazi Germany, to prepare the ground for the expansion of Anglo-Saxon Capitalism, with world domination as the eventual ultimate aim. This sinister way of thinking emerges most clearly in statements that appeared in the US American press and are mentioned in Pauwels (2006). Two days after the Nazi German attack on the Soviet Union, on June 24, 1941, Senator and later President Harry Truman, remarked cynically: When Germany is on the winning side, we must help Russia, and with the Russians winning, our help must go to Germany; in this way there will be a maximum of victims on both sides (see Pauwels 2006, p. 66). Or, at the beginning of December 1941, a caricature in the Chicago Tribune, belonging to the Hearst Corporation, suggested that it would be a good thing for Civilisation if the two monsters, Nazi Germany and the Soviet Union, destroyed each other mutually (Pauwels 2006, p. 66). Hence the destruction of the ideological archenemy and, as the Morgenthau plan revealed later, the elimination of the most powerful capitalist rival, Germany to wit, would prepare new ground for Anglo-Saxon capitalist imperialism. And last but not least, a great war would be excellent for the still depressed economy of the United States and simultaneously huge profits could be realised. At this stage, just remember John Kenneth Galbraith: the Second World War, not the New Deal, helped the United States to get out of the Great Depression of the 1930s. Given this, both the economic and the political branch of the US power elites were in favour of a big war, although their respective behaviour during the war would turn out to be entirely different.*

*While the United States headed for war, deliberately but silently (Tansill 1952), the European peoples, the British, the French and the Germans, and the Russians, did under no circumstances want another Great War after the terrifying experience of the First World War. The war had really to be organised making use of the utter determination of the Nazis to destroy Communism and to conquer a Lebensraum in the East. Given this, Germany could quite easily be lured into a trap, which snapped in summer 1941 when the United States entered the war against Germany without declaration of war. It is highly likely that some parts of the political and economic US power elites, certainly President Roosevelt and Henry Morgenthau, were well informed about the military strength of the Soviet Union through the businessman Armand Hammer (1898 – 1990) who had very close ties with top members of the Soviet Communist Party in the interwar years, and beyond; intelligence reports may have*



*confirmed Hammer's information. Given this, Roosevelt and Morgenthau could be reasonably sure that the trap would be effective.*

More generally, there seems to be a kind of US tradition of bringing about wars. The two Iraq Wars are telling examples; above all French diplomatic and political circles hold that both wars were entirely unjustified and, therefore, had to be orchestrated; and both have compounded the immense suffering of the Iraqi people in the terrible war against Iran in the 1980s; it would seem that the United States do not want another strong military power in the Middle East besides Israel. September 11, 2001, and the subsequent intervention in Afghanistan is another case in point; what is really behind the September 11 events has never been satisfactorily answered. Finally, in an interview given in the late 1980s to the Swiss newspaper *Der Bund* Zbigeniew Brzezinski openly admitted that the United States had lured the Soviet Union into a trap through supporting the fundamentalist Mujahideen *before* the Soviet intervention on December 24, 1979. Evidently, the aim was to destabilize the communist and *laicist* regime at Kabul and to bring about the Soviet intervention. It is now generally admitted that the Afghanistan war greatly contributed to the downfall of the Soviet Union. After the destruction of the Soviet Union, Brzezinski favoured the constant destabilisation of the Southern frontier of Russia. Again, the aim was evident: weaken Russia in view of making of the USA the only world power. Given this, the Russian intervention in Georgia in August 2008 becomes fully understandable.

[The Arab spring and the sudden activities of the Syrian opposition have brought heavy disorder to vast parts of North Africa and chaos and destruction to Syria, resulting in a large stream of refugees in the direction of Europe, causing considerable social and political problems there. Once again, representative democracy (majority government and opposition) could function properly only if market economies were self-regulating under competitive conditions or if countries are successful exporters of industrial goods leading on to a high output and employment levels associated with satisfactory economic situations. Both conditions are obviously not fulfilled in the Arab countries of North Africa and the Middle East. (Incidentally, Switzerland is *not* a classical representative democracy since the government (Bundesrat) stands above the political parties and is, as such, *independent* of parliamentary elections; this greatly stabilizes the entire political system.)

It would seem that the Syrian tragedy has been initiated by the Western ambition to bring about a pro-Western régime in Syria which would not constitute a danger for Israel, the key to

what happens in the Middle East. The Russian intervention might bring about a *Stellvertreterkrieg* between Russia, Iran and Shiite regions *versus* Israel, some Sunnite forces (including djihadiste - Islamic State - forces) and the Western powers (2015-16)]. Around 2015 US Senator Richard Black (Virginia) has been much more precise on Syrian affairs, specifically on the role of the United States and Israel in this terrible tragedy. In this context, Israeli politicians now [in 2016, and in 2017] openly state that they do not want the defeat of the army of the Islamic State. Moreover, Senator Black made recently (on May 17, 2016), a significant and highly revealing statement on Syria and Libya:

<https://www.youtube.com/watch?v=3ivZKHE-STk> ]

*In any case, most high-ranking German Generals were clearly aware of the impossibility of winning a war against the Soviet Union. Indeed, General Kurt von Hammerstein, who perhaps knew best the military potential of the Soviet Union, enhanced by space and climate, repeatedly declared in the 1930s that, with large armaments factories behind the Ural, Russia was invincible [on this see Hans Magnus Enzensberger's deeply touching biography of Hammerstein's (Enzensberger 2008)]. This easily explains the utmost hostility of the traditional German military leadership towards the Nazi Regime and the desperate attempts of high-ranking officers to get rid of Hitler and the Nazis. As emerges from Enzensberger (2008) it is highly likely that Hammerstein hatched all the numerous plots against Hitler, including the Stauffenberg plot of July 20, 1944 to assassinate the Führer, which he had prepared before his death in 1943. Significantly, Hammerstein died of cancer, as some of his fellow Generals, Blomberg for example. These splendid men were physically destroyed by their having to attend helplessly the destruction of Prussia, built up over centuries almost out of nothing after the Thirty Years' War, and the physical and moral devastation of Germany. This suggestion is confirmed by Hammerstein's son Franz who wrote in his diary after the death of his father: "Obwohl er nie davon gesprochen hat, mag es furchtbar für ihn gewesen sein, dabeizustehen und mit offenen Augen zu schauen, wie Deutschland zugrunde gerichtet wird, ohne dass er etwas hätte tun können. So wie er hat kaum jemand die Entwicklung vorausgesehen" (Enzensberger 2008, p. 270; our emphasis). It is not by chance that Enzensberger links his Hammerstein biography with the Untergang des deutschen Militäradels. Other fellow Generals of Hammerstein's, Erich Ludendorff (1865 – 1937) and Hans von Seeckt (1866 – 1936), were lucky enough to have died before the Second Apocalyptic War started.*

