

Political Economy and the Limits of Sociology

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The Problem of Order: Economics and Sociology

Our understanding of the history of sociology has been dominated for the past fifty years by the framework first laid down by Talcott Parsons, for whom the defining conceptual problem for any theory of society was the fundamental practical problem that must be faced by any society, the problem of order. However, Parsons defined the problem in such a way that his own 'voluntaristic theory of action' appeared to be the only plausible solution, which makes it very difficult to understand how anything but blind ideological prejudice could have so delayed the birth of Parsonian sociology.¹

Parsons defined the problem of order in essentially Hobbesian terms as an abstract problem posed by the anti-social character of human nature. However, although this formulation appears entirely abstract, it is nevertheless historically grounded in a very particular conception of an individuality stripped of all social reference, yet whose anti-social nature is nevertheless a form of sociality. The Parsonian problem of order is by no means theoretically or historically innocent.

This is not to say that social order does not constitute a theoretical and a practical problem. However, the problem of order is not an abstract problem; it is a concrete historical problem whose terms are defined by the character of the society within which it arises, as the problem of resolving the conflicts to which that society gives rise. The 'problem of order' presupposes that conflict is a potential problem, and so only arises within a theory that defines the 'problem of conflict'.

The problem of order is also not a problem that is amenable to a single solution. The existence of potential conflict, without which there would be no problem of order, implies that the terms on which conflict is resolved and order re-established cannot be taken as given, for the imposition of order must resolve that conflict on terms favourable to one or the other party to it. In so far as a theory of society can be considered to be a response to the problem of order, every such theory defines its own problem of order, while we have to ask of that theory for whom is order a problem?

While the 'problem of order' is relative to the historical and theoretical context within which it is articulated, the formulation of the problem of order is not arbitrary. Without seeking to justify the argument here, I will simply assert that the abstract condition which gives rise to the problem of order as a concrete problem confronting any particular society is that of the reproduction of the social relations of production through which the interdependence of the members of that society is articulated and reproduced.

The relations of production are not 'economic' relations, spontaneously created by individuals on the basis of the pursuit of their rational self-interest. They are the social relations within which economic activity takes place, the historical presuppositions of individual and social existence. The mechanisms by which economic reproduction takes place are correspondingly not purely 'economic' mechanisms, relying on the mobilisation of individual self-interest to secure the economic reproduction of society. In general the social processes within which the economic reproduction of society is secured involve political, legal and normative regulation that call forth specific social institutions on which regulative functions devolve. Thus it is not in general the case that economic reproduction can be adequately theorised by 'economics' as an autonomous branch of the social sciences. It is only in a capitalist society, based on the generalisation of commodity production, that economic theory emerges as a specialised branch of social theory. This is because it is only in a capitalist society that the reproduction of the social relations of production comes to depend on the operation of generalised and anonymous social processes.

Within a pre-capitalist society the fundamental economic unit is the more or less extended household. While labour-power is not a commodity the household is the unit of both production and consumption and economic questions are primarily questions of household management. Thus *economics*, literally the science of household management, was originally contrasted with *chrematistics*, the science of

¹ This paper draws heavily on my book *Marx, Marginalism and Modern Sociology*, Macmillan, 1982.

monetary wealth. The division of labour within the household, the allocation of tasks to members of the household and the disposition of material resources are supervised, usually according to customary precepts, by the head of the household, normally a patriarch. Consideration of the economic reproduction of the household therefore necessarily involves not only economic considerations, but also consideration of customary and patriarchal authority. Economic relations between households and between more comprehensive social units are similarly regulated by political and religious authority. Thus in such a society the problem of order, as the problem of the reproduction of the social relations of production, centres on the problem of the reproduction of the patriarchal relations of political and religious authority. The problem is not one amenable to a unique solution. While the priest, chief or head of the household may identify the problem of order as the problem of strengthening patriarchal and traditional authority, subordinate members of society may identify it as one of checking the abuse of authority by democratisation and the devolution of power. Within such a society it should not be surprising to find the household providing the basic unit of social theory, and kinship providing the framework for the conceptualisation of wider social relations.

Even where exchange relations emerge in a pre-capitalist society, the terms of exchange will tend to be regulated not by market competition but by traditional authority. While production for exchange exists only on a limited scale market conditions tend to be very unstable, being vulnerable to interruptions in supply, or to irregularity of demand. In such circumstances the legal, political and customary regulation of the terms of exchange is essential to the preservation of a degree of economic stability. From the Indian caste system to the medieval 'just price', exchange relations in pre-capitalist society do not escape direct social regulation. Even in a society with quite extensive commodity production and sophisticated political institutions the household and kinship relations continue to provide a powerful model for the conceptualisation of society. The regulation of the economy by the state, for example, continued to be considered as an aspect of the management of the royal household well into the capitalist era, and the analogy continues to this day to be a favourite rhetorical device of politicians. Within a pre-capitalist society, therefore, economic questions can only be posed within the framework of a problem of order defined primarily in political and religious terms.

The gradual development of commodity production provided an increasingly stable foundation for commodity exchange, while undermining the ability of the established authorities to regulate that exchange. The customary regulation of exchange relations therefore came under increasing pressure as those committed to the production and exchange of commodities sought to alter the terms of trade to their own advantage. Commodity producers, and, more particularly, merchants, came to form an economic interest that challenged customary authority, developing more democratic forms of political community and expressing their interest politically. In this way the development of commodity production, while not immediately challenging the foundations of the society within which it arose, presented a challenge to the established forms of social regulation that were appropriate to the problem of order of an earlier age. In the development of European capitalism it was at this stage that the model of the political community came to the fore, and economics developed from a branch of the theory of household management to a branch of political theory.

Economic theory continued to be subordinate to political theory as the economic reproduction of society was considered to depend on its reproduction as a political community. The task of economic theory, in the forms of *mercantilism*, *cameralism* and *canonism* was to advise the sovereign on how best to regulate the economy in order to enhance the wealth and power of the state. Such theories confined their economic attention essentially to exchange relations, seeing economic advantage to lie in securing an advantageous exchange and seeing in political power the means to achieve such advantage, while the wealth so secured was considered to strengthen the state in pursuit of its domestic and foreign ambitions. Of course such theories were vehemently contested both by the representatives of the old order, who continued to assert the rights and privileges of customary authority, and by the mass of the population who appealed to old conceptions of the social obligations of property and the paternalistic obligations of authority in the face of the rigorous discipline of the market and the privatisation of property.

This period was transitional in that the more rapid growth of commodity exchange progressively altered the conditions of commodity production as petty production by independent producers, often subordinated through the guild system, and later through contract, to capitalist merchants, gave way to the capitalist production of commodities on the basis of the purchase and sale of labour-power. The growth of capitalist production, often beyond the reach of effective regulation, presented a growing challenge to the forms of political regulation of exchange developed in the transitional period. The pressure was both economic, as competitive pressures eroded monopolistic regulation, and political, as the new capitalists pressed for an end to such restriction. The new capitalist interests were best served by unregulated competition, both in the markets for products and, at least as importantly, in their

relations with the emerging working class, in order to expand the market, drive out more backward producers and force down labour costs. Such interests were not necessarily inimical to those of the state, for the economic erosion of mercantile monopolies undermined the mercantilist policies as much as the challenge of the new political economy undermined mercantilist theory.

