

The Tradition of the Cooperative Economy within Different Ideologies

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Abstract

Many public and scientific debates revolve around the contrast between the market and the state. The different ideologies clash when it comes to discuss the relationship between these two institutions. It is rarely recognized that, when we leave aside the state-market-dichotomy, there is common ground for left-wing, right-wing, and liberal ideologies. In each of these three ideological traditions, cooperatives or mutual associations, organizing the production process in a solidaristic way, play an important role. Their existence beyond the market makes them attractive for the left, their independence of the state makes them attractive for libertarians, and that they are a contrast to modern mass society makes them attractive for the right. The exploration of cooperative institutions may help to overcome the growing division between the different ideologies that characterizes Western societies.

1. Introduction

By now, in 2022, I have been reading newspapers for 27 years and I have been following the public and scientific debates on social and economic issues more closely for roughly 17 years. Furthermore, the study and teaching of the history of economics have made me aware of similar debates that took place in the last 200 years. One topic re-appears again and again, and the discussions and arguments that come along with it do not in any way seem to approach a kind of solution or compromise. I am talking about the question as to whether society should be organized more according to the free-market principle or rather more by a central government.

observations. Obviously, these ideologies are not homogenous themselves. There are state socialists and anarchist socialists, for example. It was impossible to do justice to this diversity. What I did instead was to focus mainly on iconic authors such as Alexis de Tocqueville and Robert Nisbet for conservatism, Friedrich von Hayek and Bertrand de Jouvenel for classical liberalism, and Karl Marx and Karl Polanyi for socialism.

Some points must be clarified in advance. First, the term “liberalism” has different meanings in Europe and in the United States. In this paper, I use it to describe the successors of classical liberalism, that is, champions of the free market system. Second, conservatism does not appear in figure 1. The reason is that it is impossible to locate it on the connecting line between the market and the state. Some conservatives stress the responsibility of the individual, others the necessity of a strong nation state.

The difficulty to locate them on the line between the state and the market may be incidental to the fact that conservative authors were the first ones to protest against the separation of the private and the public sphere, the first ones to feel uncomfortable on the connecting line between the state and the market. That is also why I treat their position on cooperative organizations first (section 3). At the time when the first conservative authors wrote, socialism was not yet a relevant ideology. The conservatives protested against classical liberals and their predecessors such as the Physiocrats in France. The relationship between these liberals and the state-market-dichotomy on the one hand, and the role of cooperative organizations within liberalism on the other is covered in section 4. Section 5 finally presents the socialist ideology and its stance on cooperatives. In all traditions, strong preferences exist for solutions that lie beyond states and markets. The paper starts, in section 2, with an explanation of why markets and states must not be understood as opposing institutions.

2. Private property and the central state are two sides of the same coin

When it comes to discuss the roles of the state and the market in organizing society, many participants and observers call for a “third way.” Third way solutions, however, are often nothing more than a certain combination of market and state policies. The citizens stay in one or both of their passive roles as consumers and voters. If there is to be more state intervention, the role of the voter becomes more important, if there is more room for the free market, the role of the consumer comes to the fore. In neither role are citizens viewed as being capable of finding solutions to their problems on their own.

When analysts perceive the human beings they model as being trapped inside perverse situations, they then assume that other human beings external to those involved – scholars and public officials – are able to analyze the situation, ascertain why counterproductive outcomes are reached, and posit what changes in the rules-in-use will enable participants to improve outcomes (Ostrom 2010: 648)

The German Ordoliberalism are a case in point. They opposed both laissez-faire and state socialism and therefore have a reputation for offering a third way solution. Yet, they did not really propose a third principle beyond the state and the market. They advocated a mix of the market and the state. The economy was generally to be organized by the free-enterprise system, whereas the task of the government was to create an undisturbed market, uphold competition, and fight market power (Eucken 2004). Dale (2019: 1056) comments that if we

want to call propositions like this the “third way,” there are hardly any approaches that we could rightfully deny this label.

