



HANDOUT

ECONOMIC HISTORY

AND HISTORY OF ECONOMIC THOUGHT

(SECOND PARTIAL).

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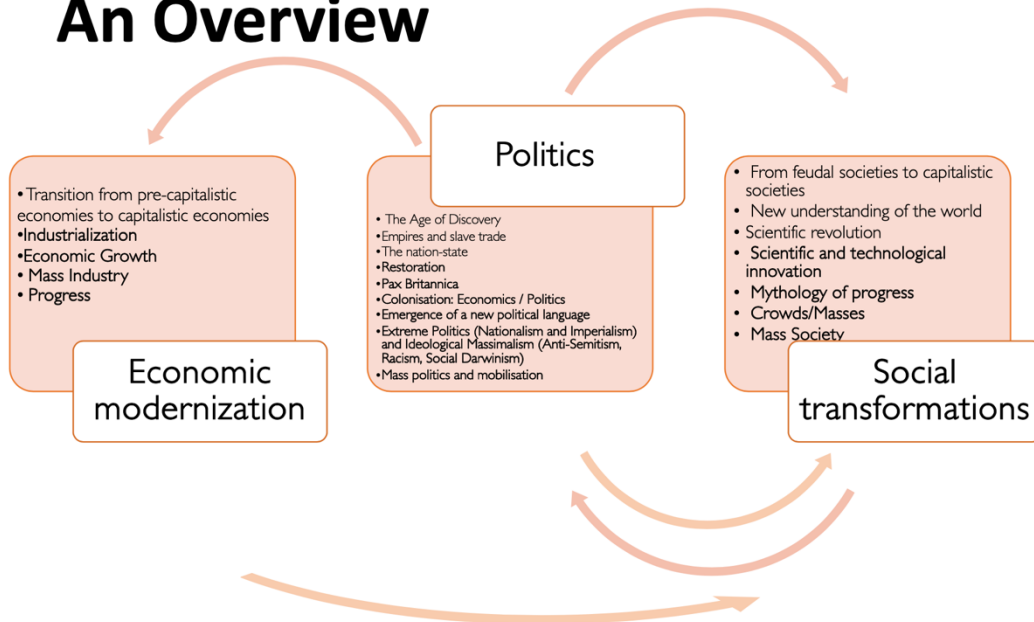
ECONOMIC HISTORY

WRAP-UP: First Industrial Revolution

- c. 1760-1830 in GB
- Mechanized and centralized industrial production
- Technological innovations
 - ⇒ To increase the industrial output
 - ⇒ To reduce the cost of production
- Rise of the modern industry
 - => Mechanically powered machine
 - => Substitution
 - => Coal for wood
 - => Steam engine for waterpower
 - => Labor-saving machines for manpower
 - => Factory system
- Modern Growth = self-sustaining growth
- Industrial Capitalism
- Progress as an Ideology

Modern project: transformation of the world=> the ideology of progress is the base of the different revolutions happening (political, scientific, social) => need to be more performative, to accumulate more capital

An Overview



XIX CENTURY TRANSITION: THE DIFFUSION OF THE FIRST INDUSTRIAL REVOLUTION - INDUSTRIALIZATION OF EUROPE

XIX Century: “A European Century”?

“The history of the nineteenth century was made in and by Europe, to an extent that cannot be said of either the eighteenth or twentieth century, not to speak of earlier periods. Never has Europe released a comparable burst of innovativeness and initiative—or of conquering might and arrogance.”

Jurgen Osterhammel, *The Transformation of the World: A Global History of the Nineteenth Century*, 2014, pp. xx-xxi

Europe had power (often obtained with violence) => it had influence, it is an example that other countries wanted to imitate

Europe was the center of global economy => Britain: first country for capital accumulation

The process of capital accumulation which took place in Europe was also made possible by a continuous process of accumulation of political power and of release of violence in other continents (outside Europe itself)

What does it mean that the first industrial revolution diffused from Britain to the continent? Technology was imitated and adapted by different nations in order to start a process of industrialization.

Diffusion of the First Industrial Revolution in some parts of Western Europe (ex. Belgium early industrialiser, France after 1830, Germany after 1850 as many other countries), United States, Japan after 1850

- Spread of the industrial mode of production
- Years of technological maturation and constant innovation
- Quickening of the pace of economic development and economic growth
- The imitation of England by continental countries led to a pan-European development model

INDUSTRIALIZATION OF EUROPE, 1830- 1873 | WHAT?

- ⇒ Spontaneous diffusion of textile industries and engineering ones (small- scale industries, still dominated by the UK=> not capital intensive, low entry barriers, easy to start these kinds of enterprises and innovate) triggered by processes of imitation and adaptation of techniques
- ⇒ Dawn of heavy industries (ex. railway, artillery, war industries): capital-intensive/large-scale industry, public/private investment strategies
- ⇒ First operating railway in England in 1804

Different strategies also depending on different political features => even when the State did not invest money, it still played a very important role since it created the conditions necessary for the process of economic growth

INDUSTRIALIZATION OF EUROPE, 1830-1873 | STIMULI:

1) Demographic changes:

- Growth of European population, which doubled in less than 100 years, more specifically 400 million people lived in Europe in 1900 (rising demand)
- Growth of literacy
- Age of migrations, which favored the mobility of people, ideas, technologies=> people moved more easily and more
- Urbanization (more people moved towards the city=> working opportunities created by industrialization)
- New patterns of/increase in consumption & new places of socialization but also...
- Poor living conditions for lower strata of society
- Commodification of work, women, children (unfree labor)

2) Cheaper Transportation (increase the movement of people and goods)

- diffusion of railway in UK, USA before the 1850s but also Germany and France=> each State contributed to the building of the railway system
- It facilitated the access to raw materials (ex. coal)
- It facilitated exchanges within and between countries.
- Other improvements in communication: electric telegraph (1832), telephone (1876), radio (1895)

3) **“Financial Revolution”**: increase in the supply of money to the enterprise

- Credit booms in 1852-1857 (Britain, Germany and France), 1861-1866 (mainly Britain) and 1869-1873 (mainly Germany)
- New banking model based on joint-stock investment banks, e.g., Bank act in 1844 in Britain, Crédit Mobilier created by the Pereire brothers in France
- It facilitated the mobilization of economic resources and investments into industry

The second half of the 19th century represents a turning point => quicker process of technological innovation and industrialization

Investment banks initially had just an investment function and then they combined it with the traditional functions of banks (commercial)

4) **Legal and Institutional Changes**:

- E.g., Napoleonic Civil Code in 1804 (property, colonial affairs, the family, and individual rights) and Code de commerce in 1807
- States apparatus made possible the creation of new enterprises, new commercial instruments (ex. cheque), lower barriers to international trade
- It facilitated industrial production, commerce and capital accumulation

The legal and institutional dimension played a very important role in fostering the creation of these enterprises/banks => different legislations in Europe took different shapes to regulate the enterprises

5) **Continuous scientific discoveries and technological innovations**

- New sources of energy
Some examples:
 - Coal production rose from 80 million tons a year in 1850 to more than 1.3 billion tons in 1914
 - From 1880s, innovation in hydroelectric technologies to offset the dearth of coal
 - From the 1850s, petroleum
 - Rise and spread of electricity (not anymore a curiosity but utilitarian value)
- New materials
 - Exposition Universal, Paris, France 1889

6) **Agriculture**:

- Mechanization; new fertilizers
- Increase in the productivity but decline in the size of the agricultural sector
- Economic gains reinvested in the industry sector

7) **National territorial states as central actors favoring industrialization and capital accumulation**

- State-backed integration of national market:
 - e.g., Zollverein (1834) in the German confederation=> implied the abolition of tariffs between the different German states
- A plurality of capitalisms according to national specificities merging private and state subsidies
 - e.g., Railway

The State is still the main political and economic unit

8) Free Trade Era

- E.g., Repeal of Corn Laws in 1846 and Navigation Acts in GB in 1849 (Lower tariffs on imports and exports)
 - Establishment of a Trade Treaty System (from 1850s) favored the integration of the European Market.

This meant:

- an increase in the intra-European Trade ... but also increase in the trade with non-European countries

POLITICS | INTERNATIONAL RELATIONS

Rebalance the political power in Europe=> no war was fought between European nations in this century

- **Congress of Vienna (1814-15)**, “a balancing act” of powers to guarantee political stability
Main players: Russia, Great Britain, Prussia, Austria and France
- **Pax Britannica: 1815-1914**, 100 years of peace... in Western Europe
Europe stayed in peace under the control of Great Britain. I set the rules for economic exchange and the other nations were forced to imitate them

Period from 1815 to 1914 => **Pax Britannica**, what does it mean?

- ability to defend the largest colonial empire in the world and even to expand it cautiously without a war with other powers
- ability, beyond the limits of formal colonial empire, to utilize development disparities in such a way as to exercise strong or dominant informal influence in many countries outside the European system of states (China, Ottoman Empire, Latin America)
- ability to provide the international community with services (a free-trade regime, a currency system, rules of international law) that did not require the user to hold British citizenship.