The growth of capitalism rapidly eroded the customary and political regulation of economic relationships. The direct regulation of economic relationships had become a barrier to the accumulation of capital and was swept away as economic relationships came to be regulated exclusively by the laws of competitive exchange. Whereas mercantilism identified prosperity with monetary wealth, and saw political power as the means of securing such wealth, classical political economy identified prosperity with the development of the forces of production and saw direct political intervention as a restraint on that development. However, classical political economy offered much more than a theory of the 'nature and causes of the wealth of nations' (Adam Smith). Where mercantilism developed within the framework of a political theory which defined the problem of order in political terms as the problem of the reproduction of the authority relations that constituted the political community, political economy inverted the relation between economic and political theory, an inversion that corresponded to the inversion of the relationship between the economic and the political community characteristic of the development of capitalism.

Classical Political Economy and the Problem of Order

In the new society the social relations of production were freed from direct regulation and came instead to be regulated by the 'hidden hand' of the market. The state was still required to maintain 'order and good government' by giving legal and political backing to the rights of property, and the Church was still required to defend the sanctity of property, while forgetting about its sacred obligations, but the authority of the state was not justified politically, as a direct response to the problem of order, but was rather derived from a consent founded in enlightened self-interest and so based on an economic theory that derived the rights of property from the rationality of the market. Thus the economic theory developed by classical political economy was the core of a social theory that sought to address the problem of order posed by the emergence of the new, capitalist, form of society.

Classical political economy did not suppress the problem of order in complacently assuming a 'natural identity of interests' as Parsons, following Halévy, would have us believe. Classical political economy could hardly ignore the problem of order. Born in the year of the American Revolution, matured under the shadow of the French Revolution, revitalised in the Year of Revolutions and dying on the eve of the Paris Commune, political economy was a theory forged in the major political conflicts of the nineteenth century, and the central concern in all those conflicts was the problem of order, the problem of the viability of capitalist society and of the proper regulation of capitalist class relations. Political economy did not ignore the problem of order, it redefined it.

Political economy matured in a period in which the French Revolution and its aftermath had raised widespread fears in the dominant class that the breakdown of traditional forms of social regulation could lead only to revolution and anarchy as unregulated economic conflict led to an increasing polarisation between property and the propertyless mob. The dominant response to this problem was one of conservative reaction and of brutal repression as property closed its ranks in defence of hereditary rule, the established church and its own rights and privileges, against the democratic mob that countered the rights of property with the rights of man. This reaction was associated with a resort to traditional social theories, on the basis of which the sanctity of property and of political and religious authority was reasserted and the unviability of capitalist social relations, that rejected such authority, was heralded. By contrast, radical, and later socialist, theories were enthusiastically espoused by the working class and the petty producers who faced exploitation and expropriation with the advance of capital. These theories also questioned the viability of a society based on economic inequality and consequent class conflict, developing liberal political theories from a critique of political privilege into a critique of property and counterposing to capitalism a society based on freedom, equality and co-operation.

Conservative, radical and socialist theories all based their models of capitalism on the conflict of interest that was inherent in exchange relations, relations in which one party gains at the expense of the other. It was this conflict of interest that, for them, defined the problem of order that was posed by the development of capitalist society, a problem that could only be resolved by a return to medieval forms of social regulation or by an advance to socialist forms. Any attempt to theorise the possibility of capitalist society, and so resolve the problem of order posed by such a society, had to establish that underlying the conflict of economic interest that appeared in the exchange relation was a more fundamental harmony. This could only be achieved, in the first instance, within an economic theory and it was such a theory that classical political economy proposed. The achievements of political economy in theorising the possibility of a capitalist society, however inadequately, have been so deeply assimilated into

modern social thought that they now appear trivial, a naïve assumption of the natural identity of interests, rather than the conceptual resolution of the fundamental problem of order posed by capitalist society: how is a society based on social relations of production regulated through market exchange possible?

Classical political economy conceptualised capitalist society within the framework of a theory of production, distribution and exchange. The theory of production saw in the extension of the division of labour and the application of machinery the basis for a growing productivity of labour. The theory of exchange conceived of market relations not as unregulated conflicts of economic interest, but as social relations regulated by the hidden hand of the market. Behind the superficial conflict of interests in the market, competition ensures that exchange works for the common good. Through the market every individual can avail him or herself of the opportunity for self-improvement, the market ensuring the advance of the most enterprising and so fostering the further development of the division of labour and increase in national wealth. Of course the market is not without its victims. Those who cannot adapt to its requirements will be disciplined by the hidden hand. But to protect people from the consequences of their own ignorance and irresponsibility would be to remove all incentive to self-improvement. Thus the benefits of exchange far outweigh its costs.

The harmony of exchange presupposes the mutual recognition by the parties to exchange of their rights as property owners. Enlightened self-interest is the rational foundation of this mutual recognition, but it is by no means a sufficient underpinning for social order. For Adam Smith, the most 'sociological' of political economists, the pursuit of self-interest could have socially harmful effects when not moderated by benevolence, as 'self-love' led the individual to seek his or her ends by anti-social means. For Smith 'benevolence', conduct conducive to the well-being of society, grew out of 'sympathy', the ability to adopt the position of the 'impartial and well-informed spectator' in relation to both our own and other people's conduct. A lack of such 'benevolence', leading to anti-socially selfish behaviour, might be the result either of inadequate moral restraint, as when the individual had only a restricted circle of social contacts, or of ignorance, where individuals were inadequately aware of their own self-interest as the result of an insufficiently developed intellect. For Adam Smith moral education and a wide circle of social contacts, such as were provided by an extended division of labour, would contribute to the perfection of the moral sentiments.

However highly developed might be the moral sentiments, there would always be those ready to violate the rights and freedom of others for immediate gain. This is true in particular of the labouring poor, whose ignorance prevents them from appreciating the benefits that will eventually accrue to them from the security of property and the freedom of exchange, and whose need leads them to see only the inequality of wealth and power, so that they covet the property of others. Equally, capitalists always have an interest in abusing their wealth and position to restrict the market in order to establish monopoly powers. Thus it is imperative that the freedom and security of property and the person be secured by the judiciary, backed up by the police and the military. For Smith 'justice ... is the main pillar that holds the whole edifice. If it is removed, the great, the immense fabric of human society ... must in a moment crumble into atoms'.² However Smith was not prepared to rest the stability of this pillar on so feeble a foundation as the consent implied in a mythical social contract, nor even on the power and majesty of the judiciary alone. When it came to the defence of property Smith insisted that relations of authority and subordination had to be maintained. Thus Smith envisaged a hierarchy of property and authority, sustained by the system of justice and resting on the consent of the lower orders, bred of their natural respect for authority and their concern to sustain their property against the orders beneath them.

The classical theory of distribution attributed revenues to the owners of the factors of production --- land, labour and capital --- that defined the three component classes of society. The theory of distribution was thus a theory of the relations between those three classes. At the level of distribution there appeared to be clear conflicts of interests between the component classes of capitalist society. Thus the problem of order is raised most particularly by the theory of distribution and here political economy certainly did not, in general, assume a 'natural identity of interests' (Halévy and Parsons). However, class interests could be reconciled within the framework of capitalist society and classical political economy conceptualised this reconciliation within the framework of a theory of economic growth. Thus the apparent distributional conflict that arose out of the exchange relations between capitalists, landlords and workers was resolved in a dynamic context and within an appropriate constitutional framework.

