CHAPTER V

Centrism and Decentrism

The Dividing Lines in Social Philosophy and Economic Policy

I return once more to the subject of inflation, which we have just examined from all sides, in full awareness of its overwhelming importance. I would like to relate an experience I had a few years ago. It so happened that on one and the same day I came across two statements, both of which concerned money but which arrived at such completely divergent and indeed irreconcilable conclusions that they were explicable only as being derived from two opposing social philosophies. One was made by a distinguished American economic expert. The very title of the article which contained it was provoking: "Inflation or Liberty?" It was an early warning of the danger of progressive inflation, the kind of warning which must now be recognized by all as justified. The author came to the conclusion that a nation can preserve its freedom only with the help of sound money but that in a modern mass democracy the monetary system could not remain sound if it was at the mercy of government, parliament, political parties, and powerful pressure groups in the absence of sufficient countervailing forces. The other statement reached me through a German news agency. A university professor of moderate socialist tendencies violently criticized the "fatal deflationary policy" of the German central bank and demanded that "the democratic means of guiding the economy, namely, money and credit, should be placed in the hands of democracy."

It is unlikely that this socialist would repeat today what he then propounded so passionately. The American, on the other hand, would have every reason not simply to warn but to implore. It follows that the socialist was wrong on a matter of economic policy, while the American was right. The inflationary pressure which the latter feared has now become so obvious that even the socialists must subordinate all other considerations to the need for an effective barrier to inflation.

But this is not what interests us in this context. The point I wish to make is the sharp and irreconcilable clash of two opinions on one of the most important questions of the economic and social order. It is difficult to think of a compromise between the two principles here involved. Either it is right and desirable that monetary and credit policy should be operated like a switchboard by a government directly dependent upon a parliamentary majority or, worse still, upon some non-parliamentary group posing as the representative of public opinion. Or, conversely, it is right and desirable to counteract such dependence. Either it is wise to put all the eggs into one basket or it is not. It is perfectly obvious that the German professor's opinion, which rested on a characteristic though, as we know today, unfounded fear of deflationary policies on the part of the central bank, was as firmly grounded upon profound social convictions as was the American economist's contrary opinion.

We are in the presence of a case which reveals a fundamental cleavage of thought within social philosophy and economic policy. It teaches us how important it is to mark the dividing lines clearly in the everyday strife and conflicts of political opinion. The better we succeed in doing so, the more we may hope to understand the meaning of political differences and to reduce the conflict to an honest and generally recognized opposition of basic convictions. Not the least of the merits of such an undertaking is that it leads
us to examine our own conscience and make our own choice. What are we, really? Liberals? Conservatives? Socialists? And if we are one or the other, why? And whither does it lead us?

Our example suggests that we may begin with a contrast which, while not the most important, is closely connected with other and more profound contrasts. We might say that a man whom we would call an inflationist is here in conflict with another whom we might call a deflationist. There is some justification in putting things in this manner. Each of us obviously tends, by temperament, either to think that inflation is a lesser evil than deflation or vice versa; or, in other words, either to fear deflation more than inflation, or vice versa; or, in yet other words, to be quicker in recognizing the dangers either of inflation or deflation. The reader will, at this stage of the book, not be in the dark about the author's views. I would go so far as to deny the justice of calling anyone a deflationist in the same sense in which his opposite number may be called an inflationist, for the simple reason that, as we know, there exists an asymmetry between inflation and deflation. Inflation is a poison whose initial effects are mostly pleasant and which reveals its destructive powers only later, while deflation is a process of general disadvantage from the outset; for this reason it is possible to want inflation, but deflation can at best be accepted as a possibly lesser evil. Hence we may speak of inflationism as an attitude not only of defending but possibly desiring inflation, and it is, in fact, a powerful and ancient current in economic history. Nothing of the kind can be said of deflationism.

To examine inflationism and deflationism in detail and to analyze their motives is a task which is as rewarding as it has hitherto been neglected. Let us look at some of the most important factors. First of all, inflationism has an exaggerated predilection for continuous growth, for rising figures (including the population figure), for quantitative progress—in short, it has a tendency to make sacrifices to expansion within limits which are too widely drawn. We are again reminded of Faust, in his old age this time: this kind of expansionism wishes, as he did, to "see such a throng" and "furnish soil to many millions." It rejoices in steeply rising curves and is prepared to pay for them by letting the curve of the value of money go down, at least for longer than is safe. Such expansionism implies very many other things, too: if necessary, it is willing to sacrifice the more remote future to the present, whether its adherents say, with the eighteenth century, "après nous le déluge" or, in Keynes's more modern terms, "in the long run we are all dead"; it has no feeling for those invaluable reserves of society which ought not to be used up as fuel to keep the boiler of expansion going, including one of the most precious reserves of all, namely, respect for money and the inviolability of its value; it is against anything bourgeois, against the creditor, against the rentier, to whom, like Keynes, it wishes at best a painless death. Expansionism is futuristic, optimistic, and much else besides; the deflationist, or, as we would prefer to say, the anti-inflationist, is the opposite in all respects.

At this point of our argument we are anxious to probe deeper. We want to resolve the contrast between inflationism and anti-inflationism into a wider and more general one so that we may gain a vantage point from which to view the ultimate conflict between two social philosophies and two currents of economic policy. I have in mind the conflict between "left" and "right" in thought, between a tendency towards what I called "progressivism" and discussed in detail in my earlier book Mass und Mitte and one towards "conservatism"—although I hardly like to use this expression nowadays because in most countries of the Western world it carries undesirable associations.

In order to make the transition from our example to this more general and important dividing line, we recall once more that our unhappy socialist, expansionist or inflationist as he was, objected to the independence of the central bank and demanded that it be subjected to the will of "democracy." Our American, on the other hand, who was convinced that inflation is a danger which always
lurks in the background and now threatens us immediately, felt quite certain that a barrier must be erected against government domination of money. This was precisely the essence of the gold standard; after its demise, the only barrier remaining is the independence of the central bank, and it must be defended all the more obstinately. One of our spokesmen wants to concentrate responsibility for money in the hands of government and to subject it to politics; the other wants a division of power, an articulated system of checks and balances, decentralization, and hence the withdrawal of money from politics.

The first talks of the need to put money, the "democratic means of guiding the economy," into the hands of a government acting at its own discretion and according to a comprehensive plan, so that the government may conduct an economic policy which is called "progressive," guarantee "full employment" and thereby the power of trade-unions, and guide the course of the economy according to the wishes of the "people." In advocating all this, our German professor expresses a certain social philosophy diametrically opposed to that of his American counterpart. In this particular question, as in others, he takes a line common to the Jacobins of the French Revolution and all of their many spiritual heirs. The ideal of democracy is seen, not in a well-articulated state with balanced and therefore mutually limiting powers, but in centralized power of a kind which is unlimited in principle and can in practice be wielded all the more freely as it is supported by the fiction of the sovereign will of the people. This Jacobin excludes or repudiates the idea that, in so far as, like Montesquieu (Esprit des Lois, Book XI, Chapter 2), we attach more value to the freedom of the people than to its imaginary "power," democracy can derive nothing but benefit when power, of whatever origin, is split up and its mistakes and abuses thereby limited. A man who looks with suspicion upon a central bank which has not yet become a pliable tool of centralized state power reveals himself as one of those "eternal Jacobins" to whom any manifestation of independence and autonomy is a thorn

in the flesh, whether it be the free market, free local government, private schools, independent broadcasting, or even the family itself. Any institutions which still preserve some independence, whether central banks or pension funds or anything else, are, to repeat the simile, so many Bastilles which have to be razed to the ground.