The British Empire had:

- the sphere without sharp contours in which Britain could informally exert decisive influence
- the space of a global economic and legal system that Britain had molded but did not control

- British commercial supremacy and control of world trade (1/4 of international commerce) lasted until 1870
- After 1870, new actors: especially Germany and USA => Britain could not anymore make great investments in technology, the effects of the innovations of the industrial revolution started being less relevant
- Continuous process of Colonization by Western European countries and formations of Colonial Powers under a Tacit British Rule until 1870
- The Overseas Lands as an Exogenous Stimulus to Economic Growth
- From 1876 to 1914, the colonial powers of the world annexed over 11 million square miles of territory

The Scramble for Africa

- From the middle of the 1880s the so- called Scramble for Africa started
- Berlin conference (Congo Conference / West Africa Conference) in 1884-5 ratified the principle of effectivity
- Leopold II of Belgium affirmed in 1876: "To bring civilization to that part of the globe where it has not already come, to dispel the darkness that still shrouds whole populations: this is - I dare say it - a crusade suitable for this century of progress".
- Idea of the superiority of race

SECOND INDUSTRIAL REVOLUTION

PREMISES TO THE SECOND INDUSTRIAL REVOLUTION, 1873-1896

- **1873 Crisis:** Reduction of Prices (Great Deflation 1873-96) => Europe entered into a critical economic conjuncture
Decrease in prices => linked to:
→ the process of industrialization: the new technologies adopted led to a decrease in the production costs and consequently on the prices + the industrial output kept growing thanks to the innovations and this meant that there was an increase in the offer not sustained by an increase of the demand=> offer > demand => lower prices => so we talk about a crisis of overproduction => this crisis was functional to the expansion of the capitalistic economy itself => the value of innovation of the 1° industrial revolution run out, so there was the need to invest in new technologies to continue this process of growth

- the increase of interdependence between States => nations started competing between each other => they competed on prices => in order to be more competitive => decrease in prices
- From the 1870s, **Adoption of the Gold Standard**: monetary standard based on gold => national currencies could be converted into gold at a fixed rate => adopted by different states to facilitate the exchanges between them => the amount of money circulating had to be equal to the gold reserve that the State had => decrease in the amount of money circulating => buying power decreased => prices lowered
 - More protectionist policies

SITUATION AT THE EVE OF THE SECOND INDUSTRIAL REVOLUTION

- Social Darwinism: only the strongest survive
- **Social inequalities**
- Crisis had social and political repercussions => politicians feared the urban crowds that could not be controlled => **Mass politics** => new political language meant to control urban crowds => try to convince people to behave in certain ways according to different ideologies => increase of political violence in Europe
- **Relationship with non-European nations** => non-European nations seen as places to colonize => source of political power/hegemony, source of natural resources => the trade with non-European nations slightly reduced due to protectionist policies => no more seen as markets

THE SECOND INDUSTRIAL REVOLUTION, 1896-1914 | A SECOND CYCLE OF INDUSTRIAL GROWTH

- From the late 1890s, **New Cluster of Technological Innovation** and their Spread (Metal, Chemical and Energy Industry) set the basis for a Second Industrial Revolution
- the process was however uneven: took place differently in different nations (Germany and USA led the process; France and Italy came later in the race of technological industrialization) => Great Britain still had an important role in fostering international trade but industrial production was led by new players
- BUT the process of industrialization was rapid in relative terms

From the late 1890s, **Increase in the Economic Competition for Economic Growth**:

- increased interdependence between national economies => abandon the protectionist policies and resume of international trade
- From the Late XIX Century, Increase in Foreign Investments => new important investment in colonies => ex. Construction of railways

Investment in new technologies: heavy industries: metallurgic, chemical and metal, energy => industries that are capital intensive and not labor intensive

THE SECOND INDUSTRIAL REVOLUTION, 1896-1914 | TECHNOLOGICAL TRANSFORMATIONS

Main technological transformations from the 1890s:

⇒ **New materials:**

- Steel production as a substitute for iron (Germany and USA competition) => steel is more resistant and was used in order to foster the construction of railways and make them more resistant

- Chemicals

⇒ **New sources of energy and power:**

- Innovation in steam engine
- Commercialization of electricity (i.e., electrical illumination) => fastened the process of mechanization that was at the basis of the industrial production=> many enterprises adopted the central power station (central station that is able to activate all the different machines by using electricity), electricity also transformed the way in which people lived in urban dimension => cities became less dark=> safer

Everything could be mechanized and powered

THE SECOND INDUSTRIAL REVOLUTION, 1896-1914 | MASS PRODUCTION

Birth of Mass Production (already from the late 1870s):

- Increased mechanization of work to be faster: new technologies allowed an unlimited supply of goods to increase considerably the amounts of production=> 2° industrial revolution= quantity revolution=> new technologies allow the exploitation of economies of scale and economies of scope
- Rationalization and reorganization of the workforce to be more efficient: effort to maximize the product of labor = study of the worker as an animate machine => Taylorism and scientific management: studied the different working activities performed by workers, and understood how to reduce at most the time used to perform each task to increase productivity and margins of profit
- Assembly line=> workers performed a very small task in order to maximize efficiency => alienation: workers lost sight of the final product and they lost the division between the task performed at work and life outside
- New technologies didn't need workers with specific skills=> unskilled workers severely underpaid=> not a fixed salary, but workers paid based on the amount of pieces manufactured
- Mode of production produced a shift from time wages to piece wages but also altered the relation of men to one another and to work

The « Age of Factory »

‘« Organizing » is one of the keywords of the period. The age of the factory is that in which the issues of « rationalization » and « bureaucratization » are decisive. It is an age in which « the big » (particularly the enterprise, which grows considerably, while

it is reorganized in an integrated way), « the heavy » (with the predominance of industry), « growth » are the horizons to reach.'

⇒ Big enterprises=> need of new figures that could organize the working activities and make strategic decisions=> managers=> decide how to invest

The Modern Industrial Enterprise

- Technologies of production allowed to benefit from economies of scale or economies of scope
- Large production facilities / multi-functional - multi-divisional - multi-national enterprises
- Horizontal / vertical integration
- Geographical / product diversification
- Investment in management (managerial hierarchies) / complex governance structure
 - Global competition and networks
- Oligopolistic re-organization: few big firms that control the production and compete globally
- Competition is not based anymore on prices but on market share and increased profits by means of functional and strategic efficiency, that is, by carrying out more capably the processes of production and distribution by moving more quickly into expanding markets and out of declining ones.

THE SECOND INDUSTRIAL REVOLUTION, 1896-1914 | MASS CONSUMPTION

Birth of Mass Consumption (already from the late 1870s)

A body of consumers able and willing to buy above the line of necessity was born.

New distribution channels: e.g., the department stores

- ⇒ New consumer goods: e.g., bicycle, electric lightening or electric appliances
- ⇒ New market logics: cultivating fashion changes/creation of brands
- ⇒ Population in Europe steadily increased from 1870 to 1910 rose from 290 to 435 millions of people making of European markets the biggest ones
- ⇒ Change in the consumption patterns: decrease in prices, higher incomes, changes in consumers' needs.
- ⇒ Urbanization

The Second Industrial Revolution, 1873- 1914

- 1873-1914: period of economic dynamism and growth
- Two main sources behind the dynamism and economic growth:
 - Marriage between Science and Technology
 - Spread of the Ideology of Progress

CHANGING GEOPOLITICS

Global political order still organized around the principle of state sovereignty, but new actors became the political and economic leaders=> rise of Germany and USA
Multi polar world=> we have different regions of the world that compete on the same way

USA= country that invested first in these technologies and started building new big enterprises

Britain

- Lost supremacy in critical branches such as iron and coal
- Was still mediator of world trade and finance
- had exhausted the gains generated by the cluster of innovation of the First IR
- Did not take full advantage of the cluster of innovation of the Second IR

Germany

- Was well behind Britain in the 1870s (late assimilation of the innovation of the First IR, industrial sector not fully mechanised, railway still uncompleted)
- Resumed high rate of growth after the 1890s
- By 1910, dominated the production of steel and iron (metallurgic hegemony), chemicals and energy

France

- Had a slower rate of industrial growth
- 1900-13 upturn due to the new technologies but also on the iron ore deposits of the Lorraine

United States

- were the "first movers"
- had a rapid growth of domestic market and were less dependent on foreign trade
- had a dominant position in the food industry and in the production of consumer goods

Japan

- Emerged as an important actor however mass production kicked off after the Second World War

Organized Capitalism:

- This period witnessed the birth of the "organized capitalism" of trusts, cartels, and conglomerates.
- corporation capitalism/organized capitalism: combination advanced at the expense of market competition, business corporations at the expense of private firms, big business, and large enterprise at the expense of smaller=> tendency towards oligopoly.

Hypermodernity: expression used in order to describe our contemporaneity, the processes that shape modernity accentuated, radicalized => radicalization of modernity brought out cultural changes

Hypermodernity=> highlight that the end of the 19th century and the beginning of the 20th century may be seen as the initial path for our contemporaneity

THE SECOND INDUSTRIAL REVOLUTION AND THE EMERGENCE OF A MASS INDUSTRIAL SYSTEM OF PRODUCTION

A new cycle of growth was made possible in Europe thanks to new innovations=> increase considerably the volume of the goods manufactured => large-scale, intensive capital industries: **MASS PRODUCTION** => in particular in industries such as metal/chemicals/energy

Increase in the volume of goods=> increase in the size of the enterprise=> new investments, birth of new and more complex governance structures

Mass production was sustained by mass consumption.