*In this context, the great lawyer Gustav Radbruch (1878 – 1949), the first German University Professor to have been deposed by the Nazis, who had lost his only son Anselm in the battle of Stalingrad in 1942, and had to witness helplessly the tragedy until the end, and beyond, wrote just after the War a highly revealing epigraph at the outset of his Einführung in die Rechtswissenschaft, first published in Leipzig 1910 and reedited after his death in Stuttgart 1952:*

*Ich wandte mich und sah an alles Unrecht, das geschah  
unter der Sonne, und siehe, da waren Tränen derer,  
so Unrecht litten und hatten keinen Tröster, und die  
ihnen Unrecht taten, waren zu mächtig, dass sie keinen  
Tröster haben konnten. Da lobte ich die Toten, die schon  
gestorben waren, mehr denn die Lebendigen, die noch  
das Leben hatten. Und besser denn alle beide ist, der noch nicht  
ist und des Bösen nicht inne wird, das unter der Sonne geschieht.*

*Prediger Salomo 4, 1-3*

*It is not by chance that, in the course of the final stage of the Apocalyptic Age 1933-1945, Gustav Radbruch moved from positive Law to Natural Law.*

*We may ask here, why Hammerstein was not assassinated by the Nazis, while his friend Schleicher was. As emerges from Enzensberger (2008), Hammerstein was an idealist who had left wing sympathies and was, therefore, called the Red General - in fact, he was really a man of the broad political centre; moreover, he conceived, along the lines of Count Coudenhove-Kalergi, of a united Europe; in his being an idealist he was a pure and honest man, incapable of intrigue. This made him predictable. As a consequence, the Nazis knew that he would uncessantly plot against Hitler and, given this, they were able to thwart all the attempts to assassinate or to arrest the Führer, simply by supervising Hammerstein and his relations. Schleicher, however, was perfectly capable of political maneuvering and possibly even intrigue, as his attempt to unite all working party forces, including the National Socialist left wing, shows. Given this, he was potentially dangerous and was, as a consequence, murdered by the Nazis in the course of the Röhm Putsch in summer 1934.*

*At this stage it is very important to note that the attempts of the German Generals and responsible politicians to get rid of Hitler and the Nazi-régime continued after the end of the Polish campaign at the beginning of October 1939. The American Dominican Sister Mary Gloria Chang writes at the outset of an excellent article: „When Adolf Hitler emerged*

victorious in Poland in September 1939, elements of resistance within the German military, foreign office, and political sector mobilized to plan a coup against the regime. Nazi brutality against the conquered in Eastern Europe clashed with the Opposition's ideal of a "decent Germany" that respected individual freedoms. Several attempts to negotiate a pre-coup pact with the British government by peace feelers went out during the course of the war, but the most promising channel involved Pope Pius XII as mediator for the Abwehr (German Armed Forces Intelligence) in Rome between late 1939 and the spring of 1940.

The existence of a conspiracy demonstrated a deep commitment by many high-ranking German military officers and civilian leaders to a peaceful Germany, and initial openness by the British to a revolt against the Fuehrer within the Nazi state. Although skepticism ran high against any possibility of an overthrow, the British Foreign Office considered the papal channel as being "the most reliable," and proceeded furthest in its negotiations with this group vouched for by the Pontiff.

Military historian Harold C. Deutsch judges the role of the Vatican in this exchange "among the most astounding events in the modern history of the papacy." Pope Pius XII risked his life and the political neutrality of the Holy See by engaging in this scheme between two belligerent nations. The complexity and intrigue involved on all sides exacerbated his perils. In the light of modern-day criticism of the wartime Pope as "silent" and indifferent to the plight of the Jews, the combined testimonies of key players in the Opposition, and scholarly consensus among historians of the Resistance paint a picture of a man who suffered greatly in his role as head of the Roman Catholic Church, and who made prudent decisions in the hope of saving as many lives as possible under hazardous circumstances" (Chang 2009, pp. 385-86).

*These Papal actions directed against the Nazi régime were highly risky indeed. Had the Nazis discovered the plot, they would have, as is highly likely, heavily damaged or even destroyed the Catholic Church in Europe, for example through deporting all the European Bishops, possibly even the Priests, to concentration camps. And the purges among high-ranking German officers and responsible politicians would have been terrifying to an extent that can hardly be imagined.*

However, the attempt of the German resistance to bring about a *Coup d'Etat* against Hitler with British assistance and negotiated by the Vatican was a hopeless undertaking right from the beginning and thus bound to fail. In fact, the British would never have accepted to assist

the German conspirators, for three main reasons: First, even the heavily armed *Kleindeutschland* (Germany without Austria) as it existed at the end of 1937 presented a deadly *potential long-term danger* to the British Empire; the only great British politician and statesman who would, eventually, have accepted a militarily strong Germany within the Versailles frontiers in 1939 and led by a moderate government, was Winston Churchill, but he was not yet in power. Second, some German generals and politicians wanted to maintain Greater Germany – *Grossdeutschland* (Germany with Austria), as was the intention of Germany and Austria at Versailles in 1919; this rendered the success of the conspiracy entirely impossible. Third, and most importantly, the powerful Nazi Germany existing in 1939 had to be directed against the Soviet Union in any case. Otherwise, the Anglo-American and French Apeasement Policy and the now evident abandonment of Poland, intended to bring about the German-Soviet military confrontation, would have proved vain. And perhaps the Americans and the British had, in collaboration with the French, already started to elaborate plans to prevent a long war in the West in order that a strong and intact *Wehrmacht* could attack the Soviet Union. The basic aim was to weaken or even to destroy both Nazi Germany and the Soviet Union. However, the Nazis wanted to prevent a two-front war in any case and first successfully attacked France, and, subsequently, Britain. Winston Churchill's desperate attempts to contain the Nazis on the Continent ended up in *Dunkirk*, but under his direction the *Royal Air Force* won the *Battle of England*, which was absolutely crucial for the ultimate outcome of the War.

However, in spite of the inevitable failure the Vatican conspiracy against the Nazis, ***the fact that this conspiracy has taken place is of the highest importance for both Germany and the Roman Catholic Church.*** In spite of the terrifying dangers involved, both Germany and the Roman Church undertook everything that was humanly possible to maintain peace and to preserve the great Christian humanist tradition in Europe. This event greatly enhances their moral and political position in Europe and the World and reinforces the proposition that both Germany and the Roman Catholic Church, will presumably play an important, if not crucial role, in the transition from neoliberal Capitalism to Social Liberalism to be briefly pictured in the chapter on *Ways Ahead* below.