A “third way” in the true meaning of the term would have to look for a social organization beyond the line that hundreds of years of discussion have staked out between the pure market economy on the one hand and the pure centrally planned economy on the other. This is a particularly important point because, as I will show in the remainder of this section, the modern state and the modern market economy have historically appeared at the same time and have *together* replaced an earlier system of social organization. Both the state and the market fed on the medieval organization of society, and they did so as allies, not as adversaries. They belong together to such a degree that the historical record of the many and fierce debates between the advocates of the market against those of the state would have been hard to predict or even to believe for the social scientists of the 17th and 18th century.

That the market and the state are to a large degree mutually dependent can best be demonstrated if we take a look at the institution of private property. Private property is usually considered as an institution that belongs to the free-market economy, whereas the state is considered to be a foe of private property, regularly restricting it or interfering with it and thereby disturbing the market. However, private property and the modern, centralized state are two sides of the same coin.

In the middle ages, neither private property nor the modern state as we understand the terms were common institutions. In his famous study on Land and Lordship, Otto Brunner (1992) showed that the modern state, claiming the monopoly on legitimate violence, only appeared after the middle ages, in Austria e.g. in the late 18th century. In the middle ages, the public and the private sphere could not be distinguished as easily as today. Landlords, for example, were not merely private owners of land. They had certain powers and rights over and duties towards the residents of their land that we would today consider to belong to the state or the public sphere. Correspondingly, private property of land in our meaning of the term, without public functions, came only into being when this public functions were separated from ownership and the state took control over them by assuming the local administration and judicature. Only at this point a clear distinction could be made between what we call the “political” and what we call the “economic” (Dumont 1977: 6) or between the “public” and the “private.”

Schwab (1975: 94, 99) demonstrates that the development of “private” property must be seen against this background. It was a consequence of the “separation of property and sovereign rights.” The idea that persons were subject to the ruling of non-public property-owners was considered to be unbearable in the era of enlightenment, classical liberalism, and the rule of law. Little by little, property lost all connections to what was perceived to be subject to public law. In other words, property became *private* property because the modern state acquired and centralized the public functions that earlier on had been exerted by property owners, especially land owners.

A similar point can be made for the pre-medieval and medieval communities such as the guilds, which were an alternative organization to the feudal relationships between lords and residents (Black 1984: 4). Originally, guilds were voluntary associations among merchants, artisans, or other groups. According to Black (1984: 17), the medieval cities constrained guilds in the interest of the consumers (Black 1984: 17). In other words, already the central authorities of the middle ages allied themselves with individual citizens – or with their passive

roles – and tried to limit the power of corporations. Later on, the great European revolutions constrained or almost destroyed guilds and similar cooperatives, as we will see in section 3.

The final result of the liquidation of both the feudal society and the guild was the development of a purely economic sphere (the market) on the one hand, and a purely political sphere (the state) on the other (see figure 2). Modern discourse tends to take the separation of these two spheres as granted and naturally given and, as we have seen, revolves around the question as to whether we need more of the free market or more of state planning and interventionism. By the way, the term “interventionism” describes the modern relationship between the state and the market appropriately. It conveys the idea that there exist two separate and unambiguously distinguishable spheres, the state and the market, where one interferes with the other. What remains to be discussed is only the degree to which the state should interfere or intervene.