Clearly, we are faced by two types of social thought to which most specific conflicts may be reduced without difficulty. We seem to be standing on a ridge from which we have a wide view into the valleys on both sides. Here is the parting of minds. Some are attracted towards collectivity, the others to the members which compose it. The former look at the structure of society from the top downwards, the latter from the bottom upwards. The first seek security, happiness, and fulfillment in the subordination of the individual and the small group to a deliberately and strictly organized community, which, from this point of view, is all the more attractive the larger it is; the others seek these benefits in the independence and autonomy of the individual and the small group. The difference in social outlook closely resembles another difference between two modes of thought: one which has a strange predilection for everything contrived, man-made, manufactured, organized, and intricately constructed, for the drawing board, blueprint, and ruler; and another which prefers what is natural, organic, time-tested, spontaneous, and self-regulating, and which endures through long eras. Still another difference in outlook is connected with this. On the one side are those who believe that society and economy can be reconstructed from above and without considering the fine web of the past. They believe in radical new beginnings; they are reformers inspired by an optimism that is apparently proof against any failure. On the other side are those who possess a sense of history and are convinced that the social fabric is highly sensitive to any interference. They deeply distrust every kind of optimistic reforming spirit and do not believe in crusades to conquer some new Jerusalem; they hold, with Burke, that the true
statesman must combine capacity for reform with the will to prudent preservation.

Before continuing with this attempt to characterize the two types of social thought, we must confess that while we are most anxious to find a name for them, the task is a somewhat embarrassing one. We tried to give a provisional indication with the expressions “progressivism” and “conservatism,” but we had to desist at once because the label “conservatism” is too discredited, at any rate on the European continent. Even with all kinds of qualifications, tiresome misunderstandings would still be inevitable. We do not get much further by contrasting “individualism” and “collectivism” because this would imply some sort of exaggeration in both cases. Nor are “liberalism” and “socialism” the right words. They have both become indispensable in the vocabulary of politics, but for this very reason they have become blurred by use and have collected so many shades of meaning and associations that they are useless for our purpose, especially since they signify something different in nearly every country. What we need is a terminology which is not only new, fresh, and unburdened by associations but which also characterizes at least some essentials of the great contrast. What we have said so far in this chapter suggests the solution of calling the Montagues and Capulets of our play by the names “centrists” and “decentralists.”

It should be clear by now that we are in the presence of two contrary principles which determine and mark all aspects of social life—politics, administration, economy, culture, housing, technology, and organization. If we take both concepts in a broad sense and explore their implications to the end, they will be revealed as two principles which express what is perhaps the most general contrast in social philosophy. Whether our ideal is centralization or decentralization, whether we regard as the primary element in society the individual and small groups or the large community, that is, the state, the nation, and the collective units up to the utopian world state—these are the questions which ultimately consti-

tute the watershed between all the currents of thought and points of view which we have so far confronted with each other. This is where federalism and local government clash with political centralization. It is here that the friends of the peasantry, the crafts, and middle classes, and the small firm and of widely distributed private property and the lovers of nature and of the human scale in all things part company with the advocates of large-scale industry, technical and organizational rationality, huge associations, and giant cities. This is the most across which the eternal dialogue goes on: on one side are those who think that the economy is best planned by the market, competition, and free prices and who regard the decentralization of economic decisions among millions of separate producers and consumers as the indispensable condition of freedom, justice, and well-being; on the other side are those who prefer planning from above, with the state’s compulsory powers. And so it goes.

The centrist is none other than the social rationalist, whom we met before. Seen from his central point, the individual is small and eventually dwindles to a statistical figure, a building brick, a mathematical magnitude encased in equations, something that can be “refashioned,” in short, something that may well be lost sight of. We know with what optimism our social rationalist views the success of his constructions and refashioning. By contrast, the decentralist, who thinks in terms of human beings and also knows and respects history, is skeptical or pessimistic and in any case bases his arguments realistically and unsentimentally upon human nature. The centrist is doctrinaire, the decentralist undogmatic and unideological. The latter prefers to hold on to established principles; he is swayed more by a hierarchy of norms and values, by reason and sober reflection, than by passions and feelings; he is firmly rooted in ultimate and absolute convictions for which he requires no proof because he would regard it as absurd not to believe in them.

We see also that the centrist is what we have called a moralist, a
moralist of the cheap rhetorical kind, who misuses big words, such as freedom, justice, rights of man, or others, to the point of empty phraseology, who poses as a paragon of virtues and stoops to use his moral claims as a political weapon and to represent his more reserved adversary as morally inferior. Since, again, he looks at things from on high, well above the reality of individual people, his moralism is of an abstract, intellectual kind. It enables him to feel morally superior to others for the simple reason that he stakes his moral claims so high and makes demands on human nature without considering either the concrete conditions or the possible consequences of the fulfillment of those demands. He does not seem capable of imagining that others may not be lesser men because they make things less easy for themselves and do take account of the complications and difficulties of a practical and concrete code of ethics within which it is not unusual to will the good and work the bad.

The “left” moralist all too often reaches the point where his big words of love and freedom and justice serve as a cover for the exact opposite. The moralist, with his lofty admonitions, becomes an intolerant hater and envier, the theoretical pacifist an imperialist when it comes to the practical test, and the advocate of abstract social justice an ambitious place-hunter. These moralists are a world apart from the decentrists’ attitude, of which the hero’s father in Adalbert Stifter’s Nachsommer says that man does not primarily exist for the sake of human society but for his own sake, “and if each one of us exists in the best possible manner for his own sake, he does so for society as well.” I used to know an old servant who had discovered this wisdom for herself; she always wondered why so many people kept racking their brains about how to do good to others, while, so she thought, it would surely be better if everyone simply and decently did his duty in his own station. The decentist’s moral ideal frequently enough amounts to a desire to make the world into a place where, to quote Goethe again, everyone is nursing his neighbor—which presupposes a centralized compulsory organization.

The further we proceed with our analysis of the two modes of thought, the more we are led to assign each attitude to one or the other camp. The contrast between centrist and decentrist is, in fact, unusually comprehensive. In the economic sphere, the contrast is most clearly epitomized by monopoly and competition, and the collectivist economy corresponds to the centrist’s ideal, just as the market economy corresponds to the decentrist’s. Every economic intervention is a concession to centrist—made lightheartedly and in pursuit of his own ideal by the centrist and unwillingly by the decentrist. The latter demands strict justification for all concessions, and the burden of proof is on their advocates because it is his principle that there is always a presumption in favor of shifting the center of gravity of society and economy downwards, so that every act of centralization and every upward shift of the center of gravity requires convincing proof before the decentrist will condone such deviation from his ideal.

The position of equality and inequality cannot be in doubt. Equality and uniformity obviously belong to centrist; inequality, diversity, multiformity, and social articulation to decentrist. This requires no further explanation, but there is a special problem here upon which we touched earlier (Chapter IV, Note 6), namely, the particular form of “equality of opportunity.” This problem reminds us that life is not an equation which is solvable without a remainder; unless we are very careful, decentism might involve itself in self-annihilating contradictions on this point. The ideal of decentism, in common accord with one of the unchallenged aims of liberalism, certainly demands that individuals should try their strength against each other in free competition, and this implies that they start the race from the same starting line and on the same conditions. Is it, then, to be a continuous race of all for everything? Do we always have to be on the lookout for better opportunities, wherever they may appear? Do we always have to regret the opportunities we missed and always chase after those we think are better? This cannot be the true meaning of the ideal. If it were so, it would obviously be a dangerous ideal and one most uncongenial to the
decentrist, and to pursue it would cause general unhappiness. Our star witness, Tocqueville, observed long ago that the Americans, in whose country equality of opportunity always held pride of place, are so dedicated to the restless hunt after better opportunities that they end up as nervous and ever dissatisfied nomads.

