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R. H. Tawney as Political Economist

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R. H. Tawney was a scholar "outside mainstream economics" who wrestled with the issue of human values versus market values [Fusfeld 1980, p. 366]. He was primarily interested in what Lord Robbins [1980, pp. 7–9] has defined as the province of political economy. His prodigious work in economics extended to organization theory relative to post-industrial society and included an integral economic analysis which should be regarded as neo-institutional.[1]

Tawney began with the premise that regardless of capitalism's role in the past, in the "present" (1925) it had become an "economic civilization" [Tawney 1968, p. 43]. He identified capitalism as possessing "two broad connotations . . . a particular economic method or technique and . . . a particular system of human relations, resulting in a special type of organization, which has, as its characteristic feature, the separation of labour from ownership and direction, and the employment of the majority of workers as hired wage-earners by the owners of capital or their agents." Tawney was particularly concerned with identifying capitalism as a form of social organization dominated by a set of "moral preferences" based upon "ruthless economic egotism," which encouraged "the exploitation of the weak by the strong." As such, it had acquired the status of a "counter-religion" with "emphasis on the supreme importance of material riches" and the "worship of economic power, often with little regard to the ends

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which power serves or the means which it uses" [Tawney 1931, pp. 218–19; 1964, p. 138; 1958, pp. 1b, 1c; 1971, pp. 169–70, 173–4].

At base core, Tawney's case against capitalism rested not on questions of fact, but rather upon an "ultimate belief" that the proper purpose of economic organization was to serve the community efficiently and humanely, not individual gain. It was "obstinately and unashamedly ethical." "The heart of the problem," Tawney wrote, "is not economic. It is a question of moral relationships" [Tawney 1964, pp. 42, 50, 159, 168; Winter & Joslin 1972, pp. 9, 10, 55].

On the basis of his pioneering historical studies, Tawney concluded that capitalism was "a necessary stage in economic development" but only "one of a long series of different methods which men had employed for organizing the production of wealth."[2] In its present form, it was merely a "brief episode in the history of mankind," which would not persist. Capitalism had "rested, in the last resort, on the ability of the owner or manager to dismiss a man who was idle or inefficient. It has reposed in fact (however little we like to admit it) on an appeal to motives of hunger and fear. That system might be lauded or denounced as inhuman. But it had one conspicuous merit: it worked. At the present time, it works less effectively, because the economic conditions and the psychological attitudes which made it possible have both disappeared." Tawney thought that as "circumstances change," capialism would evolve because it was "not the solid, monolithic block, to be endured as a whole, or overthrown as a whole." The problem to be encountered was the tendency of the privileged establishment to assert that the status quo was a natural and timeless form of society [Tawney 1971, pp. 116, 189; 1961, p. 15; 1968, pp. 91–3; 1964, pp. 168, 172].

Based upon the premise that capitalism had lost its historic *raison d'etre*, Tawney specified the desired social goals that were to be attained by replacing the old order with a new form of social and economic organization. Tawney viewed the umbrella goal of reform to be the achievement of a "civilized society," in which functionless inequality and social prejudices rationalizing inequality resulting from capitalist institutions were eliminated, and where the "surplus resources of society" were used to include all classes in "the heritage of civilization." For Tawney, the first order was to end scarcity, which had limited the development of human potential: "A society is rich when material goods, including capital, are cheap and human beings dear: indeed the word 'riches' has no other meaning." It was important to achieve a "reasonable level of material wealth" as a means to a greater end. "Civilization is a matter, not of quantity of possessions, but of quality of life." Beyond mere material wealth,

it would be necessary to establish "for all" the conditions of a "vigorous and self-respecting existence," which gave a "high place" to the "common humanity" of all persons. A "civilized community" would "endeavor to exorcize . . . a spirit of domination and servility, which produces callousness in those who profit by them, and resentment in those who do not, and suspicion and contention in both," by insuring that all "its members shall treat each other, not as means, but as ends" [Tawney 1931, pp. 103–4; 1961, pp. 49, 118; 1964, p. 167].

