Politics and Economics in History

Notes for a Paper

I

I should start out by saying—although in terms of my already stated position this I really regard as unnecessary—that a materialistic interpretation of politics is untenable. This is the Marxian analysis; and to be a Marxian one must accept the existence of dialectical law taking the form of class struggle in history. Marx, following Hegel, assumed the following: that change takes place in history only in closed systems—there is no room for fortuitous circumstance or personal choices; that change can occur only as a result of conflict—the maintenance of compromise over long periods of time is out of the question; that the ascendant new forces are transformed—every synthesis, in short, represents a new beginning at, presumably, a higher level. While neither Hegel nor Marx attempted to list the so-called laws of the dialectic, their followers have not been so circumspect. Some have gone so far as to insist that there are as many as fifty-odd; the more modest have been willing to settle for three. Actually, these are all variants of a single law, that is to say, the negation of the negation.

After a period of conflict, in the Marxian reading based on the property relationship, a new class leadership emerges. It is not any longer the class which has triumphed as a result of victorious struggle; in the process it has changed its characteristics and thus can give a new direction and a fresh vigor to its leadership. At the onset, it has the approval of all elements in society, for it is committed to progress. But soon its power becomes institutionalized, and then disparate elements begin to appear to gather about fresh antithetical forces. The new P becomes an old oppressor; the new N grows and organizes. P and N must engage in struggle, and a fresh synthesis, as a result of revolutionary activity, is the consequence. N is changed
into another P. This is the negation of the negation; and history enters upon a fresh cycle.

The most obvious example, in Marxian terms, is the transformation of feudalism into capitalism. The manorial landlords represent the old thesis or P; the serfs, the new antithesis or N. As the exacti-
tions of landlordism become greater and the position of the serfs unendurable these latter organize for the overthrow of their feudal masters. By revolution they do so; but the serfs do not become land-
lords. They become something else, in short, the rising bourgeoisie. That is to say, the negation of the old N does not produce the old P but a new one, in this case P₁. In this fashion, feudalism is sup-
planted by capitalism.

Politics is simply the organization and articulation of these forces. Any effort to isolate political action apart from contending class interests is only rationalization, frequently clothed in ethical terms. The concepts of natural law, natural right, and utility are only ideologies, mirrored reflections of a society caught inextricably in class conflict and seeking to justify power—or oppression or privi-
lege—in idealistic constructs. Marxians, of necessity, must have a contempt for any purely political analysis. To this extent their polit-
ics is straight out of Machiavelli.

It must be apparent, therefore, that a materialistic interpretation of history—and, as well, of politics—is deterministic because it leaves out free will. It is monistic because it can accept only the property relations as the basis of human conduct. It is dialectical, and thus denies the role of chance, the impact of personality and ideas, and the capacity or ability of men to establish compromises.

A case in point for the purpose of demonstrating the inadequacy of the dialectical method is that of the great price revolution of the sixteenth and seventeenth centuries. For Marx, the event that forced the transformation of feudalism into capitalism occurred in this same period. This Marx called "primary accumulation," his name for the enclosure movement. The discovery and movement of Spanish treasure from the New to the Old World was therefore only an "incident" in the process of the birth of capitalism. But was it? Note the consequences of the extraordinary rise in prices, notably in England. The landlords were squeezed because of customary rents and resorted to the enclosure of the commons and rack-renting. The
great rise in prices made possible a profit inflation with consequent new opportunities for investment in trading companies, colonial expansion, and manufacturing enterprise. The displacement of persons in the countryside and the mercantilist theory of wealth sent unwanted tens of thousands of little men and women out of the British Isles into America to establish a new civilization. The discovery of Spanish treasure, the gap between Western and Oriental prices, the new Protestant ethic, the emergence of a fresh group of interlopers in trade, agriculture, and manufactures to challenge the old leaderships, were not "incidents" of a dialectical development but a set of fortuitous circumstances which changed the nature of our modern world. There was no grand inevitability about them; in fact, Europe might have become Byzantine or Oriental had they not occurred.