*The rapid fall of France decisively and definitely weakened the power position of the traditional German Generals. Hitler was now considered Gröfaz, not only by large parts of the German population; the Generals also had to acknowledge that he was far more than a modest Böhmischer Gefreiter. The tragedy could now take its course almost unimpeded. And*

*after the defeat at Stalingrad Hitler is to have said that he had made a mistake in not deposing the top Wehrmacht officers and replacing them by SS men, up to the requirements of modern warfare, and should, in this, have followed Stalin who eliminated the traditional military leadership in 1937/38. Incidentally, Hitler was probably wrong in this; the SS certainly fought bravely, but frequently sacrificed lives in an unconsidered way, the result being unnecessarily high losses; as a rule, the Wehrmacht soldiers were led much more professionally and efficiently.*

*The Blitzkrieg victory over France had yet another pernicious effect on the German military leadership. As is very likely, even traditional and cautious officers got overconfident and started to advocate an attack on the Soviet Union; for example, in spring 1941, when the Wehrmacht was concentrating troupes in Poland, Count Stauffenberg was enthusiastic about a War with the Soviet Union, expecting yet another Blitzkrieg victory. The German war machine was considered irresistible, probably among the younger officers in the main. Given this, the rapid victory over France, who possessed a considerable number of tanks and aircraft, was seen as an indication that the Wehrmacht was putting to use modern weapons much more efficiently than other European armies. Indeed, General de Gaulle repeatedly argued after the War that the Wehrmacht coordinated aircraft, tanks and infantry very effectively through radio communication, whilst the French attempted to coordinate the movements of tanks and infantry by a show of hands. All this was to forget that Russia (the Soviet Union) was completely different from France through space and climate, that Russia was equipped with weapons based on German technology, that large parts of armaments production was taking place behind the Ural, that Russian officers had been trained in German military academies [Marshal Zhukov was the best pupil of General von Hammerstein! (Enzensberger 2008, p. 279)], and, finally, that Germans and Russians had organised common manoeuvres to better coordinate the movements of infantry, tanks and aircraft; in this context, Marshal Tukhachevski said in October 1933: The Reichswehr was the Master of the Red Army! (Enzensberger 2008, p. 237). Hence the Blitzkrieg victory over France literally submerged the warnings of General Kurt von Hammerstein and other experienced military leaders; moreover, Bismarck's basic principle, stating that good relations with Russia had to be the cornerstone of German foreign policy, was totally ignored. Probably, after June 1940, both Bismarck and Hammerstein were considered to be no longer up to the modern military and political state of affairs. In any case, nobody in Germany was aware of the trap that had been prepared!*

*Indeed, as has already been hinted at, the rapid fall of France remains somewhat of a mystery, however. In fact, the French were well endowed with tanks and aircraft and they had an excellent army supported by British forces. Why then the quick collapse? Did parts of the French Right want to prevent a long and exhaustive war in the West, so wholeheartedly wished by Stalin, to direct an intact and strong Wehrmacht against the Soviet Union? Moreover, the French Right intensely wanted to wipe out Communism in France and nobody could do this more efficiently than the Nazis. In this context it is significant to note that the United States under the leadership of President Roosevelt supported the Vichy Régime led by Marshal Pétain until the very end, that is until the invasion of Normandy on June 6, 1944; and here yet another question arises: why did the invasion take place so late in the War? It would have been much easier to invade France before the Atlantic Wall was fully built. Was the aim to weaken Nazi Germany and the Soviet Union as much as possible through their gigantic confrontation in the East? In fact, an invasion of France would have been possible immediately after the German attack on the Soviet Union on June 22, 1941, since the British had captured a German Enigma encoding machine in May 1941 already, enabling Allied ships to circumvent Nazi U-boat-formations, the wolf packs; in spring 1943, the Nazis were about to loose the Battle of the Atlantic, which would have definitely enabled the Western Allies to invade France.*

*These conjectures regarding the rapid fall of France have now been confirmed. Indeed, in his excellent Big Business avec Hitler Jacques Pauwels writes: “Il est maintenant certain qu’en 1939-1940, les élites françaises optèrent sciemment pour une défaite militaire afin de faciliter l’instauration d’un régime fasciste. Le fruit de cette politique de trahison, et de la facile victoire allemande qui s’ensuivit – “l’étrange défaite”, comme on la qualifiait du côté français – fut en effet l’installation d’un régime fasciste en France, le régime collaborateur de Vichy, dirigé par Pétain, en qui les fascistes français avaient décelé depuis des années leur genre d’homme fort. [...] Ces faits à tous le moins choquants ont été révélés dans les moindres détails dans deux ouvrages assez récents, excellentement documentés, de l’historienne française Annie Lacroix-Riz, Le choix de la défaite et De Munich à Vichy” (Pauwels 2013, pp. 167-68).*

[At this stage, we have to mention that this politics of treason obviously greatly enhances the historical significance of Anti-Vichy France, made up, in fact, of the vast (silent) majority of the French people, and specifically of the *Résistance* and *La France Libre* under General de Gaulle.

Together with Sir Winston Churchill, *General Charles de Gaulle* was certainly *the outstanding* European statesman of the 20th century. His thinking was entirely social liberal, and, such, deeply humanist in Keynes's sense. Indeed, the monument in his honour at *Colombey-les-Deux-Eglises* carries the inscription: *En notre temps la seule querelle qui vaille est celle de l'homme. C'est l'homme qu'il s'agit de sauver, de faire vivre et de développer.*

(Incidentally, the United States supported the Vichy regime until the very end, that is, until June 6, 1944; moreover, *Roosevelt* always ignored and despised *de Gaulle*. This strongly supports the central thesis of this subsection: the Second World War was about the irreconcilable contradiction between Monopoly-Finance Capitalism and Communism/Social Democracy and profound capitalist rivalries: Germany and Japan vs the British Empire and the United States, at the end of the War even between the US and Great Britain. To bring about the War, the Western Powers led by the US played the crucial role. Nazi Germany merely was a *means* to destroy the Soviet Union, to be stabbed into the back subsequently in any case. As a *Blitzkrieg* victory in the East was no longer possible after late summer 1941, December 1941 at the latest, Vichy France became a means to prolong the War in order to decisively weaken the Soviet Union; this aim could not be achieved because of the immense bravery of the Soviet-cum-Russian armies and population, and the gigantic sacrifices made by both.)].

