Boom and Bust, Vol. 3 Issue. 8.

Editors' welcome

Hello and welcome to the March's edition of the QMHJ, themed 'Boom and Bust'. This is our sixth themed monthly edition, and we would like to thank all those who have submitted essays and attended our events, as well as the fantastic editorial and production teams who have worked so hard to enable the journal's expansion this year. As always we had many good essays submitted this month, and could not publish all of them. If you were not successful this time around, please do not be put off – we would love to read more of your essays in future.

We would like to extend particular thanks this month to Aman Tandon, who organised the extremely well-attended Economic History event, with speakers from the Mile End Group and the Institute of Economic Affairs.

Our next event, on Wednesday 26th March in the Arts 2 SCR, will be a triple launch for the 'Red February', 'Boom and Bust' and 'Winter – Print' editions. There will be refreshments and the chance to buy print copies of the journal and sign up to receive our online editions via email. We look forward to seeing many of you there.

Next month's theme is 'Revolutions'. We look forward to receiving your essays, and would welcome work on every manner of revolution, from agricultural, to industrial to political. The address to send them to is qmulhistoryjournal@outlook.com. For the first time this year our Summer print edition will also have a theme – the First World War. Please send submission to the above address. For April's edition put 'Revolutions' in the subject heading, and for the print edition put 'WW1'.

As the twilight of many committee members' university careers approaches, we are turning our minds to matters of succession. If you have a yearning to edit, peer review or organise events, we would love to hear from you. Details on how to apply for a position on the QMHJ committee will be revealed at our event this month. We hope you enjoy reading this economic history extravaganza, and look forward to discussing it with you on the 26th.

All the best,

Sam and Ruth

Editor in chief and Commissioning editor

Contents

How convincing was Marx's notion of the Theory of Surplus Value?

Mark Hudson

Marx in true dialectical fashion adopted much of the logic of classical political economy, in an attempt to locate its contradictions and errors on his own terms. Marx's theory of surplus value (TSV) aimed to correct what he perceived as classical economy's greatest error: the mystification of the creation of profit. By linking surplus value and unpaid labour time, the primary aim of his TSV was to provide a scientific basis for his claim that the exploitation of the working classes was the source of capitalist's profit. Whilst reductionist in his location of all surplus value in unpaid labour, he never intended to provide a normative model to predict levels of price. However. it was the so called "Transformation Problem", which proved to be the most commonly cited source in attacks on his theory of exploitation. Marx provided a somewhat clumsy attempt to show in Capital Volume III the theoretical consistency of the TSV by dropping the hypothesis of the equality of exchange. However, other scholars such as Foley and Bortiewicz have shown how it is possible to complete Marx's method, consistently with his theory that the total value added in the aggregate economy corresponds to the unpaid labour of the workers. Marx never aimed to provide a model that could explain every anomaly of price and profit;

rather a method to understand social relations on the aggregate level and the inherent exploitation of the working classes. In this he is very successful, as he demonstrates throughout Capital Volume 1, how capitalist production is driven by the search for surplus value, and how it is appropriated through unpaid labour time. The empirical evidence provided in the 'Working Day', and the direct relevance of his theory to the economy today, reveal that Marx produces a convincing, albeit reductionist, theory of exploitation.

Hegel's dialectic was incredibly influential on Marx's method; he saw capitalism as a process perpetually in motion, driven by its internal contradiction.[1] To penetrate these constantly evolving complexities, Marx dialectically worked through theoretical abstractions. He started with the most basic model of the social forms of capitalism, to penetrate past the surface abstractions of society, to grasp at its fundamental abstractions. Only then could observable surface phenomenon be explained.[2] Hence his TSV, whilst mirroring empirical fact, was never intended to be a normative principle, nor merely a model for predicting outward observations of price.[3]

Marx's primary aim was to produce a useful account of the aggregate social relations to uncover the exploitation at the heart of capitalist production. He wanted to demystify the creation of profit by connecting the bridge between surplus value and unpaid labour time. In building this bridge, Marx was heavily indebted to the great British classical economists, such as Adam Smith and David Ricardo.[4]

However, Marx applied dialectics to his immanent criticism of classical political economy; by accepting much of its logic, he sought to locate its internal contradictions and imperfections, primarily its lack of an adequate explanation for profit. For Marx 'value' is 'socially necessary labour time', which is the 'labour time required to produce any use-value under the conditions of production normal for a given society and with the average degree of skill and intensity of labour prevalent in that society.' Hence he completes Ricardo's theory of value: 'What exclusively determines the magnitude of the value of any article is therefore the amount of labour-time socially necessary for its production.'[5]

However there are several apparent problems with Marx's theory of value in Capital Volume I. Marx made the unrealistic hypothesis of the equality of exchange: the money price of each produced commodity is equal to the social labour directly and indirectly embodied in the commodity.[6] For some this disproves that variable capital (labour-power) is the source of surplus-value, rather than constant capital (machines, natural resources etc.).[7] Marx followed the tradition of classical economics, which saw a tendency for profit rates in different sectors of the capitalist economy to be equalised. Different industries had different organic compositions of capital (the ratios of variable to constant capital), according to Marx. The more constant capital employed, the lower the profit, hence capitalists allocate their capital to industries where the profit is highest, and hence the competition of capital results in an equalisation of profit.

This meant that the value added in every sector is proportional to the living labour time expended in that sector.[8] However, as the amount of capital tied up per unit of labour time expended will not be the same in each sector, the ratios of surplus value in a sector to capital invested in a sector, hence the profit rates will differ between sectors. Hence Marx's assumption of both the labour theory of value and of equal exchange is inconsistent with the achievement of the equalisation of profit rates across sectors.[9]

However, before we deal with the "Transformative Problem", we must look at Marx's TSV itself. A capitalist firm begins with value in the money form and uses it to buy the commodities of variable and constant capital, as inputs for the production process. These commodities are then combined in the production process, to yield a new commodity which sells for more money than initially laid out. For Marx the creator of this surplus-value is the special commodity of labour-power. The commodity of labour-power alone adds more value to the product than a capitalist had to pay for it on the market: this is because Marx distinguishes between labour (the actual expenditure of human energy with the aim of achieving a productive end) and labour-power (the workers capacity to do useful labour in exchange for a wage). As labour-power is sold on the market as a commodity, it is possible for the capitalist to extract more labour from it than he pays for it wages.[10]

Marx wants to get behind the mystification of the market as he explained in the "Fetishism of Commodities".[11] He wants to dispel the capitalist belief that capital

was inherently self expanding and theirs to locate profit solely in constant capital. Instead, Marx wants to show the class relations and exploitation inherent in capitalist production. The capitalist owns the means of production, but requires labour-power, and the value of labour power is set by the value of the commodities needed to reproduce the labourer at a given standard of living. The worker is forced to sell his labour-power for this going rate, to buy the bundle of commodities to allow him to live. However, it will only take a certain number of hours each day for the labourer to reproduce the equivalence of the value of labour-power. Marx stresses: 'The fact that half a day's labour is necessary to keep the worker alive… does not in any way prevent him working the whole day', as the capitalist controls what the labourer does in factory. The worker, after selling his labour for a wage, has no right to the final product, allowing the capitalist to appropriate the difference between the value the labourer earns and the value created.

Marx imagines the whole social labour time as one "working day", and divides the working day into paid labour time, for which they receive an equivalent wage, and unpaid labour time, in which all the value they create is appropriated by the capitalist as surplus value. Hence surplus value, worth more than 0, at the most abstract fundamental level, is the result of unpaid labour time. This is mystified, as the worker receives wage for every hour worked. Yet in reality not every hour of labour is paid for because the value of labour-power is *less than 1*.[12] It is evident that most important for Marx was to use the TSV as theory of exploitation to demystify profit, by showing the origins of surplus value in unpaid labour time, not merely to predict surface observations of price.

However, Marx was aware, that the so called "Transformation Problem", would jeopardise his scientific foundations for his theory of exploitation. Hence he attempted to deal with the problem in Capital Volume III: he argued that the equalisation of rates of profit is compatible with the labour theory of value if we give up the hypothesis of equal exchange. Rather, the aggregate value added in the economy as a whole is an expression of the total social labour time. Marx claimed that when prices change they merely redistribute surplus value between sectors; the redistribution of surplus value has no effect on the aggregate flows of value and the labour theory of value continues to hold for the economy in the aggregate. His method for finding prices of production that equalised the rate of profit, held constant three different sets of factors: firstly, total value added, total surplus value, total variable capital and the social rate of surplus value; secondly, constant capital, and the total sales price for economy as a whole; and finally, the average profit rate for the economy as a whole.[13]

However, the flaws of this method were highlighted following the publication of Capital Volume III in 1894. The Austrian economist Böhm-Bawerk, showed that in this apparent solution, the social rate of surplus value and the social profit rate have both changed, as had the value added and hence the value of b money.[14] Scholars such as Samuelson go further in arguing that Marx treats variable

capital inconsistently. He emphasises Marx's statement in Capital Volume 1, that the value of labour-power is the labour time required to produce the means of subsistence necessary to reproduce labour-power.[15] Hence in the transformation both the value of variable and constant capital would have to be altered, thus real wages would have to held constant, but this would make it impossible to view the transformed profit as a redistributed surplus value.[16] However, as Foley points out, Samuelson ignores the notion that the labour theory of value is the idea that the total value added in a commodity-producing society is an expression of the total social labour time expended. He confuses labour theory of value with the hypothesis of equal exchange.[17] Others such as Morishima, with his Fundamental Marxist The-orem, attempt to defend the theory but see the value of labour-power as the labour time actually embodied in the worker's consumption. Hence he holds the real wage constant in the transformation. This equalises the profit rate, but it is impossible to view the result as a redistribution of the original surplus value.[18]

Yet Morishima's weakened empirical role for TSV is not necessary. Foley shows how Marx's "messy" solution can be followed in a manner consistent with his idea that the surplus value is merely distributed in the transformation process: by holding the value of money and the value of labour-power (in the sense of the money wage multiplied by the value of money) constant in the transformation. Whilst the first set of factors in Marx's method are held constant, the other two are not satisfied. However, they are unnecessary to hold consistent the basic purpose of the LTV as a theory of exploitation: the total value added in the system corresponds to the unpaid labour of the workers. The surplus value has, in fact, been merely redistributed by unequal exchange. Real wages would have risen, but this in-of-itself does not contradict Marx's premise for exploitation, as it can be seen that the value added exactly represents the total social labour time and the surplus value exactly corresponds to unpaid labour time.[19] Hence the equalisation of profit is irrelevant to Marx's theory, as the deviation of prices from labour values occurs through problems of the distribution of surplus value in unequal exchange. Hence Marx's main aim of producing an accurate and powerful account of the aggregate relations of capitalist production is unaffected, and the TSV can function as useful empirical tool for economic analysis to demonstrate the quantitative connection between surplus value and unpaid labour time.