An uncommonly impressive and at the same time repellent symbol of such a race of all for everything is to be found in the spectacle that memorable day, more than half a century ago, when a part of the territory of the present state of Oklahoma (the land had been taken from the Indians) was thrown open to settlers. They were waiting at the border, and at the shot of a pistol they all rushed forward from this completely equal starting line to compete for the best plots of land. Surely it must be obvious to everyone that nothing could be more unwise or dangerous than to turn society into such a continual race. Even if the production of goods could so be maximized, it would not be worth the price. Men would be incessantly on the move; culture, happiness, and nerves would be destroyed by an unending to and fro and up and down from place to place, from profession to profession, from one social class to another, from “shirt sleeves” to a fortune of millions and back to “shirt sleeves.” No, the deeper—we might say here the conservative—meaning of decentrism is that it behooves us to bethink ourselves of the indispensable conditions for a sound and happy society. These are a certain stratification of society, respect for natural developments, a modicum of variety and of horizontal and vertical social articulation, family traditions, personal inclinations, and inherited wealth. From this point of view, it is, for example, by no means foolish if a country’s townships or districts try to preserve their character to some extent by not immediately granting every newcomer the same rights as are enjoyed by the original inhabitants.

It is not good if all the sons of peasants and bakers should become, or wish to become, physicians, clergymen, or clerks. It is true, now as always, that it is highly desirable that men should

have the happy feeling of being in the place where they belong—indeed, it is truer than ever in our age, when this feeling has become so rare because of the ideal of the race of all against all. Frédéric Le Play, the nineteenth-century engineer and sociologist, was not so stupid when he discovered an important mainstay of society in the familles-souches, the families in which profession and economic and social position are handed down from father to son. Finally, it deserves to be stressed that if equality of opportunity is to be achieved by socializing education, envy and resentment will only be exacerbated. If everybody has the same chances of advancement, those left behind will lose the face-saving and acceptable excuse of social injustice and lowly birth. The weakness of mind or character of the overwhelming majority of average or below-average people will be harshly revealed as the reason for failure, and it would be a poor observer of the human soul who thought that this revelation would not prove poisonous. No more murderous attack on the sum total of human happiness can be imagined than this kind of equality of opportunity, for, given the aristocratic distribution of the higher gifts of mind and character among a few only, such equality will benefit a small minority and make the majority all the unhappier.

In order not to stray from the right path, we must always remember that the ideal of decentrism requires us to stand for variety and independence in every sphere. However, it would be equally wrong if we were to confuse decentrism with particularism or parochialism and with parish-pump politics—that is to say, with a narrow-mindedness which can’t see the forest for the trees. This is not what is meant. The decentrist must in all circumstances be a convinced universalist; he must keep his eye on a larger community which is all the more genuine for being structured and articulated. His center is God, and this is why he refuses to accept human centers instead, that is, precisely that which consistent centrism, in the form of collectivism, intends to present him with. This is how he understands the inscription placed on Ignatius de
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Loyola's grave: "Not to be excluded from the greatest, yet to remain included in the smallest, that is divine." This, no doubt, is also what Goethe had in mind when he said:

I am a citizen of the world,
I am a citizen of Weimar.6

The right spirit is one which enables us to combine an overall view with a sense of the particular. On the one hand we should cultivate a universal approach to all intellectual, political, and economic matters and reject narrow views and actions and, above all, intellectual, political, and economic regionalism and nationalism; on the other hand, we should prize variety and independence at all levels and in all spheres, on the basis of the common patrimony of mankind, which is beyond all levels and spheres.

Apart from many other insights which the centrist lacks, the decentralist also knows that it is always easier to centralize than to decentralize and to widen the powers of the state than to curtail them. There is yet another thing which the decentralist knows better, and this is that the centrist's path is bound to lead to regions where the air of freedom and humanity becomes thinner and thinner, until we end up on the icy peaks of totalitarianism, from which nations can hardly hope to escape without a fall. The trouble is that once one takes this road, it becomes increasingly difficult to turn back. Centrism is in danger of encountering no check any more, least of all in itself. The obsession of uninhibited centrism can, like so many other things, be illustrated by a story from the world's store of legends. It characterizes with exaggerated symbolism both the direction of the march and the secret wishes of its leaders. I have in mind the story of Caligula, who is reported to have expressed the wish that the people of Rome might have but a single head so that it could be decapitated with one stroke. Caligula's wish has always remained the symbol of a kind of centrism which is tyrannical because it knows no limits and also a symbol of the inevitable end to which centralization must lead.

The temptation of centrism has been great at all times, as regards

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both theory and political action. It is the temptation of mechanical perfection and of uniformity at the expense of freedom. Perhaps Montesquieu was right when he said (Esprit des Lois, XXIX, 18) that it is the small minds, above all, which succumb to this temptation. Once the mania of uniformity and centralization spreads and once the centrists begin to lay down the law of the land, then we are in the presence of one of the most serious danger signals warning us of the impending loss of freedom, humanity, and the health of society. A century ago, John Stuart Mill wrote: "If the roads, the railways, the banks, the insurance offices, the great joint-stock companies, the universities, and the public charities, were all of them branches of the government; if, in addition, the municipal corporations and local boards, with all that now devolves on them, became departments of the central administration; if the employés of all these different enterprises were appointed and paid by the government, and looked to the government for every rise in life; not all the freedom of the press and popular constitution of the legislature would make this or any other country free otherwise than in name. And the evil would be greater, the more efficiently and scientifically the administrative machinery was constructed."

The Web of Human Relations

The dangers and temptations of centrism are the more considerable because of their great variety. We must always be on guard against unwittingly making concessions to centrism or promoting it against our intentions. The world is full of centrists who neither want to be centrists nor realize what they are; these are the liberals or conservatives who reject federalism, the anti-collectivists who flirt with monopoly or government intervention in the economy, humanistic Europeans who support an economocratic organization of our continent, and many others.

In approaching the end of this book, it should hardly be necessary to point once more to the most striking and well-known symp-
and officiousness. A bad-tempered tax collector can let himself go with both his subordinates and with the taxpayers at his mercy; the psychologically unbalanced foreman can become the factory tyrant and intimidate all the other workers. But however irritated or worried the greengrocer may be, he has to pull himself together, without, on that account, having to feel that he is the slave of his customers.

The worst is that this organizational revolution also catches up with those who do not as yet belong to some large concern and who still have their professional independence. What, for example, has happened to the medical profession? The life of physicians—especially in highly centralized welfare states—has become utterly exhausting because they are now involved in a situation of double dependence: the old, horizontal market dependence in relation to their patients, and the new, vertical, organizational dependence in relation to the health-insurance funds. It is nothing short of a tragedy that this vice should have gripped precisely the profession upon whose calm and composure our life and health depend.

At first sight these considerations constitute a new and impressive proof of the superiority of the market economy over any kind and degree of collectivist economy. It is impossible to overstate the value of the impersonal integration of people through the market in comparison with their conglomeration in a collectivist economy, however much the former may be maligned and however much we may have had to criticize it even in this book. But it does have the merit of co-ordinating rather than subordinating people. The market and power do not go well together, and anyone who wished to use his strong position vis-à-vis some buyer or seller to establish a dominating relationship of more than transitory duration would find it difficult to do so unless he could count on government support. As long as there exists a genuine market, economic power will remain precarious, and co-ordination will not easily be transformed into subordination. On the other hand, it is one of the most damning things to be held against collectivism in any shape
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or form that, with the exception only of the few who hold the power to plan and direct, it presses men inescapably into vertical and personal relations of subordination and so robs them of freedom. If the socialists, incorrigible centrists as they are, demand such an economic order in the name of freedom, they afford a most depressing proof of the aberrations of which man is capable when he is blinded by political passion.