*In fact, the rapid fall of France occurred for several reasons. The first is evident: the fascist Vichy government had to be put into power to crush the Front populaire (led by Léon Blum) and to establish the reign of Big Business and the associated right-wing forces. The other reasons are hidden and eventually not explicitly aimed at. Indeed, there is, second, the idea to prevent a long war so as not to weaken substantially the Wehrmacht who had to be directed against the Red Army in full force. This implies, third, preparing a trap for Germany in bringing about a war between Nazi Germany and the Soviet Union and, subsequently, stabbing Germany in the back: the Soviet Union had to be destroyed and the most dangerous capitalist rival eliminated; in fact, the United States entered into War against Germany in a concealed way, without declaration of War. Fourth, as suggested above, the rapid fall of France had important consequences for the behaviour of the German military leadership. Probably, even cautious officers, like Count Stauffenberg, got overconfident and thought the Red Army could be crushed through a Blitzkrieg operation in two months or even less. This goes far to explaining why the Wehrmacht attacked on June 22, 1941 and did not wait until the beginning of May 1942 to have a maximum time period for conducting war in "good conditions", above all practicable roads and not too low temperatures. In view of the fact that*



*the Reichswehr had built up an efficient and modern Red Army and that Russian officers had been trained in German Military Academies – Marshall Zhukov was the best pupil of General von Hammerstein – this Nazi Blitzkrieg vision was totally unrealistic as one of the most experienced German officers, Kurt von Hammerstein, clearly perceived (Enzensberger 2008). Indeed, even if Moscow had fallen, there still would have been a very long way to final victory. Finally, one should not forget that, in case of a possible Nazi victory over Stalin's Soviet Union, the Western powers, led by the United States, would immediately have attacked Nazi Germany in the West. Indeed, the West would never have accepted a German victory in the East, which would have widely opened the door for Nazi-German world domination. In hindsight one may assert that the combination of V2-rockets and the atomic bomb, which German scientists were perfectly able to realise, would have enabled Germany to maintain world domination quite easily. [In fact, the Nazi plans for Lebensraum in the East were, on a larger scale, as unrealistic as the attempt of Louis XIV to attain the Rhine frontier for France. Realising that England would never accept a too powerful France, Louis XIV abandoned the Rhine frontier project at the end of the seventeenth century, to opt for a straightening and subsequent fortification of France's Northern Frontier. In analogy, leading Weimar politicians realised that the broadly historical German frontiers, established after the First World War (die Reichsgrenzen von 1937), were appropriate since they enabled Germany to live in peace with France and Poland, and hence with Europe and the World.]*

*In any case, the truly criminal Apeasement Policy and the equally criminal abandonment and betrayal of Poland, both aimed at destroying the Soviet Union through German military power, and convincingly explains why the Western powers did not counter Hitler's monstrous actions against Austria in 1938 and Czechia in 1938, early 1939, and accepted the destruction of unfortunate Poland by Hitler Germany and Stalin's Soviet Union in the second half of 1939; on the other hand, the Western powers would have intervened immediately had the Weimar Republic committed some slight misdeed only! Poland, like Czechoslovakia and Austria, was literally sacrificed on the altar of money and power, an altar disguised by the nightmare of Communism. And so were the dozens of million victims of the Second World War, the estimations ranging from fifty to eighty million. Indeed, two days after the Nazi German attack on the Soviet Union, Senator and later President Harry Truman, said that as long as the Germans are winning the US should help the Russians, and vice versa, implying that Russia and Germany should be weakened decisively through a long war to prepare the ground for US imperialism, and, on the way, huge profits could be realised; in any case, a lend-lease agreement was concluded between the USSR and the USA in November 1941*

*already, at a moment when it became clear that the breakdown of the Soviet Union would not be imminent, and, in any case, before Germany had declared war on the United States (Pauwels 2006, pp. 65-66)! In the last instance human life does not count at all with Monopoly Capitalism (where high profits and dividends and manager wages as well as immense wealth are the dominant values) as well as with totalitarian Socialism. (Monopoly Capitalism has thus to be distinguished carefully from a social liberal entrepreneur economy, in which small and medium-sized enterprises dominate and the mixed, public and private, economy stands in the service of man and society.) All this shows that, ultimately, money and power reign supreme in Monopoly Capitalism, not democracy and human rights, as Marx and many others, including in a way, even Adam Smith, have most clearly perceived. Certainly, Stalin's Soviet Union was monstrous, but so was Western Monopoly Capitalism, which produced Nazi Germany and the Second World War. This is the most important reason why, in this essay a new World Order, given by Keynes's Social Liberalism is put to the fore; as has been insisted upon, Social Liberalism may be realised in very different forms, taking thus account of the differing mentalities of the various peoples of this world; for example, in Russia and in vast parts of the CIS this doctrine could be realised as Liberal Socialism, with large enterprises being owned by the state, smaller and medium enterprises by towns and villages, or privately; one very important difference with Soviet style Socialism would consist in the decentralised fixing of prices and quantities as well as product quality by the individual enterprises. The liberty of the entrepreneur or of the manager would be entirely preserved. In any case, it would seem that the epoch of traditional Capitalism, which produces concentrations of tremendous economic and political power in the hands of a few, with all this implies, has come to an end. The monetary production economy of the future will be dominated by small and medium-sized enterprises led by traditional entrepreneurs; large enterprises, natural monopolies in the first place, will be publicly owned. Hence the social liberal entrepreneur economy will be a mixed economy, whereby the type of mix will depend upon the mentality of the people.*

*In this essay we adhere, then, in part to the Marxist thesis that the Second World War was a war between Capitalism and Socialism, with the capitalist West aiming at destroying the Soviet Union. Hitler Germany was to be the means to achieve this aim, driven by Hitler's hatred of Communism and his (imperialist) Lebensraum ideas in the East. However, in contradistinction with the Marxist thesis, we think that the large majority of the Reichswehr-cum-Wehrmacht officers and the overwhelming majority of the German people did not want this war, even after the defeat of France in May 1940. Prussia and Prussia-Germany,*

*Bismarck and the German military leaders in the first place, have always respected Russia and wanted to have good relations with her. However, as has been suggested, the Western powers did not give the German Generals the slightest opportunity to eliminate Hitler and his regime. So Soviet Russia was attacked for ideological reasons; an antagonistic socio-economic and political order had to be destroyed in the name of Monopoly Capitalism, and for specifically German imperialist reasons, building up a Lebensraum for the German people in the East, which, incidentally, would have directed a capitalist competitor towards the East, away from the imperialist realm of the Western powers; the Soviet Union should have become the India of Germany.*

*The nature of the German-Soviet relations between the two World Wars, 1918 to 1938, must of course start with the Rapallo Treaty 1922, which initiated a period of partnership between the German Empire and the Soviet Union during the Weimar Republic 1919-1933; this partnership was also military, as had been initiated by General Hans von Seeckt. This partnership was based on great mutual respect.*