II

Does a rejection of a materialistic interpretation mean that economic analysis plays no part in the determination of choices, that is to say, the politics of history? And because one is not a dialectician, must one also reject dynamism in history? Both assumptions are naïve. Institutions and attitudes toward them change as a result of education, the reception of previously neglected ideas (note the influence of Aristotle on medieval Europe), innovation. I assume change in history because of these factors and because our attitudes and policies with regard to economic resources, natural and human, change.

Because resources are always scarce—this is not due to nature but to man—individuals must always preoccupy themselves with their allocation. Because we are interested in welfare we are constantly debating the ways and means to organize production and more particularly distribution. We live in societies—man is a political animal—and we do so presumably to achieve virtue. The great and eternal debate between the methods of Bentham and Rousseau is not our concern here; it is enough to observe that the means of achieving virtue, or welfare, represent alternative choices.

If we assume scarce resources, therefore, and alternative means for the organization of society to operate them and distribute returns, then it is equally idle to assume that the historian can disregard eco-
nomic discussion and the shaping of economic policy. At what points do economics—the allocation of scarce resources and their efficient use—and politics—the arrangements under which men live together with a minimum of friction as they mutually respect their rights—intermingle? I suggest these three broad groups of interest. The first is the maintenance of order and stability. The second is the maintenance of opportunity. The third is the maintenance of a climate in which economic progress, and therefore welfare, can be pursued.

Under the first, the maintenance of order and stability, I should include the following:

1. The protection of private property. (Even under socialism, private property rights will continue because of the existence of unequal wage scales as an encouragement to incentive. The Marxian dream of the abolition of wages, in a world of always scarce resources, is sheer fantasy.)

2. The redistribution of wealth and income. (Unless societies are going to be in a state of turbulence all the time, redistribution of wealth and a more equitable distribution of income must constantly be a leading preoccupation of the state. One may observe that Aristotle, Harrington, Locke and Mill, among the great political theorists, called attention to this factor as a basis for stability.)

3. The maintenance of the economic processes. (Despite the oversimplified position of libertarians and utopians, state intervention has and must always occur. Adam Smith, that great libertarian, saw the need for intervention at those points where private capital could not enter. Jefferson, on the other hand, barred intervention. He was willing to settle for a static society. Smith, I am certain, would have approved of government aid to railroad construction during 1850–1870 in the United States; Jefferson, I am equally certain, would have disapproved. Today, all of us recognize the need for intervention through fiscal policy to keep the forces of economy in balance if only by contracyclical action.)

4. The assurance of social security. (There have been and will always be unemployables, because of dependency of mothers and children, illness, invalidity, old age.)

5. The protection of society’s credit structure. (I put these desiderata in no order of importance. Adām Smith and Alexander Hamilton were great men—and by the same token, populists have
usually been irresponsible leaders—because Smith and Hamilton were aware—as populists have not been—of the strategic and crucial role of a sound monetary and credit system and a manageable public debt. Indeed, along with Hamilton, I should put this requirement at the very head of the list.

Under the second, the maintenance of opportunity, I should put the following:

1. The protection of the individual against privilege. (All great libertarians unite on this point, Smith and Hamilton as well as Jefferson and Brandeis.)

2. Positive assistance to permit the innovators—the arrivists, the interlopers, the adventurers—full scope. (The first is a negative policy; the second a positive one. Smith advocated the first almost entirely, attacking mercantilist restraint and regulation and simply assuming that a regime of natural liberty would be enough for the development of talents. Hamilton was more realistic and laid out a full program, albeit a temporary one. One of the great injustices of modern times is the common assumption that Hamilton advocated the permanent retention of government aid, as a result of which innovation could be fostered in a new and economically undeveloped country. Today, more and more economists are convinced that fiscal policy is the key to government encouragement of new enterprise.)

3. The right of free association. (By association I include the right to create corporations to raise venture capital. But association must not be used to hold back economic progress through combinations of either industrialists or workers.)

Here I may be permitted a digression. If a mechanical materialistic interpretation of history must be rejected, the role of the arrivists in the economic sphere—new, young, bold, frequently unscrupulous and always hard-hitting men who challenge prescription and by their successes build new empires and dynasties—has too frequently been overlooked. Henri Pirenne and Joseph A. Schumpeter, both writing independently more than thirty years ago, focused their attention on the emergence of such individuals and their successes as the key to economic progress. Pirenne, indeed, found a rhythm of history—not dialectical, obviously—as such groups emerged, became institutionalized, and were compelled to relinquish power before the onset of new adventurers and interlopers. Each group of newcomers chal-
lenges prescription—a political act—and offers its own programs for the organization of society—another political act. The study of the political conduct of such groups, before and after they achieve power, is one of the most fascinating exercises in which historians can engage.