Adam Smith argued that landlords and wage-labourers had a common interest in economic growth, while the big capitalists had an opposing interest in the preservation of their privileged monopolies. Thus an appropriate constitutional framework was one in which the powers of capital were checked by a balanced constitution. Ricardo, by contrast, argued that capitalists and wage-labourers had a common

² Adam Smith, *Theory of Moral Sentiments*, Clarendon, Oxford, 1976, p.86.

interest in the unrestricted growth of capitalism, while the landlords had an opposing interest in restrictions that would, directly or indirectly, increase rent at the expense of profit. For Malthus the need for unproductive consumption to avoid the dangers of overproduction gave a rationale to the landlord's existence, while Say, Bastiat, Carey and the 'vulgar economists' dissolved all conflicts of interest in asserting the fundamental harmony of all three classes.

The economic theories of classical political economy resolved the problem of order by revealing a harmony of interests beneath the apparent conflict of social relations of exchange and distribution, a harmony that could be realised through the unrestricted operation of the hidden hand of the market. It thereby established the viability of capitalist society and showed that such a society could be ruled by reason and not by custom, as social order and class harmony were achieved on the basis of action oriented by enlightened self-interest. The political economists were not so foolish as to believe that conflict did not exist. Smith had shown how big capitalists could abuse their position to secure their own advantage, while Ricardo had shown how aristocratic privilege could conflict with the interests of the other classes of society. Moreover both indolence and poverty bred ignorance and superstition so that the idle rich sought to preserve paternalistic regulation, while the unfortunate poor fell prey to demagogic agitation. However, while the sanctity of property had to be preserved at any cost, the remedy for such social evils was not repression but education so that the liberal ideal of a society based on reason within which freedom was reconciled with order could be achieved.

The Persistence of Conflict and the Limits of Political Economy

The rapid liberalisation of trade in the post-Napoleonic period was associated with rapid, but very uneven, economic growth. Periods of unprecedented prosperity were interrupted by commercial crises and widespread distress. The accumulation of enormous fortunes took place alongside the pauperisation of great swathes of the population. Above all, the persistence of national and class conflict, particularly in continental Europe, presented a challenge to the optimism of political economy that led its critics to question its assertion of the unqualified benefits of unrestrained competition. Thus social theories were developed which, while not questioning the viability of capitalist society, did question the extent to which such a society could dispense with the political and moral regulation of social relations.

Criticism of political economy came from three major directions. First, political economy had to face conservative critics who believed that the development of capitalism was undermining the established order and creating a society marked by conflict and moral degeneration. Second, it had to face socialist critics who believed that exploitation was inherent in the capitalist system and who proposed reform on the basis of co-operation. Third, it had to face criticism from those who accepted the fundamental social relations of capitalist society, but who could not accept that such social relations could be regulated solely by the free play of the market.

Conservative critics did not share the economists' faith in the power of the hidden hand of the market to achieve social harmony and social integration. They pointed to the costs of capitalist development: crises, unemployment, undermining of paternalistic authority, class polarisation, socialist agitation, the destruction of cultural values and national spirit, and the erosion of the moral and political authority of the state, the church and the ruling class. Political economy neglected the spiritual, moral and aesthetic qualities of the human species and underestimated the importance of the essential ties of deference to and respect for authority that had held the medieval economy and society together and that were being destroyed by the advance of capitalism. Capitalism was an unviable form of society and conservatives counterposed organic theories to the liberalism of political economy, calling for a restoration, in one form or another, of the medieval order, enforced by Church and State and governed by an hereditary ruling class. While such a romantic reaction was strong in the face of the French Revolution, and enjoyed occasional resurgences thereafter in periods of acute social tension, it could hardly survive the post-Napoleonic stabilisation of capitalist society. It did, however, provide resources, in its emphasis on moral, cultural and national values and on the need for the moral and political regulation of social relations, for later critics of the economists' preoccupation with economic interest.

While conservative critics tended to reject political economy *in toto*, the theorists of socialism accepted some parts of political economy while rejecting others. Thus they tended to accept the theory of production that defined the functional interdependence of labour, land and capital, while rejecting the theories of distribution and exchange. Socialists drew on the deduction theory of profit, rejecting the law of population and the law of wages and so developing an exploitation theory of society within which profit derived from the monopoly power of capital. They also drew on democratic political theory and on Sismondi's criticism of the crises, unemployment and class polarisation that accompanied capitalist development. Thus, for socialists, exchange gave rise to inequality, which was then the basis of exploitation as the rich abused their economic powers. Political economy focussed its attention on the

positive features of a society based on private property, to the neglect of the polarisation of wealth and poverty, power and impotence, to which unfettered competition gave rise. Socialists therefore proposed the equalisation of property and the regulation of competition to prevent such polarisation and proposed that production should be organised on the basis of co-operation. Although the early socialists criticised the optimism and the fatalism of political economy, they nevertheless remained largely within the liberal framework that saw the free market as the necessary basis of liberty, equality and fraternity, believing, however, that only the equalisation of property would make it possible to achieve those ideals. Thus the socialist criticism of political economy inspired not only Marx, who carried it much further, but also later liberal reformers, such as John Stuart Mill, who incorporated many socialist ideas into his own political economy, recognising a role for co-operation in reducing inequality and the abuse of economic power. The third major direction of criticism of political economy lay between the two just considered in retaining a commitment to a liberalism against reactionary romanticism and revolutionary socialism, while rejecting the claims of political economy that a regime of *laissez-faire* could best ensure the realisation of social harmony. Often drawing on the romantic and socialist critiques in stressing the limitations of *laissez-faire*, this kind of liberal reformism was directed at the over-abstractness of political economy, at its reliance on the deductive method, its cosmopolitanism and its universal claims. Some critics accepted the laws of political economy, but insisted that they were time- and space-bound, appropriate perhaps to nineteenth-century Britain but inappropriate elsewhere. Others denied any possibility of formulating economic laws, insisting that economics be absorbed into sociology or history, disciplines that could perhaps formulate evolutionary or statistical laws. These criticisms were developed particularly in France and Germany, countries in which the liberal opposition to conservatism had increasingly to secure its flanks against the threat of socialism. Comtean sociology and the German Historical School both defined themselves in sharp opposition to political economy, but both remained within a liberal framework. They sought not to reject the liberalism of political economy but rather to make it appropriate to domestic political reality.

Political Economy and the Limits of Positivism

The ideas of economic liberalism had been popularised in France through Garnier's translation of Adam Smith and through Say's systematic exposition of Smith's principles in his *Traité d'économie politique* (1803). The importance of Say is that he first systematically introduced the distinction between the capitalist, who lent capital at interest, and the entrepreneur, who hired capital, land and labour to undertake production. On this basis Say developed the 'trinity formula' as a theory of distribution according to which the revenues accruing to the owners of the factors of production corresponded to the contribution to production of the relevant factor, thus offering the first systematic formulation of 'vulgar economy'. The entrepreneur was the intermediary who organised the co-operation of the factors of industry, capital and land in production. The labour, or 'productive services', of these factors were hired by the entrepreneur who paid a suitable price, determined by supply and demand, for those services. Thus the intermediation of the entrepreneur and the vulgarisation of the theory of distribution dissolved any essential conflict of interest between capital and labour. Say also introduced a clear distinction between economic theory and economic policy, insisting that political economy offered an abstract theoretical discourse that could not give rise to policy prescriptions. Economic policies had, therefore, to be evaluated on their merits, political economy offering only one means of evaluation.