*“The outstanding consequence of the Nazi revolution in the history of German-Soviet relations was Hitler’s reversal of the policy of Weimar towards Soviet Russia. [...] From the moment of Hitler’s rise to power Germany was calling the tune in German-Soviet relations, and the cooling off of German-Soviet friendship came primarily from her side” (Carr 1951, pp. 108-09). However, for a year or so, “the Soviet leaders were [...] still hoping against hope that Hitler’s hatred of [German] Communism did not imply hostility to Soviet Russia. But the decisive stroke was not long delayed. On January 26, 1934, the German and Polish Governments recorded in a joint declaration their determination to effect ‘a peaceful development of their relations,’ and to settle their innumerable differences by direct negotiation”(Carr 1951, p. 110). At this stage one should mention that by the end of August 1939, Germany wanted to go on negotiating with Poland; however, the British and the French Governments told Poland to suspend negotiations, which meant war with Germany; this renders the abandonment and betrayal of Poland even more ignominious, given the promise of assistance that had been made some months earlier. In any case, all this enhances the thesis that the Nazi German attack on the Soviet Union had been carefully orchestrated by Western, including German, capitalist power centres.*

*In any case, the joint German-Polish declaration of January 26, 1934, implied that a “fatal blow had been struck at the perennially sensitive point of German-Soviet friendship. The policy of Rapallo, the diplomacy of the Weimar republic, had been finally abandoned”(Carr 1951, pp. 110-11). And now the crucial point: “That [this fundamental change in policy] was*

unwelcome to the leading Reichswehr generals, *who remained secretly unreconciled to it throughout the nineteen-thirties, is well known*”(Carr 1951, p. 111, *our emphasis*). In 1932 already, even “before Hitler made his volte-face in foreign policy”(Carr 1951, p. 104), General Hans von Seeckt, retired in view of the growing hostility towards Soviet Russia in industrial and financial circles “and embittered, wrote a pamphlet entitled Germany between East and West, in which he complained that German policy was pushing Russia into the arms of France. This pamphlet contained the remarkable prophecy that, if Germany ignored Russia, she would have one day Poland on the Oder [!]”(Carr 1951, p. 104, *our emphasis*). General von Seeckt knew what he was talking about: it was he who had initiated the cooperation on military matters between Germany and the Soviet Union and knew, like no other, about her military strength. A little anecdote illustrates this point: At some time in 1934 when the last German officers and engineers were about to leave the Soviet Union, a little ceremony was arranged. A German and a Soviet officer made a little speech. The Soviet officer concluded with the words: “In case we should become enemies one day, we shall be ready.” And the high-ranking German officers knew this.

In this context it is significant that events went on in a rush after November 5, 1937, when Hitler had disclosed his aggression plans in the East to high-ranking Wehrmacht officers. At the end of 1937 already and the outset of 1938, the generals reacted and intensified their attempts to depose Hitler; indeed, a group of generals around general Ludwig Beck was hatching a plot. The Nazi’s at first reacted with most perfidious intrigues, one of the victims being precisely General von Fritsch; a second victim was General von Blomberg who also opposed an attack on the Soviet Union. Subsequently, Hitler and his clique urgently needed foreign policy successes to counter the Generals. In very rapid succession there was, in 1938, the Anschluss of Austria, the Sudetenkrise, the Munich conference and the annexation of the Sudetenland. The occupation of the rest of Czechia occurred in March 1939. Western Apeasement Policy and Hitler’s complete triumph were the two sides of the same coin, which left the German Generals without any opportunity to get rid of the Nazi regime. Indeed, as alluded to above, already by the end of 1937 (after November 5), the Generals von Witzleben, von Stülpnagel, Hoepner, and Admiral Canaris formed a group of conspirators lead by General Ludwig Beck. These realist and responsible officers planned to depose Hitler during the Sudetenkrise 1938. However, Hitler’s complete success at the Munich Conference prevented the coup d’état, and also represented the victory of the war mongers (Kriegstreiber), who considered the war with Soviet Russia necessary to destroy the ideological arch-enemy and, thereby, to prevent a proletarian revolution on the world level,

*preserving thus Monopoly Capitalism and its imperialist ambitions; this went along with the prospect of realising huge profits and getting out of the Great Depression. These are just additional indications confirming that the basic thesis advanced in this subsection is reasonably sound.*

*The abandonment and the betrayal of Poland in September 1939 definitely sealed the fate of Germany. Here, as already alluded to, it is interesting to note that the commander of the Western army, having the task to defend the western frontier of Germany against the allies of Poland, the French and the British, was General Kurt von Hammerstein, known as a notorious enemy of the Nazis whom he disdained. In fact, von Hammerstein was already retired, but was reactivated to take the command of the Western Army from September 9, 1939, onwards, that is eight days after the beginning of the war! At this point of time Hitler could accept Hammerstein's nomination because he could be reasonably sure that the Western powers would not attack; indeed, in case of a French-British attack the von Hammerstein army would eventually have joined the Western forces to overthrow the Nazi regime! However, General von Hammerstein was retired again on September 24, when it was definitely clear that the Western powers would not attack. And given this, General Werner von Fritsch had chosen to die honourably before Warsaw on September 22 already, realising that the fate of his country was definitely sealed.*

*Moreover, one should note that, because of Western non-intervention from November 5, 1937 onwards, the Nazis had a relatively easy game. It was sufficient to gradually eliminate some of the highest-ranking realist and responsible officers through intrigues or to put them into charges of lesser importance; subsequently, there were enough opportunists or blind followers of the regime to replace them; moreover, the indoctrination of the Wehrmacht with Nazi thought went on rapidly, the power of the SS grew at a frightening pace and last, but not least, the Gestapo did their merciless work. Specifically, the Nazi Regime had a very firm grip of the German youth as vast passages of the 1934 Nazi propaganda film *Der Triumph des Willens* clearly show. The life of the Luftwaffe-Offizier Hans-Ulrich Rudel impressively illustrates this: born in 1916, Rudel joined the Hitler Jugend in 1933 while at the Gymnasium, became Luftwaffe-Pilot and, as such, carried out more than 2500 missions during World War Two; at the end of 1944 he was the only German soldier to receive the highest military decoration of the German Armed Forces - Das Eiserne Ritterkreuz mit goldenem Eichenlaub, Schwertern und Diamanten - from Hitler's hands. Although seriously wounded at that time he continued to fight, against Hitler's will! After the War Hans-Ulrich Rudel joined the Deutsche*

*Reichspartei and, until the end of his life in 1982, remained totally devoted to Nazi Ideology, as did almost all Nazis.*