Important role played by science => development of applied science useful to develop new technologies

TRANSFORMATIVE OF THE WAY OF MANUFACTURING OBJECTS

Major aims:

- To increase production (quantity)
- To decrease production costs
- To increase productivity gains and profits
- To achieve a virtually unlimited supply of goods at a lower cost

TRANSFORMATIVE OF THE VERY NOTION OF WORK AND OF THE WAYS OF APPROACHING WORK

Mass production:

- Is based on the assembly line (very simple tasks that workers repeat without even having to think about what they are doing)
- Is based on an attentive scrutiny of time management
- Promotes a “cult of efficiency”, cult of performativity is embraced in different working activities=> very present and oppressing lives

TRANSFORMATIVE OF THE WAYS OF APPROACHING KNOWLEDGE

Mass production:

- Is fostered by **marriage between science and technology**=> science and scientific discoveries are not anymore a method of speculation, they are instruments
- Is triggered by an **Ideology of Progress**
- Strengthens the “**growth imperative**” => the economic competition, the need to accumulate capital and the race for political power became more oppressing, the growth imperative is seen as a distinctive feature of human society (it's not natural though, for example in feudal society wealth was not

seen as accumulation of capital=> so it's an historical process that has to do with the development of a capitalistic society)

THE DAWN OF HYPER-MODERN TIMES?

MAIN REFERENCES: Jan Patočka (1907-1977) and Hannah Arendt (1906- 1975)

Anna Arendt => Jewish journalist that escaped the holocaust and went to the USA where she wrote different books

- Hannah Arendt, *The Human Condition*, 1958=> tries to understand which are the sources of human alienation

Jan Patočka=> founder of a political group of dissidents, in former Czechoslovakia (existed until 1992, then split in Slovakia and Czech Republic), which opposed the communist rule

Writings about industrial civilization and criticism about the development of the industrial society

- *'La surcivilisation et son conflit interne'*, published in the 1950s, reflection started in the late 1930s and *'Les Fondements spirituels de la vie contemporaine'*, 1970
- *'Liberté et sacrifice : Écrits politiques'* (Grenoble : Millon, 1990).
- *'Is Technological Civilisation Decadent, and Why?'* and *'Wars of the Twentieth Century and the Twentieth Century as War'*, 1975

'The nineteenth and twentieth centuries are the age of an industrial civilization that has swept away humankind's other, older attempts to shape, even to produce their lives without the help of science and technology (of technology based on science and in a sense even fusing with it).'

[*Is Technological Civilisation Decadent, and Why?*]

- ⇒ Science and technology have become something that redetermines and shapes our life
- ⇒ At the time of the second industrial revolution, we have a complete convergence between science and technology=> scientific knowledge is oriented towards the creation of new technologies=> R&D units appear in enterprises

ENDLESS GROWTH

"The mighty growth of industrial civilization appears as a trend which no difficulties can hinder, be they external or internal. [...]. The optimism of this trend, full of

vitality, defying attempts to tame it, appears more powerful than any objection that the development itself can provoke.”

[Is Technological Civilization Decadent, and Why?]

- ⇒ **The growth is unstoppable**=> the trend appears so positive, even with its drawbacks, the difficulties can be solved to continue fostering economic growth
- ⇒ The cartoon shows that we cannot stop the growth, we have to continue playing the game since it's now a part of us
- ⇒ 1ww was a result of this process, all the power accumulated before was released and the process of economic mobilization was continued
- ⇒ **The limit is somehow lost**=> there is not anymore a cultural limit that can stop this hubris

‘The accumulation of forces is uninterrupted, followed step by step by the expansion of power. We know the history of this process. We know how it spreads then to the whole of our modern life, finding an expression particularly effective in the free capitalist enterprise that controlled the work, leading to the consequential phenomena of the division of labor and of the global market’.

[La surcivilisation et son conflit interne]

- ⇒ Free capitalistic enterprise= modern industrial enterprise=> **redefines the economic competition in an oligopolistic way**=> it became the main player that fostered the continuous expansion of the capitalistic economy

‘The industrial revolution that takes place in Europe from the second third of the 19th century was a process that, making of Europe the exclusive holder of modern science and technique, ensures to Europe itself the monopoly of power which makes the colonial expansion possible. This process comes with a demographic increase, the emergence of the big urban and industrial centers, and the formation of the mass industrial society. All this necessarily leads to a revision of previous political structures: with the birth of mass democracy.’

[Les Fondements spirituels de la vie contemporaine]

- ⇒ Industrial revolution change society and led to the birth of a new political language=> **Mass Politics**
- ⇒ Economic transformations led to social tensions=> **social hierarchy are intensified**: for some people it created new opportunities, while other strata of the population were not able anymore to recognize themselves in the existing social hierarchy and political parties=> they became a mass of people that could easily be controlled and oriented, energy surplus which could be mobilized
- ⇒ Politics are often carried out outside the traditional political institutions => political restoration which started after the Congress of Vienna attempted to

reestablish a political equilibrium by putting in place **very conservative governments** which were able to survive even if there were political revolutions (1848 the springtime of people)

The question to ask is therefore if it is simply a new type of civilization, of a civilization among others, or if we are facing a phenomenon fundamentally different, something that we could identify as « surcivilisation ».

*‘The uninterrupted rationalization becomes during modern times, basically from the end of the XVII century, the main factor characterizing social life.
[La surcivilisation et son conflit interne]*

- ⇒ New way of conceiving humanity/civilization=> based on **rationalization**: scientific way of approaching knowledge/reality

*‘Its new attitude to work and the skeptical use it made of ancient rationalism helped to generate a new conception of knowledge as ultimately practical and mastering nature. ‘The internal development of production, of technologies, of commercial and financial practices led to the rise of an entirely new kind of rationalism, the only one we know today: a rationalism that wants to master things’.
[Is Technological Civilization Decadent, and Why?]*

- ⇒ We approach knowledge in order to take economic value out of it, the same way we look at arts and culture => main drive is should not be to extract a value, rather to create conditions of sustainability

SCIENCE AS A POSITIVE AND PRESCRIPTIVE KNOWLEDGE

- ⇒ **Positivism**: reduction of knowledge to a set of skills which can be easily defined, measurable in order to obtain certain results
- ⇒ Usage of scientific discoveries for many other domains=> we see works as tools which allow you to obtain other results (politics=> atomic bomb)
- ⇒ **Scientific method applied in all domains**
- ⇒ Other forms of knowledge, philosophical knowledge, are downgraded, considered less important => deeper divide between science and culture

ABOUT THE USES OF SCIENTIFIC AND TECHNICAL KNOWLEDGE

‘Just as there is no reason to doubt our present ability to destroy all organic life on earth. The question is only whether we wish to use our new scientific and technical knowledge in this direction, and this question cannot be decided by scientific means; it is a political question of the first order and therefore can hardly be left to the decision of professional scientists or professional politicians.’

[Hannah Arendt, *The Human condition*]

“THE HUMAN CONDITION”

‘This revolution that penetrates throughout and ever more completely determines our lives. Given its differentiation of vocations and interdependence of interests, European humanity and by now already humanity as such simply are no longer capable of physically surviving but for the mode of production that rest increasingly on science and technology.’

[Is Technological Civilization Decadent, and Why]

CHANGE IN THE RELATION WITH WORK

We have ‘broken it [work] up into its minute particles until it has lent itself to division where the common denominator of the simplest performance is reached in order to eliminate from the path of human labor power the human artifice.’

[Hannah Arendt, *The Human Condition*, p. 126]

- ⇒ Different way of looking at the production of things=> activities split into many different tasks to the point that the human creativity is lost=> the division of labor eliminates the human artifice from working activities

Hannah Arendt, *The Human Condition*:

- ⇒ Increase the level of efficiency by dividing the work in many small tasks=> the human being lost sight of his work => **mechanical and alienating work**
- ⇒ Mechanization/machines are freeing the human being from the necessity to work=> at least apparently=> the work of human beings became an accessory=> not needed anymore. This freedom from labor is apparent, not true=> entering into a labor society, every human being is considered a worker and is bound to the necessity of continuously working in order to improve a condition. Every human being has become a worker shaped by efficiency=> it’s a tool, an energy surplus which can be used in order to achieve certain results

CHANGE IN HUMAN RELATIONS...

Their life is characterized by ‘modern homelessness, human life remains homeless.’

‘It seems as if humans have become a grand energy accumulator in a world of sheer forces, on the one hand, they made use of those forces to exist and multiply, yet on the other hand, they integrated into the same process, accumulated, calculated, utilized, and manipulated like any other state of energy.’

‘So many spiritual themes ultimately conjoined in giving rise to an unspiritual, wholly “practical”, secular and material conception of reality as an object to be mastered by our minds and hands.’

[Is Technological Civilisation Decadent, and Why?]

- ⇒ Masses are groups of people taken together not because of a common consciousness but because they are automatized, they don't feel recognized anymore=> this automatization is a condition to accumulate political power
- ⇒ Human beings are seen as a tool to sustain the progress of society

... & CHANGE IN THE RELATION WITH NATURE & WITH THE ARTS AND ARTISTIC RESEARCH

Relation to nature and to ourselves: Hannah Arendt used to point out that humans no longer understand what it is they do and calculate. In their relation to nature, they are content with mere practical mastery'

Progression of a peculiar tendency that might be identified as Methodism: the transformation of philosophy into science. The arts as well are subject to the spiritual supremacy of science. Directly, it is the mark left by scientific ideas over the diverse programs and schools (as, where required, on the method of artistic research)

FROM ECONOMIC TO HUMAN AND MASS MOBILISATION

The First World War is the decisive event in the history of the twentieth century. It was this war that demonstrated that the transformation of the world into a laboratory for releasing reserve of energy accumulated over billions of years can be achieved only by means of wars. War is the most intensive means for the rapid release of accumulated forces. In this process humans as well as individual peoples serve merely as tools.

