

# *A Modest Suggestion for Understanding Economic Growth*

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Fate is the essence of the human condition and an appreciation of it is the essence of human understanding. In particular, its part in economic growth is essential and has proceeded from extermination to enslavement to piracy.

The human being is a pack animal, and the pack decrees his fate through the decision-making of a relatively small coterie of decision-makers. They could be the tribal chieftains, they could be the witch-doctors, they could be the pharisees, they could be the high priests, they could be the monarch and his courtiers, they could be the upper nobility, they could be the party bosses, they could be any permutation or combination from the pack. In the modern capitalist society, they are the managerial-capitalist elite who exert an obvious control over the economy and a behind-the-scenes control over the polity.

The decision-makers are the ones with the powers to decide how the pack adjusts to underlying circumstances. Sometimes they partly succeed, sometimes they mostly fail. For millions of years, the plentitude of game largely governed the material well-being of people, and the tribal leaders probably decided on distribution of the meats with the leaders and the warriors getting the better bits and the women and children getting the lesser bits. Distributive issues were, of course, less significant than the total supply that could be altered through the displacement of other tribes from the hunting and fishing grounds. The chiefs were probably the decision-makers over the strategy and tactics of tribal warfare that, if successful, could increase the gaming area through the extermination of rival tribes people whose capture could also more

directly increase the food supply in the form of human meat. (Brown and Tuzin 1983, pp. 90-91).

Such was the probable fate of humans for millions of years until a large scale replacement of hunting and fishing by agriculture came in certain more settled regions of the world. It changed decision-making. The key concern became filling the land with workers, and the capture and enslavement, the trade carting slaves here and there, and the slave usage replaced human slaughterings in the essentials of decision-making.

Economic prosperity and growth came to lands suitable for tilling by slave labour. The catchment area for the hunt for slaves extended widely into the hinterlands; the shipment became, in all probability, the biggest market activity; suitable land teemed with slaves and brought fabulous wealth and prosperity to the landowning leadership of kings and nobles. (Finley 1968, pp. 162-172). Decision-makers, both private and governmental, co-operated to provide an economic milieu that lasted for thousands of years although the particular forms of slavery came in many guises, and include more modern forms like sharecropping and a supposedly free peasantry.

The historical record suggests that slavery was particularly suited to land usage although it could also be sometimes prevalent in mercantile and industrial uses. (Finley 1968, pp. 171-172; Palme 1990, pp. 132-134; Tugan-Baranovsky 1970 [1898], pp. 16-21, 62-75, 82-87). Its lessened usage during the nineteenth century may or may not be connected with industrialization (Steinfeld 2001, pp. 72-82, 234-285), but Marx's opinion that there was a connection (Marx 1930, [1867] pp. 790-793) is probably still the major opinion among even his bitterest opponents. Or fate, in the form of the domination of the seas by the Royal Navy, may have intruded.

Industrialization is the surface feature of the third major economic change. It arose from the scientific revolution that began in earlier centuries, but came to full fruition in the course of the nineteenth and twentieth centuries. It spawned opportunities for invention and innovation, and their use transformed the industrial and agricultural techniques. The relevant decision-makers were already in place. For centuries, they had directed the economy's mercantile and industrial

parts which were minor and subsidiary compared to agriculture, and their place in society was largely that of lackeys servicing the ruling aristocratic elites. Their piracies from inventive processes, however, so enriched them that they were able, at varying times and in varying guises in the history of different countries, to get control of the polity as well as the economy. They became the elite in charge of the economy, the polity and society in general.

A particular sort of elite need not be identical throughout the world. Earlier elites may have been pretty much the same: all warrior chieftains may have been particularly partial to human meat and all landowners well aware of the usefulness of slave labour. The same ubiquitousness does not seem to characterize the elites' perceptions of the opportunities provided by science. None may have decision-makers who know anything much about science, some may at least have people able and willing to listen to the advice of scientists and engineers, some never have listeners. The technological consequences can be very marked.

The implications are that the nature of the economic system is an irrelevancy: manifold systems have experienced bouts of prosperity and each of their successes had a will-o'-the-wisp quality with prosperity sometimes appearing and sometimes evaporating. In hunting economies, it depended on who became the exterminators and who became the exterminated. In the agricultural economy, it depended much on climatic conditions. In the modern economy, it may much depend on a symbiosis between corporate and governmental decision making. Germany was the leading centre for science at the turn from the nineteenth to the twentieth century when it was gearing up for the warpath. (Aftalion 1991, pp. 39-47, 84-96; Beer 1959, pp. 49-56, 103-114; Brose 2001, pp. 140-172). It subsequently lost its leadership to America which has more currently been on the same path. The most famous instance of a listening was, of course, President Roosevelt's reading a letter from nuclear scientists about the potentialities of the atom bomb.

The three great economic happenstances are distinctive, but not in their consequences for humans. Each have had winners and losers. The winners have tended to be the decision-makers and the losers have been everyone else, with some of the losers having particularly dreadful fates.

In prehistoric times, some of the exterminating tribes may have equitably shared the game, but the chieftains probably grabbed, more often than not, the best food. In any case, the exterminating tribe people had an easier lot than the exterminated who, in all probability, got very disparate treatment. Some may have been recruited as warriors, some kept in a servile capacity, some endured horrible tortures including being slowly roasted alive on the spit.

When the second great happenstance came, the losers at least remained alive. Generally speaking, the slaveowners and their flunkys were the beneficiaries, and the slaves were not, although all slaves may not have had bad lives. Some may have had father-like masters who gave some attention to their well-being.