*In addition, in the economic domain the Nazi regime obtained important successes; unemployment declined sharply and Hitler became known all over Europe as the man who creates new workplaces (even Maynard Keynes was impressed and wrote in the preface to the German edition of the General Theory: “[Much] of the following book is illustrated and expounded mainly with reference to the conditions existing in the Anglo-Saxon countries. Nevertheless, the theory of output as a whole, which is what the following book purports to provide, is much more easily adapted to the conditions of a totalitarian state [!!]” (Keynes 1936, p. xxvi)). Incidentally, this illustrates that one has to be very clear about the social philosophical foundations of an economic theory to avoid serious blunders like this one; and this is the reason why in Bortis (1997) much attention is devoted to social philosophy. Specifically, it must be shown that Social Liberalism, though conceiving of Man and Society as entities, does in no way imply totalitarianism, quite the contrary!*

*Given all this, it became more and more difficult if not impossible to get rid of the Nazi regime without foreign intervention, which would have been equivalent to a serious setback for the Hitler clique. All this was well known, above all in the Western capitalist power centres and government circles. It is for this reason that Western non-intervention or Apeasement Policy and the betrayal and abandonment of Poland, must be denoted criminal. Winston Churchill would certainly have agreed with this proposition. Eminent German diplomats of the time, for example Ernst von Weizsäcker, simply could not understand why the Western powers gave everything to Hitler that they would have strongly refused to the Weimar Republic (Neue Zürcher Zeitung, September 14, 2011, Nr 214, p. 7).*

*E.H. Carr concludes these considerations by saying that “the German-Polish agreement of January 1934 [...] foreshadowed the declaration of war against the Soviet Russia in 1941[and presents, as such] a remarkable parallel to William II’s refusal in 1890 to renew the German-Russian ‘reinsurance treaty’ of 1887 – the prelude to the war of 1914. [And now the crucial point:] Hitler certainly acted against the advice of the Reichswehr [and the Wehrmacht] generals as William II had acted against that of Bismarck. In both cases the neglected warnings of those Germans who regarded friendly relations with Russia as a permanent and indispensable ingredient of German foreign policy were amply justified” (Carr 1951, pp. 112-13). In fact, Hitler not only acted against the advice of the generals, but eliminated or neutralised high-ranking officers who had turned against his aggression plans in the East!*

*However, industry and finance in the West (including Germany) were by nature hostile to the Soviet Union (except if profits could be made); as Thorstein Veblen had clearly perceived, there was an irreconcilable conflict between Capitalism and Socialism regarding the distribution of the economic surplus. Given this, in industrial and financial circles there was an increasingly shifting balance of opinion to break with Soviet Russia (see Carr 1951, p. 111). This confirms that, contrary to the Marxist thesis, the position of big industry and finance regarding the Soviet Union was entirely different from the standpoint taken by the military leaders of Germany and by the overwhelming majority of the German people.*

*Indeed, when the economic crisis gained momentum from 1930 onwards, the NSDAP became stronger and simultaneously changed its outlook and status (Carr 1951, pp. 104-05). "In 1930 Otto Strasser, the leader of its left wing and the champion of the socialist element in its original programme, had left it; and its evolution from this point onwards was steadily towards unqualified nationalism and the quest for power [...]. The National Socialist Party lost the hybrid character implied in its title, and became unequivocally a party of the Right [and, one should add, of Big Capital, and should have been called National Capitalist Party. Indeed, a] bargain was struck between Hitler and Hugenberg, an industrial magnate and a member of the German National Party, whose position as proprietor of a vast newspaper and film syndicate gave him unique opportunities as a political manipulator; and Hitler began to receive large subsidies from industrial and financial circles"(Carr 1951, p. 105). The movement from National Socialism to National Capitalism was completed by the Röhm-Putsch 1934; in the course of the Nacht der Langen Messer the SA-leadership was eliminated on the order of Hitler. Luchino Visconti's 1969 The Damned gives a poignant account of this crucial event and its social and political implications.*

*Given this, the National Socialists became increasingly a tool of capitalist power centres. This run against the will of the military leaders of Germany and certainly against the desire for peace of the overwhelming majority of the German people. Hence, the German attack of the Soviet Union was due to the iron will of Monopoly Capitalism (capitalist power centres) to destroy the Communist Soviet Union, and, simultaneously to realise huge profits; at this stage just remember John Kenneth Galbraith who wrote that the United States were saved, that is, brought out of the Great Depression of the 1930s, not by the the New Deal, but by the Second World War.*

*Given all this, the war in the East did not represent an attack of the German people against the Russian people and the peoples of the Soviet Union. In fact, from 1933 onwards the two great countries, Germany and Russia, who both had suffered immensely from war, revolution*

*and humiliation, all of which had stirred them to the depth of her soul, were gradually set face to face like two gladiators in the arena of world history to fight yet another, most terrible, war; and, as has been suggested in the above, this most horrifying war in World History, was brought about by cold calculation. This is why the frontiers that have come into being after the catastrophe of World War Two are highly unjust to Germany and to the German people, as Winston Churchill, who certainly know more about the background of the Second World War than anyone else, had very clearly perceived.*

*Just recall at this stage what Churchill wrote on the Oder-Neisse-Grenze in his War Memoirs: “For the future peace of Europe here was a wrong beside which Alsace-Lorraine and the Danzig Corridor were trifles. One day the Germans would want their territory back, and the Poles would not be able to stop them” (War Memoirs, vol. VI, Penguin edition, p. 561, our emphasis). At the end of the War Churchill certainly knew what had been going on and that very great injustice had been done to Germany. Understandably, he could not write this in his War Memoirs or in his diary; he could not even speak about this. However, the argument set forth in this essay strongly confirms Churchill’s views and attempts to highlight some implications. This gives rise to some complementary remarks.*

*First, Churchill’s view on the 1945 frontiers of Germany and the general position taken in this subsection (Germany 1871-1945 and the Apocalyptic Age 1914-1945) are both strongly opposed to official history which makes up public opinion and shapes the teaching of history on all levels of education. In fact, broadly until 1990, when the breakdown of Socialism occurred, historical accounts on the last stage of the Apocalyptic Age 1933-1945 had been written by the victors; given this, these accounts are largely Cold War ideologies attempting to put to the fore the importance of the democratic and peace loving United States as leader of the free world, which had saved Western Europe from the totalitarian yoke, the merciless struggle against Communism in the 1930s and intercapitalist rivalries having been largely eclipsed. However, since broadly 1990 alternative views on what has happened in the 20th century, specifically during the Apocalyptic Age 1914-1945, became increasingly important. In fact, since 1990, Cold War ideology is increasingly replaced by the uncompromising search for historical truth. An outstanding example of this tendency is the excellent book by Jacques Pauwels: Der Mythos vom Guten Krieg - Die USA und der 2. Weltkrieg; a prominent precursor is Charles Callan Tansill’s 1952 Back Door to War – The Roosevelt Foreign Policy 1933-1941. The present subsection also attempts to contribute to this search for – probable - truth.*