- ⇒ War is the result of the process of accumulation of resources and also the instrument for the accumulation of political power (1ww was sustained by mass industry=> sustaining the war economy: produce weapons, munitions, shells, but also primary necessities; and by mass politics=> fundamental to convince people that war was necessary, mobilize people)
- ⇒ Human mobilization=> seen and transformed into tools ready to support and sustain the war efforts in different ways

Writing in the late 1930s, Patocka understood that European society underwent and was undergoing a peculiar process: 'a hypertrophy of the technical/industrial civilization as such'

[La surcivilisation et son conflit interne]

FIRST WORLD WAR AND TOTAL MOBILIZATION

CONTEXT BEFORE THE 1WW

- ⇒ Second Industrial revolution=> **mass industrial system of production** (essential to sustain the war efforts, transform national economy into war economy)
- ⇒ Emergence of a mass industrial society implied a political transformation=> **advent of mass politics** => linked to the process of urbanization=> increase of the amount of people living in the cities=> crowds that have to be controlled/directed, new political entity of which higher classes were afraid of=> target of mass politics, birth of a new political language that challenged the traditional political institutions, meant to mobilize the dissatisfaction of the crowd to shape their way of thinking (= populism)

THE CROWDS: THE MOB AS A “NEW POLITICAL CATEGORY”

- The mob (plebs): **residue of all classes** (déclassés)=> phenomenon that is transversal to all the social classes => people that share a common dissatisfaction, that don't feel recognized by social classes/political parties and look for new forms of identifications (lack of sense of belonging, they feel isolated)
- **Nihilism** of the mob: absence of a clear direction/vision
- Mob vs people: extra-parliamentary actions vs parliamentary politics and representations
- Mass politics: New political action and language undermining democracy
- **The mob and the politics of mobilization:** the mob as a group that can be easily mobilized around an idea by a political leader
- The Mob= an **Entity to be Organized/Mobilized**=> The mob could be easily organized around any movement and way of thinking, like:

Mythology of Progress
Antisemitism/Xenophobia
Social Darwinism/Racism



Imperialism
Nationalism

INDUSTRIAL MOBILIZATION=> NATIONAL INDUSTRIAL SYSTEMS SUSTAINED THE WAR

From pre-war economy to war economy=> similar directions in the different states

- Western Europe and the United States (accounted for half of the World production) had a leading role
- Western Europe and the United States controlled more than 3/4 of the World
- From free markets to a more protectionist politics (control over prices, productions,

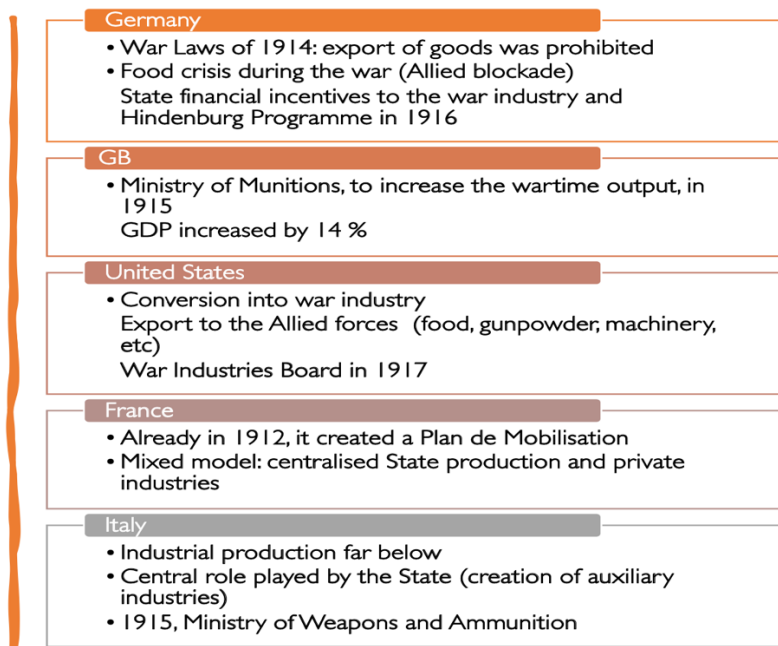
and labor allocation) => material resources of each nation were mobilized towards the war efforts and the exchanges with other nations were strongly reduced=> it was important to have a considerable food reserve to sustain the population during the war

- High borrowings to finance the war, countries abandoned the gold standard (limit to the possibility of raising capitals)=> need to have more money circulating to finance the war), inflation (scarcity)

- Industrial mobilization: boom of the aeronautics, automotive and mechanical engineering sectors=> expansion and development of new technologies in order to produce stronger weapons => the war fastened the technological industrialization for many nations that before the war were far behind

The Home Front: women entered massively the industrial life (they start working in factories) => men had to join the army

INDUSTRIAL MOBILIZATION



THE FIRST WORLD WAR

How to make sense of the First World War?

- Competition that shaped Europe in the years before the war had an important role in creating a political division,
- Different interpretations,
- International (economic) rivalry,
- Decision-making carried out by “Greatmen”,

- Mass politics,
- Total mobilization.

INTERNATIONAL (ECONOMIC) RIVALRY

- Economic competition between Great Britain and Germany was the main characteristic of the fifty years preceding the First World War
- This shift in the balance of power was the dominant influence in European international relations. It nourished the Anglo-German political and naval rivalry, as well as French fears of their enemy east of the Rhine; it made war probable and did much to dictate the membership of the opposing camps=> causes of the war not material but they lay on the significance of power relations for the definition of national interests

DECISION-MAKING BEHIND THE WAR

- War as a result of the process of decision-making and failed negotiations among political elite.

What about Mass Politics?

- General popular enthusiasm for War => people were ready to be mobilized, responsive to mass politics (stimuli/ propaganda)
- Examples: Austrians melted down their wedding bands and donated the precious metal to be used in armaments for the fatherland; German socialists voted for war bonds; Berliners denounced their neighbors as spies.

Importance of considering the **political, social and cultural forces behind the War** that accompanied economic rivalry and elite decisions:

- Mass politics
- Imperialist and militarist mass culture
- Nationalist pressures
- Ideology of Progress
- ...Logics of mobilization

THE FIRST WORLD WAR: ERNST JÜNGER'S INTERPRETATION

- Ernst Jünger (1895-1998), philosopher
- He fought during the First World War
- "Total Mobilization" appeared for the first time in War and Warrior (1930)
 - 'Perhaps we can best identify the special nature of this great catastrophe by the assertion that in it, the genius of war was penetrated by the spirit of progress'. Progress as 'power of cultic origin', 'a belief', 'nineteenth century great popular church'

Progress is not just economic competition among different nations => it's a trigger for economic competition

Progress is not something that is rational, it's an ideology, something that has the capacity to persuade people, it's the nineteenth century popular church=> it's a faith

1° industrial revolution => progress= accumulation of wealth and power, economic competition, political competition

2° industrial revolution => irrational entity => intangible, it has the capacity to persuade=> it's a stronger idea and it has different consequences

Junger proposes that the cohesion and sense of belonging experienced during times of total mobilization, such as during wartime, represent a different kind of progress—a progress in human connection and social unity. He contrasts this with the often isolating and disorienting nature of modern life, where individuals may lack a sense of belonging or purpose.

Junger's interpretation suggests that progress should not only be measured in terms of material advancements but also in terms of social cohesion and collective well-being. He advocates for a reevaluation of what constitutes progress, emphasizing the importance of community and shared purpose in achieving a more fulfilling and meaningful society.