Under the third, the maintenance of a climate in which economic progress can be pursued, I should put the following, having in mind that the state can encourage but not guarantee the development of welfare:

1. Full educational opportunities so that talents can have the widest scope to develop and function.
2. Encouragement of scientific and technological research.
3. Free access to resources. (The reverse is equally important when resources become scarce. Then, conservation programs are in order. But limitations on production, to support prices, are the reverse of welfare policy.)
4. Free use of talents, innovation, inventions. (Patents should be controlled to the extent that they are not privately suppressed; feather-bedding should be checked. I am not unmindful of the fact that capital and individuals can be hurt as the result of sudden technological change. In the first area, fiscal policy again can be helpful if amortization, for tax purposes, can be shortened; but positive government assistance may also be necessary to prevent undue hardship. In the case of labor, retraining, retirement, and short-term subsidies also are in order when jobs are eliminated as a result of thoroughgoing innovation.)

III

Up to this point, my position is simple enough. If we accept change in history—noting of course always the impact of ideas and personalities—and if, by the same token, we accept a dynamic rather than a stationary state, we must, as historians, be constantly alert to the relations between politics and economics. It is interesting to note, in passing, that those great political speculators who have written in terms of a static society have constantly missed the point; that is why, perhaps, the close connection between politics and economics has been lost sight of. Aristotle could not break out of the limited horizons of a slave and handicrafts economy—there is no
vision of welfare (in our modern economic sense) in his political analysis. Hence economics plays a minor, and distorted, role in his discussion. The same is true of Thomas Aquinas and Dante, who also were great political theorists and had no economics at all. The same is true of Jefferson—at any rate, the Jefferson before 1790—whose vision of the future of America was essentially based on the static concepts of an agrarian, freeholding economy largely linked with self-sufficiency and domestic exchanges. Interestingly enough, the same is true of modern-day Russian Communists. Despite their dialectic, change occurs only in prehistory, i.e., before the communist society emerges. With the achievement of communism—the abolition of the wage system—a static world for all time sets in. The state, too, will wither away and men will live in a community of pure anarchism. This being so, Soviet economic theory is amazingly sterile.

Not so in the cases of those who accept the principle of dynamism, whether it is welfare in the mercantilist or classical sense. It is no accident, therefore, that a real economic analysis should begin to emerge at those times in our history when change (the eighteenth century began to call such change Progress, and so do I) has been taking place before the eyes of men. (Smith, for example, is able to record that real wages are higher in the eighteenth century than they were in the seventeenth century.) We begin to find such an analysis in the mercantilist writers who understand clearly the relations between economics and politics. We find it in the immediate predecessors of Adam Smith. We find it, of course, in Smith. Best of all we find it in Alexander Hamilton. As one would expect, we find it in Karl Marx who, while his economics was bad, had extraordinarily interesting things to say about the relations between politics and economics.

It is, therefore, one of the roles of politics to express the forces which are at work in society constantly in process of change. I have already indicated the many points at which economics and politics are linked. I am arguing that the political historian, like the political theorist, cannot neglect these sometimes subtle, sometimes obvious interrelationships.
IV

There is another aspect of politics of which I wish to speak, and that is its great function in what I want to call the preservation of domestic compromise. If we are prepared to assume change—notably taking account of the rise and pressures of interlopers or adventurers—then, at certain points in society's history prescription will be challenged and new programs will be submitted. They will be ideological or economic; frequently these will be combined although not necessarily in a conscious sense. Most often an alliance, temporary, it is true, will be struck up between elements in the two groups. If politics is capable, a domestic compromise will be achieved; otherwise, of course, turbulent revolution will be the result.