Desai also claims that Marx's treatment of the transformation problem in Capital Volume III was messy and incomplete, leaving Engels an unpolished draft to publish. It was wrong in details and unrevised, but he claims that scholars such as Foley have shown that his theory could be completed, without contradicting any of the important principles of the TSV. However, Desai also points out that empirically the TSV has stood the test of time in calculating relations between prices and values.[20] This has been demonstrated by the results found by the German statistician Bortiewicz in 1907,[21] and more recent developments in input/output analysis, showing that the divergence between price and value is very small, and

goes exactly in the direction Marx predicted.[22]

However, the labour theory of value has long been abandoned by most economists, leading many to claim Marx's theory is based on outdated ideas. Even many Marxists, such as the Analytical School argue that Marx's statements are too all encompassing and normative. Roemer stresses that every commodity, not just labour power is exploited under capitalism, thus the concept of exploitation all together is unnecessary.[23] Others such as Cohen argue that the motivation behind exploitation needs to be rethought outside of the TSV, such as the rational choice made by capitalists to exploit workers when that is what is most maximally profitable. [24]

Whilst this essay has shown that Marx was theoretically consistent, it does not deny that Marx is reductionist by maintaining that surplus value is only created by labour-power capital. However, most economic theories are reductionist to stress their discovery, and the same claim could be made of any influential economic model. For example, monetarism and its emphasis on money supply. Harvey, in defence of Marx, appeals to the material base of Marx's claim, and rejects claims that Marx's theory was normative. Marx through his TSV was attempting to demystify the fetishism of profits, as fundamentally it is labour that sustains society.[25] Wood points out that critics such as the Analytical Marxists who reject Marx's use of Hegel's dialectics, often misread and unfairly criticise Marx of making normative statements about price and exaggerate his reductionism.

As mentioned above Marx begins by giving abstract models, which aim to get at the social relations behind capitalist production, which when explained can then be used to analyse surface phenomena such as profit and price fluctuation. This can be seen in Volume I where he provides a very abstract capitalist model and a very simple law of value based on many assumptions. This was not to explain a general theory of prices, but to describe capitalist exploitation. It is not until Volume III where he dropped the hypothesis of equal exchange, to reconcile his fundamental basic and abstract observations on exploitation with more complex surface phenomenon (albeit clumsily and incompletely). Volume III did not contradict with some supposedly normative statements of Volume One, but were two different abstractions in his Hegelian method.[26] This can be seen in Marx's correspondence with Ludwig Kugelmann, 'if one wanted to 'explain' from the outset all phenomena that apparently contradict the law, one would have to provide the science before the science...If I were to cut short all these considerations before hand I would ruin the dialectical method of development.'[27]

The view of Marx as an extreme reductionist is also somewhat lessened when reading his 'Notes on Wagner', from the second edition of Capital Volume 1. He denies Wagner's claims that he finds the common social substance of exchange value in labour or the magnitude of exchange-value in socially necessary labour time. He claims that not only does he not say that 'the common social substance of exchange-value is labour', but also exchange-value cannot be reduced to anything,

other than social interaction not abstract labour. This supports the argument of Harvey that the main task of Marx is to penetrate past the mystification of surface exchange values, to grasp at the nature of the exploitation of labour that drives capitalist development.[28]

It can be seen then, that the points made by scholars such as Benedetto Croce, that the determination of exchange value of labour is 'a fact, but a fact which exists in the midst of facts... a fact that appears to us empirically ... distorted by other facts...It is not a completely dominate fact,' are irrelevant.[29] Marx did not intend for his theory of value to directly empirically applied to every anomaly, he himself claimed that the very nature of capitalism means that values take a life of their own and become distorted from the fundamental social relations of capitalism. Marx emphasises his argument was not a 'proof' of the law of value, but rather the real rationale behind the law was the 'analysis of real relations'... 'which contain the proof and confirmation of the actual value relation.'[30] Sweeny calls this 'qualitative analysis' of exchange, which exists side by side with 'quantitative' theory of values and prices.[31]

Hence when you get beneath the surface the capitalist economy, you can see how convincing the TSV is in analysing social relations. Marx penetrates beneath the bourgeoisie claim that the unlike the slave or serf, the worker is free to sell his labour in exchange for a wage. He shows how the institutional inequality between capitalists and workers means that unlike the worker, the capitalist is not forced to buy labour power on a continual basis. He only does it if he can extract surplus value; if not, he prefers to lay off workers or even to close his plant down till better times.[32] The relevance of this today can be seen in the Grangemouth dispute in Scotland, where the firm threatened to close down if the workers did not continue to sell their labour at the current rate. Hence the TSV is a central part of Marx's theory in understanding class antagonisms and relations.[33]

Mandel reminds us that in Chapter 10 Marx provides us with his own empirical data to highlight the relevance of the TSV.[34] "The Working Day" is more influenced by Engel's Condition of the Working Class in England (1845), than the abstract theory of Hegel and classical economy.[35] Here Marx shows the relevance of TSV to class conflict, the 'centuries of struggle between the capitalist and the worker' over the level of unpaid labour/surplus value which has led to the 'establishment of the working day'. The capitalist class will always attempt to increase the rate of surplus value by either prolonging the working day, hence producing absolute surplus value, or by curtailing necessary labour time, by reducing the labour cost of wages. The function of trade unions can be seen in this context, as workers can combine a reserve fund, which means they can be freed at least for some weeks from the compulsion to sell their labour-power, in an attempt to pressure capitalists to reduce the level of exploitation.[36]

Here Marx's argument is particularly convincing, as it can be seen that as soon as capital has an advantage over labour, such as at times of high unemployment, it will make moves to increase the level of surplus-value. This can be seen in the neo-liberal revolution of the Eighties, where Thatcher took advantage of the high unemployment of the Seventies to reduce the bargaining rights of trade unions. Thus enabling firms to more easily able to increase absolute surplus value or cut the costs of wages.

Kuhn claims that Marx's theories are only treated by many economists as irrelevant today, because he spoke in the radical language of exploitation.[37] Desai agrees, pointing out that policy makers and economists frequently use the idea of surplus value in decisions and discussions. Today, what we call the competitiveness of a company, sector or a economy, is often measured in terms of the unit labour cost of output: the lower the unit cost, the more competitive the economy. Or, you could say the higher the rate of exploitation, the lower the unit cost and the more competitive the economy. This is because the surplus value is identical to unit labour cost of output, or the degree of competitiveness. The message is the same regardless of the label you pin on the economic theory underlying it. Profitability is a matter of lowering the ratio of wage to output per worker, which is, increasing the rate of exploitation.[38]

Marx accepted many of the liberal arguments of Smith and Ricardo, of a perfectly free market; he wanted to show on their own terms how this led to one class to get wealthy at the others expense. The neo-liberal revolution has seen collective bargaining rights of workers reduced and mass privatisations and has moved economies closer to the ideal of a perfectly free market than ever before. Hence scholars such as Harvey claim that Marx is as relevant today, where society is increasingly economically divided, as he was in his contemporary liberal economy of Britain.[39] However, Marx's TSV is always relevant, as he shows in the 'Working Day', different factors such as acts of government and trade unions can change the value of labour-power. Even in social democratic models the capitalist is still motivated by an attempt to obtain as much surplus-value as possible, there are just tougher limits on their capability to do this.

There are of course, several logical problems with the reductionist idea that labour is the source of all surplus value, which at times Marx, in his letter to Kugelmann and notes on Wagner seems to allude to. Capitalism is in perpetual motion, and exchange value itself is realised in the process of exchange, hence it is determined by social custom.[40] However, it has been show that Marx can consistently argue that total social labour time and surplus value exactly corresponds to unpaid labour time, with the equalisation of profits being irrelevant. Also, many of Marx's many assumptions and abstractions, can be explained by his Hegelian method; one can not understand his concept of capitalism without understanding his dialectic. Most importantly the TSV provides a convincing account of the aggregate social relations of capitalism, and how profit is not separate from unpaid

labour time despite surface mystifications. It also shows how the endless struggle between labour and capital over the "unit labour cost of output" or the "rate of exploitation" (depending on your political persuasion), will be relevant as long as capitalism continues to exist.

Notes

1. Harvey , pp.1-15.
2. Foley, p.5.
3. Wood, pp.221-228.
4. McLellan, p.89.
5. Capital, Vol 1, pp.35-47.
6. Capital, Vol 1, pp.94-103.
7. McLellan,, p.89.
8. Capital, Vol 1, pp.212-231.
9. McLellan, p.89.
10. Capital, Vol 1, pp.167-177.
11. Capital, Vol 1, pp.71-84.
12. Capital, Vol 1, pp.177-186.
13. Capital, Vol 3, pp.254-273.
14. Eugene von Böhm-Bawerk ,1898.
15. Capital, Vol 1, pp.170-7
16. Samuelson, pp.399-431.
17. Foley, p.103.
18. Morishima, , p.97.
19. Foley , p.100-101.
20. Desai, pp.61-65.
21. Ladislaus von Bortiewicz, 1907.