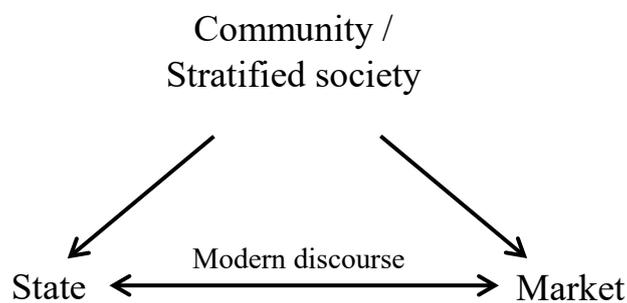


Figure 2: The origin of the state market dichotomy

The public sphere, represented by the administration of the modern state, is characterized by the absence of power of individual persons over other individual persons, at least in principle. Instead, the citizens submit to what Max Weber (1968: 217) called “legal authority.” The typical person of authority, be it a public official or the elected president of the state, are not above the law. Citizens, insofar as they obey a person in authority, “do not owe this obedience to him as an individual, but to the impersonal order” (Weber 1968: 218). Bureaucratic administration in modern society means fundamentally “domination through knowledge.” (1968: 225). One social consequence of “bureaucratic domination,” as Weber calls it, is the equality before the law:

The dominance of a spirit of formalistic impersonality: ‘Sine ira et studio,’ without hatred or passion, and hence without affection or enthusiasm. The dominant norms are concepts of straightforward duty without regard to personal considerations. *Everyone is subject to formal equality of treatment; that is, everyone in the same empirical situation.* (Weber 1968: 225, emphasis added)

In the same way as the development of private property was the flipside of the development of the modern state, also the modern market economy was the flipside of the centralization of power and the bureaucratization of the administration that came along with it. Capitalism with its rationally calculating enterprises and the myriads of contractual relationships among all sorts of natural and legal persons presupposes the existence of formally equal citizens who have (private) property over their bodies and wealth. Equality before the law, however, is only meaningful if there is *one and the same law* for all citizens and a stable, strict, and calculable

administration that enforces the law for all citizens alike. “[C]apitalism in its modern stages of development requires the bureaucracy,” as Weber (1968: 224) expresses it, and accordingly, “the capitalistic system has undeniably played a major role in the development of bureaucracy.”

The centralization of power and administration was a major precondition for the individualization of society and the development of the market economy as we know it. This relationship is reflected in the important social contract theories by Thomas Hobbes and John Locke. Thomas Hobbes only knew two categories. On the one hand, there are the individuals who have to live, in the state of nature, in a constant fight of all against all. On the other hand, there is the state that receives, via a social contract among all individuals, the power to rule over each and every individual in order to secure peace (Deneen 2018: 39). The centralization of power in the modern state is, in the writings of Hobbes, the logical and necessary counterpart of the individualized society where all citizens could live in peace with each other.

Hobbes himself did not focus on the way the individualized society works or what role exactly private property would or should play in it. This point was important for John Locke, a few decades later. For Locke, the state was not necessary originally to generate a peaceful society. Even the state of nature would bring about a stable market economy based on private property. The purpose of the state was rather to protect the natural market economy, that is, the equal ability to compete once it existed (Fukuyama 2011: 86). Otherwise, the wealth and the private property of the rich would be under threat by those who are unable to profit from the free-market system (Fukuyama 2011: 81).

In both Hobbes and Locke, there is a direct connection between the individual and the state and, in the case of Locke, between private property and the state. Intermediate stages or otherwise decentralized institutions do not play a role in their contract theories. The contracts are concluded among individuals in order to create a central power.

3. Conservative alternatives to the state-market-dichotomy

According to Black (1984: xi), the pre-modern, “atavistic notion of community” is “an ideal which both socialists and liberals can, in their own ways, espouse.” In the following, however, I will not focus on authors who preach a return to medieval feudalism, such as Adam Müller or Othmar Spann. My point is rather that there are conservatives, socialists, and liberals alike who try to overcome the strict separation of the economic and political spheres, or, in Ostrom’s terminology, who want citizens to be more than either consumers or voters – citizens who forge their own destiny.

[Ostroms Trennung in Verbraucher und Wähler entspricht der Trennung von Wirtschaft und Politik. Lösungen sind daher zugleich politisch und wirtschaftlich!]