*In the second place, knowledge on what has really happened will now rapidly grow, and so will consciousness about the tremendous injustice done to the great victims of the Second World War, above all to Germany. Strong reaction could be the result.*

*Third, the historically grown Nation or Nationalities State, somewhat submerged by the domination of the universalist doctrine of liberalism-capitalism and socialism, will greatly gain in importance in the New World Order broadly sketched in this Essay, which conceives of the future world as a family of nation-states, in part structured by historical-geographical federations. The Second World War has ruthlessly destroyed these historically grown political entities in Central and Eastern Europe, “bringing down unspeakable sufferings [on the German and Polish nation as well as on the Peoples of the Soviet Union]” (Erich Ludendorff). These three interlinked factors could potentially endanger peace in Europe in some indeterminate future. Fortunately however, the ongoing Eurasian developments, still in the underground though, are about to create the preconditions for a peaceful solution for this frontier problem; hopefully, these developments will result in just and fair frontiers, taking account of history in Central and Eastern Europe and made secure by a Peace Treaty, putting thus a definite end to the Second World War.*

*In fact, the traditional mutual respect between Germany and Russia should provide a solid basis for concluding a Peace Treaty and a permanent strong cooperation between Germany (Europe) and Russia (CIS) in a Eurasian framework. This cooperation should, however, not rest on an exclusive power axis Berlin-Moscow, but on a peace and prosperity axis Paris-Berlin-Warsaw-Moscow, which would be the backbone of emerging Eurasia. Given this, historically appropriate and mutually acceptable boundaries in Central and Eastern Europe will evidently represent the cornerstone of a future Peace Agreement ending definitely the Second World War. In this context, a strong Poland will constitute the heart of the Eurasian space, linking North and South as well as East and West. And associating the Peace Treaty with the formation of above-mentioned historical-geographical Federations in the Eurasian space would certainly render its implementation much easier.*

*However, one should in no way rush into concluding a Peace Treaty between Germany, Poland and Russia. One would have to wait for the new world order – the world as a family of nation and nationalities states structured through historical-geographical federations – being broadly established for several decades. Indeed, the new world order will have to be based on the internal development mechanism emphasising the country-specific quality of the way of life in each individual state. The problem will be to build up good states based on distributive justice and taking account of differing mentalities most importantly, associated to the new*

*world order alluded to in the above. These processes will inevitably be accompanied by a higher valuation of the historically grown state, than has been the case during the universalist liberal-capitalist and socialist era. Hence, only when this new attitude towards the nation and the state is broadly established and consolidated should a peace agreement be concluded. And, in any case, this future Peace Treaty would have to be a matter between the great victims of the Second World War only: Germany, Poland and Russia, and nobody else. It would indeed seem that the ruthless Stalin Diktat, imposed at Yalta and subsequently against the will of Churchill, is, in fact, not only highly unjust to Germany, but also to Poland, and cannot be maintained in the long run. The process of nation building has taken place over broadly more than one thousand years, the starting point the division of the Carolingian Empire. It is impossible to wipe out permanently the result of this process all at once, above all if the historically grown state will be held in higher esteem in the future than has been the case in the universalist neo-liberal era as has gradually come into being after World War Two. The conclusion that the Stalin Diktat is highly unjust to Germany is strongly reinforced by a central thesis advanced in this essay: Germany has not caused the Second World War, but has been driven into this war. Specifically, as we have already suggested, Nazi-Germany did not want to attack Poland at all (Schultze-Rhonhof 2007, pp. 357-536, specifically pp. 485-536).*

*In this context, we may repeat that the 1920 Trianon Diktat was highly unjust to Hungary, too. Again, to start solving the problem of Hungary, the formation of a Central European-cum-Balkan Historical-Geographical Federation seems to be most appropriate. Some great European countries indirectly interested in the issue of the Hungarian frontiers - Austria, Germany, France, Italy, Poland and Russia - might assist the problem solving process. Finally, justice has also to be done to Serbia. Here France and Russia could play a crucial role, also within the framework of the Central European-cum-Balkan Historical-Geographical Federation, which Serbia would be part of.*

*To avoid misunderstandings, we should insist that all frontier problems in Europe and elsewhere can, in principle, be solved without major difficulties through the formation of Historical-Geographical Federations as have been suggested in the section on the world order of Modernity above. Such Federations are precisely formed to solve common problems – economic, political and cultural – existing between the states belonging to some Federation by the means of supranational institutions. It goes without saying that the presently existing political frontiers between the member states would remain untouched. However, it should be possible to undertake cultural activities within the historical frontiers of the member states of*

*some Federation. For instance, German individuals or the German state should be allowed to restore historical buildings and places in Silesia, Poland in Galicia (politically belonging to the Ukraine) and Hungary in Transsylvania. Common commemorations of historical events could take place. These cultural activities, if generalised all over Europe, would contribute much more to the mutual understanding between the European peoples than the Euro associated to a European common market, which are bound to lead to conflicts because economies are not self-regulating! In this perspective, the eventual transformation of historical frontiers into political frontiers would be the result of a long process, eventually lasting for several decades, a process prepared by long-lasting cultural and economic activities.*

*However, the Eurasian peace and prosperity axis alluded to above can only come into being if there is good government, good economic government above all, along social liberal lines in Europe and, eventually, liberal socialist lines in Russia and in large parts of the former Soviet Union. In this context, it would be highly desirable if the Community of Independent States were to become a strong polity in the form of a Eurasian Federation with solid supranational institutions in order to ensure peace and stability in the Eurasian space and to promote economic and social development along social liberal or liberal socialist lines. This would imply, for example, a common foreign and defence policy and the building up of a common infrastructure; strong regional policies should be pursued to prevent excessive population movements from the countryside to the cities, bringing thus about as much even development as possible; the education system could be conceived along the lines of the excellent public education system that prevailed in Soviet times; the same is true of social institutions like nursery schools and day-nurseries, which are necessary to enable women to pursue professional careers; we have insisted at various instances that a public education system free of charges must be the basis of any modern polity. And, very importantly, the Eurasian Federation should, in collaboration with UN institutions, set up an energy and raw material policy in the interest of the world as a whole; this issue has already been alluded to in the above section on the world order of Modernity. Moreover, the Eurasian Federation would form a stable bridge of peace between Europe and Asia. And, last but not least, a strong Euroasian Federation would prevent foreign intervention in the Euroasian space; Great Games in Central Asia and Russia, associated with plundering and interventions in domestic affairs, would forever be excluded and peace definitely brought to this highly sensible area of the globe.*

*The Eurasian Federation would, in fact, bring together the various Russian and Mongol-Turkic peoples who, in the course of a very long common history that went on in the planes of Eurasia, have become an indivisible historical community, constituting therefore a prime example of a historical-geographical Federation. According to the doctrine of Social Liberalism or Liberal Socialism, the basic task of the Federal Government would be the building up of an institutional framework bringing about a maximum space of liberty, enabling thus the social individuals to prosper and the various ethnical groups of the Federation to practice a way of life of their own. And, on account of their high development levels, Germany and Western Europe could greatly contribute to the building up of a modern Eurasian Federation.*

Let us pick up the thread of the main argument again and turn to the pre-War situation.