Notes

1. To see the results of unput/output tables for Italy and the USA see Anwar Shaikh, "The Transformation from Marx to Sraffa'. To see the same for Soviet Yugoslavia see P.Petrovic, 'The deviation of Producion Prices from Labour Values: Some Methodology and Empirical Evidence'.
2. Roemer, p.265.
3. Cohen, p.338.
4. Harvey, pp.60-61.
5. Wood, pp.221-228.
6. Marx's Letter to Ludwig Kugelmann in Hanover, 2 July 1868.
7. Notes on Wagner', 1879.
8. Benedetto Croce ,pp.60-2.
9. Marx's Letter to Ludwig Kugelmann in Hanover, 2 July 1868.
10. Pail Sweezy, p.98.
11. Capital, Vol 1, pp.231-303.
12. Capital, Vol 1, p.209.
13. Mandel, pp.46-54.
14. Wheen, pp.51-52.
15. Capital, Vol 1, pp.231-303.
16. Kuhn, p.78.
17. Desai, pp.65-66.
18. Harvey, 52-53.
19. 'Notes on Wagner', 1879.

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Is 'Isolationism' an accurate Description of the United States Foreign Policy from 1919-1939?

Romain Girard

The foreign policy of the United States of America was not seeking extricate itself from the affairs of other countries. Nonetheless, one should wonder why it is a commonly spread belief that the United States foreign policy in this era was isolationist. Arguably, and notwithstanding the under-evaluated importance of popular versus governmental isolationism, it is because the *'ego-geo-centric'* European history rarely gives any merit to perspectives other than its own. Therefore, however volatile the United States foreign policy was in the interwar years, it never achieved a status of total isolationism. Foreign policy of the United States, much like its European counter-parts, was non-interventionist and, regardless of the radical shift in situation, caused by the 1929 Great Depression, gradually 'shrivelled internationalist.'[1]

The division between popular and executive isolationism needs to be recognized; pre-World War II America was far from being a monolithic entity. In the first few years, wide scale popular isolationism was very scarce. The majority of the United States population were not aware of problems outside America and out of those who were aware few cared. The new Republican government, however, was the bastion of isolationist thought in the country. The series of three Republican presidents had clear intentions to subdue internationalist political affairs. They 'rejected the den of internationalist at Geneva'[2] and, in 1925, stated that doing so was 'acting in accordance with its traditional policies.'[3] This complete refusal to take part in collective security links the United States tightly with the situation in Germany. The special treaty, that was custom made on demand of the United States allowed the country to reject all responsibilities that the alliance came with while possibly still benefiting all the advantages. Through this peculiar double standard, it can be seen how even a supposedly explicitly isolationist government still wishes to accept foreign benefits; just not responsibilities.

The 1920s witnessed the Soviet government's programme of '*non-*recognition', war debts and reparations, the Geneva Convention which became the new leitmotif of political circles and the birth of a Republican political schizophrenia. This is illustrated by the German inability to pay their reparations. As the Germans could not repay their reparations the Allies were unable to repay their debts. This greatly upset creditors in the United States but it also forced the Hughes, the Secretary of State for the United States, to *recognise* the need for Europe to become prosperous again and the only way this would happen would be is there was a strong German economy. Beautiful bureaucracy transformed this need into a 'government initiated – by Secretary of State Hughes – non-governmental committee' out of which the Dawes and Young Plan of 1924 and 1929 were born. The dollar flow of the

United States had never been greater than in the 1920s. Although the United States domestic policy had always been to not intervene with the market, except in anti-trust affairs, the policy now had an international aspect. Politicians complicated the situation by implementing special merger laws such as the Webb-Pomerene Act 1918, and restricting certain foreign loans. The literature dedicated to this subject refer to the restriction of foreign loans and 'Dollar Diplomacy'; forcing creditors to consult with the government before doing anything with American bonds in foreign markets.

United States politicians enjoyed the sweetness of foreign cash flow but felt guilty about the traditional values which taught them not to have to much of this. This guilt manifested itself in a connection between seemingly isolationist policy and world-oriented politics. In relation to the military platform the Clark Memorandum in 1928 on the Monroe Doctrine and President Harding's calls to go back to 'normalcy' imply a return to pre-WWI isolation. However, it is debatable whether the United States foreign policy has ever been really isolationist since the American Spanish War. The 'complete' United States withdrawal from Latin America by the end of the 1920s does seem to suggest a return to isolationism, however, although the Teller Amendment was only in 1933, the United States intervention in 1927 in Nicaragua and the involvement in the Pan American Conference in the 1930s implies that this was not the case.[4] Notwithstanding these contradictions the United States were present on the cultural scene in the world. Robert Divine talks about an

Americanisation phenomenon which can be seen through the massive export of automobiles, radios and the motion picture – which were all American innovations – to the four corners of the World.[5] This is the beginning of the Global American influence which was later extended in the Cold War. Furthermore, since popular isolationism was not as strong as it would later be, the main sentiment was peace not isolation as shown, in the 1920s, by the creation of the world's first International Relations graduate program at Chicago University in 1923. This program dedicated itself to the study of past-wars in order to better promote peace in the current.[6] Even the dollar became a way to implicitly step in and stabilise world affairs. The Dawes plan had this very purpose.[7] One can clearly see the difference between Hoover's speech in 1929 and the American businessmen across the globe.[8] Hoover stated that the United States must move past the almost- socialist state which he considered the country had become post-WWI and the United States businessmen found the new system quite to their advantage as trade grew rapidly during the 1920s. This shows the gulf between popular and governmental isolationism at this time.

Asia was a peculiar and interesting area with regards to foreign affairs since it involved many nations. Colonialism continued post-WWI and, although the colonialist expansion was hampered by Woodrow Wilson, the British still had control over India, the French over Indonesia. The United States wished prevent a European control over China. This was because China was one of Asia's biggest emerging markets. The limited foreign experience of the Americans, however, had blinded

them from their real enemy: Japan. The 'Japanese Problem,' gradually raised more questions than the United States cared to answer in an official manner. The United States signed a treaty called the Lansing-Ishii Agreement which recognised Japanese 'special interests' in regards to China.[9] The main concern of the United States was to protect the Open Door Policy and control Japan's aggressive naval program which threatened British dominance over the Pacific and hindered the safety of the United States. The United States government, which many had considered to be isolationist in its attitude towards the world, turned to 'peace as an ideology' for the whole of the 1920s.[10] The arms and peace front was another platform of the United States which was far from being isolationist. The Washington Conference of 1921 and 1922 saw the most promising naval pacts of the twentieth century and the protection of the Open Door Policy and was initiated by Hughes, the United States Secretary of State. The Nine Power Treaty and the Four Power Treaty – both signed at this conference – illustrated 'well that the horizons of American foreign policy in the early 1920s still extended into the far Pacific.'[11] The common phrase used to sum up the outcome of this conference is that Hughes sunk more British ships in fifteen minutes of diplomatic talk than all of the European powers combined over centuries. This was not an isolated incident. In 1932 Hoover sent a series of far reaching proposals to the Geneva conference on disarming land armies[12] and sent unofficial observers to Geneva to stay informed of the League of Nations' whereabouts.[13] This is not in conjunction with isolationist policy neither is the Kellogg-Briand pact of 1928, which was ratified by over fifty different countries. Isolationist is not an accurate description of the United States foreign relations of the 1920s. An accurate description would be that they were relatively undisposed to defend anyone else's interest apart from their own, which forced them to actively take part in world affairs.

The psychotic attitude of United States international relations ended 24th October 1929. The Great Depression forced President Franklin D. Roosevelt, in contrast to his Republican predecessors, to pay overriding attention to the American domestic situation. In the first half of the 1930s the country was shouting in rage and misery, but none of the voices heard were internationalist. Roosevelt himself was a firm internationalist as he criticised the failure of the Harding administration to ratify the Treaty of Versailles, criticised the Washington conference for being too soft, wanted to trust Japan much more,[14] criticised the Smooth-Hawley tariff during his presidency,[15] and also ended the childish policy of non-recognition towards the Soviet government in November 1933. Roosevelt, however was forced to leave this behind to promote domestic recovery.[16] It would be immensely unwise to undermine the role that the domestic situation played the foreign relations of the United States. Roosevelt, by not recognising the London Economics Conference as a priority in his message on 2nd July 1933 destroyed the conference power of the conference. Roosevelt wanted to get his domestic reforms through first.[17] Furthermore, the Nye committee in 1934 created a massive amount of popular isolationism. It presented

'death dealers' in the weapon industry as being the soul cause of WWI.[18] As a result of popular isolationism the isolationist policies carried out from 1933 to 1938 included; the decision to not participate in the Brussels Conference in 1938;[19] the Neutrality Laws of 1935 and 1937, although it clearly handicapping China in the Sino-Japanese conflict; the failure to enforce the Nine Power Treaty in the case of the Manchurian Crisis in 1938 despite the Stimson Doctrine;[20] despite the threat to American business interest, the lack of involvement in the Munich conference of 1938.[21] All of these events illustrate the infallible certainty the isolationist nature of United States foreign relations, however, the dichotomy that existed between government and popular isolationism in the 1920s was reversed. In the 1920s reforms were carried by an executive initiative which avoided public attention however this changed after the 1920s when, most notably, the Congress became the policy maker and the executive became silent.