Take the Protestant revolt against the medieval Catholic system. There were three elements that combined to make that attack successful. One was purely religious. The other was purely economic. The third was purely political, that is to say, it sought the overthrow of the cosmopolitanism of Rome. Calvin, perhaps, combined in himself all three forces. In any case, the pressures from all these three groups led to the destruction of the medieval Catholic synthesis. The impact of the new science was, of course, another element but its contribution was not an immediate one.

Or take the American Civil War. There were certainly two outstanding groups that challenged the rule of the Southern slave system. One was idealistic—the abolitionists. The other was economic—the rising industrial capitalists. Wendell Phillips or Whittier or Emerson was a spokesman for the first. Abram S. Hewitt or William E. Dodge spoke for the second. Thaddeus Stevens in himself combined both forces.

These are obvious cases of challenge which ended in conflict because of the failure of politics to effect domestic compromise. In the first example I have cited, there was not complete failure, of course. In France, for example, Rome accepted the Gallicanization of the Church, yielding on the third point to which I referred; while the French monarchy, for a short time, through the Edict of Nantes preserved peace between Catholics and Protestants. But in the case of the American Civil War, there was failure, as I have said.

The politics of the 1840's and 1850's, for this reason, is a fascinat-
ing field of study, for the purpose of the historian should be to ascer-
tain why a domestic compromise could not be achieved. I submit
that a neglect of the economic programs, on both sides, leads to a
futile discussion. For what do we see?

On the one side the slave institution, which, despite the classical
economists and its present-day apologists, was not necessarily ineffi-
cient. In colonial America slaves had been successfully employed in
iron and hat production; it is interesting to observe that English
mercantilists knew this, for the Hat Act of 1732 specifically forbade
the use of Negro slaves. In the pre-Civil War South slaves were being
used increasingly in production outside of the plantation system, in
the iron, textile, tobacco, lumbering, construction and transporta-
tion industries. The great economic faults in the slave system were
these, however: the immobility of capital, largely invested in planta-
tion Negroes, and the dearth of capital for other forms of enterprise.
Capital in Negroes could not be shifted into capital for transporta-
tion and manufacturing. There was not enough venture capital for
other kinds of enterprise. If we combine with this the high price of
Negro slaves in the 1850's—and, therefore, the normal inability to
make profit on a heavily capitalized plant—we see some of the com-
plexities confronting the Southern economy.

On the other side, we find an aspiring industrial capitalist class.
To grow out of its embryonic stage, to mature into a great economic
power, this group needed the protection of infant industries, trans-
portation, a sound banking system and a numerous laboring popu-
lation. Because it also needed a great domestic market—following
Hamilton who sought a harmony of interests by the joining of hands
of agriculture and industry—it was prepared to encourage agricul-
tural expansion.

What would have been the elements of a domestic compromise?
This obviously is a bold speculation, for I reject the too easy one,
currently in great popularity among our historians, that slavery
could not have endured because of its inefficiencies. German war in-
dustry, under Hitler, was manned in part by slave labor; so is
present-day Soviet industry. A mercantilist theory of wealth, which
denies individual welfare, can absorb and be quite complacent in the
face of the slave institution. Indeed, I see no striking difference be-
tween the attitude toward the poor (the working classes) of seven-
teenth century England and the attitude toward slavery in the nine-
teenth century South and the USSR today.

There were, therefore, I believe, elements to achieve a domestic
compromise before the Civil War, had politics been able to face up
to its requirements. De Bow, a wise spokesman—economically speak-
ing, at any rate—for the ante bellum South, saw one of these ele-
ments. Ruffin saw another. De Bow argued for capital diversification
and an increasing emphasis on manufacturing and internal improve-
ments. Ruffin argued for agricultural diversification and an increas-
ing emphasis on intensive cultivation. The devisers of the Louisiana
banking system also understood the significance of solvent banking
institutions. There were others, in the 1850's in the South, who were
bolder in one sense and purblind in another. Realizing the unprofit-
ability of the slave-plantation system because of high capital costs
(the price of Negroes), they advocated the reopening of the slave
trade. This would reduce the price of Negroes from $2,000 to $50 a
head, and cotton culture could survive. In a real sense their solution
was fantastic, although it requires consideration.

The fact is, by the 1830's, Clay had all the elements of the com-
promise fused in his American System. Transportation would open
up the whole nation's resources and markets. Protection would
encourage infant industries, in the South as well as the North. A
sound banking system—a central banking system, rather—would
protect the nation's currency and assure the orderly flow of capital
into yet undeveloped regions.