Besides ideological and political reasons for the Western policy stance to eliminate Soviet Russia was there was the immediate fear of the growing military power of Stalin's Soviet Union. In fact, in the West we had the Great Depression, whilst growth rates in the Soviet Union were very high, also because of the production of weapons at a gigantic scale; these embodied modern German technology, possibly even improved by Soviet engineers. Given this, Western politicians panicked and let Nazi-Germany rearm to counterbalance the growing military might of the Soviet Union; possibly, as has been suggested in the above, there were also elements of cold calculation involved: the Soviet Union had to be destroyed, and a war between Germany and the Soviet would possibly weaken both, clearing thus the way for enhanced Western supremacy on the world level. Significantly, *Winston Churchill* was one of the few to *oppose German rearmament*, and was promptly dubbed naïve by some. This cannot be excluded, because, had Nazi-Germany not attacked in 1941, the Soviet Union might have attacked the West a few years later; after all Communism, in propagating a proletarian world revolution, was as universalist as is Capitalism. However, with German friendship in the background, a Soviet attack would have been *very unlikely*, also to due a lack of offensive strength and to very long supply routes that could be easily interrupted. The Russians always knew that they are strongest on their own territory. In fact, the myth of Soviet Russia attacking the West was mere a propaganda tool of Western policy, also in the Cold War era 1945-1990; this myth was maintained in order to justify huge armaments expenditures.

Nonetheless, absolute mistrust, hiding true intentions and attacking unexpectedly, dominated the scene. With Apocalypse culminating, the only thing that counted was the number of divisions and the quality of the weapons, most ruthlessly put to use. In a way, Germany and

the Soviet Union were like two gladiators put in the arena of world history, first suspiciously observing each other to subsequently engage in an atrocious struggle, on the way tearing into pieces unfortunate Poland once again. In the 1930s, and probably much earlier, Hitler and Stalin both knew that this life-or-death struggle was to come in which only the most ruthless would be victorious. This historical inevitability is by no means to diminish or even to excuse some of their monstrous actions, for example setting up labour camps, and even extermination camps. Both Hitler and Stalin are indeed frequently denoted monsters. One should not overlook, however, that both had to take decisions under greater or less uncertainty as to the effects of these decisions in immensely complex, objectively given and imperfectly known situations, with violence and ruthlessness dominating, and being surrounded, within and outside their countries, by mistrust, treason and hatred; and one will always have to remember what happened in Russia during the Civil War 1919-21 (Scholochow's *Der Stille Don* is a telling example) and, as has been alluded to in the above, in Germany in 1918-23.

To be sure, on conventional ethical terms Hitler and Stalin must be considered monsters. Taking this for granted, an interesting ethical question may be asked in this context. Can the members of Docherty/Macgregor's Secret Elite (Docherty-Macgregor's (2017, orig. 2013) and their associates, who are at the origin of two World Wars, be considered monsters? This is a so-called "good question" the answer to which is quite obvious, but never explicitly stated, since problems like these are a *taboo* in Western democracies, and a sociologist once said that no society can live without taboos.

There are numerous activities, ethically doubtful to various degrees, going on in capitalist societies, for example, squeezing out and transferring abroad parts of the social surplus of poor and developing low-wage countries or war-damaged countries, laying hands on raw materials and energy resources by using force, appropriating large parts of wealth in countries damaged by inflation, promoting wars, and profiteering from wars, also civil wars, causing thus immense suffering among the population. In a wider context, Naomi Klein's *The Shock Doctrine - The Rise of Disaster Capitalism* precisely points into this direction; she explicitly mentions that, as a rule, very few people are involved in "raking in billions" (Klein 2008, backpage).

Such imperfections might be called *alienation*, which, in a way, measures the distance between "what is" and "what ought to be", that is, the Common Good of Social Liberalism. In fact, while totalitarian Socialism of the right or the left type was heavily alienated, Monopoly Capitalism, too, is characterized by important alienation, essentially due to the non-regulating character of the system; indeed, eminent international organisations estimate that the two

thirds of humanity, more than four billion people, live in misery, with less than two dollars per day and per person, and that about one third of the world labour force of about three billion is unemployed or underemployed; moreover, there is a rise in the number of the working poor and work conditions are at a very low level in large parts of the world. Given the basic defects of both, Socialism and Capitalism, leading on to large-scale alienation, Keynes's Social Liberalism seems the only realist alternative (on this see for example Bortis 2013a. This is one of the basic tenets of this essay.

Modern profiteering at the expense of poor and weak countries, and from wars and conflicts, is certainly a phenomenon that had occurred to a smaller and larger extent in all industrialised countries, capitalist, and later socialist. In this context, Herbert Reginbogin's remarks on the economic relations between Nazi Germany and the United States are significant (Hofer and Reginbogin 2001, pp. 585-592). Pauwels (2006) provides important and little known information on what happened on a large scale in relation with some US enterprises behind the scenes in the 1930s, during the Second World War, and beyond; in his 2013 *Big Business avec Hitler* Jacques Pauwels provides a more detailed account of the relationship between Monopoly Capital and the Nazis, enhancing thus the Marxist thesis that Fascism was the spearhead of Capitalism. Incidentally, this book indicates that the really necessary revision of history written by the victors of World War II is now fully thriving. And, as is suggested in this Essay, this revision of history goes along, quite naturally, with the *full historical rehabilitation* of Germany, putting her on the same level with all other European nations in every respect.

On a more general level, many political economists in the US agree on the fact that the Second World War was decisive for overcoming the Great Depression of the 1930s, not the New Deal. Given this, it comes of no surprise that the War may have been desirable to some powerful individuals, associated to the military-industrial complex. It is indeed well known that huge profits may be made in a war. This statement is of course valid for all countries involved in a war.

*In fact, the Second World War must be seen in a wider context. In the last instance, this war was about world domination or, at least a preparation to dominate the world. World War Two was, in fact, on two levels. Fundamentally, there was the struggle between Capitalism and Socialism, both of which aimed at world domination. On a different level, there was a contest for dominating the world within capitalist countries. On the one side were Germany and Japan, with the British Empire and the United States on the other.*