Say's formulation of Smith's theory proved especially appropriate to the circumstances of France. French capitalism was still struggling to emerge from underneath the burden of feudal privilege, despite the advances made by the Revolution. Thus political conflict did not yet centre on the proper balancing of class interests within an accepted framework of capitalism, as it did in England, but rather on the conflict between the productive character of capitalist enterprise and the classes corresponding to it, on the one hand, and the unproductive character of the parasitic Church and State that carried over from the *ancien régime*, on the other. Say's separation of economic from political questions, his stress on the harmonious relations between the productive classes and his emphasis on the productive role of industry alongside that of agriculture were themes that fed directly into the political debate and were taken up by liberal and socialist reformers alike.

The restoration of 1830 gave a renewed impetus to these political debates, but the Lyons weavers' risings of 1831 and 1834 also resurrected, in a new form, the spectre of the revolutionary mob that haunted all liberal reformers in France, driving a wedge between liberalism and socialism. Comte, initially influenced by the socialist St Simon, developed his system as much as a critique of socialism as of the political regime he sought to displace. The socialism of St Simon derived very directly from the class model developed by Say, proposing to sweep away the barriers to the advance of productive enterprise and to replace the tyranny of a parasitical ruling class. However, St Simon rejected Say's faith in the market as an adequate means of regulating production, and proposed instead the functional

administration of a co-operative society. Comte took many of his ideas from this scheme, believing in the necessity of completing the overthrow of the old regime and of establishing society on the basis of industrial co-operation, believing in the essential harmony of interests of the productive classes, and believing that the unfettered pursuit of self-interest would lead capital to abuse its powers and undermine social harmony and equity by economic exploitation. However, Comte rejected the socialist belief that the alternative to unfettered capitalism was political regulation, insisting that the problem was more fundamentally a moral one.

Comte formulated his system within the framework developed by Say and St Simon of the co-operation of labour and capital on the basis of the complementary contributions of each factor to production. Comte defined capital as 'every permanent aggregation of material products' arising from the 'natural excess of production over consumption'. Capital is therefore identified with Smith's 'stock', the accumulated surplus product necessary for the expansion of production and the extension of the division of labour. Thus 'the institution of capital forms the necessary basis of the Division of Labour', and capitalists 'ought to be regarded simply as public functionaries, responsible for the administration of capital and the direction of industrial enterprise. But at the same time we must be careful not to underrate the immense value of their function, or in any way obstruct its performance'. Capitalists should therefore be well remunerated for their arduous and responsible tasks. Capitalists should also be responsible for setting the wages of the workers, 'for no others can properly estimate the value of each special service', although they should not abuse this privilege. Against the socialists Comte insisted that wages should not be seen as the recompense for labour they 'really pay nothing but the material portion of each man's labour replacing the waste invariably required by the organ, and sometimes by the function it performs', the surplus over subsistence being required to provide the fund for further accumulation.³

Although he accepted the basic class model of capitalist society proposed by political economy, Comte rejected the economists' belief that class relations could be harmoniously regulated on the basis of the competitive pursuit of individual self-interest. Political economy 'pretends that the general laws of Material Order can be studied, apart from other laws',⁴ but the rule of self-interest creates not harmony but conflict as opposed interests clash in the market. It may be the case that the present economic relations were based on the pursuit of self-interest, but such a condition was merely transitional, a symptom of the decline in the moral regulation of social relations in accordance with earlier forms of religion and law. It was a condition that was unstable, as the new forms of moral regulation associated with the Positivist doctrines took effect, regulating the conflicts to which an inadequate moral regulation gave rise by subordinating 'self-love' to 'social-love' in order to reconcile progress with order.

Comte insisted that socialism was not the solution to the conflicts of capitalist society, but was itself a symptom. As the employers were uncontrolled in the system of 'modern anarchy', the workers fell prey to absurd Utopian schemes. Comte endorsed the critique of socialism proposed by classical political economy (indeed that of the arch-liberal Dunoyer), for despite their differences 'Positivists adopt substantially the strictures which they have passed upon Communism'. Communism ignores the need to accumulate capital, it ignores the need for direction and co-ordination of production, and it ignores the fact that individualistic instincts still prevail. The imperative task is not to change the existing relations of production, which are the condition for industrial progress, but to impose a moral regulation on them.

Without a sufficient concentration of material power, the means of satisfying the claims of morality would be found wanting, except at such exorbitant sacrifices, as would soon be found incompatible with all industrial progress. This is the weak point of every plan of reform which limits itself to the mode of acquiring power, whether public or private, instead of aiming at controlling its use in whosoever hands it may be placed.⁵

Reform must be a moral reform before it can be political, for it is unimportant who holds power, what counts is how that power is exercised.

Comte reconciled the fundamentally harmonious character of the class-relations of capitalist production with the conflict to which the development of capitalism gave rise by developing an evolutionary theory within which the deficiencies of capitalism as it then existed were explained as the results of the process of transition from the period of the moral regulation of social relations on the basis of law and politics to the period of regulation on the basis of scientific knowledge embodied in the positivist religion of humanity. Positivism extended human knowledge from the natural to the social domain, and it is on the

³ Comte, *A System of Positive Polity*, n.d., II, pp. 129, 134, 135; I, p. 300, II, pp. 335, 332.

⁴ *ibid.*, II, p. 329.

⁵ *ibid.*, I, pp. 127--8.

basis of the growth of knowledge of human interdependence that social-love would come to replace self-love. Comte made it clear in his later work that he was not offering an idealist theory according to which the progress of knowledge would determine the progress of society. He insisted that positivism subordinates intellect to instinct, the development of moral precepts resting on individual and social nature and the development of social sympathies. The growth of positivism was directly related to the growth of capital and the associated development of the division of labour within which the individual worked for others and property acquired a social character. It was on the basis of this interdependence that sentiments of altruism arose, an argument similar in many respects to Smith's theory of moral sentiments. Positivism hastened the advance of altruism by bringing to light the general interdependence of individuals, thus establishing the essentially harmonious character of capitalist social relations both in theory and, through the process of moral education, in reality.

Although Comte counterposed his Positivism to the religion of self-interest proposed by political economy his theory of society nevertheless owed a great deal to political economy, in particular to the work of Say. It was political economy whose theory of production defined the interdependence of the productive classes which was the basis of social-love, and it was the vulgar theory of distribution that defined the appropriate rewards for capital and labour. However Comte rejected the possibility that the harmony defined by political economy could be provided by the mechanism of which political economy avails itself. In practice capitalists use their economic and political power to seek unjustifiable gains, while workers organise in opposition to capitalists and fall prey to socialist propaganda. Thus the realisation of social harmony could only be based on the replacement of self-love by social-love that would prevent the powerful from abusing their position for their own advantage.

However social-love is not necessarily opposed to self-interest. For political economy the general well-being was achieved by each individual pursuing his or her own self-interest, and it was this coincidence that established the moral value of self-interested action. Thus political economy established the moral duty of the individual to pursue his or her own self-interest, while establishing the futility of charitable intervention or political regulation: for political economy social-love conveniently decreed the pursuit of self-interest. Comte's critique of political economy engaged at the point at which the pursuit of self-interest is subversive of the general well-being, for this is the point at which social-love must qualify self-interest.