If the politics of the 1840's and 1850's had developed along these
lines, aware of the difficulties of the South and the right to be heard
of the new forces in the North, and had worked for the transforma-
tion of the Southern economy from the primary level of extensive
agriculture to the secondary level of manufacturing and the tertiary
level of communications, then a domestic compromise could have
been achieved. Lincoln's suggestion, in 1860, of orderly emancipa-
tion and compensation (with deportation of the Negroes!) came too
late and would have been, in any case, only the capstone to a struc-
ture that needed careful building. Lincoln's idea sounds too much
like an improvisation to merit serious attention.

I am saying, in other words, that the failure of the politics of the
pre-Civil War decades was its inability to look in the face economic
realities. It was too easily diverted, by the attack on the Bank, expansionism, war, struggle over the territories, nativism. It woe-
fully missed the point—the economic backwardness of the South—
and therefore it plunged the United States into the abyss.

V

When, as a result of the dynamics of social growth, the old and the new—those who claim prescriptive right and the previously inarticulate and submerged, the masters and the servants, the pos-
sessors of privilege and the interlopers—clash, then the capacities of political leaders are really tested. If these are selfless and classless, they can work out domestic compromises and peace is preserved. In time, it is true, the balance of power shifts, for the interlopers are too energetic to be denied, but this shift is accomplished without the memory—and the ghost—surviving of ancient prerogative. The fact that our modern Western World has been less turbulent than it has, that there have been as many if not more peaceful revolutions as bloody ones, proves that compromises are achieved.

Here are a few examples of politics’ ability to effect domestic compromise. Two are taken from English history and two from American. It is interesting to observe that the period of preparation varies—in other words, sometimes there is a long debate antecedent to the acceptance of the compromise; sometimes it is quite brief.

From 1820 to 1850, a compromise was worked out in England which made possible the continuance of orderly economic and polit-
ical processes and the opening up of new opportunities for progress. The program of mercantilism had been defended by a combination of English landlords and the possessors of the monopoly privileges associated with the great trading companies and the colonial projects (notably in the West Indies). In fact, these interests were frequently fused, as Defoe pointed out as far back as the opening of the eight-
eenth century. These opposed the political and economic claims of the new interlopers—merchants hostile to the great trading com-
panies and more particularly the rising young industrial capitalists (who were also interested in a free banking system). The pressures of the interlopers were aided by two important facts: the rotten borough system and the philosophy of utilitarianism. Bentham and
Ricardo and their great practical disciples, Cobden and Bright, struck mighty blows in weakening the edifice of mercantilism. Politics was alert to the need for redevising England’s whole structure. It is significant to observe that both Tory and Whig statesmen participated in the task. Huskisson, Peel, and Gladstone achieved significant fiscal reforms and began and completed the dismantling of the Acts of Trade and Navigation. The Reform Act was passed. The Speenhamland System, which prevented the mobility of labor, was abandoned—one of the first acts of the Reform Parliament. The Corn Laws were repealed. A new Banking Code was written. By 1850, the job was finished. The compromise was effective because the displaced, previously dominant groups could participate in the great program of expansion which then was ushered in, in banking, railroad construction, investment abroad and the like.

The second English compromise to which I wish to allude was the election of the Labor Party in 1945, and the beginnings of a program of gradual nationalization. Here the process was much briefer, and this of necessity. For the heavy blows suffered by the English economy because of the war—I mean, more particularly, the destruction of its merchant marine, the loss of its investments abroad, the alarming obsolescence of its capital plant—compelled a much more sudden transformation than otherwise might have occurred. We are to note, too, the general willingness of Englishmen to liquidate a large part of their imperial adventure as a factor in the decision. The result, of course, was serious mistakes, particularly in connection with capital allocations and the use of the American loan. One observes, however, the fairly general acceptance of the compromise—only a rash person would venture the prediction or hope of a return of free enterprise.