Tawney argued that the appeal of socialism to replace outmoded capitalism rested upon two primary "reasons": it would be "more conducive to economic efficiency" and to "treating men as men." "The fundamental question, as always, is: Who is to be master?" The economy should not continue to be controlled by a minority operating behind the "decorous drapery of political democracy," but instead be placed in the hands of the "nation" [Tawney 1971, p. 60–1].

At the heart of Tawney's goals for social reform was the primary and transcending concern to enlarge the realm of *de facto* freedom of choice for the ordinary person by combatting the conventional wisdom that *de jure* liberty of individual opportunity was the *sine qua non* of progress toward a better future through the means of the efficient market place. Tawney viewed the root of the problem as the triumph of the ideology that a "good" society required complete liberty of individuals to pursue their own self-interest—a dictum which, in reality, was a rationalization for exploitation. For in practice, the treatment of unequals as equal merely resulted in "equal opportunities of becoming unequal." Tawney's goal was "freedom for weak as strong . . . by enlarging the range of alternatives between which ordinary men can choose" [Tawney 1964, pp. 69, 88, 99, 141, 176, 178].

Tawney regarded the "business oligarchy," which possessed "the reality of power without the decorative trappings," as the greatest barrier to the extension of genuine freedom via public provision of greater equality. In modern industrial society, "the mass of mankind pass their working lives under the direction of a hierarchy" with arbitrary control over their destiny. While "politically free and economically the opposite," the majority had "as little influence on the decisions that determine their economic destinies as on the motions of the planets." Under these conditions, "liberty becomes the privilege of a class, not the possession of a nation."

The next task of industrial society was the "extension of liberty from the political to the economic sphere" to insure that the "economically weak will not be at the mercy of the economically strong, and that the control of those aspects of economic life by which all are affected will

be amenable, in the last resort, to the will of all." For Tawney, "Power over the public is public power," and the question to be reconciled was "whether the public possess adequate guarantees that those which are controllable are controlled in the general interest, not that of a minority." Tawney did not propose to combat private economic power by atomization in the competitive market place. He argued that "for technical reasons" the concentrated economic system could not "be abolished or broken up." The only feasible choice was to transfer the economic "power system" to public control. "The question is not whether orders shall be given, but who shall give them." Concentration per se was not the problem, for "the whole tendency of democracy is to accelerate and systematize it." The issue was "not the existence of economic authority, but its responsibility." Since economic power concentrated in private hands restricted liberty for all by maintaining inequality to the benefit of the few, Tawney argued that in modern industrial society, as opposed to earlier ages, "the great Leviathan is not the State." The "majority of the population" lacked security against arbitrary action, not from too much government, but rather "the insufficiency of it, and the ability, as a consequence, of private interference to take its own course with them" [Tawney 1961, pp. 184, 185–93, 262–3; 1931, p. 235; 1971, pp. 86–7].

Tawney stressed that the "essence of democracy"—"the attempt to combine the equality of civil and political rights"—was in direct conflict with "the essence of capitalism"—"the inequality of economic and social opportunities." Thus, the goal for social policy was to extend democracy beyond the political to the economic sphere to gain public control over private economic power. For Tawney, democracy was a "force to be released." It was a "sleeping demon." The "natural consequence of the simultaneous development of an industrial civilization and of political democracy" was the widening of "collective action." As the ordinary people became "conscious of the powers which democracy confers," Tawney expected that they would "press their demands" for the "positive advantages of educational opportunity and economic security" through the "collective provision" of government. This effort to reduce inequality would involve the "extension of social services" paid for by "progressive taxation," "trade unionism, and industrial legislation," expansion of the cooperative movement, increased public ownership, and economic planning [Tawney 1961, pp. 15, 126, 134, 173, 202, 234].

Tawney insisted steadfastedly that the means to "transform the system" and to achieve "economic reconstruction" that would provide for achievement of his goals had to be participatory, non-violent, and gradualist [Tawney 1964, pp. 99–103, 108–16, 140–41; 1961, pp. 126, 160].