Conservative and reactionary theory flourished in the period after the French Revolution. Conservatives reacted against the tendency of the revolution to destroy all traditional intermediaries between the individual and the state. This tendency was strong. In 1791, for example, the *Le Chapelier* Law aimed at the destruction of all corporations within French society. Not only the feudal corporations of the Old Regime were abolished, but also all forms of trade guilds and any organization of workers or apprentices. The purpose of the law was to

strengthen both the individual and the general interest, i.e., the state. Nothing was to stand between the individual and the state. “Individualism,” as Sagan (2011: 194) expresses it, “was being decreed by the State.”

It is well known that Alexis de Tocqueville carefully demonstrated that the tendency towards the centralization of power and the individualization of society preceded the French Revolution. The absolutist kings of France had already achieved major steps in this direction. Be that as it may, Tocqueville was one of the most important conservative critics of this aspect of the French Revolution. Although he stated several times that he was not fundamentally opposed to the revolution, he elaborated very clearly on the problems and dangers he considered to come along with it.

In particular, he feared the centralization of power and administration in the modern state and the corresponding individualization of the masses. In such a world, the powers that be could easily become abusive and install a tyranny. In “a State where the citizens are nearly on an equality, it becomes difficult for them to preserve their independence against the aggressions of power” (Tocqueville 1835: bk. 1, ch. 3).

Tocqueville argued that in an aristocracy, it is the decentralization of power and the existence of independent, powerful individuals that protects people from the excesses of despotism. If a democracy, where all people are equal before the law, wants to resist despotism, it has to create and uphold institutions that emulate this aspect of aristocracy and guarantee the decentralization of power. Therefore, the only way to prevent despotism in a democracy is that the citizens do not content themselves with their private freedom as subjects – as consumers and voters, we could say – but participate actively in the organization of their local communities as citizens.

[L]ocal assemblies of citizens constitute the strength of free nations. Town-meetings are to liberty what primary schools are to science; they bring it within the people’s reach, they teach men how to use and how to enjoy it. A nation may establish a system of free government, but without the spirit of municipal institutions it cannot have the spirit of liberty (Tocqueville 1835: bk. 1, ch. 5, pt. I).

If those institutions of decentralization are allowed to decay, there will be no possibility to fight totalitarianism once the state and the masses have formed an unholy alliance.

But a democracy without provincial institutions has no security against these evils [despotism]. How can a populace, unaccustomed to freedom in small concerns, learn to use it temperately in great affairs? What resistance can be offered to tyranny in a country where every private individual is impotent, and where the citizens are united by no common tie? Those who dread the license of the mob, and those who fear the rule of absolute power, ought alike to desire the progressive growth of provincial liberties. (Tocqueville 1835: bk. 1, ch. 5, pt. III)

Later conservative writers agreed with Tocqueville’s diagnosis and applied it to the explanation of the totalitarian regimes of the 20th century. According to Robert Nisbet (1990: 171), the merit of Tocqueville’s analysis is that it points directly to the “heart of totalitarianism,” namely the masses and their attitudes. The precondition of the totalitarian regimes of the 20th century, both socialist and national socialist, are “the sweeping dislocations and atomizations” of the majority of the people. The leaders of the totalitarian

state ally themselves with the individualized masses. Their enemy is not the individual, nor the sum of all individuals, but the organized group or community.

The totalitarian order will use force and terror, where necessary, to destroy organized minorities – refractory labor unions, churches, ethnic groups – but to the masses of individuals who are left when these social relationships are destroyed, a totally different approach is employed [i.e., indoctrination] (Nisbet 1990: 173).

Similarly, Deneen (2018: 17) maintains that both the state and the market advance the depersonalization and abstraction that “render us ever more naked as individuals.” The state and the market grow constantly and necessarily together: “Statism enables individualism, individualism demands statism” (Deneen 2018: 17). Like Nisbet, Deneen fears that the destruction of families, associations, and small communities in favor of both the market and the state will end up in a mass society with a totalitarian government.