The first American example also has a brief preparation. I refer to the adoption of the Hamiltonian system. It was carried out in less than five years and, despite the formal opposition of the anti-Federalists, with really little dissent. Of course, Hamilton was fortunate. The outbreak of the revolutionary wars in Europe prevented foreign meddling in American affairs and ushered in a period of real economic boom. The great expansion of the American carrying trade, the beginnings of a program of internal improvements, the establishment of a group of sound banks, western expansion—all
these factors helped to make the compromise effective. Jefferson, in his First Inaugural, could properly say, "We are all Republicans, we are all Federalists," and he and his fellow Republican successors made no effort to derange the Hamiltonian system in any significant particular. There was no doubt that the stability and great progress of the United States were linked with the soundness of the compromise and its general acceptance.

The second American case was the writing of the New Deal program. For its roots one must go back to the opening of the twentieth century, perhaps even earlier, although I am not too sure of Populism's real contributions. In any case, the first decade of the twentieth century saw a serious weakening of the compromise the Republican Party had worked out as a result of its victory in the Civil War. From 1860 to 1900, there had been great economic expansion accompanied by general approval of the Republican program (noting, of course, the exception of the short-lived Granger agitation of the late 1870's, the Railroad strikes of 1877, and Populism's challenge during 1890-1896). But from 1900 to 1910, the compromise began to be questioned. Business was becoming Big Business and monopoly practices were endangering opportunities for new interlopers; real wages had stopped advancing; the great throngs of immigrants were not being absorbed easily. Only agriculture was complacent; otherwise restiveness was manifesting itself in every sector of the country's political and economic life. I need refer only to the great successes of the muckrakers and the amazing rise of socialism and syndicalism as evidences of discontent.

The architects of the compromise came from many quarters: Herbert Croly, Simon Patten, Jane Addams, Louis D. Brandeis, Robert La Follette, Theodore Roosevelt, Woodrow Wilson—one can add to the names almost indefinitely. Interestingly enough, the political figure who best understood all the elements needed to create a new compromise was Theodore Roosevelt, for the New Deal is really built upon his New Nationalism rather than upon the New Freedom of Woodrow Wilson.

Programs were outlined in the great political debate of 1910-1912. The beginnings of a policy, with powerful state intervention, took place during the first Wilson administration. The first World War and the 1920's stopped temporarily the full working out of the
compromise. The New Deal achieved it, in part. Where did the New Deal shift economic (and also political) power from its former possessors, Big Business and its ally the investing banking group? To organized labor and agriculture and, it may be noted, to the great insurance companies. There was a good deal of talk of helping small business but the acceptance of the Keynesian notion of a mature economy—and therefore an erroneous tax policy—penalized venture capital. There was another mistake the New Deal made and that was in connection with its price-support program for agriculture.

We may safely anticipate that in time both these errors will be rectified; a reformed fiscal policy and a critical re-examination of the agricultural program will permit the compromise to have a sound foundation. What is it based on? In the first place, on the accepted notion that real wages—welfare—must go up as productivity increases. It is true that in the first flush of victory organized labor refused to accept responsibility along with its power. That must come if the compromise is to last. In the second place, on social security for unemployables and unemployed. In the third place, on the assumption that there continues to be room for venture capital—new interlopers. In the fourth place, on the idea that the well-being of the American people is linked with the achievement of security and welfare—the transformation of backward economies from primary to secondary and tertiary production—all over the world. All this requires government intervention on a grand scale. We are back to Hamilton—the crucial role of fiscal policy is to be noted.

The new harmony of interests, therefore, consists of the workers, the new industrialists, investment bankers ready to advance foreign construction loans and the insurance companies willing to expand their portfolios and their activities. Given peace in international relations, one may venture the prediction that the New Deal compromise will be as successful as the Victorian compromise of a hundred years ago was.

Other examples of domestic compromises can be cited. I have not touched upon the creation of a foreign policy as a means, temporarily, of keeping contending forces at home in a state of suspension. History is filled with such examples. I refer to Louis Napoleon’s and Mussolini’s foreign adventures and to the current maneuvers of the USSR as cases in point. Another excellent example is the maintenance
of balance among German industrialists, labor, and Junkers by an aggressive naval and foreign policy during the period 1890-1914. In any event, the key role of politics in making decisions to assure stability and to hold out the promise of progress must be apparent. To what a large extent such decisions are based on economic understanding I have tried to indicate.