TOTAL MOBILIZATION

- *'growing conversion of life into energy, the increasingly fleeting content of all binding ties in deference to mobility, gives an ever-more radical character to the act of mobilization'* => total mobilization is the organization of every kind of resource in order to achieve a certain result, and in this sense it's a conversion of the material aspect of life in energy, that can foster this continuous process of mobilization

Progress is made possible by this ideology => mobilization of all energies, material, and human => resources organized toward a purpose

- This process *'makes the World War a historical event superior in significance to the French Revolution. In order to deploy energies of such proportion, fitting one's sword-arm no longer suffices; for this is a mobilization that requires extension to the deepest marrow, life's finest nerve.'*

WAR AS AN ECONOMIC AND FINANCIAL MOBILIZATION:

'Because of the huge increase in expenses, it is impossible to cover the costs of waging war on the basis of a fixed budget: instead, a stretching of all possible credit, even a taxation of the last pfennig [German coin] saved, is necessary to keep the

machinery in motion' => mobilization of resources has no limit, the budget for the war can continuously increase

In the past, the army was the only responsible to fight the war, 1ww= the war became a responsibility of everyone

WAR AS TECHNICAL AND MATERIAL MOBILIZATION:

'In the same way, the image of the war as armed combat merges into the more extended image of a gigantic labor process.' => material resources directed towards the war efforts

- How? => media is developed during the 19th century=> fundamental to persuade people of the necessity of war and to disseminate nationalistic messages

- **War as a labor process** [arbeitsprozesses]=> in addition to the armies in the battlefield, army that cover the transport and those that work in the manufacturing of weapons => mobilization of industrial life for the sake of the war=> limitation on food, new policies were enacted, workers in Germany had to work more forced by law to work more to sustain the armament of the nation => Hindenburg Programme of August 1916 (armaments and economic policy)

It's a war of workers because of the industrial mobilization=> sustain military forces and civilians

Junger did not really mean this, he wanted to point out that because of the war all human beings were transformed into workers=> the worker is a metaphor=>

distinctive features: someone that always has to perform at his best, specialization (lost sight of reality because of it), always ready to be mobilized in order to reach certain purposes

No distinction anymore between people that fought at the front and those that stayed at home

'Total mobilization extends to the child in the cradle, who is threatened like everyone else' => It turns out that each individual life becomes the life of a worker; and that following the wars of knights, kings, and citizens, we now have wars of workers

- *'In any event, Total Mobilization's technical side is not decisive. Its basis lies deeper. We shall address it here as the readiness for mobilization. Economic explanations, no matter how illuminating, are not sufficient.'*

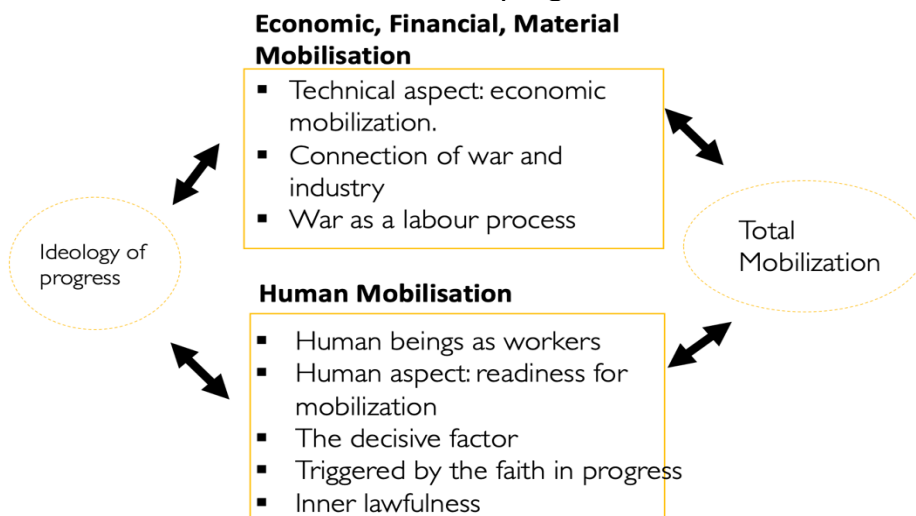
- *'We ought rather focus our first suspicious on phenomena of cultic variety. In defining progress as the nineteenth century's popular church, we have already suggested the source of the last war's effective appeal to the great masses, whose participation was so indispensable. This appeal alone accounts for the decisive aspect of their Total Mobilization: that aspect with the force of faith'*

New war=> penetrated by the spiritual progress that led to total mobilization (different dimensions: industrial, material, economic, financial=> but **key aspect= human=> war of workers**)

It's democracy that really had the capacity to mobilize people/masses and adopt the new political language=> not possible in the case of monarchy, where there is only the authority of the king while in democracy there are different roles covered by politicians that persuade people

- *'Esteem for quantity is increasing: quantity of assent, quantity of public opinion has become the decisive factor in politics'*
- *'Socialism and nationalism in particular are the two great millstones between which progress pulverizes what is left of the old world, and eventually itself'*

How was the link between war and progress established?



!JUNGER WRAP UP!

War is based on the idea of progress which is exploited by mass politics in order to have total mobilization

Key aspect of the total mobilization for Junger is the human side=> war of workers

Junger wrote his essay just after the 1ww => he points out that the 1ww transformed the European society and led to the supremacy of mass politics

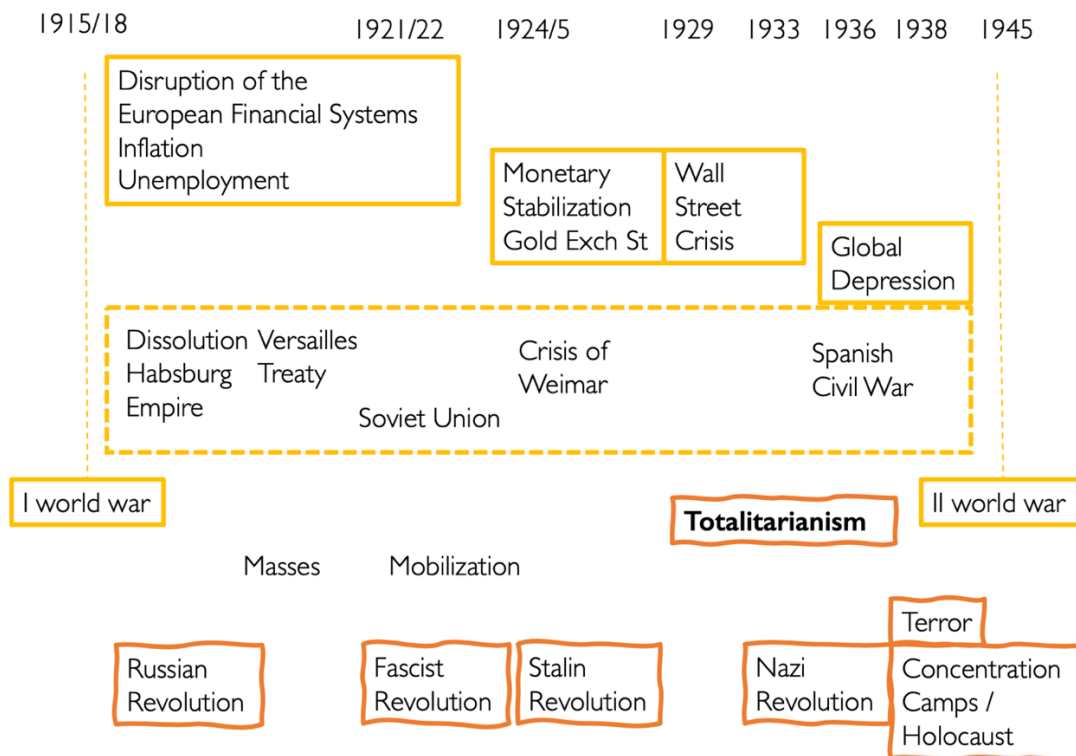
POST WORLD WAR 1

- International relations and economic ones were destructed. Crisis => political and economical
- A lot of nations adopted **nationalistic economies**=> they needed to reconstruct the society from an economic point of view after the war
- **Inflation and economic losses**=> a lot of money used to finance reconstruction

- High unemployment rate: Many people lost their jobs, and many people were injured so they could not work anymore
- 14 million people died
- Collapse of the social system of classes and the political system of parties=> crisis of political and social representations experienced in many European countries=> Political movements ready to influence people => destroy democratic institutions, political violence against enemies that were defined in a completely arbitrary way
=> Totalitarian and semi-totalitarian movements diffused in Europe: Fascist movements in Italy, Romania, Hungary, Portugal, Spain, and Totalitarian movements in Germany and Russia

ECONOMIC “DISASTER” CAUSED BY THE FIRST WORLD WAR:

- Monetary cost \$180-230 billion
- Disruption of the normal economic relations
- Disruption of international trade
- Off the gold standard, and high inflation
- Protectionism era (tariffs on exchanges)



Treaty of Versailles:

- Germany seen as the only responsible of the war and had to pay a fine of 32 billion dollars, limit of political and military power of Germany
- Redefinition of the borders within Europe and oversee lands (Germany lost Alsace and Lorraine that went back to France and some parts of Germany were occupied by allied forces, ex. Saar and Ruhr, Rhineland was a non-militarized zone since close to other countries)

1924-29: return of prosperity thanks to the flow of money from USA to Germany

- USA emerged from the war stronger than ever, few economic fluctuations until 1929
- Europe could get better thanks to the loans and the investments made by the USA in Europe => brief return to prosperity that was then stopped by the crash of the stock market in 1929

Before this crisis international relationships and foreign trades reduced (less tariffs on exchanges and abandon of protectionist policies)

Adoption of the **Gold Exchange Standard**=> the Gold Exchange Standard refers to a monetary system where the standard economic unit of account is a fixed weight of gold. This system allows a government to convert its currency into gold, and vice versa, which aids in stabilizing the economy and enhancing trade relations among nations.

29TH OCTOBER 1929: Black Tuesday, how it came about?

- USA Speculative investment through the New York Stock Market
- Decline productions in USA and also in Europe (already in crisis)

More "Effects":

- Financial and economic breakdown
- Repatriation of funds from Europe
- Currency fluctuations
- Persistent economic nationalism (tariffs and quotas on exchanges)
- International flow of capitals and volume of world trade decreased

AGRICULTURAL CRISIS => overproduction crisis => during the war the USA produced to feed the European population as well, after Europe returned to being able to sustain itself, USA found themselves producing way more than they needed while not exporting the same quantity anymore

HOW TO OVERCOME THE CRISIS?