Considering the dangers of a centralized government and an anonymous mass society, Tocqueville (1840, ch. 5) is of the opinion that a democratic people must acquire the ability to achieve projects together, otherwise they “would soon return to barbarism.” Therefore, Tocqueville admired the Americans for their proclivity to form associations and cooperatives in order to achieve all kinds of political, commercial, and social goals. He praised “the infinite art” with which they succeeded in “setting a common goal for the efforts of a great number of men, and in making them march freely toward it.”

Wherever, at the head of a new undertaking, you see in France the government, and in England, a great lord, count on seeing in the United States, an association (Tocqueville 1840: ch. 5).

Also on this point, later conservatives followed Tocqueville’s lead. Nisbet (1970: 385) criticized the directness of tie that is established between the political government and individual citizens because this process goes along with the “individualization of preexisting social aggregates.” These social aggregates, however, are exactly what we need, according to Nisbet. Nisbet (1969: 9) writes that we must relearn to distinguish between “legitimate authority – the authority resident in university, church, local community, family, and in language and culture – and mere power.” Otherwise, pure power (the state) would grow and ultimately lead, as we have seen above, to a totalitarian system.

What we need then, according to Tocqueville, Nisbet, and other conservatives, is to overcome the strict separation of the economic and the political spheres. What we need are decentralized or polycentric associations, communities, or corporations where citizens cooperate on a traditional or voluntary basis so that the expansion of both the individualized market society and the centralized state are kept within narrow bounds. This point is formulated concisely by Deneen (2018: 42):

We can either elect a future of self-limitation born of the practice and experience of self-governance in local communities, or we can back inexorably into a future in which extreme license coexists with extreme oppression (Deneen 2018: 42).

4. Liberal alternatives to the state-market dichotomy

The conservatives were the first group to fight against the state-market dichotomy and to provide alternative solutions. It must be stressed that at the time they did not yet fight socialistic ideas. These only obtained prominence later in the 19th century. Tocqueville (1856) argued that large parts of the centralization in France had already been accomplished by the *Ancien Regime* in the years before the revolution. “When the Revolution broke out,” he (1856: Ch. 20) wrote, “there were not ten men in the greater part of France who were in the habit of acting in concert, in a regular manner, and providing for their own defense; every thing was left to the central power.”

He did not blame socialistic ideas or reformers for this state of affairs, but, interestingly enough, the *laissez-faire* ideology of the economists or Physiocrats. The Physiocrats were “in favor of the removal of all restrictions upon the sale and conveyance of produce and merchandise,” but “of political liberty they took no thought” (Tocqueville 1856: ch. 15; similarly Black 1984: 160). In particular, most of them

were strongly opposed to deliberative assemblies, to local and subordinate authorities, and to the various checks which have been established from time to time in free countries to counterbalance the supreme government (Tocqueville 1856: ch. 15).

Even Turgot, whom Tocqueville otherwise respected as an educated man and genius, contributed to the centralization of France and the increase of state power. “The reformer Turgot,” he (2001: 303) wrote, “is at the same time very much a centralizer. Not only does he not decrease government paternalism, he increases it while improving it.”

This is a very interesting point. For many classical liberals and libertarians, Turgot was a brilliant champion of liberty and the free market. His 1776 book *Réflexions sur la formation et la distribution des richesses* is considered to be a masterpiece of *laissez-faire* economics (Rothbard 1995). But why is that? Are classical liberals not supposed to be critical of the growth of the state? Why, then, do they praise Turgot and the Physiocrats to the present day?