The Congress became the schizophrenic political body as the once carefree population turned into an angry mass; opposed to any world affairs. In a Gallup poll, 94% of Americans declared that they would prefer to stay out of a conflict rather than to promote peace. [22] This is in contrast to what the now-Democrat government wanted. At first Roosevelt dismissed overseas affairs in order to promote his New Deal, however, in 1937 he 'verily believe that as time goes on we can slowly but surely make people realise that war will be a greater danger to us if we close all doors and windows than if we go out in the street and use our influence to curb the

the riot.[23] Roosevelt's relative inaction to the worsening situation in Europe and Asia is often seen as a sign of isolationism. However, this claim is fallacious as the Reciprocal Trade Act was clearly an internationalist piece of legislation and furthermore this overly-shallow analysis veils the truth that he was incapacitated from taking an unpopular stand due the relative political hardships he faced during his second term. Roosevelt's failure to promote court backing in 1936 or to purge the conservative Democrats in 1937 gave him an unprecedented load of political unpopularity.[24] Interestingly, he was faced with a bi-partisan opposition to internationalism which axiomatically reinforces the popular aspect of isolationism. Roosevelt also had to deal with the inner rivalry between Hull, the Secretary of State, and Welles, the vice Secretary. Because of this rivalry Roosevelt had to to shelve the Armistice Day Appeal.[25] Although Roosevelt was the executive the Congressmen were the ones to experience double personality syndrome. Senator George W. Norris, a blatant isolationist, urged Americans to boycott Japanese goods in 1937.[26] Moreover, economic treaties between the United States and Japan were only stopped by Senate Resolution 166 in 1938. This resolution was promoted by Senator Arthur H. Vandenberg, from the Nye committee, as a way to sanction Japan.[27] One could further argue that popular isolationism had its limits as the Ludlow amendment, arguably the most drastic isolationist piece of legislation as it crippled the President's ability to lead foreign affairs, failed to obtain a majority in Congress.[28]

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‘Economic success, political failure’. Is this a fair verdict on Germany between 1870 and 1914?

John Light

The years between the unification of Germany in 1870 and the outbreak of the First World War in 1914 were ones of immense economic and political upheaval for the German people, political system, economy and society. In these years, Germany can be labelled as an economic success, but a political failure. It can be seen as an economic success due to the country’s rapid economic growth, high levels of industrialisation and the extraordinary rise of many German firms. This is despite the public finance issues in the final years of the empire, and high levels of inequality. However, at the same time, Imperial Germany can be seen as a political failure due to the limited nature of democracy in the German political system, and the repressive measures taken against socialists and cultural minorities; this is despite Germany’s pioneering welfare system. In the end, it can be said that Imperial Germany was both an economic success and a political failure. However, the economic and political spheres are very interconnected; actions or policies in one can have major consequences in the other, possibly affecting the success of the German economy or political system. For example the Junker class, using their strong influence, often pushed for greater military spending; this led to problems

with the Reich’s public finances, which in turn resulted in tax increases and political division. The verdict ‘economic success, political failure’ can be seen as fair, though it does overlook serious economic problems and many positive aspects of the German political system.

Firstly, Germany can be seen as an economic success due to a variety of factors. These include high levels of economic growth and industrialisation, the rise of many major German companies, and the advantages it had over its competitors in many industries. The economic transformation seen by Germany between 1870 and 1914 was described by K. S. Pinson as ‘one of the most amazing chapters in the entire history of modern times’.[1] This sentiment is echoed by Blackbourn, who states that while in ‘the 1870s Germany had become a respectable European industrial nation, on the eve of the First World War it was a major world power’.[2] These years saw the rapid expansion of the German economy. Even during the years of world economic crisis between 1873 and 1890, annual growth averaged at 3%; afterwards, during the more favourable period of 1890-1913, economic growth increased to 4.5% a year.[3] The final pre-war years saw particularly fast economic growth and between 1908 and 1913 the country’s Net National Product increased by 10 billion marks, described by Wehler as a ‘whirlwind boom period’.[4] However, Wehler also implies that growth before that was disappointing, stating that in the ‘twenty-odd years of Bismarck’s chancellorship there were… only four years of economic boom. In Caprivi’s period as Chancellor there was not even one! No realistic analysis can overlook this fact'.[5] With this in mind, it appears that despite the years 1870-1914 seeing rapid economic growth, it was by no means continuous, stable or consistent.

Imperial Germany in these years also excelled in many areas of manufacturing, which contributed to this rapid economic growth. This is best illustrated by the dye industry, where in 1900 German companies collectively produced 90% of the world's supply; Germany had near monopolies in several other sectors as well, including other chemicals, precision instruments and electrical goods.[6] Germany can therefore be seen to be at the front of the Second Industrial Revolution, being a world leader in more scientific based manufacturing. However, Germany also made great advances in traditional heavy industry, for example between 1870 and 1913 raw iron production increased from 1.7m to 19.3m tonnes, almost twice that of the U.K.[7] These years also saw the industrialisation of Germany, moving from a largely agricultural society to a more urban industrial one; 1889 being the year where industry caught up to, and then overtook, agriculture's share of the country's Net National Product.[8] Germany could therefore use its advantage in numerous industries to export large quantities of not only goods, but also services. By 1913, Germany's exports were worth 10.1 billion marks, making it one of the biggest trading nations at the time.[9]

However, one cannot ignore the fact that despite the clear strength of Germany's export industries, the economy operated a balance of payments deficit

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1887.[13] The political right in Germany felt that protectionism was justified on the grounds that it would help secure grain self-sufficiency. This was perceived as beneficial for two reasons; firstly because it would help secure sufficient supplies in the event of war, and secondly because it would help the landed aristocracy keep much of the power they had.[14] Martin Kitchen stated that the protectionism of Imperial Germany 'became a system of direct subsidies to a privileged class who had managed to avoid the economic fight to death'.[15] Wehler echoes this by arguing that despite it failing in an economic regard, protectionism had an important political aspect, stabilising the German political situation and appeasing agrarian interests; protectionism can therefore be seen as much of a political issue as it was economic.[16]

Protectionism also had the effect of dramatically increasing the cost of living for ordinary Germans. This is because it limited or stopped the cheaper import of foreign grain, therefore keeping food prices high. Between 1900 and 1913, the cost of living in Germany increased by a third, largely due to Bülow's 1902 removal of Caprivi's concessions on Russian grain.[17] Tariffs also had the effect of putting more of the burden of taxation onto the working class. Food would be purchased by every household, including the poor, who would pay proportionately a lot more of their income in tax than those wealthier; this in turn exacerbated the inequality found in Imperial Germany.

Germany's level of income and wealth inequality can be seen as alarmingly high. For example, in 1896 the top 10% of Prussia's population owned 59% of all

personal assets, but by 1911 this had increased to 63%.18 Wages in Germany were also falling further behind those found in other industrialised nations. This is illustrated by the lacklustre real wage growth in Germany, averaging only 1% between 1890 and 1914; this contrasts with the average of 4% found in the U.K, US, France and Sweden in the same time period.[19] It can be argued that part of the reason that many German companies were so competitive was because of Germany's lower wages; as German firms therefore incurred fewer costs, which could be passed on to buyers. Despite the very high presence of socialism in political life, Germany was far from an egalitarian country. This is again illustrated by the severe squalor found in parts of the country, especially urban areas; some districts, even as late as 1911, had infant mortality rates of nearly 40%.[20] This clearly shows how the benefits of Germany's rapid economic growth were, to varying degrees, bypassing much of the country's lower class.

Another economic failing in Imperial Germany was regarding the public finances. The German government spent extortionate sums of money on defence; in 1913 it consumed 75% of the budget.[21] This in particular caused issues because any shortfalls in the national budget were filled by taking money from the governments of individual states. Bismarck himself noted that this made the Empire 'a troublesome sponger who had to go begging at the door of the separate states'; such an image is not one usually associates with an 'economic success'.[22] Such high defence spending also prevented investment in other areas, such as infrastructure and public services. However, many of these issues can be seen as not economic failings, but political ones instead. Although increased defence spending and protectionism have clear economic effects, they were political decisions driven by national and international realities.

To summarise, in some respects Imperial Germany was far from an 'economic success'. These include the widespread use of protectionism, the large social inequality and the effects of high defence spending. However, it can be argued that these supposed economic failings are in fact the direct effects of Imperial Germany's political failures. For this reason it can be seen that the verdict of 'economic success' has not been seriously compromised and that it remains a fair assessment of Imperial Germany.

One could argue that Germany in the years 1870-1914 was a 'political failure'. A political failure can be defined as including government and legislative inefficiency, authoritarianism and a lack of democracy. Firstly, Imperial Germany was very intolerant of minorities, such as Catholics and the Polish, and those considered political enemies, such as socialists. In the East of the country, a Germanisation programme was undertaken. This meant the elimination of Polish as the language of instruction in all primary schools and Polish conscripts being posted to Western Germany to learn the 'blessings of German civilisation'.[23] It also involved the 1886 Anti-Polish Settlement Law, which created a commission with large funds to buy Polish land and settle Germans there. The aim behind this was to damage the Polish

land and settle Germans there. The aim behind this was to damage the Polish landed aristocracy by removing much of their institutional power, while in the process compromising a significant part of Polish nationalism.[24] In the early years of the German Empire, the Catholics were the victims of the Reich's Kulturkampf, and were seen as an enemy within by Bismarck. As a consequence, 16 million marks worth of church property were seized and over 1800 priests either exiled or gaoled.[25] The government also aimed to control socialism by the introduction of the 1878 Anti-Socialist Laws, which while did not outright ban the SPD but significantly limited their actions and rights. It was perhaps this discrimination against socialists and cultural minorities that prompted Richard Schmidt to claim that the German Empire's 'reputation as a state based on the rule of law is quite unjustified'.[26]

Secondly, Imperial Germany can be seen as a 'political failure' as it concentrated far too much power in its executive body, which consisted of both the Kaiser and a Chancellor. This can be seen as especially true for the power of the Kaiser, who was officially accountable to no person or body. This power was illustrated in 1898, when the Kaiser removed a judge due to his decision to acquit the journalist Maximilian Harden.[27] Wehler stated that despite Germany being a constitutional monarchy, 'the main emphasis was placed on the noun and not the adjective. It was certainly a case of rule by the King'.[28] What this means is that despite democratically elected institutions, like the Reichstag, the Kaiser wielded a lot of power in the German political system. The Chancellor also had significant power and could not be removed by the Reichstag. As Seligmann and Mclean stress, the German constitution could be repealed at any time if the various German monarchs collectively agreed; they state that the threat of such an event, a straatssreich, 'hung like a sword of Damocles over German political life'.[29] In theory, the German executive held near total power over national politics.