State intervention implemented in economic matters, few examples:

- **Roosevelt's New Deal in the USA** (ca.1933-5)

New deal policies=> increase industrial output and diminish unemployment

- France was torn apart by the crisis and political outbreaks(ca.1934-8)
- Italy, large state-supported enterprises and corporate state

- German economy: Nazis had as objective that of making the country self- sufficient in case of war
- Soviet Union, planned economy and collectivization

Finding a way out of the **political crisis**=> International organizations=> League of nations= objective was to foster international cooperation, economic and political relationships, foster peace after WW1=> unsuccessful because the Second World War happened

March 1938=> Anschluss: annexation of a part of Czechoslovakia to Germany with the Munich agreement

1939 Germany invaded Poland and the **WW2 started**.

WW1 left a political void, provoked a crisis in social and political representation=> **feeling of mistrust** => people did not believe anymore in their representatives, in the democratic institutions

THE NATURE OF THE TOTALITARIAN REGIME. HANNAH ARENDT'S INTERPRETATION

- **Masses:** masses are essential for the leader to enlarge his consensus and consolidate his power

Masses are made of the average man (not necessarily ignorant and not educated)

- **Propaganda:** schools are instruments of propaganda=> propaganda is not advertisement, it's a psychological work=> it is able to convince people based on ideas that are apparently pseudo-scientific

Idea of race (core of the Nazis ideology) => Nazis regime convinced the German society of the superiority of the Arian race=> for them it could be explained scientifically => so rightfully all the people of other races had to be killed in order to create a pure race and reestablish the greatness of the German nation

People had to adhere to the ideology not only in the public sphere but also in their private dimensions

- **Totalitarian Movement**

- **Totalitarian Regime:** Corruption of the State Apparatus, Secret Police (eliminate all the opponents), Concentration Camps

- **Terror and Ideology**=> once the leader takes the power he sets up a totalitarian regime, all the political roles were covered by members of the party

People were deprived of the possibility to act freely=> human being is an entity, not a person anymore=> they have to behave according to the ideology of the regime (people that had the force to dissent were a minority)

Arendt:

- Discussed the totalitarian form of government=> completely new compared to tyranny and despotism
- Situated the origin in broader history of the modernity itself

- Explored dichotomy between Stalinism and Nazism
- She did not consider fascism as a totalitarian government => not totalitarian but authoritarian (power of Mussolini could still be limited)

Book was published in 1951 then in 1958 with two additions (two chapters: chapter 13 and an epilogue concerning the Hungarian revolution of 1956)

'The forms of totalitarian organization, as distinguished from their ideological content and propaganda slogans, are completely new.'

The process of mobilization was based on new ideologies=> socialism and nationalism for example=> capable to offer to European societies new forms of collective identification, capable to find an answer to the political and social crisis faced by Europe after WW1

Try to understand how possible was for new political leaders to persuade people to propagandistic slogans

MASSES

'Masses are not held together by a consciousness of common interest, and they lack that specific class articulateness, which is expressed in determined, limited, and obtainable goals. The term masses applies only where we deal with people who either because of sheer numbers, or indifference, or a combination of both, cannot be integrated into any organization based on common interest, into political parties or municipal governments or professional organizations or trade unions.'

Totalitarian leaders were offering to people the possibility to belong to something => people lacked alternative forms of collective identification=> loneliness is the main characteristic of masses (easily influenceable)

'The truth is that the masses grew out of the fragments of a highly atomized society whose competitive structure and concomitant loneliness of the individual had been held in check only through membership in a class. The chief characteristic of the mass man is not brutality and backwardness, but his isolation and lack of normal social relationships.'

- The essence of Masses is thus SOCIAL ATOMIZATION, lack of social relationships and common grounds

Masses are disorganized and amorphous entities which resulted from the crisis in political and social representations (class representation) but...

- Masses are willing/ready to be politically organized
- Masses become necessary for the development of totalitarian regimes, which require large number of human beings to be organized
- Totalitarian movements persuade masses of the inefficiency of the parliamentary system in representing people

‘Totalitarian movements are mass organizations of atomized, isolated individuals. Compared with all other parties and movements, their most conspicuous external characteristic is their demand for total, unrestricted, unconditional, and unalterable loyalty of the individual member.’

Such loyalty can be expected only from the completely isolated human being who, without any other social ties to family, friends, comrades, or even mere acquaintances derives his sense of having in the world only from his belonging to a movement, his membership in the party.’

TOTALITARIAN MOVEMENT

- Objective: ‘the permanent domination of each single individual in each and every sphere of life’.
- Based on Totalitarian Propaganda
- Instrument use to win the masses
- Based on lies, which are expressed in a prophetic and scientific way
- The Totalitarian propaganda aims to create a society in which human beings act according to the lies diffused by the propaganda

TOTALITARIAN REGIME

‘Totalitarianism in power uses the state administration for its long-range goal of world conquest and for the direction of the branches of the movement; it establishes the secret police as the executors and guardians of its domestic experiment in constantly transforming reality into fiction; and it finally erects concentration camps as special laboratories to carry through its experiment in total domination.’

Existing state apparatus=> corrupted, used by the leaders to consolidate his power and actions

- This makes sudden changes possible and power arbitrary
- It allows for the total domination of human beings whose objective is THE ORGANISATION AND TRASFORMATION OF THE HUMAN BEINGS

THE NATURE OF THE TOTALITARIAN POWER: TERROR

- The law is substituted by TERROR that:
- destroys not only liberty but the possibility to be free
- destroys the human capacity to acts
- human beings’ behavior is not driven anymore by principles such as virtue, honor ... it is driven only by IDEOLOGY

Decisions cannot be contested

It does not substitute one system of law with another=> power is arbitrary, it can change every day=> it is not limited anymore

THE NATURE OF THE TOTALITARIAN POWER: IDEOLOGY

'Ideological thinking orders facts into an absolutely logical procedure which starts from an axiomatically accepted premise, deducing everything else from it; that is, it proceeds with a consistency that exists nowhere in the realm of reality.'

Ideology:

- is the logic of an idea that Arendt called also super-sense
- explains history as a coherent process according to the idea itself, i.e., idea of history as class struggle (Communism) or as a race struggle (Nazism)
- legitimizes illegal, violent actions
- produces an argumentation that is not based on reality and experiences
- creates finally a parallel and fictitious world

'Loneliness, the common ground for terror, the essence of totalitarian government, and for ideology or logicity, the preparation of its executioners and victims, is closely connected with uprootedness and superfluosity which have been the curse of modern masses since the beginning of the industrial revolution and have become acute with the rise of imperialism at the end of the last century and the break-down of political institutions and social traditions in our own time. To be uprooted means to have no place in the world, recognized and guaranteed by others; to be superfluous means not to belong to the world at all.'

Industrial revolution was linked to the idea of loneliness=> loneliness: element that made totalitarian regimes possible=> it is linked with the feeling of being approved, of the alienation of the modern man that was already present at the time of the 1st industrial revolution=> human beings seen as tools

Each thinker presents the same problem with different words

Junger=> total mobilization, progress

Arendt=> not progress, but loneliness (mobilization is always possible when the fragility of people is exploited)

Both are arguing that mobilization is one of the central features of European history

SECOND POST WAR PERIOD

After the 2nd WW Europe lost its political and economic hegemony=> USA greater political and economic power=> evident in how the world is shaped after the war

BRETON WOODS CONFERENCE 1944=> important role in redefining the economic world

- Creation of the **International Monetary Fund**: financial international organization that was aimed at reconstructing the monetary system=> reestablish financial cooperation at least for the western side of the world, stabilize exchange rates (enforcing the gold exchange standard)

In order to be part of the IMF countries had to deposit an amount of money/gold=> this money was used in order to help nations in case of necessity (so the fund promoted mutual economic and financial cooperation)

- **World bank** was created (1946) => objective: granting loans for the reconstruction of Europe after the war
- **International Trade Organization** => never created => General Agreement on Tariffs and Trade (1947) were implemented to favor the trade between nations

1945 creation of the UN

Division of two spheres of influence:

- USA=> Western Europe
- Soviet Union=> satellite countries and countries aligned
=> this division was formalized with the building of the Berlin wall of 1961 (then destroyed in 1989)

USA SPHERE OF INFLUENCE

Most important policy for the reconstruction of Western Europe=> **Marshall Plan**

- The plan takes the name from Marshall, the US Secretary of state under Truman.
- Marshall plan was meant to provide help to European nations to foster the process of reconstruction of industries, cities...
- It was managed by the Organization for European Economic Cooperation (OEEC)
- 13 billion \$

This plan was accepted mostly by countries of Western Europe => not Soviet Europe
Accepting help from the USA would mean accepting the economic and political hegemony of the USA on the modern world => become part of a sphere of political influence controlled by the USA

The help provided by the USA was fruitful because it had a positive effect on economic growth on western European nations=> GDP rose by 4.5% per year (OEEC, USA, Canada, Japan)

Creation of the **NATO**=> military alliance between countries of the western side of the world => offer military support in case of an attack to one of the allied countries

ECONOMIC GROWTH described as an economic miracle => not a miracle, it's possible to identify the causes:

- **American aid**
- **Technological modernization** (key to foster industrial development and growth)
- **Government**=> after the war there still was a big intervention of the state in order to promote domestic industry

- **Welfare State**=> provide social and economic stability, eliminate social disparities by providing public services (national health system, education) => the creation of the Welfare State is a complex process and its climax happened after WW2, then in the 80/90s the welfare state suffered a crisis (difficult to provide services=> not enough funds)
- **Human capital**