If the politician must have an awareness of such forces and pressures in a dynamic society, can we ask less of the political historian?

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AGENDA

For Discussion of Mr. Hacker’s Paper

Mr. Hacker has prepared a very provocative paper. In relation to the general subject of the conference his position would seem to be that American historians have paid insufficient attention to economic factors. But he ranges over a wide field, deals with general principles, and only reverts to American history for illustrative material.

He begins by asserting the Marxian dialectic to be untenable, but he agrees that the economic factor in the social complex is enormously important. In fact, he devotes his entire attention to it. It would hardly be fair to complain that he has failed to consider the other factors in the social complex. Mr. Schlesinger will deal with them later. Mr. Hacker does not deny them, he simply dismisses them as outside the scope of his inquiry. Nevertheless, he does create the impression of being something of an economic determinist himself.

In the second part of his paper he undertakes to define those economic conditions which he regards as basic to any successful pattern of political control. These he enumerates under three main heads: (1) The maintenance of order and stability; (2) the maintenance of opportunity; (3) the maintenance of a climate favorable to what he calls economic progress. Within this general framework he advocates, among many other desiderata, protection of private property, redistribution of wealth and income, protection of the individual against privileges and the positive promotion of new ideas.

The latter sections of his paper are devoted to the primary necessity of achieving compromises or adjustments between prescriptive patterns and innovations. In this connection he cites, as examples of failure to effect compromise, (1) the Protestant Reformation, (2) the American Civil War.
He devotes a considerable part of the paper to an analysis of the economic factors which he believes pointed the way to compromise in the decades of the 1840's and 1850's in America. To American historians this is likely to be one of the most provocative parts of the paper. He discounts slavery as the one important obstacle, pointing out that slave labor is not necessarily inefficient, as witness its use by Hitler and Stalin; and that the attitude of the Southern slaveholder did not differ in any essential particular from the attitude of employers toward the English laboring class in the seventeenth century. He is rather disposed to ascribe the American civil conflict to the economic backwardness of the South which he thinks could have been corrected by an intelligent effort to supply the necessary capital for a diversification of economic life—manufacturing, transportation, and intensive rather than extensive agriculture.

Mr. Hacker cites as examples of successful compromise the adjustments in England following the Industrial Revolution between the old mercantilist pattern and the new laissez-faire. Another example he finds nearer home is the New Deal of which he has high hopes.

All this invites discussion and debate along many lines.

1. It is suggested that if there be any good Marxians in the company they scrutinize and comment upon Mr. Hacker's analysis of the Marxian position.

2. His outline of the basic requirements for dealing with changing economic situations might be carefully examined.

3. His whole concept of compromise between "the age that is dying and one that is coming to birth" might be tested in terms of adjustments to change versus opposition to change. Actually, of course, there is and must be readjustment, but whether the adjustment inevitably presents itself as alternatives between compromise and civil war may be questioned. In this connection the two examples which he cites of failure to compromise, i.e. the Protestant Reformation and the American Civil War, deserve separate consideration. Actually, as he admits, the Protestant Reformation did in fact produce examples of successful compromises, though the example of France which he cites would seem to be a bad one, in view of the religious wars which occupied a large part of French history during the second half of the sixteenth century.

4. The American Civil War is another story. Mr. Hacker points out the lines along which he thinks a successful compromise might have been achieved. Certainly American historians will want to deal with that at some length.

5. Finally, in citing examples of successful compromise, he points to (a) the English readjustment of mercantilism to laissez-faire, and
the U. S. New Deal. Discussion here might very well take the following lines: (a) Was the so-called Victorian compromise in effect a compromise at all? (b) Does the New Deal fulfill the requirements and hold out the hopes which Mr. Hacker claims for it?

Economic Statesmanship*

Mr. Hacker's paper evoked a wider range of comment than had been called forth during the previous afternoon. The conferees were better acquainted and had had some opportunity to talk among themselves. There was unanimous agreement regarding Mr. Hacker's general thesis of the relation between economic factors and political behavior and only one dissent to his repudiation of economic determinism. The most active interest, however, was displayed on one of his points which brought extended comment.