Another possible political failing of Germany at this time was the anti-democratic rules found in many of the country's constituent states, most infamously in Prussia. The Prussian three-class voting system did not have the secret ballot, and greatly favoured those who were rich. A vote in the first category (reserved for those who were very wealthy) carried between sixteen and twenty-four times the weight of a vote in the third class (for those who were poor).[30] This led to results like the 1908 Diet elections, where the Conservatives gained 47.9% of seats, despite only obtaining 16.7% of the total vote.[31] When such results occur, one could argue the system is a 'political failure'.

In these years, Germany was also dominated by the Junker class and heavy industry, the so-called 'iron and rye coalition'. As a whole, the Junker class did not hesitate to use its influence to advance its own interests. Such interests can be seen to include the maintenance or reestablishment of the primacy of agriculture, low or non-existent direct taxation, and protectionism. As stated earlier, to varying degrees these were all implemented. This coalition between agriculture and heavy industry was committed to maintaining an authoritarian-style government as it would help

prevent greater democracy, which would undoubtedly bring further change against their interest.[32] This authoritarian government, backed by powerful vested interests, can be seen as inevitably heading for 'political failure'. Especially when one takes into account that Imperial Germany had one of the worlds largest labour movements; by 1914, there were three-million trade unionists and almost one-million members of the SPD.[33] Legislative gridlock can be seen as inevitable. Such gridlock, which became increasingly common in the final pre-war years, paralysing the German political process; legalisation became harder and harder to pass, making Imperial Germany appear a 'political failure'. Berman claims that this gridlock was a result of the fact that the political system, which was designed to safeguard the power of traditional elites, 'simply could no longer be reconciled with the increasing middle- and working-class political participation and the demands generated by economic development'.[34] The constitution of Imperial Germany can therefore be seen as one meant for a rural and traditional hierarchical society, which the country was increasingly moving away from; this failure of the German political system to adapt to its rapidly changing society is clearly a political failing. However, one could see this as evidence that Imperial Germany was a victim of its economic success; if it was not as industrialised, politics would run far more smoothly.

To summarise, Germany in the years 1870-1914 can be seen as a political failure for several reasons. Firstly, because of its intolerance and repressive policy towards socialists and cultural minorities; secondly, because the constitution concentrated too much power in the executive, especially the unaccountable Kaiser; thirdly, many individual states had very anti-democratic practises, such as the three-class voting system; finally, the Reichstag experienced regular gridlock in the final peacetime years. All these strongly imply that Imperial Germany, despite its many economic successes, was a 'political failure'.

However, Imperial Germany had some redeeming political factors. One of these was the social welfare system, which can be seen as ahead of its time. This included old-age pensions and accident insurance. The result of these policies was that the German working class lived, according to Williamson, in 'conditions far removed from the Manchester described by Engels'.[35] The Bismarckian welfare system preceded the equivalents introduced in other major world powers, and therefore can be seen as a political success.

Secondly, the Reichstag was comprised in a very democratic manner, having both manhood suffrage and the secret ballot. A. J. P. Taylor stresses how radical this was, stating that the franchise was 'the widest in Europe, with the only effective secret ballot. The parliament possessed every essential function. It was the seat of power'.[36] Despite less than ideal political institutions existing in various states, national German politics can be seen as very progressive and far from a 'political failure'.

Finally, it can be argued that Imperial Germany was in the process of

becoming more democratic; Hewitson argues that the failures of the 1895 Anti-Revolution Bill and the 1899 Hard-Labour Bill are evidence of such as shift to a less repressive political mood.[37] With this logic, one could argue that Germany was on the path to become a full liberal-democracy, and therefore perhaps escape being seen as a 'political failure'. However, this was interrupted by the outbreak of war. In the end, it can be seen that Imperial Germany was not a 'political failure' in every respect; it had a national legislature elected on manhood suffrage and the secret ballot and had an advanced welfare system. One could also argue that the German political system was slowly reforming itself to become more democratic and less repressive, a process halted by war.

To conclude, 'economic success, political failure' can be seen as a fair verdict of Germany in the 1870-1914 for several reasons. It can be seen as an 'economic success' because of the rapid economic growth and industrialisation over this period, along with the flourishing of many industries, such as chemicals and iron. On the other hand, it can be argued that the verdict does not take into account the high levels of inequality in Germany, along with the widespread use of protectionism. Imperial Germany can also be seen as a 'political failure' because of its authoritarianism, oppressive policies towards socialists and cultural minorities and the gridlock experienced by the Reichstag. On the other hand, Imperial Germany had a very democratic national legislature and a pioneering welfare system. The economic and political fates of Imperial Germany were both interconnected, as one influences the other. For example, the 'coalition of iron and rye' used their strong power, seen as a political failing, to secure greater armaments spending, which can be seen as resulting in various economic failings too. In the end, it can be seen that the verdict 'economic success, political failure' is fitting to many attributes of Germany in the years 1870-1914. However, it overlooks the country's several economic failings and political successes. It can therefore be seen as somewhat fair, but very simplified at the same time.

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How successful were Bill Clinton's economic policies?

Romain Girard

William Jefferson Clinton took up office in January 1993 as the first Democratic president in 12 years. Being elected with only 43% of popular votes, he was originally sworn in with a weak mandate.[1] He inherited an economy slowly recovering from the recession of 1990 during the Bush Presidency and the legacy of Reagan's economic policies; namely, a deep deficit and heavy spending cuts in key programs. Furthermore, Clinton ascended to the Presidency in an era of unprecedented technological boom with the rise of the internet and computers creating a whole new global economy.[2] As such, the President's policies must be judged on a different scale than that of his predecessors. His fervent activism in the markets, both domestically and abroad, is in itself quite innovative as it raised an interesting paradox; he was both regulating and liberalizing. In that respect, given that Clinton was a 'New Democrat' he was not the typical 'spendthrift liberal' the Republicans expected. He promoted a 'supply side' strategy and free trade; while nonetheless keeping social issues such as Medicare, Medicaid and Social Security as agenda priorities. Overall, this essay will argue that Bill Clinton's economic agenda was balanced and reasoned, that he was able to keep to his major goals and that his policies were successful. However, it is difficult to assess successfulness through a single criterion. Sometimes a policy can be deemed successful purely through a

single criterion. Sometimes a policy can be deemed successful purely through numerical statistics, whereas, in other cases, its success is seen through its political consequences. This dualism remains, of course, very true with regards to any potential economic policy failures. Thus, the investigation will embrace this dualistic analysis, first by introducing in more details the ideas behind the economic policies and setting the scene for the institutions responsible in enacting them; such as Congress, the Federal Reserve and the National Economic Council. Secondly the policies themselves will be analysed. One would be tempted to split this analysis into 'foreign' and 'domestic' economic policy but this would be doing Clinton's discredit as he rightly pointed out that 'foreign policy is domestic policy'[3]. Instead the analysis will be split into: first fiscal, welfare and healthcare, and second monetary, financial and industrial.

As mentioned Clinton was a New Democrat which led him to have 'more faith' in the private sector and in market forces.[4] Some have even argued that Clinton was for intervention in the markets.[5] However, this novelty was not widely shared by the Democratic Party, whose principal policy aim, in the past twelve years, was opposing Reagan's policies; to the detriment of promoting their own economic agenda. In fact, most of agenda-making was left to the Democratic Leadership Convention (DLC)[6], and was not subject to party-wide discussions. Clinton on other hand, as Governor of Arkansas, Chairman of the National Governor's Association and his key role in the DLC, had a thorough experience of economic policies.[7]

Moreover, his economic policies were far from that of a radical liberal. For example, he wanted a smaller but effective government[8] and he was not against spending cuts and tax breaks, so long as the cuts did not impede his key programs and the tax cuts did not solely benefit the rich. As such, Clinton had more ease accepting many Republican proposals – relatively to what would be expected of a Democratic President – and also had a well thought out plan based on investment in research and education.

Concerning institutions, Clinton was very lucky to have Alan Greenspan, chairman of the Federal Reserve (Fed), on his side. Despite being a Reagan appointee, Greenspan caused a lot less troubles for Clinton than he did for Bush. Arguably this was due to Clinton's recognition of the Fed's demands with respect to deficit reduction. One might note that it was in part Bush's refusal to do this which led Greenspan to raise interest rates and subsequently crash the U.S. economy in the early 1990s. Moreover, it was this very economic crisis which cost President Bush his re-election, despite enjoying the highest popularity rankings of any president, with approval ratings going as high as 97% on his last day in office. Thus, Clinton realized he could only hope for his economic agenda to achieve anything if the Fed maintained interest rates low, and hence, he modelled his first budget plan around Greenspan's demands.