The problem with Comte's sociology is that it had no means of specifying when that point is reached since Comte 'disregarding all useless and irritating discussions as to the origin of wealth and the extent of its possession, proceeds at once to the moral rules which should regulate it as a social function'.⁶ But without such irritating discussions there was no way of determining the content of those rules and the theory was unable to get beyond a purely metaphysical doctrine of spontaneous moral harmony. Precisely the same problems confronted Durkheim's later attempt to purge Comte's positivism of its speculative elements in developing his comparable critique of Spencer's liberalism. Durkheim too contrasted the 'anomie' of pure self-interest with the moral character of the individualism of a properly regulated capitalist society, which he saw as a spontaneous development of the division of labour, to be fostered by institutional and educational reforms. Although he eliminated the religion of positivism to put more faith in institutional reform he was no more able than Comte to specify the content of that morality nor the means by which that content was elaborated socially.

Political Economy and the Limits of Historicism

In Germany, as in France, liberalism still had political battles to fight, but these were concerned with building a national State, rather than transforming an existing one. The belief of the political economists that an adequate form of the State could spring spontaneously from the economic process was hardly adequate in such circumstances. Thus, while Comte criticised political economy for neglecting the moral dimension of social regulation, the German Historical School was more concerned by its neglect of the political dimension, although the two questions were not mutually exclusive.

Germany at the beginning of the nineteenth century was still politically fragmented and economically backward. Internal trade was restricted by innumerable local tariff barriers, and industry hampered by State regulation, while agriculture remained the dominant sector of the economy. In such a context the economic doctrines of political economy had a great appeal to those seeking to break down domestic barriers to capitalist expansion. Rau performed for Germany the role that Garnier and Say performed for France, popularising and interpreting the theories of Adam Smith. Rau, like Say, emphasised the distinction between theory and policy, the latter varying with local conditions, giving liberalism an adaptability that the German situation required. The pressure for economic unification, conducted in the

⁶ *ibid.*, I, p. 131.

name of liberal political economy, culminated in the Prussian tariff reform of 1818 and the Tariff Union, that covered all Germany (excluding Austria), introduced in 1834.

However the economic unification of Germany was not sufficient to ensure the progress of German capitalism. Domestically Germany continued to be dominated politically by the landowning Junkers, while internationally the weakness of German capitalism in the face of foreign competition meant that protection and State assistance was required to foster the growth of German industry. This was the context within which the distinctive theories of the German Historical School were developed.

The main contribution of the Historical School was its development of the concept of the *national economy*. It was clear that Germany's national prosperity depended on the formation of a national State that could foster the development of industry in the face of the domestic power of the Junkers and the international economic, political and military power of Britain, France and Russia. Correspondingly, the strength of such a State would depend on the strength of the German economy. The inappropriateness of political economy in this context was one of the major factors underlying the growth of the Historical School, which situated questions of economic policy within their historical, and especially their political, context. The concept of the national economy therefore embraced much more than economic questions, incorporating also a concern with the political and institutional framework which could provide the basis of national power and prosperity. The intervention of the State in the economy was seen as an essential complement to a concern with individual well-being and was justified within the framework of a philosophy of history.

For conservatives the problem of the State was posed in the traditional romantic terms of the cultural unity of the *Volk*. However the members of the Historical School were not conservatives, but liberals, prominent among the revolutionaries of 1848 and suffering for their liberalism. Their emphasis on the role of the State did not derive from any specially authoritarian sentiments, but from the practical concerns of German unification and of the pursuit of the German national interest against the interests of the other European powers. Thus, although the Historical School drew on the Romantic, Hegelian and Cameralist traditions, it vigorously rejected the reactionary elements in the work of such writers as Adam Müller, who subordinated the individual to the State in defining the State as an end in itself. For the Historical School the role of the State was still to be defined in liberal terms, as an essential condition for the well-being of the individual, and it was in such terms that it developed its analysis of the role of the State in the reproduction of capitalist social relations.

Immediately following the formation of the Tariff Union in 1834, demands began to be pressed for the more effective protection of domestic industry by increasing tariffs on foreign imports. It was in this context that Friedrich List developed his theory of the national economy.

List argued against the cosmopolitanism of political economy that the prosperity of the individual depended on the ability of the State to pursue appropriate policies to further the national well-being. These were policies that would foster the growth of the productive forces, including not only the material capital of the nation, but also its 'spiritual capital', identified by List with the freedoms of political liberalism. In the development of the productive forces a nation would go through a series of stages, which Adam Smith had already identified, namely the savage, the pastoral, the agricultural, the agricultural-manufacturing and the agricultural-manufacturing-commercial stages. This was a progressive development, the height of which would be reached with the predominance of trade and manufacture. A nation at a superior state would be more powerful and more prosperous than a nation at an inferior stage, so free international trade would permit it to prevent the more backward nation from advancing in the face of foreign competition. Protection would be required to enable Germany to emerge as a fully fledged industrial power that could hold its own in the world market. The liberal cosmopolitanism of classical political economy was, within this context, simply the abstract expression of the British national economic interest in gaining free access to foreign markets to prevent the emergence of foreign competitors. The more backward position of German industry required a different political economy.

List's theory of stages very clearly expressed the interests of German industry and commerce both domestically and internationally. While economic liberalism might be appropriate to a more advanced stage of capitalist development, in the German context it was the condition for the continued dominance of foreign capital. On the other hand, State regulation continued to be distorted by the economic and political dominance of the landowning class, which List's theory identified with an inferior stage of capitalist development.

The conflict between the politically dominant Junkers and the economically ascendant bourgeoisie came to a head in the revolutions of 1848. The defeat of the revolutionary forces did not, however, imply the subordination of the bourgeoisie to the Junkers, but rather their reluctant accommodation to Junker rule, complemented by a Junker recognition of the bourgeois economic interest. The need of the State for a strong economic base, and the development of capitalism in the German countryside, provided the

basis for a pragmatic resolution of the divisions within the dominant class in Germany as in England, a resolution provisionally achieved under Bismarck. Although the studies of the Historical School retained, in a rather empty rhetorical form, the liberal spirit of 1848, the main concern came increasingly to be with the social conflict associated with the development of German capitalism, not only the direct conflict between capital and labour, but also the social and political dislocation threatened by the destruction of the petty producers.

Roscher, Hildebrand and Knies, the older generation of the Historical School, all took up List's emphasis on the centrality of the concept of the national economy formulated within an evolutionary theory that sought empirical laws of development in order to situate German economic and social development within a national and historical context. However, their fear that the subordination of economic activity to self-interest would give rise to growing class polarisation led them to criticise more sharply the economists' preoccupation with purely economic motives. 'Industrial feudalism' and the growth of an agricultural proletariat would foster the growth of socialism and so had to be restricted by the State. They therefore laid an increasing emphasis on the need to consider the pursuit of economic goals within a broader social context, within which self-interest would be subordinated to morals, religion, custom and standards of propriety. The development of society could not be reduced to its economic development, for its moral development was equally important. Nor could policy be subordinated solely to economic ends, for the State had a primary concern with the conditions of social integration and national unity. Thus the Historical School became increasingly critical of any attempt to formulate general economic laws, or general laws of historical development, coming to emphasise the uniqueness of time and place and the necessarily pragmatic and empirical orientation of economic studies.

While Roscher followed List in regarding classical political economy as a theory appropriate to a particular stage of capitalist development, stressing only the need to temper the classical doctrines with a concern for the national particularities of historical development, Hildebrand and Knies carried the criticism of political economy further, arguing that history did not simply introduce qualifications into the laws of political economy, but rather that political economy had to be reformulated on an historical foundation. Hildebrand continued to believe that it was possible to formulate historical laws, distinguishing the phases of natural economy, money economy and credit economy. In the latter, access to credit would give workers and petty producers parity with capitalists and so would eliminate class conflict. Knies went further still, condemning the labour theory of value and the utilitarian orientation of political economy for playing into the hands of socialism. Although he believed in progress, Knies claimed that it was a moral rather than an economic category, so that laws of development were always moral laws that could not be formulated quantitatively and which could only provide a basis for analogical comparison.