However, the medal has an obverse side which we must not overlook. In the measure in which the number of independent people shrinks and in which the large concern and mass organization become typical of our times, in that same measure the market economy loses some of its advantages over the collectivist economy. The web of human relations is impaired even within the market because of concentration within the market. It is true that as long as the market economy survives it will remain incomparably better than the collectivist economy in this respect. In the market economy there always remains some independence, and there are a thousand ways of escape and protection: change of profession or job, free trade-unions, the rule of law, and many others. And if anyone is fed up with the whole thing, as thousands are today in the oppressive air of their welfare state, then he can emigrate to some place where centrist is still kept within bounds. Nevertheless, this is a problem which is certainly becoming more and more serious.

It is only natural that the people who are caught in the hierarchy of dependence should look for some compensation. They will try to loosen the bond of subordination and to narrow down the area of arbitrariness and chance. Every step in this direction will be counted a blessing. Everything possible should, of course, be done to alleviate the human problem of large organizations and concerns. This scarcely needs stressing today, when expressions like "working climate" and "human relations" are on everybody's lips. A justified claim in this connection is that the subordinates should have a share in the responsibility and a say in the affairs or even in the management of their company or organization so that sub-

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ordination may be mitigated by elements of co-ordination as far as this is at all possible in a setup based, by nature, on subordination.8

Another consequence of the process of concentration reveals the full extent of its danger to society and the economy. Suppose that a hitherto independent plumber goes to work in a factory; subordination will disturb his inner balance, and he will try to re-establish it by tending to vote for a political party which promises to make life hard for the bosses. It will depend on circumstances whether he chooses the Socialist or the Communist party. Generally, he will also join whatever union looks after his trade in order to gain at least moral support. Nowadays, when full employment or overfull employment seem to loosen dependence, he may well feel that the price of permanent inflationary pressure—which, he may or may not realize, has to be paid—is not prohibitive as long as the wage-price spiral has not become so obvious that even the trade-union leaders' sophisms cease to make any impression on our plumber's sound common sense. On the other hand, we have seen earlier that these trade-union leaders have their own particular reasons for wanting to press an expansionary wage policy at all costs.

It is understandable enough that the trade-unions should have developed as a kind of defensive reaction to the fact that subordination has become the dominant principle in human relations. This situation has resulted from concentration and the increase in dependent wage earners, and the reaction is mainly moral. But a new danger threatens the dependent worker. The trade-union itself becomes one of those "organizations" which are an expression of growing concentration; it creates, in its turn, new vertical dependences and new hierarchies with an above and a below, with bosses and subordinates. This kind of dependence may become intolerable and overshadow anything that an industrial company may impose on its workers and employees, whenever trade-unions obtain the right to dictate that no one may be employed in a com-
pany or profession without belonging to the union. In Anglo-Saxon countries, this occupational monopoly is known as the union shop or the closed shop.

If the courts and the legislature are weak or injudicious enough to tolerate such a monopoly, they must take their share of the blame for a tyranny that is more brutal than any other because it can impose its will by the threat of robbing a man of any chance to earn his living. Both the British press and the American press have recorded hair-raising examples of such trade-union tyranny. Things have come to such a pass that in the United States the “right to work” has assumed an entirely new meaning and now signifies that the worker’s job is to be protected from the monopoly powers of the trade-unions. It is an eloquent commentary on our times that even this elementary measure is meeting with such obstinate resistance on the part of the “progressives” and that it has thus far been enacted in only nineteen of America’s fifty states.

Whichever way we look at things and whatever consequences we consider, there can be no doubt that if dependent labor, which already is in an overwhelming majority in most industrial countries of the West, goes on increasing, this will create a very disturbing problem. The immense danger of the process lies in its being a process of concentration corresponding to the concentration of firms. The number of firms which transform previously independent workers into dependent workers grows, and so does the average size of firms, for a variety of reasons. At the same time, trade-union power and all of its familiar consequences are strengthened. If we take all this into account, there is every justification for asking the anxious question of whether genuine democracy and a free market economy are, in the long run, compatible with a state of affairs in which the crushing majority of the population consists of dependent wage and salary earners.

The least that can be said about it, and surely something which no one will deny, is that it is a problem whose long-term importance

is second to none. It is a key problem which must be solved if democracy and the market economy are to survive. We should not despair of finding a solution, but we must not expect it to be easy and simple. For this reason we cannot discuss it here as it deserves to be discussed. But we can mention three pointers towards a solution. First, we should do everything we can to brake or even reverse the process of dwindling independence whenever and wherever this is possible without real damage to economic rationality. Secondly, we should do everything we can to mitigate the rigidity of vertical subordination as much as the structure of productive organization and the nature of the market economy permit. Thirdly, we should do everything we can to strengthen the counterweights in fields other than labor dependence, the most important of these counterweights being private property.

This program should rally all supporters of our free economic and social order. But the first point may perhaps need some amplification. It implies that if one subscribes to the view that the process which transforms our society into one of dependent labor is disastrous, then one has to face the question how to counteract a further concentration of firms. This is the test case for the decentrist. It is of no avail to look to the government for new compulsion and new legislation, which would only acerbate centrist elsewhere. The decentrist must prove his worth by his support for all the forces, whatever they be, which counteract concentration. Pains-taking research would be needed to discover how, ultimately, the government itself, by means of its laws, its tax system, and its economic and social policies, continuously and injudiciously weights the scales in favor of industrial concentration and makes things difficult for small and medium firms and all others who aspire to independence. This has nothing to do with the frequently overrated technical and organizational advantages of scale. The result of such research might be surprising. We might find that a few well-aimed measures, such as the reform of purchase or sales taxes, the aboli-
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...tion, or at least considerable reduction, of double taxation on distributed profits, the radical revision of company law, etc., might be extraordinarily effective in strengthening the position of small and medium firms. 10

INTERNATIONAL CENTRISM

To adopt the program of decentralism has many implications. Once one has done so, it will not do to close one’s eyes to the immense problem of the ever growing size of firms and of economic concentration. This problem is fraught with immeasurable dangers for a free society and economy, and the task of countering this danger with all the means appropriate to the centrist ideal must be tackled. Yet a depressingly large number of decentralists are blind to the problem and give their blessing to the gigantesque in industry. Hardly fewer are those who thoughtlessly join up with centrisms when, having done its damage on the national plane, it proceeds to the promising field of international relations.

Under the false colors of international unity, a whole apparatus of international concentration, conglomeration, uniformity, and economic planning has grown up, both within the United Nations and its specialized agencies, and on a regional pattern, such as the European Coal and Steel Community. These institutions are waxing in power and provide an ever growing officialdom with privileges, influence, and tax-free incomes. Apart from a few praiseworthy exceptions, the usefulness of this international centralization is fantastically out of proportion to its cost, not to mention the undoubted damage it does. Few are clear-sighted enough to detect the reality behind the semblance of high ideals, and fewer still are courageous enough to speak out—and if they do, they must face a veritable conspiracy of all the bien-pensants.