Mass society/Consumeristic culture=> emergence of new consumer goods and new needs, emergence of new needs, new vision of the human body(objectification)

SOVIET UNION'S SPHERE OF INFLUENCE:

URSS + Satellite states (=> theoretically independent but under the political control of the URSS) + aligned countries

- 1946 4th five-year plan
- 1949 Council for Mutual Economic Assistance (COMECON) => promotion of forms of political and economic cooperation for the countries of the Eastern block (answer to the Plan Marshall)
- 1955 Warsaw Pact=>pact of military assistance (answer to the creation of NATO)

Attempt to rebel to the oppression of the communist rule=> Prague spring and Hungarian revolution=> revolts were violently crashed by the soviet rules

EQUILIBRIUM BETWEEN THE EAST AND WEST SIDES OF THE WORLD=> political equilibrium was fostered by the **nuclear fear** => fear that a direct ideological confrontation would lead to the use of the atomic bombs

1961 situation became more tense with the missile crisis that took place in Cuba. Some Cuban exiles which were not aligned with Fidel Castro, supported by Kennedy, decided to invade Cuba => when this happened the Soviet Union helped Cuba and decided to put missiles on the Cuban island=> when the USA discovered the presence of those weapons on the territory not far away from the American coast, Kennedy put a naval block on the island that brought the Soviet Union to retire the missiles.

THE ROAD TO EUROPEAN INTEGRATION?

- 1952: **European Coal and Steel Community** => Treaty of Paris => aim to reduce tariffs on the exchange of coal and steel between a small group of countries=> inner 6: France, Italy, West Germany, Benelux (= Belgium, Netherland and Luxembourg)
- 1957: **European Atomic Energy Community**
- 1957: **European Economic Community** => Treaty of Rome

- **1992 Treaty of Maastricht** => birth of the European Union => will to make it a political community, not just economical anymore
- European Union=> it's a supranational organization not an international organization=> the nations have to surrender a portion of their power in order to be part of the European Union

DECOLONIZATION AND THE LEGACY OF COLONIZATION => post war period is also the period of decolonization

First country= India 1947, last countries= Portuguese colonies 1970s (ex. Angola)
Europe left these countries in a critical political and economic situation=> especially evident in African countries where political institutions are very instable, and the economic situation is not ideal

WHAT HAPPENED AFTER THE POST WAR PERIOD? => 1970-80S

After the optimism of the post war period, we had another phase of economic recession and crisis

- **Bretton woods system ended** in 1971=> ended by Nixon, suspended the convertibility of dollars into gold because the gold reserves of the USA were basically ending after the expenses of the Vietnam War (1955-1975)
- **Oil crisis** in 1973=> cause: 4th Arabi and Israeli war => Saudi Arabia decided to promote an oil embargo towards the Western countries that were supporting Israel => Kippur war
- **Oil crisis** in 1979 that derived from the conflict between Iraq and Iran
- 1970s-80s: from Industrial to Service Sector
- Welfare state is losing its capacity.

WHAT ABOUT ASIA?

Emergence of the **"Asian tigers"**: South Korea, Hong Kong, Taiwan, Singapore => economy grew thanks to the presence of skills and cheap labor=> investments mostly in the technological sector

Success due to: => export abroad at a competitive price

TONY JUDD=> "POST WAR"

'In the light of what had gone before it is thus understandably tempting to narrate the story of Europe's unexpected recovery after 1945 in a self-congratulatory, even lyrical key. And this, indeed, has been the dominant underlying theme of histories of post-war Europe, above all those written before 1989—just as it was the tone adopted by European statesmen when reflecting upon their own achievements in these decades. The mere survival and re- emergence of the separate states of continental Europe after the cataclysm of total war; the absence of inter-state disputes and the steady extension of institutionalized forms of intra-European cooperation; the sustained recovery from thirty years of economic meltdown and the 'normalization' of prosperity, optimism and peace: all these invited a hyperbolic

response. Europe's recovery was a 'miracle'. Like many myths, this rather agreeable account of Europe in the second half of the twentieth century contains a kernel of truth. But it leaves out a lot. '

It criticizes the myth of progress which is still used in order to narrate the post war period=> idea that Europe's recovery was a miracle=> narration of the history of modernity as a continuous process of progress=> it makes us believe in the necessity of a continuous improvement => this horizon that European society have to reach=> It does not entail only an economic sphere but also continuous process of human mobilization

A HYPERMODERN SOCIETY?

- Continuous dissolution of the traditional form of limitations (politics and economics)
- The permanent innovation (knowledge)
- The surpassing of yourself
- Fragility / vulnerability of the social relationships (atomization)
- A mobilizing process

HISTORY OF ECONOMIC THOUGHT

KARL MARX

Marx studied Adam Smith and had the idea that the change in the economic situation brought to a change in the economic institution. Marx saw a progression, for Smith there was not one better than the other.

Every mode of production is a social relationship.

THE CAPITAL

Marx talks about is the industrial capital

Old commerce: **C (commodity)**=> **M (money)** => C (C 1 is equal to C 2)

Capitalism: **M** => **C** => **more M**

How does it happen that I start with money, buy a commodity and have more money?

With the money I buy labor power => this change everything in relationship with the pre-capitalist economies

New commodity: abstract labor=> I buy from you labor power and you do what I tell you=> thanks to this I obtain more money (profit)

Theory of value: labor theory of value=> what creates the value is socially needed work=> we need a certain number of hours of labor to produce something => so we take what is needed as of work to make something and that is what defines the value

Marx idea is different from the theory of value and closer to Ricardo's way of thinking.

Ricardo: theory of rent=> he explained that when we are not able to satisfy all the need for example of corn (it was happening at the time because of the war between England and Napoleon's France), there is the need to produce it since they cannot buy it anymore so in order to employ land, agreements are made where the producers don't pay the rent of the land but invest on it=> most expensive corn => excess of demand that establishes the price=> when the price gets higher, the landowner will ask for rent

The market price is based on these dynamics=> rent does not take part in the definition of the market price => market price is defined by profit and wages => pushing the wages to subsistence makes the profits higher=>subsistence wages: proletarians (their only richness comes from their prole)

Working day: x hours => a part of hours produces the goods to pay the wages and another part to make a profit => Price= wages + profit

The hours worked to make a profit are extra-work=> the workers could work only for the hours necessary to pay wages, so their subsistence

Classical interpretation of Marx

Class fight

Collectivism => means of production have to be state owned, no private property

Redistribution of wealth and fighting the idea of social classes

Even Marx was going against this idea of communism => we'll see a different interpretation from the classical one

CRUDE COMMUNISM

(extract from the Economic and Philosophical Manuscripts of 1844)

Crude communism is the first kind of communism => not Marx's

Crude communism, very rough, thoughtless communism=> it equalizes everyone => it's a communism based on the envy against the wealthy people (they are owners, everyone wants to be an owner/wealthy)

"Finally, communism is the positive expression of annulled private property – at first as universal private property" => **destroying private property by extending private property to everyone** => it doesn't make sense, Marx criticizes it

It goes against marriage => women= private property of their husbands, so what's the opposite? A community of women (as Plato says in the Republic)? Not a good solution => it's the extension of the same wrong relationship

Destroy everything that cannot be possessed differently from private property => everyone must be owner => not a big change, it's just the extension of private property to everyone

This communism reduces things to a common level=> no more differences, no more individuality=> abstraction from talent

“The community is only a community of labor, and equality of wages paid out by communal capital—by the community as the universal capitalist.” => community (State) is the owner of everything, everyone is the owner of everything => **universalization of capitalism** (we are not destroying the concept of proletariat and private property), State as the universal capitalist

Proudhon says that the capitalist and the capital should be eliminated, everyone should have equal wages (no profits), everyone must have equal value

Fourier=> the problem is that the work is fragmented => we should come back to the agricultural work, more natural

Similarities between this idea of property and the Soviet Union

MARX=> **MANIFEST** (last edition)

He says that a party asked him exactly what to do and he wrote a part about that => letter to Engel=> he also criticizes the program of Gotha

Program of Gotha=> Marx criticizes it point by point => he says that work is not the basis of everything, in the real communism there is no more work, no more value, no more theory of value even

Marx even criticizes public school => it's not good that the State manages schools
In Marx's communism there is no State=> State= representation of the alienated society

“Dixi et salvari anima mea” => I said it and I saved my spirit

In the letter to Engel, Marx says that he was asked what would happen after the revolution=> he mentions the possibility of the **dictatorship of proletariat**=> it's the only time he talks about the dictatorship of proletariat => not a main idea of Marx's as it is usually thought => he is using dictatorship in the idea of the time (government of transition, that lasts few weeks) not in the 19th century interpretation, and he sees dictatorship as something that should happen when everything is already changed.

Marx says not to think that communism can be done by law=> it's a **change in the mode of production** => new force of production that has to modify the society
Real communism cannot be a copy of the past=> it should treasure the lessons from the past, but it should be something new as it is a response to capitalist society.

“Communism as the positive transcendence of private property, human self-estrangement (alienation), and therefore as the real appropriation of the human essence by and for man; communism therefore as the complete return of man to himself as a social (i. e., human) being—a return accomplished consciously and embracing the entire wealth of previous development.”