In describing one of the great functions of politics as the preservation of domestic compromise, Mr. Hacker cited among others the Hamiltonian compromise of the 1790's, and the Republican compromise of 1865-1900, and named the failure of such compromise as a fruitful cause of the Civil War.

Some of the conferees maintained that the Hamiltonian compromise was not a compromise at all, but a federalist program to aid the holders of property. In answer to this Mr. Hacker elaborated on his concept of Hamilton. He maintained that his compromise was not founded upon the idea of protection of property. Hamilton was selfless and classless, looking far beyond specific class interest. His great concept on which he based his compromise was the maintenance of credit stability which he believed would maintain widespread opportunity for individuals in the field of economic activity. Mr. Hacker was emphatic in his admiration of Hamilton because he believes that credit stability is the great need of society, and that the politicians who have grasped the fact and achieved it are the most valuable to society. There was, however, apparent among the conferees a considerable body of unconvinced opinion; Hamilton was still regarded as the property-protecting statesman of an aristocratic frame of mind.

Those who took issue with Mr. Hacker's views that an economic compromise might possibly have averted the Civil War, maintained that moral conflict and political antagonism had developed emotional complexes which made any such compromise out of the question. This position called forth no objection from Mr. Hacker; he merely stated that political leadership was notoriously weak in a comprehension of realities and lacking in an understanding of economic possibilities. Had the leaders been more learned in economics, they might have found the way.

* Synopsis of discussion of Mr. Hacker's paper.
Mr. Hacker's concept of the Republican program from 1860 to 1900 likewise stirred up a vigorous discussion. The interlopers were characterized as robber barons who were primarily interested in accumulating wealth and power and in stifling reform in politics. Their alliance with certain Republican interests was described as producing domination and oppression rather than compromise. This discussion led Mr. Hacker to make further clarification.

"I have said in my paper that except for agrarian discontent in the late 1870's and labor and farmer unrest in the first half of the 1890's, I see the Republican compromise being maintained in these terms: that while it did not operate with even-handed justice, there was enough satisfaction for all the groups in the community to make the Republican program acceptable.

"Now, let me elucidate further here what I regard as the components of that compromise. These were protectionism, which made possible the development of American industrialization; a transportation system which made possible the opening up of a vast domestic market; an improved banking system; an improved agriculture as a result of the domestic market and the need for balancing our international payments; and increasing standards of living.

"In other words, while the workers, as such, were not given the kind of support that the New Deal gave them through institutional devices, my essential feeling is that the workers accepted the compromise because (1) doors of opportunity were kept open for interlopers, that is to say, the little men; (2) standards of living were improved.

"Real wages from 1860 to 1900 doubled. That is an extraordinary phenomenon and gives the lie to the whole Marxian analysis of the increasing immiseration of the working class. And, except for 1875-1880 and 1886-1896, the position of agriculture improved in terms of its purchasing power and its capital worth.

"Why do I take 1900 as the watershed? By 1900, that compromise was no longer at work. Real wages stopped growing. Doors for opportunity were no longer open. Up to 1900, monopoly control was not the characteristic of our capitalistic economy. But because there was a turning point at 1900, we are to look to this decade for the origins of the next great compromise—that of the New Deal.

"In connection with my discussion of the shift of power under the New Deal compromise, I cited an interesting fact—that financial power has shifted from the investment banker to the insurance companies. This is a significant change, for the earlier investment bankers sat on the boards of and sought to dominate the companies they helped to finance. The present-day insurance companies, on the other hand, would not touch business policy with a ten-foot pole. Evidently they didn't want to expose themselves. In other words, they know the ease with which life insurance can be nationalized.
"Again, in the case of the New Deal, I am not arguing that even-handed justice is being dispensed. But if a redistribution of wealth is occurring—notably in the cases of the farmers and the workers—then the compromise has real elements of stability in it. And such redistribution has been demonstrated in the shifts in family incomes. In 1935-1936, a study was made of income distribution in the United States. Although the United States was already recovering from the depths of the depression, only sixteen per cent of all family, or consumer, units were receiving more than $2,000 a year. In 1941, this proportion has mounted to thirty-six per cent; by 1950, it is expected to go up to forty-six per cent. Put another way, with present trend lines continuing, by 1950, almost fifty per cent of America's families will be getting more than seventy-five per cent of America's income."