Despite their criticism of political economy the older generation of the Historical School continued to fall back on its doctrines when convenient, supplementing them with an emphasis on the ethical orientation of economic activity, and with a plethora of historical illustrations demonstrating the divergence between theory and reality. Despite the claim of the Historical School to be counterposing reality to theory, a claim that became even more insistent among the younger generation, the Historical School nevertheless formulated its investigations within the framework of a particular conception of society. Although it rejected the economic laws of classical political economy, its essential framework was still that of vulgar economy, being based on the theory of production that conceptualised the fundamentally harmonious character of capitalist social relations in terms of the co-operative division of labour between agriculture and industry land, labour and capital, and on the vulgar theory of distribution that denied any necessary conflict of interests between capital and labour.

That this is indeed a particular conception of capitalist society is brought out by counterposing to it the conception developed by Marx in his critique of political economy, a critique that established that this apparently commonsensical view of capitalist society was in fact a speculative, metaphysical, and ideological conception in treating the particular historical form of capitalist relations of production and distribution as an expression of the technical characteristics of the division of labour. It was a conception that appeared to accord with commonsense only because *bourgeois* commonsense was ensnared in the illusions of the trinity formula:

The more the vulgar economists in fact content themselves with translating common notions into doctrinaire language, the more they imagine that their writings are plain, in accordance with nature and the public interest, and free from all theoretical hairsplitting. Therefore, the more alienated the form in which they conceive the manifestations of capitalist production, the closer they approach the nature of common notions, and the more they are, as a consequence, in their natural element

wrote Marx of Roscher.⁷ For all its historicism, the Historical School, like Comte's sociology, rested on the same ideological foundations as political economy.

The Historical School, like Comte, produced a powerful critique of the preoccupation with self-interest of classical political economy, indicating the need for moral and political regulation to ensure the reproduction of capitalist social relations. However the critique was also limited, in attributing the conflict endemic in capitalism to the self-interested orientation of economic activity that is an essential characteristic of capitalist social relations. Thus, like Comte, the Historical School had no coherent theory that could specify the limits of self-interest and define the content of the necessary moral and political regulation. Both schools of thought rested on a speculative philosophy of history that postulated the essential harmony of capitalist relations of production which they combined with a purely pragmatic approach to the solution of particular social and political problems.

This is to deny neither the practical nor the theoretical importance of Comte's sociology or of German historicism. Both took the threat of social dislocation much more seriously than did classical political economy, recognising the need for the moral and political regulation of social relations that the classical economic laws excluded. This readiness to recognise the need for reform and this emphasis on the institutional framework of capitalism, made the work of Comte and the Historical School very attractive as liberal optimism declined and political economy collapsed. However their inability to specify the content of moral and political regulation, and so to set limits to the possibilities of reform, proved a fatal weakness.

The Limits of Liberalism and the Collapse of Political Economy

Classical Political Economy had proposed a class model of society, founded in qualitatively different forms of property which generated qualitatively different revenues, expressing the class conflicts associated with the struggle to establish the liberal form of the capitalist state. This class model continued to play a central ideological role, even when this struggle had been completed, for as long as the state was founded on differential rights and obligations. While the abolition of the estates system and of aristocratic privilege had largely dissolved divisions between land and capital, political economy still played a central ideological role in establishing the impossibility of political intervention securing a general improvement in the material condition of the working class. The Malthusian law of population, the 'iron law of wages', and the wages-fund doctrine all established that the working class had no independent economic interest, but could advance only as a result of the general advance of capitalist prosperity. It therefore continued to constitute the bastion of the ideological defence of the established order.

On the other hand, while collective advance might be impossible, liberalism increasingly preached the possibility of individual self-improvement by moral and intellectual elevation. Such elevation also had the advantage that through education in the truths of political economy the working-class would come to appreciate the inviolability of the existing social order and so would not fall prey to socialist agitation. The message of self-help was conveyed through the popular press and improving literature, through political propaganda and from the pulpit, through educational institutions and the public libraries. Even trade unionism, when properly conducted, had a part to play, fostering the moral qualities of the working-class by making provision through mutual benefit funds for sickness, unemployment and old age and by providing workers' education. The working class was no longer an anonymous mass to be feared, but a collection of individuals to be enlightened and assimilated to the established order. Thus the emphasis on the moral qualities of the individual displaced the political economists' emphasis on class as the determinant of the individual's fate.

This growth of a meritocratic individualism was above all expressed in the social philosophy of Herbert Spencer. Spencer conceptualised capitalist society within the framework of a speculative philosophy of history that presented *laissez-faire* capitalism as the culmination of the evolutionary process. Society was conceived on the model of the division of labour, expressed within an organic analogy, understood as the interdependence of the functionally differentiated parts of an increasingly complex whole, whose development could be understood within the framework of a theory of cosmological evolution. He saw the development of society as progressive, manifesting the fundamental cosmological law of the increasing differentiation and integration of functions, and the mechanism of evolution as the quasi-Darwinian competitive struggle for existence in which 'survival goes to the fittest'.

Spencer saw capitalism as the stage at which industry finally replaced war as the basis of society. This development was marked by the progressive differentiation of the economy from the State and the subordination of the State to the economy, instead of the subordination of the economy to the State characteristic of a military society. Within the economy this evolution was marked by the development from slavery, through serfdom, to wage-labour. The differentiation of capital and wage-labour

⁷ Karl Marx, *Theories of Surplus Value*, Moscow, FLPH, III, 1972, p. 503.

corresponded to the differentiation of functions within production between capital, whose function was the regulation of labour, and wage-labour, whose function was to conduct the specialised tasks defined by the division of labour under the supervision of capital. More fundamentally the distinction between labour and capital was simply an aspect of the functional differentiation of mental and manual labour. Economic activity existed within a wider co-ordinating structure defined by the family, political and ecclesiastical organisation, the system of law and the cultural institutions of language, knowledge, morals and aesthetics. Each part of the whole had its part to play in the functioning of the system, and each part was adapted to its function through the evolutionary process governed by natural selection. The complexity of the system, and the ultimate beneficence of the law of evolution, tended to militate against any attempt to intervene consciously to mitigate social evils, for any such attempted reform was as likely to interrupt as to accelerate the course of progress. Thus Spencer came to recognise that wage-labour 'amounts in practice to little more than the ability to exchange one form of slavery for another', but he did not propose any remedy, merely observing that 'it seems that in the course of social progress, parts, more or less large, of each society are sacrificed for the benefit of society as a whole'.⁸

Spencer's social philosophy was in one sense a generalisation of the optimistic perspectives of political economy, extending the belief in the inevitability of progress from the economy to all social institutions and glorifying the achievements of the mid-Victorian bourgeoisie. Spencer took for granted the virtues of economic liberalism and the impossibility of a general improvement in the condition of the working-class, while his theory of evolution depended as much on the theory of the division of labour and of the beneficent operation of the market as it did on biological organicism and the Darwinian theory. His theory was essentially a completion of the ideology of political economy, that reformulated its optimistic conclusions within the framework of a speculative philosophy of history presenting the existing order as the culmination of history and the realisation of rationality. The philosophy rested entirely on the plausibility of the application of the economic analogy to society as a whole, so that Spencer's works amounted to little more than compendious illustrations of the fundamental cosmological principles of evolution. However, his work was enormously influential in England and the United States until the end of the century, and has inspired successive waves of optimism since. Moreover in his emphasis on the individual, in his demotion of the concept of class and in his emphasis on the co-ordination of the division of labour rather than on accumulation his work prefigured and inspired developments that were to come.