Real appropriation of the human essence for man=> men return to themselves, they find their essence again => the return is not a return to the past as for example returning to agricultural world (as Fourier said), it's a **return to humanity** making profit of all the development => **completely developing individual capacities**=> These capacities are developed in a time which is freed from work thanks to the new powers of production generated within the capitalist system itself as its inherent self-contradiction=> use this development for humanization and not for dehumanization as it is done in capitalism

What changes in communism is not the type of activities, but the completely different way in which they are carried out. This completely different way can be seen through the distinction between **indifference to labor**, typical of the alienation of the capitalist system, and the **universal and free development of human capacities** in the communist society. Indifference to labor is the manifestation of alienation as abstraction of labor, which is the result of the historical development of the division of labor. The universal and free development of the human capacities, on the other hand, implies the possibility of acting more and more freely outside the division of labor.

“The entire movement of history, just as its [communism's] actual act of genesis—the birth act of its empirical existence—is, therefore, also for its thinking consciousness the comprehended and known process of its becoming”

In the nature at a certain point a living being negates the death=> to affirm himself he **negates his humanity** and to do this he **negates the other human beings** => beginning of slavery => dominate the others for his own life => this then leads to the creation of social classes

This happens because the nature alienates itself through the human beings that by producing this negation of themselves also produce some ideology, some morals, some religion=> first priests that create this idea of God and this alienation=> alienation is a pure abstraction present to justify this idea of human
Capitalism => abstraction is political economy

Communism is the solution of the conflict between men through the scientific and social control of the human transformation of nature.

Resurrection of nature in communism=> humanization, it's not the spirit that guides the historical process but nature

Humanization of nature should bring to the humanization of human beings.

Nature is humanized => men change it=> nature does not exist anymore in its purity, everything in the world has been transformed by human beings (even more with capitalism and industrialization)

The problem of capitalist system is that all this transformation of nature brings to the dehumanization of human beings.

Human emancipation is thus connected to a change from a unilateral to a total relationship with reality that constitutes a «complete» appropriation of nature.

What is the real abolition of private property? Not merely a legal abolition

The **sense of private property** is not the cause but the consequence of alienation, it is the overcoming of alienation that entails the overcoming of private property. This overcoming occurs through the emancipation of all the human senses and faculties instead of reducing them to the sense of having.

Communism as the emancipation of human senses=> all the faculties of human beings are focused on the sense of having => all the senses are one sided=> instead in communism we should have a totality of human manifestation, development of all five senses and capacity to do everything.

Since we live in this abstract work, everything is centered on the appropriation of the world based on the having => wealth of the new society is based on a different production (not the industrial capitalist one)

Third book of the capital=> “Communism is the reign of freedom and not of necessity” => human activities are activities for themselves, not based on a particular utility anymore, meant just to develop my capacities

People won't be conditioned anymore by the mandatory work.

Work is always less necessary=> because of the fact that although the capitalist system is based on accumulated wealth which is measurable only in terms of the time employed in its production, capitalists tend to reduce the employment of living labor replacing it with machines in the endeavor to free themselves from social conflict with the workers.

No one is a human being=> we are in a continuous development so there is a never an accomplished humanity

Alienation=> men are exchanging their work for the product of their work => abstract idea of exchange is present when men start working for themselves => complete alienation (we do things just to exchange not for us) => we have to get out of division of labor and specialization => utopic

The mediating process between men engaged in exchange is not a social or human process, not human relationship; it is the abstract relationship of private property to private property, and the expression of this abstract relationship is value, whose actual existence as value constitutes money.

KEYNES

Quote: “to pay people to dig holes in the ground and fill them up again” => way to get out of the crisis: create jobs

Crisis: a lot of unemployment, people don't have money to consume=> need to think long term, spend money, and get in debt in order to make the economy better

Expenditure is what gets us out of the crisis, not savings=> it's not the supply that generates the demand (as Jean Baptiste Say said before Keynes)=> problem: the fact that the supply generates its own demand is disproved by the crisis of 1929 which is a crisis of overproduction (the expected demand was superior than the effective demand)=> in the next cycle they reduce a lot the supply (less employees, less salary, less money consumed=> vicious circle)

From the over-optimism of Say we go to the over-pessimism of the crisis

Preference for liquidity=> **liquidity trap** (everyone is blocked from this preference so there are no investments)

“To pay people to dig holes in the ground and fill them up again” => Keynesian say that this sentence is an extreme, hyperbolic sentence just to convince the state to intervene (create useful jobs but also not useful, also pointless jobs are better than nothing and would help to restart the economy)

MULTIPLIER

Public spending=> government decides to spend 1000 dollars => amount divided in consume (depending on the propensity to consume) and savings

If $c=0.8$, $C=800$, $e=0.2$, $E=200$

$c+e=1$

The consume for a person will be the income for someone else => the other person will do the same thing and spend it again according to this rule

$P_{sx}1/(1-c)=1/e$

Keynes multiplier=> conceptual idea behind the provocative sentence (*“to pay people to dig holes in the ground and fill them up again”*)

The more you stay in the crisis the worse it is=> there needs to be a fast solution

The animal spirit is what makes people act=> the problem is that if the government spends money, it will then raise taxes so people may be scared to spend

Animal spirit is an instinct that we all have=> it makes us want to do things, innovate, move...=> urge to act => so even though it's not convenient to do things, you do them anyway and that is what makes the multiplier work

The problem is that during the crisis there is depression, and the animal spirits are not animated at all.

If I don't consume the public spending, I kill the multiplier=> but people are not necessarily propense to spending even if they are employed

3 PROBLEMS (Political & practical difficulties in the way):

- Useful works are slow to implement,
- Partially useful works are not accepted by Treasury,

- Governments can have negative effects (frustration).

What should be done then?

“If the Treasury were to fill old bottles with bank- notes, bury them at suitable depths in disused coal- mines which are then filled up to the surface with town rubbish, and leave it to private enterprise on well-tried principles of laissez-faire to dig the notes up again (the right to do so being obtained, of course, by tendering for leases of the note-bearing territory), there need be no more unemployment and, with the help of the re- percussions, the real income of the community, and its capital wealth also, would probably become a good deal greater than it actually is. It would, indeed, be more sensible to build houses and the like; but if there are political and practical difficulties in the way of this, the above would be better than nothing.”

He uses old bottles, rubbish and exhausted mines because they are already there=> it's fast not like building houses

Useful works are slow=> people are more propense to accept works that are not useful at all like gold mining, rather than partially useful

The government should create something like gold mining, create “an artificial gold rush” => not frustrating things, so it's not the government that pays people to do things, but it creates the situation for people to want to do things like in a gold rush=> people get enthusiastic, it revives the animal spirit

Economy is not a mechanism=> to deal with people you have to focus on psychology=> try to change the government politics and not the human nature

State should animate the animal spirit again (not substitute the private initiative), creating a new euphoria, of moving from a situation in which uncertainty paralyses private enterprise to one in which uncertainty itself excites it => **gold rush**=> people create enterprises, ask money to the banks, banks give money with the prospect of gold, a lot of money are spent before finding gold=> they spend more than they will earn most of the times=> kind of gambling

If economic agents no longer want to lend or borrow money because of uncertainty, it is all about getting them to want to lend and borrow again, in the absence of rational calculation, because of uncertainty. In short, if uncertainty is the problem, uncertainty itself can also be the solution.

Usually animal spirits are generally seen as a problem=> public authorities should stabilize private investments and animal spirits, to prevent animal spirits from fading and plunging the economy into an abnormal situation (over-optimism / over-pessimism), but when the economy is in deep depression=> there's nothing to stabilize, it makes sense to apply a psychological shock to revive the animal spirit

RECAP

The policy envisaged in the parable of the old bottles:

- can be set in motion quickly,
- does not fear the challenge of profitability,
- does not risk depressing animal spirits, but excites them.

Message in the Bottles:

- Uncertainty is the problem and the solution
- To destabilize animal spirits
- Not to act in the place of private enterprises
- The psychological conditions for the most effective multiplier effect
- The minimal public intervention required
- The recovery technic is not neutral

In the idea of Keynes people are willing to spend their own money to have access to the money that was in the bottles in the ground=> complete opposite from what the quote(*"to pay people to dig holes in the ground and fill them up again"*) says
No artificial gold rush=> other solution: war=> dangerous

WAYS OUT OF THE CRISIS:

- The **dole**: give money to unemployed people=> you can't be sure that people spend this money and also it doesn't solve unemployment
- **Pyramid-building**: build pyramids, sphinx=> it makes money but its wasteful and not accepted, we don't do this anymore
- **Gold mining**
- **Wars**=> avoid authoritarianisms and war=> build to prepare for the war, money is spent, economy circulates => people are not brought to spend money, money is spent in weapons => not functional

The State stimulus to get out of the crisis can be:

- **Generative**: as in a gold rush, relying on the natural dynamism of human beings, and therefore as minimal as possible because it is sufficiently amplified by the response to this investment in terms of an increase in private investment and the community's propensity to consume
- **Destructive**: as in the case of war, relying on the natural fear of the enemy, substituting itself for economic agents and reducing the community's capacity to consume.

If wars make it possible to get out of an economic crisis, this is not simply due to the social acceptance of public spending, but to the collective psychological

tension that enables extraordinary efforts. Avoiding war as a solution to the economic crisis means being able to produce this psychological tension in peacetime, as happens in gold rushes.

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