Only a diminishing minority sees that this is centralization of a particularly insidious and dangerous kind, and since the international bureaucracy disposes of powerful means to influence public opinion, even this minority finds it difficult to gain a hearing. International organization goes by many an attractive name, such as “Europe,” “supranational sovereignty,” “international harmonization,” or “fight against Communism,” and its worst feature is that it threatens to do away with the last sound remnants of national decentralization and international variety. The shining peak in the distance is the international welfare state, our views on which have, it is hoped, already been made sufficiently clear.

The latest stage in this development is the so-called European Common Market, while the further project for a free-trade area is somewhat less afflicted with centrist features. The economist has reason to be very critical of this project, but this is not our primary concern here. 11 In the present context, the decisive argument is that this project implies a considerable amount of international economic planning and the prospect of more and more concentration and organization in the European economy and is therefore bound to provide a new and powerful stimulus to international centralism. The dependence of the individual and of smaller groups upon large centers will grow enormously, the human and the personal will have fewer chances than ever—and all this in the name of Europe and the European tradition, which owes so much to freedom, variety, and personality.

The danger was lurking in all of the many projects and discussions and records of European economic integration, and today it faces us immediately: it is the danger of economocracy finally transferred from the national level to the international level. It means the yet stronger and more inescapable domination of the planners, statisticians, and econometricians, the centralizing power of an international planning bureaucracy, international economic intervention, and all the rest of it. Some few countries of Europe have thus far been able to hold the spirit of Saint-Simonism at bay within their own frontiers, but now it will invade even these, from above, in the form of an European Saint-Simonism, true to the vision of the patriarch of economic planning.
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I say this as a man who loves all that the word Europe implies in highest values and loves it with a feeling best described as European patriotism. I am second to none in my love of Europe, least of all to those who have made that word the slogan of officious meddling. To me, it is self-evident that our continent must consolidate if it is to overcome its weakness and safeguard its heritage in the face of threatening dangers; only then can Europe regain her due place in world politics, not solely in opposition to the common foe of the entire free world, but also within the great defensive front of the West and in coming to terms with the colored peoples. But then I also hold the apparently old-fashioned view that this purpose cannot be achieved by the cheapest possible production of automobiles and radio sets but primarily by our continent’s regaining its self-confidence, reviving its political and military power, and re-thinking itself of the spirit and great heritage in the joint safeguarding of all Europeans.

We can be loyal to Europe only if we preserve her spirit and heritage. The political and economic consolidation of Europe must therefore be such as to embody this loyalty by preserving what is of the essence of Europe: unity in diversity, freedom in solidarity, respect for the human personality and for distinctions and particularities. No matter how far definitions may have diverged in other respects, there has always been unanimity on this capital point: in antiquity, Strabo spoke of the “many shapes” of Europe; St. Stephen of Hungary, in his impressive Monita to his heir, warned him that “unius lingue uniusque moris regnum imbecille et fragile est”; Montesquieu would speak of Europe as a “nation de nations”; and in our own time Christopher Dawson has stressed Europe’s character of a “society of peoples.” Decentrism is of the essence of the spirit of Europe. To try to organize Europe centrally, to subject the Continent to a bureaucracy of economic planning, and to weld it into a block would be nothing less than a betrayal of Europe and the European patrimony. The betrayal would be the more pernicious for being perpetrated in the name of Europe and by an out-

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rageous misuse of that name. We would be destroying what we ought to defend, what endears Europe to us and makes her indispensable to the whole free world.

It is an ominous sign that there should be any need even to argue about the fact that a certain method of European economic integration should be excluded because it is un-European, centrist, and illiberal in the broadest sense of European libertarian thought. Economic nationalism and planning on the continental scale is no progress whatever in relation to economic nationalism and planning on the national scale. Indeed, it is much worse because these tendencies would have much freer scope on the larger territory of a whole continent. If this is agreed, then it should also be clear that there are certain directions in which we should not advance, even by a few steps.

Respect for distinctions and particularities, for diversity and for the small units of life and civilization, and, at the same time, rejection of any form of mechanistic centralization—these are the general principles whose observance alone identifies us as true Europeans who take the meaning of Europe seriously. If we are of one opinion on this, then we also ought to share a certain apprehension aroused by many a misdirected excess of zeal. We should be apprehensive about the activities of the economocrats and technocrats who are busy drawing the blueprints of Europe and creating a giant European organization, all in the name of technical progress. We should be apprehensive, too, about the strange ambition of making Europe a melting pot of nations and civilizations while at the same time treating with contempt precisely that which unifies European civilization at the highest level, namely, the classical and Christian spiritual heritage. We should be apprehensive, finally, about the idea of an European industrialism, which drowns in sheer quantity everything that is qualitative, diverse, varied, immeasurable, and individual and which measures progress in terms of tons of steel, kilowatts, record speeds, and the length of airport runways.
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Do we want to take as our ideal in Europe mass production and mass cities, as an ideal, moreover, which must not even be challenged? Is it an indisputable advantage for Europe, too, to follow the road of growing concentration and rationalization? Do we not have every reason to fear for all the things which may then be trampled underfoot? Can there be anyone who does not shudder at the thought of an European Detroit disorging automobiles in such enormous numbers that the density of American traffic is reproduced on our small continent, crowded into a narrow and densely populated space? With men thinking as they do today, all these are no doubt heretical questions, but they need to be asked all the more insistently as there are only a few who have the courage to pronounce them, for fear of being descried as old-fashioned. This kind of question ought not to be suppressed if we want to bear true witness to decentrism, which, properly understood, is the true philosophy of Europe.

Reckoning without Man

Alarming numbers of people today are prepared to yield without resistance to the centrist trend of the time or even to think that they are doing something highly commendable by promoting it as best they can. There are deep reasons for this, and they are of a spiritual nature. The same trend determines our social philosophy; we think in aggregate, mechanistic, centrist terms and are alienated from man in his concrete individuality. It is not surprising that the social sciences themselves, economics and sociology, increasingly turn to thinking in aggregate and mechanistic terms and to advocating centrism in practical policy. Ortega y Gasset wrote a famous essay on the expulsion of man from art; today we might well add a study on the expulsion of man from economics. Just as, in modern art, man is sacrificed to formless abstraction because he has in reality lost his features and dignity, so do certain theories of the social sciences dehumanize practical policy.12

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In deploring the centrist and mechanistic tendencies in contemporary economics, we revert to a criticism made earlier in this book. We have in mind principally a school of thought which is indisputably linked with the name J. M. Keynes. It has the significant name of “macro-economics”: the economic process is treated as an objective and mechanical movement of aggregate quantities, a movement capable of being quantitatively determined and eventually predicted by appropriate mathematical and statistical methods. The economy takes on the appearance of a giant pumping engine, and it is quite consistent that the science which treats of the economy is turning itself into a sort of engineering science. Equations proliferate, while the theory of prices all but falls into oblivion. Yet the theory of prices, we recall, is the real harvest of a century and a half of economic thought.

A number of other questionable tendencies are connected with this. Excessive specialization furthers the disintegration of the social sciences’ body of knowledge; esoteric exposition, taking obvious pride in the handling of mathematics, tends to close off hermetically the separate fields of knowledge; certain intellectual acrobatics, lacking all sense of proportion, tend to lose themselves in hair-splitting arguments and in the construction of “models” without even a basis of approximation to reality; arrogant intolerance is spreading. When one tries to read an economic journal nowadays, often enough one wonders whether one has not inadvertently picked up a journal of chemistry or hydraulics.