Spencer's liberalism rested on an unquestioning faith in the validity of the laws of political economy. While the growing prosperity of the mid-Victorian boom appeared to justify such a faith, that prosperity was by no means universally shared, but was accompanied by growing 'social problems' of poverty, ill-health and criminality which could not simply be attributed to individual moral failings, to be remedied by the more rigorous advocacy of the virtues of self-help. Moreover, the organised working class, while showing itself to be more sober and responsible than the anonymous urban mob, was growing, and was becoming increasingly assertive. On both moral and pragmatic grounds the demands of social reform, and the need to recognise the independent economic and political interests of the working class were becoming more pressing.

Although the 'truths' of political economy were becoming ever more remote from reality, and belief in its laws increasingly rested on nothing more than blind faith, it proved an extremely flexible body of doctrine, whose ideological power meant that its exponents were loathe to abandon its central doctrines. John Stuart Mill had shown just how flexible political economy could prove in accommodating to changing circumstances. Mill espoused more and more reformist causes without his reformism undermining his confidence in the ultimate validity of the truths of political economy. Those truths may have been abstract, but they were nevertheless constraining:

Howsoever we may succeed in making for ourselves more space within the limits set by the constitution of things, those limits exist; there are ultimate laws, which we did not make, which we cannot alter, and to which we can only conform.⁹

Within this framework Mill was ready to concede that values other than those of material interest might prevail; that moral, educational and cultural improvements should be fostered, even at the expense of economic gain; and that the State might intervene to protect the ignorant and the weak, in providing a more just relationship between effort and reward by restricting the power of monopoly, and by the taxation of inherited wealth and unearned incomes.

⁸ Herbert Spencer, *Principles of Sociology*, Herbert and Norgate, London, 1896, 3, p. 516.

⁹ John Stuart Mill, *Principles of Political Economy, Collected Works*, RKP, London, 1965--77, II, p. 199.

Despite its flexibility, there were limits to which political economy could survive the ad hoc admission of exceptions to its laws. The 1860s saw a rapid growth in the degree of working class organisation, and in the economic and political assertiveness of the organised working class, on a European scale. The Paris Commune of 1870, the economic crisis of 1873 and the ensuing depression, the growth of economic nationalism and the rise of imperialism, and the mushrooming of socialism shattered the liberal optimism of the mid-century. The changing economic, ideological and political circumstances of the 1860s and 1870s put classical political economy to the test and finally found it wanting. Although political economy, and Spencer's sociology, continued to provide a liberal rhetoric, its intellectual demise can be dated to Mill's recognition of the bankruptcy of the wages-fund doctrine in 1869, which implied a recognition of the validity of working class collectivism in recognising that trades unions and political intervention could indeed alleviate the condition of the working class as a whole. With the collapse of political economy a new theory of capitalist society was urgently needed that could respond to the practical and ideological demands of a new era.

Social Reform and the Limits of Sociology

The first reaction to the collapse of political economy in Britain was to adopt a pragmatic approach that could give a truer picture of the 'observed facts of life'. What was needed was a theory that could look beyond the pursuit of self-interest to set economic relations within their institutional, political and moral context, and replace the dogmatism and abstraction of political economy with a more flexible and more realistic approach. What was needed was 'a scientific sociology comprehending true economic doctrine, but comprehending also a great deal more' as Ingram argued in his enormously influential presidential address to Section F of the British Association in 1878. Spencer had already indicated the importance of non-economic institutions in his sociology and Spencer continued to be influential. However his optimism became less and less appropriate as the need for social reform became more pressing. Thus there was a turn to foreign sources, and above all to France and Germany, to find theories that could fill the gap. Thus Ingram was a follower of Comte, while Arnold Toynbee and Thorold Rogers drew most heavily on the Historical School. Subsequently LePlay was a major influence. His theory that stressed the importance of the family and community in achieving social integration, stimulated a mass of family-oriented poverty studies and community investigations, and gave British sociological reformism a distinctive emphasis on the use of social policy to mould the family and the use of town planning to mould the community.

In similar circumstances in Germany the younger generation of the Historical School, dominated by Gustav Schmoller, established the *Verein für Sozialpolitik* in 1873, which built on the earlier tradition. The *Verein* sought to stimulate academic research that could serve as a guide for reform, and in its early years played a central role in the reform movement. The emphasis of the *Verein* was on discovering the means to ameliorate or abolish class conflict. This was recognised to involve assigning a high priority to economic expansion, but the *Verein* insisted that questions of economic policy should nevertheless be subordinated to ethical and political considerations, thus economic development should be regulated in accordance with national political needs, and in particular the strengthening of the State domestically and internationally.

In France LePlay had some following, but he was eclipsed by the rise of Emile Durkheim, who founded the French school of sociology. Durkheim drew heavily on Comte, Spencer and the German Historical School to develop a comparable evolutionary theory within which social disorder was attributed to a failure of moral integration that had caused selfishness and ignorance to displace a properly regulated moral individualism (an individualistic reformulation of Comte's social-love). Such moral integration was to be achieved by the formation of associations, for example of producers and consumers, within which would be generated solidaristic sentiments based on the moral appreciation of interdependence. The Durkheimians also placed considerable emphasis on the development of a national system of secular education.

This new generation of 'sociologists' built on the earlier traditions in attempting to incorporate a concern with the political and moral regulation of social relations into a liberal framework. Thus, unlike conservative thinkers, they did not see either the State or morality as ends in themselves. Their critique of political economy was a critique from a liberal individualist direction, pointing to the ways in which the abuse of economic power and the socially conditioned existence of ignorance and irrationality enabled some individuals to intrude on the freedom and opportunities of others. Thus the moral and political regulation of social relations and the development of an appropriate institutional framework within which such regulation could take place, were seen as an essential presupposition for the harmonisation of interests of the individual members of society. For example, Durkheim, far from being a conservative or a collectivist, was essentially seeking a sociological reformulation of social contract theory that could legitimate a greater degree of social and political regulation than had been appropriate to the 'age of

reason' or the 'age of utilitarianism'. The fundamental theoretical problems which such an attempt confronted were those of establishing the relationship between the individual interest and the general interest and of identifying the point at which the unrestrained pursuit of self-interest became subversive of the general interest and so subject to regulation. The problem was that, like their predecessors, none of these theories provided any rigorous or coherent means of defining either the limits of liberalism, on the one hand, or the limits of social reform, on the other.

Herbert Spencer defended a regime of *laissez-faire* on the basis of little more than liberal optimism. Comte and the German Historical School had no means of rigorously establishing the limits of *laissez-faire*, nor, correspondingly, the possibility and limits of intervention. The 'socialism' of Mill, the sociology of Durkheim, the investigations of the Historical School, British empirical sociology and Oxford idealism equally rested on ultimately arbitrary foundations. Thus in their theories we find a constant dualistic tendency with the individual, on the one hand, and the State or society, on the other, appearing as complementary ends without any rigorous theory of the relations between the two. This absence had enormous practical consequence, for it meant that there was no principled basis on which to evaluate reforms. Conflict, injustice, poverty and distress could be discovered by empirical investigation, and *ad hoc* reforms proposed to deal with them, but how was the reformer to know what would be the effect of such reforms, how would the reformer know that the reforms might not exacerbate rather than solving the problem?