The third happenstance is more complicated in its consequences. It could have conceivably benefited everyone through the provision of cheaper and newer goods and services. But it could also greatly worsen work and living conditions particularly for those at the lower end of the social scale. It could even make labour widely superfluous, and many people, in the capitalist system, starve in a world of plenty. As yet, it is only a possibility in so far as being very widespread. A possibility can, however, become a reality and many kinds of workers may yet face the fate of the worsening work conditions experienced in nineteenth-century Europe. (Marx 1930 [1867], pp. 230-267, 418-506).

What is more certain is that the big beneficiaries will continue to be the decision-making elite. They now operate in management gangs led by the top managerial executives and the major financial backers. They have much in common with street gangs in that their focus is the hunt for prey. The management gangs are not as egalitarian and their primary interest is money-grabbing rather than idle violence although both aspects can be closely conjoined as in the case of Mafia gangs. The hierarchical structure of the management gang means that the gang bosses can quietly be the instigators in the raiding of company finances, and the rest of the hierarchy are their helpers with the more senior persons being more experienced in the niceties of the raiding whereas the younger novices may, for a term, be quite innocent of the focus of their work and any questionings on legal and moral grounds be met by their superiors

responding with a "so what". If such replies satisfy them and they can perform satisfactorily, they can expect to be retained and promoted. Otherwise they are fired. Such on-the-job training indoctrinates with a satisfactory attitude, and management gangs are akin to street gangs in their brainwashings relying on gang participation. Top management hire lieutenants who will help them dig into the corporate till, the lieutenants hire assistants who help them fulfill management's wishes, and on down the hierarchy with young hires becoming exposed to lesser more subsidiary forms of pilferage. The uncooperative and incompetent in chicanery are weeded out and fired. Years of common training and experience have built up a huge body of managerial vultures spread, in gangs, throughout the economy and often in government. The process of creation and maintenance is accomplished more through behavioural practice and participation than formal study, and a difference between street gangs and management gangs is that street gangs do not supplement participation with formal study.

In such ways, a corporate culture has grown up. Recruitment is not constrained by class, race or gender any more than street gangs recruit only boys sporting the same school tie. Compliance is what is important. Retention and promotion go to the most compliant who rise up through the corporate hierarchy and become the next generations of management bosses. They have been well grounded in the various aspects of raiding into corporate finances and indoctrinated with the corresponding feelings, attitudes and personal objectives for monetary aggrandisement at company expense.

There is nothing new in this account of managerial operations. They are not much publicized because the same managerial-capitalist elite also control the general means of communication such as the press and the media. Nevertheless, thought control is seldom fully effective and other views have sometimes peeped out.

"At present, all the wealth of society goes first into the possession of the capitalist... He pays the landowner his rent, the labourer his wages, the tax and the tithes gatherer their claims, and keeps a large, indeed the largest, and a continually augmenting share of the annual produce of labour for himself. The capitalist may now be said to be the first owner

of all the wealth of the community, though no law has conferred on him the right to this property... This change has been effected by the taking of interest on capital... and it is not a little curious that all the lawgivers of Europe endeavour to prevent this by statutes, viz. statutes against usury... The power of the capitalist over all the wealth of the country is a complete change in the right of property, and by what law, or series of laws, was it effected" (Marx 1930 [1867], pp. 831-832).

Marx's generation used the term "capitalist" in an era when the roles of manager and financial backer were less distinct. Neither may be more inherently evil than any other human being. Their opportunities for malfeasance are, however, greater because their gangs are not under any surveillance and control by anyone with the public interest in mind. Neither the shareholders, nor the directors, nor the workers, nor the general public, nor the government can exercise effective control. Even the investment banks, in their heyday, did not seem capable of maintaining a direction (Paulet 2002, pp. 103-112). The directors could, theoretically, control the gang but they are mostly just old gang bosses. The government remains the only possibility. In a capitalist economy and society, it will, however, not exercise surveillance and control. It is too much itself controlled by the same managerial-capitalist elite who, in a democratic system, control the government through the purchase of elections and political influence.

The gains of the elite have been a mystery to everyone except mainline economists. For them, there is nothing to explain: the capitalist economy is a truly remarkable and exceptional sort of human activity in that it is always tending to work perfectly. If someone is getting a lot out of it, it is because the person deserves it. Skeptics are much less sure. Karl Marx said the gains were surplus values taken from workers (Marx 1930 [1867], pp. 169-218, 312-335), Henry George said they were a continuation of rents on land except that urban land had come to greater predominance (George 1938 [1880], pp. 216-224, 244-254), Thorstein Veblen said they arose from business disruptions in the operation of the economy. (Veblen 1975 [1904], pp. 25-63). Each of the skeptics' analyses may be valid. But the opportunities for malfeasance may be as varied

and manifold as the opportunities for street gang violence which can be turned against anyone so long as the victim is still alive. Similarly for the management gangs: bigger sales can be as effective as smaller, depression as effective as prosperity, mergers as effective as devolutions, hirings as effective as firings, etc. The proximate condition is the bosses' machinations in forming teams of willing and obedient underlings. The underlying condition has come, in the past couple of centuries, to be science which has made possible the inventions and innovations that have turned the industrial, financial, commercial and distributive parts of the economy into the overwhelmingly predominant part, and in the process lifted management gangs from controlling a small bailiwick in the economy to controlling most of the economy. Opportunities always existed whether the economy was small or large, prosperous or depressed, growing or stagnant. The take has nowadays become so great that the managerial-capitalist elite now controls the economy, the polity and society.

In conclusion, fate governs much in life including the essentials of the economy.

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