It is high time that we should think soberly and critically about these things. Economics is no natural science; it is a moral science and as such has to do with man as a spiritual and moral being. On the other hand, economics does occupy a special position, in so far as its subject, the market economy, objectivizes subjective matters to such an extent that we can borrow methods from the natural sciences. This special position confers upon economics all the opportunities and charms of a “borderline science”—but also all the dangers.13 We can use mathematics for illustrating and precisely
formulating functional relationships between quantities, and few contemporary economists wholly condemn such use. But this method has its dangers. Unless its user is very careful, he may be tempted into pushing the critical borderline territory—the territory between the human and the mechanical—to far into the realm of mechanics, statistics, and mathematics, and he may neglect what is left this side of the frontier, namely, the unmathematically human, spiritual, moral, and, for this reason, decidedly unquantifiable. We would be wise to use the technical methods of the natural sciences only occasionally and for purposes of illustration; the possible gain is disproportionately small in comparison with the effort and the dangers involved. Parturiunt montes nascetur ridiculus mus—this would be a fitting motto for many a study of this kind.

It is a serious misunderstanding to wish to defend the mathematical method with the argument that economics has to do with quantities. That is true, but it is true also of strategy, and yet battles are not mathematical problems to be entrusted to an electronic computer. The crucial things in economics are about as mathematically intractable as a love letter or a Christmas celebration. They reside in moral and spiritual forces, psychological reactions, opinions which are beyond the reach of curves and equations. What matters ultimately in economics is incalculable and unpredictable. No more must be expected of the mathematical method than it can, at best, perform. It would be difficult to name any sound economic theory which could be discovered only by this method or, indeed, any single one which was, in fact, so discovered. There are profound reasons for this, for every economic theorem which can be demonstrated only by means of mathematics and is not evident without them deserves the greatest mistrust. In the face of such attempts, the best answer is a phrase which one of the economists of the old Vienna school used to be fond of in cases of this kind: “Rather than be surprised, I prefer not to believe it.”

Voltaire’s remark, which Goethe once approvingly quoted in a letter to Zelter, holds here as much as anywhere: “J’ai toujours remarqué que la géométrie laisse l’esprit où elle le trouve.” Only too often does mathematical economics resemble the children’s game of hiding Easter eggs, great jubilation breaking out when the eggs are found precisely where they were hidden—a witty simile which we owe to the contemporary economist L. Albert Hahn. The same irreverence, I am afraid, is due mathematical economics when it pretends to furnish us precise results. In a science in which the subject matter simply precludes the exactness of mathematics and the natural sciences, such a claim is bound to raise the gravest misgivings. We reply that it is better to be imprecisely right than to be precisely wrong.¹⁴

After the First World War, a French statesman said: “Un homme qui meurt—ça m’émeut. Quinze cent mille hommes—c’est de la statistique.” This is as true as it is bitter. Economics should not overlook the lesson. We do, of course, need a sort of technical shorthand language in our science. We speak of supply and demand, the purchasing power of money, volume of output, volume of saving, volume of investment, not to mention the hog sector, and we cannot go on repeating every time that behind these pseudo-mechanical aggregates there are individual people, with their thoughts, feelings, value judgments, collective swings of opinion, and decisions. But we ourselves should not forget it, and we should not play with aggregates as with building blocks.

Ingenious tools of analysis have been devised for the examination of the economic process, and some of them we would not want to do without. But in handling such concepts as the “elasticity” of supply and demand, the “multiplier,” the “accelerator,” and so on, we should always remain conscious of the narrow limits of their fruitful and harmless application. They simulate a scientific and mathematical precision which does not really exist. They are not physical constants like the acceleration due to gravity but relations dependent upon the unpredictable behavior of men.

Let us illustrate the point with an example. I recall a rather pathetic study, published many years ago by General Motors, which
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contained the results of years of research, in an econometric laboratory especially founded for that purpose, about the behavior of the demand for automobiles. The results were disappointing. At the end of their labors the authors had to confess that, notwithstanding a lot of mathematical symbols and figures, they were no wiser than before. It had been worked out how buyers had behaved in the past, but how they would behave in the future was as uncertain as ever. The only bright feature was that the authors frankly admitted the crying disproportion between effort and result. All that had been proved—although no proof was needed—was that while it may be interesting and even useful to discover the coefficients of the elasticity of demand for any product, such figures ultimately have only historical significance. This method is one way of research into economic history; it is an instructive method and one which facilitates the assessment of future tendencies, but this assessment always comes up against the basic uncertainty and unpredictability of the future in economic life. Any extrapolation of past facts is misuse and rests on a misconception. All the unforeseeable forces which move human history as a whole may at any moment modify supply and demand in a manner which defies econometric treatment and may continually create new and unexpected situations.

A conception which reduces the economic process to a functional relationship of aggregates susceptible of being defined in terms of mechanics and calculated by mathematical methods is, however, inevitably bound to end up in the claim that these same methods permit forecasts which are more than the mere weighing of probabilities. This claim is quite obviously unjustified. The chain of humiliating defeats which econometric prophecies have suffered in the course of decades is therefore not surprising. What is surprising is the refusal of the defeated to admit defeat and to learn greater modesty.

Is it necessary to cite examples? A few months before the beginning of the greatest economic crisis in history, in the spring of 1929, the most distinguished American economists were talking about the happily secure equilibrium of an economy running in top gear. Where are the prophets of the decline in the birth rate? Population statistics seem a firm enough ground, yet these theorists had calculated not so long ago that a rapid decline in population growth was absolutely certain and had gone on to make precise recommendations for economic and social policy. Where are the economists who had abused the Keynesian theory—not least because of the mistaken forecasts of a declining birth rate—in order to deny that our economic system had any natural growth potential? They have left behind only the theory of the "mature economy," an intellectual fossil of the Great Depression, that same Great Depression whose threatening symptoms had been misinterpreted so shortly before its outbreak. And consider the damage done by the unfortunately all too influential prophets who were Keynes's obedient disciples. They forecast another depression to follow the Second World War and put their money on the wrong horse once more. They warned governments of being too optimistic about the peace and advised them to counteract the coming depression by doing everything in their power to increase purchasing power, with the result that most governments, in fact, pursued a wholly untimely and inflationary policy of full employment. Must we still recall the prophecies of gloom with which the adversaries of the German market economy accompanied its revival and were proved wrong again and again? And what about the Swedish economists who, in 1948, predicted another American depression, which again failed to materialize, and thereby misled government and central bank into plunging a rich and prosperous economy into a disorder which it has not been possible to straighten out to this day?

It would be interesting to know how certain forecasters come to terms with contrary facts. There are those, for example, who, for more than ten years, have spoken of the "permanent dollar gap" and "structural balance-of-payments deficits," as if these were objectively determined long-period phenomena; but meanwhile, some of the structurally weakest countries, the losers in a war which
devastated them, Germany and Austria (and Japan, as long as it pursued anti-inflationary policies), have resoundingly disproved these self-assured predictions and have re-established a balance-of-payments equilibrium ahead of all other countries, including the richest. Of what avail is the vast effort of mathematical speculations about import and export elasticities, terms of trade, and other props of these theories when such countries are so tacitless as to prove empirically that the classical balance-of-payments theory is right?  

In recalling these painful memories of disproved prophecies, we do not, naturally, mean to imply that it is not a legitimate task to evaluate the effect of present trends on the future and to weigh probabilities against each other. Nothing is more natural or more necessary than this. But we should have learned to do it with a greater mistrust of deceptive mathematical and statistical calculations and alleged data—including the psychological ones with which Keynes operated. We should instead base our calculations on man, not on some fictitious man who fits into our equations, but man as he is, with his oscillation between hope and fear, with his whims and passions, with his susceptibility to mass opinions and mass tempers, his fluctuation between quiet contentment and novelty-craving boredom, his dependence upon others and upon facts, and with the imperfection of his knowledge of these "data." If we want to guard against errors and disappointments in the analysis of economic processes and still more in our guesses about the future, then we must bear in mind that the science which treats of these processes, economics, is a science of the behavior of man in a certain sphere and in certain circumstances. What Epictetus said of social affairs is as true as ever, namely, that the decisive matters are not facts but men's opinion about facts or even opinions about opinions, even though they are, of course, linked to the facts.