The point seems to be that for many liberal and libertarian economists, political integration (centralization) and economic (market) integration do not belong together. They consider them to be “two completely different phenomena” (Hoppe 2001: 109). In their viewpoint, the centralization of power is not a precondition for the expansion of the market economy. They consider Turgot’s *laissez-faire* economics to be independent and separable from his absolutist politics. It is therefore possible for them to applaud the former and shrug off the latter. They tend to consider the state to be an “enemy” of private property rights and the market. They ignore Tocqueville’s observation that the Physiocrats in general and Turgot in particular, though critical of state interventionism, did not shy away from enforcing their own *laissez-faire* reforms by employing the power of the absolutist state against the French population. During the “Flour war,” for example, Turgot used state violence in order to put down the farmers who protested and revolted against the consequences of his edicts (Koselleck 1988: 142).

According to Nisbet (1990: 247), also the classical liberals did not provide a check upon the growth of the centralized state. The objective of *laissez-faire* was to “create the conditions within which autonomous individuals could prosper, could be emancipated from the binding ties of kinship, class, and community.” But as the classical liberals considered every form of community to stand in the way of the individual’s emancipation or personal independence

(see also Black 1984: 10, 30, 34), only the state was left as the sole area of reform and security. Similar to the practices of cities in the Middle Ages, “liberty of person” and “property” were considered to be almost identical with “security” – they were a matter of being treated as formal equals and of defending oneself by law under impartial laws and judges (Black 1984: 38, 153). The developing market society depended on the possibility that strangers could trade and conclude agreements on an equal footing and undisturbed by feudal power relationships. In the minds of the classical liberals, radical individualism and centralization of power and administration belonged together (Nisbet 1990: 159). *Laissez-faire*, in Nisbet’s (1990: 247) words, was brought into existence “by the force of the State.”

The direct relationship between *laissez-faire* and the state is a common theme in liberal theory. Especially those liberals who are influenced by neoclassical economic theory tend to think of the state as an instrument that has to create the conditions of perfect competition. The “third way” of the German Ordoliberalists is a very good example. For Eucken (2004: 254 ff.), economic policy must aim at the creation of a perfect market where all relationships among participants are voluntary and not influenced by power of any sort.

Some liberals are quite aware of the close relationship between the state and the market. Hayek (1948: 4) explicitly opposed the “rationalistic individualism” of the Physiocrats. Hayek (1948: 6) was critical of liberals who claimed that individuals are isolated or self-contained and did not see that their whole nature and character is actually determined by their existence in society. He (1948: 5) refers to Edmund Burke who had claimed that an individualistic ideology that considers individuals to be autonomous would rapidly dissolve the commonwealth “into the dust and powder of individuality.” The outcome would be “the opposite of individualism, namely, socialism or collectivism” (Hayek 1948: 4).

Therefore, Hayek did not in any way reject groups, associations, or communities where people organize themselves locally. True individualism even presupposes them. “The consistent individualist ought therefore to be an enthusiast for voluntary collaboration” (Hayek 1948: 16). His emphasis is on the word “voluntary,” of course. Hayek was fundamentally opposed to associations that are brought about by the use of coercion.

However, Hayek does not really leave the state-market-dichotomy behind. When it comes to the organization of large-scale modern societies, he even warns us not to take the moral obligations seriously that used to characterize small groups for thousands of years. These “are kinds of obligations which are essential to the cohesion of the small group,” Hayek (1979: 13) argues, “but which are irreconcilable with the order, the productivity, and the peace of a great society of free men.” The modern market society is organized according to more anonymous and abstract principles:

As the abstract signal-price thus took the place of the needs of known fellows as the goal towards which men's efforts were directed, entirely new possibilities for the utilisation of resources opened up (Hayek 1979: 7).

But even though Hayek does not seem to go far beyond the state-market-dichotomy once this would mean to sacrifice the dominance of the abstract price system, other classical liberals and libertarians do. In a chapter on “Individualism versus Community,” Krinsky (2020: 163 ff.) demonstrates that not all, but some sub-groups of liberals and libertarians do not in any way warn against or oppose community or solidarity as long as they are voluntary. They

simply dislike governments that promote or constrain communities by force and that redistribute money that they take away from one group of citizens to give it to another group.