Spencer repeatedly railed against vain attempts to treat social problems on the basis of an estimate of 'immediate benefits and costs' rather than on the basis of a more profound investigation.

The politician will spend his energies in rectifying some evils and making more --- in forming, reforming and again reforming --- in passing acts to amend acts that were before amended; while social schemers will continue to think that they have only to cut up society and rearrange it after their ideal pattern and its parts will join together again and work as intended.¹⁰

Spencer believed that sociology was a 'moral science' whose task was to

deduce, from the laws of life and the conditions of existence, what kinds of actions necessarily tend to produce happiness, and what kinds to produce unhappiness. Having done this, its deductions are to be recognised as laws of conduct; and are to be conformed to irrespective of a direct estimation of happiness or misery.¹¹

Spencer's liberal optimism could hardly provide a guide, except for the eugenicists, but the rapid proliferation of proposals for reform in the last decades of the nineteenth-century made it increasingly apparent that some more rigorous theory was needed that could establish the possibilities and limits of reform and provide a means of evaluating alternative proposals. Foremost amongst the problems, as always, was the problem of labour.

With the collapse of the wages-fund doctrine the right of the working-class to organise in trade unions in order to pursue its economic aspirations was widely recognised. Historicism and sociology were brought into play to underscore the importance of trade unionism in rectifying the imbalance of power in the market between labour and capital and in establishing a framework within which harmonious class relations could be established. But how far should such claims go? What would be the effect of an increase in wages for the workers, for their employers and for the economy as a whole? At what point does trade unionism become an intolerable violation of the freedom of employers or of individual workers, rather than an essential agent of social justice? How should the State respond to the agitation to limit further the length of the working-day? How should it respond to demands to alleviate the condition of the unemployed? How should it respond to demands for social insurance; for the provision of public housing, for the establishment of municipal enterprises and the taxation of land and inherited wealth? All these were questions to which political economy had been able to give clear answers, even if those answers were no longer acceptable, but sociology had none. A reformulation of political economy was imperative as demands for social reform and for workers' rights proliferated and escalated.

The need for a more rigorous theory was not only practical, but also ideological. With the development of monopoly capital and of imperialism the State was increasingly compelled to intervene domestically and internationally on behalf of capital, threatening intensified class struggle at home and colonial and inter-imperialist wars abroad. On the other hand, the rise of socialism carried with it the alternative threat

¹⁰ Herbert Spencer, *Principles of Sociology*, Herbert and Norgate, London, 1896, 3, p. 318.

¹¹ Herbert Spencer, *An Autobiography*, Williams and Norgate, London, 1904, 2, p. 88.

that the State would become the agency through which the organised working-class would nationalise capital and land. The socialist threat, on the one hand, and the resistance of monopoly capital, on the other, showed up the inadequacy of a pragmatic approach to social reform and produced an urgent need for a theory that could both recognise the necessity of reform and also set limits to such reform. This theory could only be a new economics.

Economics, Sociology and the 'Voluntaristic Theory of Action'

Despite their opposition to political economy, none of the schools of nineteenth century sociology could challenge the priority of economic theory, for such a priority was not established on the basis of particular assumptions about the role of self-interest, but was imposed on social theory by the nature of capitalist society. That capitalist social relations took the form of economic relations regulated by the hidden hand of the market was not an assumption of political economy, but a fact of life. What sociology and historicism contested was that self-interest and the hidden hand were alone sufficient to achieve the harmonious integration of society. They therefore contested the validity of the economic laws proposed by political economy, but nevertheless presupposed some kind of economic theory that could establish to what extent self-interest and the hidden hand were insufficient and so had to be complemented by moral and political regulation. To the extent that they did not develop such a theory, but rested only on a pragmatic evaluation of the limits of *laissez-faire*, sociology and historicism were unable to give a rigorous definition of the problem of order to which moral and political regulation was supposed to respond.

The fundamental weakness of nineteenth century sociology lay in its failure to resolve this dilemma on a liberal foundation. This dilemma is expressed in the dualism of individual and society which these theories were never able to overcome, and it is this dualism which explains what Parsons saw as their defining weakness, the failure of these theorists to develop an adequate 'theory of action'. From the point of view of a conservative or socialist organicism such a failure is not a problem, but from the point of view of liberal reformism it is debilitating, for it corresponds to a failure to reconcile the need for political and moral regulation of social relations with the freedom of the individual. A theory of social structure that does not rest on a theory of action too easily attributes a spurious objectivity and a spurious authority to the state and to the system of morality because it does not relate these institutions back to the individual needs and aspirations to which they should, in liberal eyes, respond. Such a theory therefore provides no means of checking the authority of the state or of the Church and so easily acquires a conservative or a socialist bias. Classical political economy was deficient in being unable to reconcile the need for social order with the freedom of the individual. Comtean sociology and German historicism were deficient in being unable to reconcile the freedom of the individual with the need for order, which determined the need for moral and political regulation. It is in this sense that an adequate liberal theory of society had to be formulated on the basis of a voluntaristic theory of action. The foundations of this theory of action were provided by the marginalist revolution in economics, which thereby opened the way to modern sociology.

Marginalist economics rejected the classical theory of distribution and the associated theory of social class, to develop an individualistic economic theory on the basis of a rigorous analysis of exchange. The starting point of marginalist economics was the individual, endowed with given tastes and resources, rationally allocating those resources on the basis of his or her preferences in conditions of scarcity. On this foundation marginalist economics analysed the economic institutions of the division of labour, including the functional specialisation of labour and capital, private property, the market and money as instruments rationally adapted to the optimal allocation of resources.

Such an analysis appears at first sight to be merely a more rigorous formulation of the dogmatic laws of classical political economy and so no more adequate as a basis on which to construct a theory of society than the latter. Where classical political economy was implicitly based on a positivistic theory of action, marginalist economics merely made that foundation explicit. However, in doing so, marginalism also brought into the open the abstract character of economic theory and by making the basis of its abstraction explicit, it also created the space within which complementary disciplines, appropriate to other orientations of action, could develop. Thus, where classical political economy claimed to offer a social theory adequate to the reality of capitalist society, marginalist economics self-consciously developed a theory that abstracted from the particular social and historical context within which economic activity takes place. In this sense marginalism claimed to offer not a social theory but a pure theory of rational choice.

The application of marginalist economics involved the introduction of social and historical considerations, particularly with regard to the distribution of resources and to the role of ignorance and irrationality. Thus *social economics* qualified the optimistic conclusions of pure theory, analysing the extent to which inequalities of economic power, the development of monopoly, the imperfect exercise of

rationality and the intervention of the state distort the harmonious equilibrium defined by pure theory and introduce economic conflict into the model of perfect competition. While social economics continued to be a branch of economics, in presupposing the rational pursuit of self-interest to be the only basis of social action, marginalist economics also leaves a space for sociology. Within the framework of the theory of action, economics is defined as only one branch of the social sciences, the science that studies the consequences of rational economic action. Once it is recognised that economics is an abstract discipline, not one that claims a monopoly of knowledge of society, sociology can emerge as the discipline that studies the consequences of non-rational action and of action oriented to other than economic goals, the discipline that takes account of the normative orientation of action and so that locates economics within the framework of the voluntaristic theory of action. The task of developing such a sociology fell to Max Weber, but that is another story.