We now see also why one particular form of mechanistic and centrist theory underlying economic policies deserves a very skeptical reception. I have in mind so-called national budgeting, which is a statistical exposition of the interrelationships of aggregate quantities (income, consumption, saving, investment, government receipts and expenditure, foreign trade, etc.) over a given period of time and which is intended to serve as an indication for future economic policy. In so far as this is no more than a kind of statistical economic history, setting out the estimated development of these magnitudes during the past year, there is, of course, no objection. But the very violence with which the uses of national budgeting are defended should put us on our guard: even when it is not explicitly stated, these exercises have an ulterior purpose beyond the mere satisfaction of our historical and statistical curiosity.

We are once more in the presence of economocratic aspirations to power. The obvious intention is to turn national budgeting into a tool for mastery over the circular flow of the economy, and to this end the mathematical and statistical "exactness" of the results is invoked and the claim put forward that future developments can also be calculated. A warning is in order, however. Either these calculations are just another form of leaving man out of the accounts, that is, they are mere guesses which come to grief on the eternal uncertainties and therefore constitute a danger for any economic policy based thereon, or they are a permanent temptation to use planning and intervention in order to force the recalcitrant facts into the predicted pattern. In both cases, no good can come from national budgeting. Moreover, there is no clearly established, visible boundary between using national budgeting as a mere—even though possibly mistaken—indication for economic policy and using it for purposes of economic planning.

The enthusiasm for this fashionable product of mechanistic and centrist thought should, in any event, be damped by the sobering reflection that the countries with the soundest economic and currency policies are those which do not go in for national accounting, while the countries in which this method is at its apogee have sickly economies and unusually strong inflationary pressure (the Scandinavian countries, the Netherlands, Great Britain, France). The most charitable interpretation of this state of affairs would be that
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the former countries were able to do without national accounting and still make the right decisions in economic and monetary policy, while the latter were not deflected from the wrong decisions even by national accounting. In fact, it is likely that national budgeting, as an essential instrument of economocracy, is more than a little responsible for the errors.

The failures of the mechanistic and centrist approach in economic forecasting are so numerous and blatant that it is astonishing that the underlying theory seems to digest these failures without losing prestige. It is even more astonishing that the protagonists of this approach are so utterly unrepentant. This is a problem which will repay some reflection. Is the British economist Professor Ely Devons right when he says (Lloyd's Bank Review [July, 1954]) that the role of statistics in our societies has a striking resemblance with some of the functions of magic and divination in primitive societies? “Statistical magic, like its primitive counterpart, is a mystery to the public; and like primitive magic it can never be proved wrong. . . The oracle is never wrong; a mistake merely reinforces the belief in magic. It merely demonstrates conclusively that unless you do everything the right way you will get the wrong answer. So with us, bad forecasts rarely discredit statistical magic; they merely serve to demonstrate that the basic figures were bad, that the model was wrong or the statistician mistaken in his interpretation. . . . Next time we shall use better figures, better models, and of course the statisticians and econometricians today would never make the silly misinterpretations made in 1944, 1945 or 1946. We are convinced, rightly or wrongly, that this is the scientific procedure and we are going to stick to it.” These bitter words reveal the full measure of the disappointment in which statistical and econometric research has ended in England. We would do well to take to heart the truth they contain. But what seems even more important to me is that the true reason why this method triumphantly survives all disappointment is that it is an indispensable instrument of economocracy.

We know that the method is wrong, and, being decentrists, we are convinced that it serves a bad purpose. The purpose is bad because it is to centralize and overorganize the economy and society in a way which neglects the human element. If we manage to get away from this mechanistic and collectivist way of thinking, we shall, among other things, also see the position and function of the entrepreneur in their true light. The essentials about this can be expressed in one sentence: The entrepreneur is like a ship’s captain whose principal task is continuous navigation on the sea of the market, which is unpredictable because it depends on human nature. His function, which is perennial and indispensable for the course of economic life, is to balance supply and demand and continually to adjust production to changing consumption. In discharging this function, he always has to reckon with the uncertainty and unpredictability of the market factors, and his success depends on the extent to which he achieves this adjustment in spite of extraordinary difficulties. A man is an entrepreneur to the extent that he has learned to weigh probabilities against each other and to organize production and sales accordingly; and he is a successful entrepreneur exactly to the extent that he gets the better of the uncertainty of future market situations.

To think of the entrepreneur as a navigator should make a number of things clear to us. If a firm is to be successful and, in the degree of its success, to discharge its economic functions in society, it must primarily be orientated towards the market and must continually battle with its uncertainty and unpredictability. The firm’s face is turned outwards, towards the market, and competition among firms is a continuous struggle to gain a start on the others in the matter of knowing or correctly assessing or discovering new opportunities for production or sales. The firm which so gains a start obtains, for the latter’s frequently very brief duration, a special, privileged position which could easily be mistaken as monopolistic if it were not at once threatened and soon removed by those hard on the heels of the leader in the field. But the possibility of temporary advantage, the dynamic character of competition, is indis-
pensable in order to spur the entrepreneur towards the best possible fulfillment of his function. As such, it is an essential part of any genuine market economy.

The same interpretation holds if we include the many cases in which the entrepreneur does not take the market as given but influences it, or even creates it or opens it up. But no entrepreneur can influence, create, or open up a market unless there is harmony between what he, the pioneer, innovator, organizer of production, or bringer of new wares, wants to do and the latent desires and reactions of the market, that is, of the people who accept one thing and reject another. It is always the market, with all of its unknowns, which decides and which ratifies or invalidates the entrepreneur's plans. However much the entrepreneur would like to shake off or reverse this relationship, he remains the servant of the market. His compliance is rewarded and his disobedience punished as long as the market is genuine, that is, ruled by competition. Even if, like Antonio, he be a “royal merchant,” he can claim this title of honor only if he is also “the greatest servant of the commonwealth,” that is, the market. He can be an absolute king only to the extent that monopoly enables him to forget his subordinate position.

The entrepreneur's function of navigating unpredictable seas is also the origin and justification of profit, as it is conceived in pure theory. This has always been the most disputed and least understood form of income, largely because one usually mentions only the entrepreneur's profit, but not its twin, his loss. Since Frank H. Knight's now classical work Risk, Profit, and Uncertainty (1921), there ought to remain no doubt about the fact that profit and loss are linked to a basic uncertainty of the future pattern of supply and demand and that they correspond to the entrepreneur's success in assessing probabilities, as it is incumbent upon him to do, and in quickly adapting himself to a changing market. In a dream world of perfect knowledge, there could be no difference between sales price and production cost (in the widest sense) and hence no profit or loss.

Now there is obviously a profound and positive meaning in the fact that success in groping among uncertainties is so promptly rewarded or lack of success equally promptly punished. This specific entrepreneurial activity is not only immensely important but also extraordinarily difficult. Only in the pathological situation of an inflationary sellers' market is it degraded to a sort of amateur sport; otherwise it remains navigation which requires the experience, resourcefulness, and sound intuition of the master mariner. Neither textbooks nor training courses, neither statistics nor electronic computers, can replace these qualities. This is why we need the entrepreneur and at the same time an economic order such that the best selection of these captains of the market according to their qualifications is always ensured and such that there is always an effective inducement towards maximum performance and careful decisions on the part of the entrepreneur. Profit and loss (and, ultimately, bankruptcy) together provide this inducement, and it should be one of our major preoccupations to see to it that it does not lose its force, even in the modern large company, with all its legal and organizational complications.