Particularly when it comes to criticize the social policies of the modern welfare state, important libertarian commentators leave the state-market-dichotomy behind. They do not focus on the way these policies allegedly or actually interfere with the free market and the abstract rules that govern modern, individualized societies. They dismiss the welfare state because they consider it to destroy solidarity among citizens and associations that go beyond both the state and the market. According to Charles Murray (2008: 11), the “welfare state drains too much of the life from life [...] by stripping the institutions of family and community of many of their functions and responsibilities.”

The liberal philosopher Bertrand de Jouvenel was particularly aware of the dangers that result from a close alliance between the state and the market. For him, the individualistic market economy and the unconstrained state with unlimited power go hand in hand. Jouvenel (1949: 172) speaks of an “unending war waged by Power against the other authorities which society throws up.” This war is led in the name of the individual, but in the interest of the state. It will end, according to Jouvenel (1949: 172),

[i]n the destruction of all other command for the benefit of one alone—that of the state. In each man’s absolute freedom from every family and social authority, a freedom the price of which is complete submission to the state. In the complete equality as between themselves of all citizens, paid for by their equal abasement before the power of their absolute master—the state. In the disappearance of every constraint which does not emanate from the state, and in the denial of every pre-eminence which is not approved by the state. In a word, it ends in the atomization of society, and in the rupture of every private tie linking man and man, whose only bond is now their common bondage to the state. The extremes of individualism and socialism meet: that was their predestined course.

The counter balance to the state, according to Jouvenel (1949: 287), is therefore not the individual or the free market. The counterweights are, “in all times the various conglomerations of interests and loyalties which arise spontaneously in society and which Power seeks instinctively to dissolve.” For Jouvenel’s own time, these were, among others, the “syndicates of workmen and employers.” It is these associations, the intermediary powers between the state and the individual, that guarantee freedom. Therefore, the goal of liberalism must not be the installation of markets, let alone perfect markets, but the inherent right of communities, associations, and corporations.

The logical way to remedy this would have been to let free associations develop, whether they were founded on locality or function, and to restore to a position of complete independence the processes of forming and administering the law. (Jouvenel 1949: 294).

I would like to finish the section on liberals with a side note on libertarians and market radicals. In recent publications, even the anarcho-capitalist Hans-Hermann Hoppe stresses that a world without a state would transcend the state-market-dichotomy. Such a world would not merely be a pure market. Instead, the world would be characterized by polycentric structures. There would still be people and institutions of power or authority, there would probably be hierarchies, orders, councils, assemblies, guilds, clubs, etc., each with their own

rules. What would be different is that there would not be only one authority, that of the State, but many authorities (Hoppe 2018). I must add that I doubt whether that means that Hoppe has actually relativized the importance of the market. But it shows that libertarians like himself are not stuck in a world where there are only two alternatives: The pure market and pure power.

5. Socialistic alternatives to the state-market-dichotomy

When it comes to socialism, it is probably even less possible than for conservatism and liberalism to speak of it as one coherent ideology. One hundred years ago, Griffith (1924) was already able to list 261 different definitions of the term socialism.

What can be said for sure, however, is that pre-Marxian socialism strongly emphasized the importance of consumer and worker associations. Schumpeter (1954: ???) even speaks of “associative socialism.” To mention only a few, Robert Owen attempted to create worker cooperatives and inspired others such as the Rochdale Society of Equitable Pioneers. Charles Fourier is famous for his plans to organize society based on the cooperation of people in communities of 1600 individuals each that he called “phalanxes.”

More importantly, however, the thought of Karl Marx and Friedrich Engels tended to transcend the state-market-dichotomy. True, they labeled associative socialism as utopian. But they were convinced that the state would wither away once the classless society was achieved. The state, in their eyes, was but a necessary means, not the goal of socialism. Engels wrote in a letter to August Bebel:

[T]he state is merely a transitional institution of which use is made in the fight, in the revolution, to keep down one's enemies by violence [...]; so long as the proletariat still makes use of the state, it makes use of it, not for the purpose of the freedom of its enemies, but of keeping them down and, as soon as there can be any question of freedom, the state as such ceases to exist (Bebel 1911: 322).