Unfortunately, Clinton was not so lucky with Congress, or even his own White House staff. The Democrats lost majority in Congress in the 1994 midterm

elections and, even before that, Clinton's 1993 Omnibus Budget Reconciliation Act saw much opposition. If any failures can be attributed to Clinton's economic agenda, a great part of the blame would undoubtedly fall on Congress' systematic, partisan and ferocious opposition to most, if not all, of Clinton's proposals. Indeed, the 104th Congress, under the leadership of Newt Gingrich, was to be extremely pro-active in the agenda making; much more than usual. Clinton had to use his veto over a dozen times between 1995 and 1997. Additionally, there was frequent dissent in Clinton's White House staff with regards to policy-making, especially between political and economic advisors; albeit a typical dissonance between advisors, according to Weatherford and McDonnell, which was partially resolved by Clinton's wise selection of advisors.[9]

To further spearhead his economic agenda, Clinton made some very wise appointments during his presidency and created, in accordance with his campaign promises, the National Economic Council (NEC) headed by Robert Rubin, a formed Wall Street banker and lawyer. In addition he appointed Lloyd Bentsen as Secretary of the Treasury, Leon Panetta as director of the Office Management and Budget (OMB) and Robert Reich as Secretary of Labour; all of whom had existing experience and were praised for their policies and ideas by previous Congress.[10] The creation of the NEC was quite controversial and created tensions with the already existing Council of Economic Advisors (CEA). However, Clinton's wise choice of advisors averted further tension when Tyson – head of CEA – and Rubin agreed that the 'CEA would function as the hand of economic analysis within the NEC glove'; the NEC would coordinate policy and the CEA would develop them.[11] As such, although dissent existed in the White House, 'public dispute was rare' and the White was arguably quite successful in the policy making process.[12]

Clinton's budget proposal to Congress, in February 1993, contained no less than $493 billion of deficit reduction. This came highly praised by the Fed and Greenspan who saw it as clear willingness by the government to tackle the deficit issue. The package proposed grossly that half the savings come from budget retrenchment and the other half from tax increase. The spending cuts were aimed mainly at the military, while the tax increases were aimed at expanding the Earned Income Tax Credit to help to working poor out of poverty, tax increase on high income individual, increase in corporate tax rate and an energy tax focused around the Btu output of various forms of energy.[13] His proposal also included a small stimulus package and an investment component for 'infrastructure, education, job training, and healthcare'[14]. Despite being heavily revised by Congress, the final bill, known as the Omnibus Budget Reconciliation Act (OBRA) kept most of what Clinton wanted and set him on the tracks to heavily reduce the deficit and attain a balanced budget. Interestingly, Clinton thought his budget too conservative, and stated privately to his aides that his government was doing 'Eisenhower economics'.[15] This was mainly because his investment plan was halved by Congress. However, Clinton did see an opportunity, which was to focus the deficit reduction to foster an

environment which would inherently provide for investments. This was a very wise political strategy as his policies from 1994 onwards would be systematically contested by Congress; even if they were clearly conservative in outlook. But by going for the deficit, he remained popular with the markets and with the Fed which in turn allowed for greater economic boom.

His second budget came to create much more controversy. The famed showdown between Gingrich and Clinton over the balanced budget issue shows Clinton's success in securing his ideals and his goals while leaving ample room for negotiations and retaining public support.[16] Although, some historians argue that his lack of appropriate involvement in the details of his negotiations with Congress created miscommunication and exacerbated certain Democrats who felt abandoned, there is hardly any evidence to show that the outcome would have been better had he done things differently.[17] He was able to save the Medicare and Medicaid programs from Republican attacks, secured funds for social programs in education and jobs training and, most importantly, offered a balanced budget proposal which created surplus for the first time since Johnson over three decades before. On a slightly less positive note, fiscal retrenchment have forced for cuts in unusually sordid areas of the civil services such as the National Weather Service, the National Coast Guard, the National Park Services, the National Science Foundation and the White House itself. These services were systematically asked to do much more with much less.[18] An example can be found in the inanity of the cuts to the

National Weather Service –approximately $100 million – which led to inaccurate weather prediction and, in January 1997, a spoiled harvest as Florida's vegetable and fruit producers were hit by a surprise freeze; costing about $300 million.[19] In addition, historians frequently comment on the poor management of the White House during the Clinton Presidency because of budget cuts, with none of the major departments conforming to federal accounting standards and the department of defence keeping records so poorly it could not even be audited.[20]

Arguably, however, this was an inevitable and minute cost for safeguarding the much bigger themes of Social Security, Medicaid and Medicare. Indeed, Clinton thought hard to defend antipoverty programs from the Heritage Foundation report which claimed that welfare programs were a failure, as in the last thirty years had essentially worsened the dependency for out of wedlock children and that $5.4 trillion had been wasted.[21] Republican used the report to force a deal out of Clinton with two different bills on welfare; which Clinton vetoed, thus safeguarding the food stamps subsidies, for example. A third bill, however, was welcomed more openly as Clinton had nevertheless planned to reform welfare to some extent. The last bill proposed what seemed like an acceptable price to Clinton. To some extent it is possible to see the how Clinton used Republican activism to his advantage; conservatives proposed such a large amount of bills which after negotiations he could just accept or refuse, making Republicans look like the aggressors of welfare and Clinton as the defender. In terms of political

strategy this seems an undeniable success as Clinton had a clear disadvantage in Congress, but he was still able to get major legislation passed – albeit not without struggles – with rather very little political cost for him. This was clearly felt in the opinion polls following the government shutdown of 1996 which saw an upsurge in favour of Clinton.

Although federal services may have suffered from Clinton's cuts, most Americans did very well out of Clinton's fiscal policies as can be seen by the decreasing unemployment rate, the rise in real wages and the increase in capita per head. His Tax Relief Act in 1997 granted tax relief to numerous middle class families, and his 1996 Small Business Job Protection Act increased minimum wage from $4.25 per hour to $4.75 per hours. His additional welfare reforms through the 1996 Personal Responsibility and Work Opportunity Act (PRWORA), although arguably quite conservative in their outlook, created further much needed reforms of the welfare system and further saving to help balance the budget. The PRWORA also stood on the guiding principles of Clinton's agenda which were 'opportunity and responsibility'[22] by giving opportunity to the unemployed but also giving them responsibility by limiting the time they could receive entitlements. Another opportunity created by Clinton was through his 1995 HOPE tax credit to pay for the first two years of college education. One will note that these themes were also put forward during Clinton's governorship and seem to be a defining ideological trait of his agenda over the years.

To conclude this section on his fiscal policies, one should remember that Clinton achieved budget surplus, remained high in public opinion polls and asserted himself effectively against Republican opposition. Even policies which historians have viewed as Republican success such as the 1996 Freedom to Farm Act[23] can be seen to be a Clinton victory embedded in his greater scheme of deregulation. Hence, although historians such as Morgan would argue that, from a purely Democratic perspective, his policies were a failure as his redistribution of wealth were not in line with party ideology[24], his policies were successful in the sense that they promoted Clinton's own ideology and aims in creating an environment fit for growth and investment. A counter-argument to Morgan's would then be that not only were his policies successful, but they were wisely chosen as policies in line with party ideology would otherwise never have made it past the 104th Congress.[25]

Clinton's financial and monetary policy can easily be argued to have been major successes at home and abroad. As Summers rightly points out, Clinton's economic policy abroad was one of 'export activism'.[26] Given that the trade deficit increased during the Clinton years, it is clear that Clinton did not promote exports in the traditional sense. In fact, Clinton promoted the export of free trade. This is very innovative for Americans as the U.S. economy had been protectionist most of its life. It had been forced out of its cocoon by the Cold War and in the early 1990s economists around the globe feared that the U.S. would go back in its usual position. However, through the North American Free Trade Agreement signed in

1993 between Canada, the United States and Mexico, Clinton reaffirmed his wish to stay active in foreign markets. Although critics will call NAFTA a failure because it failed to generate the appropriate economic response, with lower wages in Mexico and manufacturing job losses in the U.S. The real success lay in the message it sent to the international platform. Clinton wrote in *My Life* that ''NAFTA was essential not just to our relationship with Mexico and Latin America, but also to our commitment to building a more integrated, cooperative world.''[27]

Clinton's monetary policy shared the ideological awkwardness associated with his fiscal policies in the sense that, even though distribution of surplus was not as one would expect for a Democrat, it was fully in line with what was necessary to bolster investments in the markets. As such, one can see three factors, which influenced the success of Clinton's monetary policy; though it might also be said that it was Clinton who influenced these very factors. First, the Fed's decision to go against the traditional policy of raising the interest rates once unemployment reached the NAIRU threshold – an economic model put forward by Friedman and used by the Feb since 1986 –undeniably helped Clinton keep a strong dollar policy which in turn kept inflation low and investments strong.[28] Second, the internet revolution also contributed to greatly increasing the volumes of investment on the stock markets.[29] Information technology becoming faster and more effective and more and more Americans were then investing in the stock markets, which created an unprecedented growth in the American Stocks with the Dow Jones rising from 3500 to over 11000 points. This was helped by the impression that if the markets crashed the Fed could always lessen the damage – as they did in 1987 – and hence there was a greater feeling of security when investing.[30] More recently, economists have suggested that this over-confidence in the markets – further fostered by Clinton – created a moral hazard, which is strongly linked to the Great Recession of the mid-2000s. To these criticisms one can answer with a traditionally Schumpeterian explanation of the 'real business cycle' which inevitably sees booms and busts as technological innovations progresses and slows down. Regardless of this digression, the last factor is still unexplained by economists and concerns the rise in productivity which led to an increase in real wages with no increase in inflation.[31] Some would debate the impact Clinton's actions had on all these changes. However, given he was partly responsible for the Fed's decision not to increase interest rates – through his deficit reducing fiscal policy – it would be naïve not to give him any credit for the general environment of economic prosperity.

Under Clinton, dozens of foreign trade contracts were enacted with China, Brazil, East Asia and many African countries. He went a step further in China and granted Permanent Normal Trade Relations through the 2000 U.S. – China Relations Act. Furthermore, in 1994 he actively took part in the resolution of the Uruguay Round of negotiation at the GATT, which subsequently led to the creation of the WTO in 1995. His policies also included tighter cooperation regarding antitrust through the International Antitrust Enforcement Cooperation Act of 1994,

which led to a significant increase in the amount of international white collar crimes prosecutions.[32] This is where the paradox of Clinton's economic agenda arises. He was both for free trade and intervention: he ''exported'' free trade. Moreover, Clinton was not ''a laissez faire president''.[33] This is most obvious in the several key antitrust lawsuits the Department of Justice and the Federal Trade Commission filed against Microsoft in 2001, Intel in 1998 and American Airlines in 1999. Although the Intel suit was unsuccessful for the FTC, the precedent now existed for harsher government antitrust regulations. Furthermore, Clinton's administration issues a number of antitrust guidelines on healthcare (1994), intellectual property (1995) and competition antitrust (2000) which summarized the government's intention to stay involved in financial matters.