As consumers, we all benefit from this arrangement. Yet strangely enough, we can be persuaded only with difficulty, and not always successfully, to recognize it. This is one of the things which has never been satisfactorily explained. We often behave as if the whole arrangement had been invented solely for the pleasure and the advantage of entrepreneurs, and therefore we tend to regard them as the natural advocates of the free market economy. This really is strange. It would appear natural, on the contrary, that they should consider it inconvenient and tiresome to be saddled with this inducement system of the market. At any rate, many entrepreneurs display such a feeling in their attempts to withdraw from their position as navigators on the open and uncertain sea of the market. But if we abolish the market and replace it with planning authorities, or even if we allow government intervention and monopoly to restrict the market and turn it into a stagnant pool, then we do not need the
entrepreneur. If the entrepreneur, like a seasick captain, wants to escape the whims and risks of the market and to take refuge in the safe port of planning or in security guaranteed by government or cartels, he makes himself redundant.

As we said, this may be quite natural and human. The motives for such an attitude may be respectable, but they are not precisely glorious. In any case they testify to a regrettable short-sightedness. On the other hand, there is another form of discontent among entrepreneurs which deserves our full respect, even though it may be unfounded. Entrepreneurs protest when economic theory seems to attribute to them the role of mere automata which achieve the common good by simply fulfilling the function which competition assigns them, calculating their advantage without thought of any higher ethical purposes. With some slight exaggeration, this attitude may be described rather like this: Let the entrepreneur be content to produce shoes as cheaply and as well as possible and to pay the factors of production, especially labor, according to their market value; if he also happens to be a decent chap (or is clever enough to be one, as the new theory of “human relations” advises him), he can be more than satisfied.

If entrepreneurs protest against such a moral and intellectual depletion of their existence, this is not only natural, but honorable and encouraging. No man can live a full life by credit and debit entries alone, even though the honest fulfillment of a responsible task is in itself no mean thing. But it is a misunderstanding to believe that our economic order expects such emptiness of the entrepreneur. We hardly need to dwell, in the final pages of this book, on the nature of this misunderstanding and the reasons for it. We want to stress the point, however, that one can take such an empty view of the entrepreneur’s activities only by starting out from the wrong concept of the economy as a mechanical process. The dehumanization of theoretical economics necessarily includes a human devaluation of the entrepreneur, as of all other economic groups. As against the physics of the economy, we have to underscore its psychology, ethics, intelligence—in short, its human elements.

The human elements in the economy also enter into the argument in a very specific sense which bars the way to all centrist and mechanistic conceptions and reveals once more, in a prosaic manner, how wrong we can go in reckoning without man. Let us leave the lofty peaks of philosophy and take the low road of sober common sensc. We have already dealt with the question of what centralization means for the highest human values, for man’s soul, freedom, community, and ultimate destiny. Now we ask simply: Where are the people, where, above all, are the leaders, who can take on and bear the burden of centralization? Does not centralization come up against sheer physical limits, limits which have become quite obvious by now and which make the principle of centralization not only reprehensible but downright impracticable?

Here we meet the centrists on their own plane of the tangible and practical, from which they are wont to look down upon us as dreamers romantically worrying about the fate of mankind. We, the dreamers and romantics, are unimpressed by super-organization, centralization, Gargantuan concerns, machine giants, mammoth towns, and titanic plans. Undaunted, we keep quoting Montaigne’s wise words—that even on the highest stilts we still run with our own legs and even on the highest throne sit with our own rumps. We humbly ask how all of these much-vaunted things are going to be done in the absence of a sufficient number of people with the required mental and physical qualities. The claims on the human mind, heart, stomach, and liver are simply more than most men can meet, since their spiritual and physical resources go only so far and no farther. Here is the weakest link in the whole chain, and we cannot but accept this weakness with humility and modesty. Neuroses, heart diseases, and stomach ulcers are the final irrefutable arguments against centralism of every kind. To disregard them is wanton *hubris*, but we may not be far wrong in interpreting our times as a concatenation of *hubris* and nemesis.

It is time to return to a thought which we touched upon in the first chapter. We spoke of the excess of government intervention which vitiates the market economy, even in its model countries. We pointed
to a number of tangible and measurable consequences of this hodgepodge system but left the essential thing unsaid. The essential thing, as always, lies in the realm of the immeasurable and imponderable, and this multiplies the danger in an age such as ours, which has lost the feeling for these to such an alarming extent. It is easy enough to say that, after all, we have come to quite tolerable terms with this regrettable excess of government intervention, that the Germans, or even the Norwegians and the British, are reasonably well off, that they can buy anything that may be their—not unduly immodest—heart's desire. It sounds soothing, too, if we stress the extraordinary resilience of the market economy in adjusting itself to government intervention and overcoming the resulting difficulties, its robustness, stamina, and ostrich stomach. But we know how illusory all of this is.

Let us leave aside what we have already said earlier in Chapter I. But quite apart from that, who can measure the sum of nervous tension, the time and effort wasted on the double-front war against the market and the authorities, the nights spent poring over forms, the negotiations, useless trips, the irritation and vexation due to overbearing authorities? Competition in the market economy is wearing enough, but when it is, in addition, necessary to battle constantly with officials, to take account of their commands or prohibitions, to worry how to steer the firm not only through the whirlpools of the market but between the artificially created cliffs of government intervention and financial policy—how long can anyone stand this double strain? We are all ordinary men with limited strength. The much-vaunted resilience of the market economy is, in the last resort, the resilience of the people on whom rests the responsibility; the robustness of the market economy is that of the bodies and nerves of all those who have to carry the double burden of market and officialdom; the ostrich stomach of the market economy means nothing else but the stomach, heart, and other organs of the victims of this overcentralized and overorganized system. It is in the consulting rooms of heart, stomach, and nerve specialists that the balance sheet of the system has to be drawn up.

A HUMANE ECONOMY

Who can measure the sum of happiness, contentment, well-being, sense of fulfillment, and elementary freedom which is destroyed every day and every hour? The more we adulterate the market economy with admixtures of intervention, the higher rises the watermark of compulsion, the narrower becomes the area of freedom. What distinguishes the centrist from the decentrist is that the former makes so much lighter of the growth of compulsion than the latter.

Our world suffers from the fatal disease of concentration, and those—the politicians, leading personalities of the economy, chief editors, and others—in whose hands the threads converge have a task which simply exceeds human nature. The constant strain is propagated through all other levels, down to the harassed foreman and his like. It is the curse of our age. It is a curse twice over because these men, who can do their duty only at the peril of angina pectoris, lack the time for calm reflection or the quiet reading of a book. This creates the utmost danger for cultural leadership. Who can imagine nowadays an age like that of the Younger Pitt, when, as he relates, the Chancellor of the Exchequer in Great Britain needed no private secretary because the extent of business did not justify one? Or who can imagine the way of life of Alexander von Humboldt, who could deal by himself with his annual correspondence of about three thousand letters and still remained one of the foremost thinkers of his generation and reached the age of nearly ninety years?\textsuperscript{18}

We shall not inquire about the simple happiness which is at stake. All that is self-evident. We only have to say this: our centrist civilization, which has become more and more remote from man and the human scale, has reached the point where its own continued existence is at stake.

CENTRISM AND DECENTRISM