When it comes to the organization of communist society, however, the position of Marx and Engels on the role of cooperatives is unclear. There are obvious signs of decentralism in their writings, but they are far from providing an unambiguous view on the matter (Prychitko 1988). On the one hand, they noted that a postcapitalist society would have a strong tendency toward economic and political self-management or self-government (Lorenzo 2013: 63). On the other hand, however, they feared that cooperatives could also be a dead end. As long as cooperatives are only one ingredient in an otherwise capitalist society, they would be a trap because they would not bring about the revolution. Only when cooperatives were grouped together into a federation, they could evolve into a communist society by making it feasible to have overall planning, without which communism could not exist (Lorenzo 2013: 77). The relationship between local cooperatives and central planning was not really clarified by Marx and Engels.

Still, there was always a tendency within socialism towards the endorsement of cooperation that goes beyond the state-market-dichotomy. Karl Polanyi, for example, interpreted the relationship between the market and the modern state very similarly to the conservative Robert Nisbet. Like Nisbet, Polanyi claimed that the state and the market are not antagonists, but belong closely together. *Laissez-faire* was “enforced by the state” (Polanyi 2001: 145).

The classical liberals, Polanyi argued, had used the state in order to install their vision of a free society.

In practice this meant that the noncontractual organizations of kinship, neighborhood, profession, and creed were to be liquidated since they claimed the allegiance of the individual and thus restrained his freedom (Polanyi 2001: 171).

In the same way as many conservative observers, Polanyi (2001: 145) remarked that the flipside of the classical liberal coin was “an enormous increase in the administrative functions of the state” and a “central bureaucracy” whose task was to “fulfil the tasks set by the adherents of liberalism.”

As he realized the dangers that come along with the separation of the economic and the political sphere, Polanyi (2001: 178) praised the “genius” of the socialist reformer Robert Owen for his attempts to organize workers in cooperatives on a local level, that is, beyond the state-market-dichotomy.

Just like Marx and Engels, Polanyi remained unclear when it came to his conclusion. On the one hand, he called for an end of the separation of politics and economics (Polanyi 2001: 263) and once more singled out Robert Owen (Polanyi 2001: 268). This would indicate that he endorsed (worker) cooperatives as a general solution for social and economic issues. However, he also seems to have endorsed the “passing of market-economy” in favor of the state. He (2001: 265) explicitly stated that “regulation and control can achieve freedom not only for the few, but for all.” In these statements, he appears to be stuck in the state-market-dichotomy and to simply move away from the market and closer towards the state.

More recently, Wolfgang Streeck has commented extensively on the relationship between states and markets. He explicitly follows Polanyi, and like the latter, he is ambiguous on the question as to whether the solution lies beyond the state-market-dichotomy. In his critique of globalization and the large political entities characterizing it – e.g., the European Union – Streeck (2021: 437 ff.) praises the role of the classical nation state in constraining the market. However, when it comes to the optimal size of the nation states, he acknowledges that states should not merely be the abstract locus of administration. True and effective participation of citizens, which is more than merely casting a ballot every other four years, becomes unlikely in larger states. The smaller, the better, Streeck (2021: 444 ff.) argues.

...

Also the cooperative movement in the tradition of Robert Owen is still alive in socialist circles. Lindenfeld (2003: 578) declines capitalism (“Corporate capitalism sucks”), but he (2003: 579) understands the motto of the Eastern Europeans in the 1990s, which was: “state socialism sucks!” A third way would have to find solutions beyond state socialism and capitalism and include consumer and worker co-ops, employee owned companies, credit unions, community development loan funds, service credit systems and local barter and service exchange networks (Lindenfeld 2003: 579).

6. Conclusion

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