Clinton also had to deal with troubling times financially, especially abroad such as the 1995 Mexican Peso Crisis, the subsequent East Asian Crisis, and the Brazilian Financial Crisis of the late 1990s. Although some would argue that the Mexican Peso Crisis was caused in part by the NAFTA agreement,[34] Clinton's judicious resolution averted a disaster of significant magnitude for the U.S. economy. Indeed, Clinton drew up on federal funds with discretionary spending allocations and used it to bypass Congress approval for a loan to Mexico. This loan would have otherwise never been approved by Congress as polls show that over 80% of the population were against a loan. However, Clinton's decision proved to be the right one as Mexico's economy quickly recovered, without injuring the U.S.

economy and without American taxpayers having to pay a single cent more.[35] Furthermore, the U.S. international presence in other crisis such as the East Asian Crisis with the IMF and the Brazilian Crisis, showed Clinton's determination to maintain the status quo he was trying to set in terms of integrated economic participation. As some historian's state ''only U.S. policy makers were worried about global demand and sought to do something about it. For this reason they deserve more credit than blame for their willingness to risk to growth of the U.S. trade deficit…''

On a less positive note, a piece of legislation which is more ambiguous with regards to Clinton's economic legacy is the Financial Service Modernization Act in 1999, which effectively repealed the Glass–Steagall Act of 1933, by destroying barriers amongst banking, securities and insurance firms from merging and acting in more than one financial sector. This can arguably be linked to the increase in market speculation and the subsequent sub-prime crisis and real estate crisis of the early 2000s. Historians such as Morgan have criticised the ''short-sightedness'' of the Clinton's administration in foreign financial crisis; namely refereeing to the moral hazard created by intervening so frequently in the market.[36] This is inscribed in the greater theme of deregulation promoted by Clinton. With the Uruguay Round of the GATT negotiations over, significant trade barriers have been destroyed over key economic areas such as agriculture. However, a counter argument can be made regarding the fact that Clinton did so with significant successes and with little alternatives.

He fully recognized the increasing inter-dependence of foreign and domestic economies and knew that several key political statements were required, not only for America, but for the rest of the World economy.

Concluding on Clinton's economic successes is harder than can be imagined. Given the criteria given in the introduction – surrounding political successfulness and economic successfulness – it seems Clinton has an advantage on both. The U.S. economy grew consistently under Clinton, unemployment was at its lowest in a long time, and he had secured key social programs and paved the way for significant investments with the federal budget surplus he created. Internationally he led the way for greater integration; some might even say that he had a positive – albeit indirect – influence in the European integration process in the late 1990s.[37] His political strategy was can only be deemed excellent in the realm of economics, with a strong coordinating body through the NEC. However, one can wonder how much his deregulating tendencies did not have other, more harmful, long term effects. The problems with this claim is that the preceding Bush administration had initially created conditions in which there was little manoeuvre, and the succeeding Bush administration after Clinton clearly accelerated and deteriorated every aspect of the Clinton economic legacy to the extend where one can no longer make informed predictions on what would have been had it been allowed to evolve naturally. Hence, it is hard to argue that Clinton's economic policies were perfect, they did come with costs. But considering all that was achieved and considering the constraints he faced, it is undeniable that they were a success.

Notes

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In what, if any, sense was Russia economically backward in the first half of the nineteenth century?

Thomas Reid

The Russian economy clearly lacked the vibrancy which came from the industrial transformation experienced by Western Europe and America in the first half of the nineteenth century. The physical and social climate of Russia hindered her modernisation as entrepreneurial and technological advancement had shallow foundations to prosper from. Conservatism and Orthodoxy defined the political culture in this period and there is broad agreement that Russia's peasants were characteristically submissive to the hierarchy of the Russian leadership in this period, which had been undeniably traditionalist and conservative in its values. For example, Alexander I, Emperor in 1801-1825, held the belief that "the Orthodox Church had an important role in keeping his people subservient."[1] If the masses of unfree labourers were never introduced to a new economic system, which allowed for social advancement through commerce and competition, they could never adapt their essentially medieval systems to a Western styled bourgeois capitalism. "Economically, the modernisation of backward areas …demanded agrarian reform; or at least the abolition of serfdom which still persisted" in Russia.[2] The states which had previously allowed for the decline and abolition of the use of serfs were by-and-

large the states whose economies had begun to thrive in these fifty years. Russian elites, however, were understandably cautious about reforming the economic and social order, as they had kept their overseeing eyes fixed on the volatile revolutions erupting throughout Europe amongst the urbanised countries in this era, especially after the Decembrist Uprising in 1825. Dwelling in backwardness and delaying the creation of widespread industrialised cities seemed to be a viable option for decades until the 1870s, thereafter Russia 'took off' in economic terms.

Yet, Russia's 'slow start' in the industrial foot race should not taint the entire perception of this particular period. Elements within society showed signs of proto-industrialisation. The ground work for full scale industrialisation was being lay by the peasants themselves as labourers were effectively quite mobile to move from working on the land to working in small-scale cottage industries in various regions. A small percentage of the working population were also beginning to find work in the emerging large scale industrial factories manufacturing important products, which were the hallmarks of an advanced economy, such as iron and textiles. It was not an even or 'neat' process, as some peasants were "impoverished, but others were the carriers of industrial development."[3]

The pace setter of economic development in the industrial world was Britain during this period, and Russia was to find itself much further behind Britain by the 1850s. Hobsbawm notes, "…no industrial economy can develop beyond a certain point until it possesses adequate capital-goods capacity. …the most reliable single index of any country's industrial potential is the quantity of its iron and steel production."[4] In 1800, Russia and Britain were both proudly standing as the number one producers of iron in the world. However, by 1850, while Britain still boasted this title, Russia was fifth on the list behind the twenty year old state of Belgium. Nonetheless, Russia still increased output by five-hundred per cent, suggesting that she was not completely left in the dark in the grand scheme of global expansion.

Other indicators of economic growth highlight a modest progression forward for Russia. Her manufacturing capacity increased by three-hundred and fifty per cent but that was still relatively poor in comparison to states in Western and Central Europe. In 1800, Russia produced twenty thousand horsepower of steam power and by 1850, the figure increased to seventy thousand horsepower of steam power. In comparison to Britain, Russian advancement seems to be dwarfed as, in the same period, her output increased from six hundred and twenty thousand to one million two hundred and ninety thousand horsepower of steam power.[5] The use of such figures does, however, construct an uneven image of the entire Russian economy as "Eastern and Southern Europe remained sparsely industrialised, hampered by inadequately developed natural resources and insufficient government attention."[6]

A country of eight million square miles was definitely going to experience regional variation and have different responses to geographical circumstances. The climate, physical landscapes, and richness of the soil all had roles to play. The responses to such inhibitions, that the serfs of Russia had to contend with, opened

Russia up to accusations of being almost medieval. Serfs were still adhering to a "wasteful three-field system",[7] which left one field to fallow each year. They were reliant on primitive equipment, such as a plough with a wooden share that could not withstand the same amount of pressure as a metal one, which subsequently, could not bring up enough nutrients from deeper levels of the soil. For centuries, Russian agriculture was simply hindered by "the old-age-rhythm of good and bad harvests", and the country was closed to state imports from countries which had surplus to sell.[8] These problems could have been managed in a number of ways, thus allowing Russian masses to direct an abundant supply of their labour towards building on existing manufacturing industries and commerce.

Extreme conditions, as we shall examine, prevented the maintenance of roads. Yet the most obvious consequence of the weather was its dominating obstruction to agriculture. Russia experienced eight bitterly cold months of extremely harsh non-agricultural growing seasons. While Germany had only these conditions for five months, the country had enough labourers throughout the year to cope with the demands that cultivation and harvest brought. In Russia, during the summer months, twice as much human and animal force was needed. This forced landlords to employ forty per cent more labourers for one third of the year, notably in the Black Earth areas of South and East Russia, where the harvest's yield was greater. In the severe cold other activities were obstructed by the freezing climate, such as fertilisation of the soil, the cutting of wood for construction/fuel, and the digging of irrigation ditches in preparation for the summer. Peasants even had to sell their horses at the beginning of the cold season (as they were no longer able to make use of them as well as being a burden to maintain) to carters and then buy them back again when the temperatures improved.[9] Ultimately, the landowner could not make major profits under such circumstances, and without profit there could be little or no agricultural improvement (i.e. expansion of land, buying of equipment, employment of niche labourers) to produce greater yields.

To improve efficiency during the months when labour was actually short, landlords devised differing methods of increasing the productivity of their labourers. One process called mesiachina "relieved" a peasant of all/most of his allotment and granted him a monthly allowance whilst requiring him to work on the landlord's expanding demesne. This in fact created a downward spiral of lower qualities and quantities of output. Forms of piece work payments replaced labour days along with the increased use of supervision, and unusual draconian methods of improving productivity. Some peasants had food and money kept from them until a job was finished, whilst others were forced to wear collars with spikes around them to keep the peasant from lying down until the job was finished.[10] This was counterproductive. Serfs would do the bare minimum of work at a slow pace, or worse, start rebellion leaving the country unable to sustain an industrial population that could elevate Russia from becoming a 'modern' economy.

The "increased agricultural production, which sustained a dramatically larger

population", is considered one of the "preconditions for transformation".[11] Observers have noted that Britain, America, France, Italy, and the German states were able to 'fuel' the labour of the industrial cities which subsequently allowed for manufacturing as well as domestic and international commerce. Russia had only three major cities – Kiev, Moscow, and St. Petersburg – which is an indication that she was unable to develop beyond a predominantly peasant society. Further still, the population of Moscow in 1800 was a mere two-hundred thousand, and by 1850 it increased to a modest three-hundred and sixty-five thousand. Although in St. Petersburg there had been greater success as, in the same years, the population more than doubled as it grew from two-hundred thousand to four-hundred and eighty-five thousand.[12] Yet, poverty was rife in these urban areas, demonstrating that even in Russia the cities were not where the economies thrived. The workers lived in huts made of wood and mud, indistinguishable from those which rural serfs settled in. These houses were neither valued as entities or abodes, as, upon the arrival of Napoleon and his Grand Army in October 1812, they found an almost entirely obliterated settlement burnt to the ground.[13] Employing a 'scorched-earth' tactic to one of the largest cities is not something that would be done to a city of value. Upon invasion, the Italians would not oust Milan; the French would not turn Paris to ashes; and the British would not destroy London or Birmingham.

The means of transportation around Russia were poorly connected. This obstructed the domestic movement of resources for manufacturing purposes. Iron, for example, had to be smelted in an inefficient wood-burning furnace, and cotton had to be increasingly refined and spun in large mills. If mass production was expensive, trade was stifled. The infrastructure "in the Russian Empire remained rudimentary." Egor Frantsevich, the Russian Finance Minister, opposed the constructions of railways as he felt they would lead to needless travel. Roads (a mere three-thousand miles of them) were made only for military purposes, not to connect industrial hubs. Travelling on water required boatmen to physically pull barges up the Volga River. All methods were inefficient, laborious and extraordinarily slow. Furthermore, this was a missed opportunity for the economy as it impeded the immigration of labour from the countryside to the towns and cities.[14] However, some canals did allow for grain and timber to move through the watery arteries between Saint Petersburg, the Volga, and the Black Sea ports. This suggests that there were some blueprints for economic progression; even whilst the waterways were frozen this method was still quite effective.[15] Russia followed the rest of the world in 1837 when it constructed its first short railway line, only two years after Belgium and Germany and ten years after America and Britain first took the initiative.[16]The resources existed. It can therefore be argued that Russia was progressing in a forward direction like the West – albeit with less of an impetus from the state.

As mentioned, elements of proto-industrialisation existed before this period. The Kustar, which was the "peasant handicraft and cottage industry", accounted for more than half of Russia's industrial output by the middle of the nineteenth century.

They were the predominant form of enterprise as – for the government – they were cheaper sources of mass production. The larger factories led a "precarious existence", as governments restricted the already limited "types and quality of products" manufactured in the workhouses, which gave the smaller enterprises the upper-hand in competitive production. The iron working firms in the Urals and the cotton textiles remained but an exception in the grand scheme of Russia's economy in the first half of the nineteenth century. Rudolph notes that this method of production is unique to Russia, "probably unparalleled in Europe", for the "unfree peasant" was a vital "source" from which industrial Russia evolved from.[17] Melton also supports this argument, noting that major textile industries and iron works existed across Russia in the decades before and after 1800. Moscow incorporated specialised silk weaving villages as a boost for the economy; the Vladimir and Kostroma regions produced textiles of linen and cotton with 135,000 workers; and the Nizhnni Novgorod region carried out metallurgical work, employing fifteen-thousand peasants.[18] Although this should not be overestimated, he notes that it had "an immense resonance throughout the rural economy." Hundreds of villages in the hinterland fell under these spheres of influence. By the end of the period, an increased number of peasants were achieving passports to travel outside of the village commune, suggesting that something close to a modern working class was formulating.[19]

Conservative and traditionalist elements of government were rather hostile to change in the first half of the century, and perhaps as late as the 1880s. The fervently held religious Orthodoxy and the awareness of the danger that the industrial proletariat could cause to the Tsarist regime are the most crucial factors in explaining their opposition. The Tsar held the ardent belief that he was the legitimate ruler of Russia placed there by God's authority, and the Russian people regarded him as their 'Little Father' as well, implying religious submission to his legitimate, God ordained position.

In 1837, one Russian historian, Michael Pogodin, a committed nationalist, made preposterous claims about the extent of Russia's strength and wealth in comparison to other countries, who he severely underestimated. He wrongly boasted, 'Russia is …a country that even in her present state of development abounds in all products …I ask: who can compare with us?' The writer goes on to deplore other countries for advancing themselves only for egoism and profit, whereas Russia saw 'beyond' the shameful by-products of Western capitalism. The Tsar alone ruled the country and 'true enlightenment in the spirit of Christianity' was mediated through him and was unique to Russia. Such a statement justifies the maintenance of unfree labour as it would allow for 'heavenly happiness', as opposed to the dangers of materialism.[20] Such sentiments were shared by the Orthodox priests, who were hugely influential to the serfs in the mir (the closely knit community which was the focal point of the society of the Russian peasantry). The very language they used (or did not use) reflects their estrangement towards the

Western bourgeois ideology. As they neither had words for "worker" or "factory", these were not familiar to the village commune in the first half of the century and where regarded with abhorrence.[21] The very idea of a businessman was actually sinful; their occupation was equated with usury and exploitation (something which related to anti-Semitic sentiments in peasant culture).

Political and religious custom was valued over progressive economic policy. Tsars were bound to the Holy Alliance with various other monarchs since 1815, following the Napoleonic Wars, as they feared democracy and republican doctrines were the greatest threats to their divinely appointed positioning. Nicholas I's reign from 1825-1855 was systematically "anti-liberal, anti-revolutionary, [sic]" and he devoutly believed that it was his duty to uphold the institution of the monarchy across Europe, especially in an era of revolutionary anxiety. His decisions, with regard to foreign policy and military intervention, were not based on what would benefit the national interest by opening up outlets for trade and expansion but were rather "motived more by the personal and ideological than by the economic factors." This "legitimist ideology" forced Nicholas to act against what should have been in his true imperial interest. For example, Nicholas opposed "the Greek coup d'état" in 1843 as it involved rebels (who actually favoured the Russian Empire) attempting to overthrow Otto I (a Monarch who Nicholas never personally liked).

Tsarist forces also crushed a "rising in the Free City of Cracow" in 1846 and the Tsar then invited the Austrians to annex it instead of accepting a settlement in his favour.[22] Frustratingly, one of the restraints on ambitious imperial expansion came from the limitations imposed by the ministry of finance. The ruling classes held their privileged economic positions "by virtue of political power" and did not require the "virtue of wealth". Whereas the industrialised nations of the West, where the middle class economic interests were increasingly influential, allowed the economy to advance as markets opened up for trade and development. Thus, it is argued, Russia was left to "catch up with the industrial liberal empires, economically and imperially."[23]

The intellectual religious culture which stemmed from the beliefs of Orthodoxy was different from those held in the West. Western and Eastern Christianity had split over the Quartodeciman Controversy in the fourth century A.D. and practiced different rituals at different dates since then. Thereafter, they formulated their social teachings in their unique and separate environments. In the West, however, the Church experienced a Reformation which created a political power struggle amongst those who remained loyal to the Roman Papacy and those who opposed Papal Authority. A new 'rational' outlook towards profit and the justification of earning capital developed and became known as the Protestant Work Ethic. Early sociologists of the twentieth century noted the new organisational capacity that denominational interpretations of scripture brought, most notably Calvinism which was the driving force behind German, English, and American capitalists. A new "emphasis upon the individual", combined with social activity in

favour.[22] Frustratingly, one of the restraints on ambitious imperial expansion came from the limitations imposed by the ministry of finance. The ruling classes held their privileged economic positions "by virtue of political power" and did not require the "virtue of wealth". Whereas the industrialised nations of the West, where the middle class economic interests were increasingly influential, allowed the economy to advance as markets opened up for trade and development. Thus, it is argued, Russia was left to "catch up with the industrial liberal empires, economically and imperially."[23]

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(kustarnik) and were granted passports to 'tour' regions and spread their specific skill from place to place for others to benefit from.[26] Such individuals were profitable for the landlords of the north, who took their money as a master. Such organisation made for a diverse and productive economy as the labourers increasingly adapted quite efficiently to changes for their benefit in the first half of the nineteenth century. In conjunction, "aristocratic patronage appears to have played a crucial, perhaps decisive role in the development of rural industries." Serf owners essentially invested money in allowing their serfs to become entrepreneurs. Prince Golitsyn, for example, "invested over 340,000 assignation roubles with his serf entrepreneurs in the period 1812-1818." Many followed his trend as investment came with twelve to fifteen per cent interest rates.[27] Therefore, a fairly complex and progressive economy existed, unparalleled by Western European states.

In the first half of the nineteenth century, "…Russia retained institutions …that made change exceedingly difficult. The Tsars and many of their advisors trembled at the thought that any fundamental change in their country's institutions would produce upheavals" and topple the Tsar from his position of absolutism.[28] Government expenditure remained low on investment in the necessary aspects of industrialisation, which had brought other nations onto the global commercial stage. Yet, Russia did show some signs in the first fifty years of the century, which suggests that it would stretch beyond the old institutional system. "Intelligent observers even in the 1830s and 1840s, like de Tocqueville and Haxthausen, already predicted that

the size and potential resources of America and Russia would eventually make them into the twin giants of the world".[29]

It is very tempting to suggest that Russia was completely backwards. The markets struggled to prosper without railways, agricultural and industrial technologies were usually fairly primitive thus yielding low quotas and large scale industry in metropolitan centres were underdeveloped and growing very unevenly at a slow pace. "…the still predominantly agrarian, servile economy was not well structured to support strong industrialisation and expansion".[30] However, that overlooks how the seeds of development had taken root and only needed some nurturing. Merriman comments: "…despite these factors [see above], the growth of Russian industry was significant during the first half of the nineteenth century, if only in and around Saint Petersburg, Moscow, and the Ural Mountains." In 1828, the Council of Manufacturers was established; technical schools were founded; domestic and international trade organisation increased; the "number of Russian industrial workers …increased from 201,000 in 1824 to 565,000 in 1860 out of a population of about 60 million." Even in the most developed industrial powers of Europe, Britain, France, and Prussia, the percentage of the population working in the factories and making manufactured goods was only two to five per cent of the population by 1850.[31] In spite of the Russian state's economic lethargy and the physical hindrances of the environment, it is actually remarkable how the country fostered some of the key apparatus for modernisation in this period.

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