Democracy vs. Private Power

The core of Tawney's plan to accomplish his social goals was the achievement of democratic political control over private economic power. "Economic freedom" for ordinary people would be extended by proceeding simultaneously "along three principal lines." First, by widening the area of economic relations "governed by settled rules, based on deliberate decisions as to social expediency." The second was increasing the realm of "common determination" over management decisions; and the third was the "development of machinery to secure that the larger questions of economic strategy and industrial organization are treated as . . . a public concern and that those who decide them must accordingly be accountable to the public for the tenor of their decisions" [Tawney 1961, p. 194].

Tawney recognized that "where partial or complete monopoly is proved," price and profit control by a regulatory authority could be used to provide "mild innoculations of social responsibility." He was not very optimistic about the outcome and "questioned, whether in drawing the teeth of private capitalism, this type of compromise does not draw out most of its virtues as well." Moreover, public regulation would "not really touch the crux" of Tawney's concern that workers participate in management. For the great industries upon which public welfare was dependent and "certain others in which the consumer is at the mercy of the monopolist," Tawney believed that regulation was "insufficient. What is required is public ownership" [Tawney 1968, pp. 61, 84, 169; 1920, pp. 119–20; 1931, pp. 260–2; 1961, pp. 204–5].

However, Tawney was consistently careful to stress that there were "alternative methods of removing industry from the control of the property-owner" and hat the method chosen was "a matter of expediency to be decided in each particular case." Nationalization was "merely one species of a considerable genus." There were some industries where it was "not necessary" and since it was "at best a cumbrous process, when other methods are possible, other methods should be used." Tawney always stressed that nationalization was "a means to an end, not an end in itself" [Tawney 1920, pp. 104–5, 115–7; 1968, pp. 152–166; 1964, p. 175; Winter & Joslin 1972, p. 79].

Tawney's case for nationalization was stated most precisely in *Equality*. The primary goal was the subordination of private economic power to the control of a democratic government. He thought that the "direction of economic affairs" must be removed from "the ownership of property" and vested in an authority with "a social title," which could be called to account and even discharged, if need be, by popular will. But in the pro-

cess, Tawney expected that efficiency would be increased. He considered it "improbable" that "power, divorced from responsibility," could be "the tonic of economic effort." Tawney understood presciently that "efficiency rests ultimately on psychological foundations . . . not merely on mechanical adjustments." The future of economic growth would depend upon "the intelligent collaboration of concientious human beings, whom hunger may make work, but mutual confidence alone can enable to co-operate" [Tawney 1961, pp. 210–11, also 127].

Tawney's insistence on worker participation in management decision making was based on the premise that "modern industry was a cooperative activity." Its "method" was the "association" of human beings. Tawney viewed production as basically a human process and not a "mechanism moving by quasi-mechanical laws." Production was an "institution," not a mere agglomeration of productive inputs. It was a changing process in which human beings were the superior factor, to which the interests of capital should be subordinated. Tawney believed it followed that in the future, industry should be organized cooperatively to replace the "autocratic" government of economic activity inherited from the past, which had excluded workers from control and used them "with the object of producing profits for its owners" [Tawney 1964, pp. 100–2; 1920, p. 181].

Tawney's experience with workers had convinced him that unless they were in a position to participate in decisions designed to bring into effect more productive types of organization, which might otherwise "menace them," they would seek to resist change, resulting in what is now called the "British Disease" [Tawney 1964, pp. 106–8, 121, 128–9, 134–5; Parkin 1977, pp. 63–5].

In order to achieve meaningful worker participation in the management process, Tawney argued that industry needed to be "professionalized," meaning that it should be organized for "the performance of function." The responsibility for organization should be removed by legislative authority from functionless owners and placed upon "the shoulders of those who work . . . from organizer and scientist to laborer." Industry should be controlled by "a body of men who carry on their work in accordance with rules designed to enforce certain standards both for the better protection of its members and for the better service of the public." By elevating industrial work to professional status, Tawney sought for its members to assume responsibilities for "quality of service" and to protect the public from the "cupidity of the individual." Production would then be "bound by rules which have as their object to maintain the standards of professional service," and to be "free from the vulgar subordination of

moral standards to financial interests." Tawney expected the result to be an increase in worker morale, which was a "condition of efficiency," made possible by the removal of "psychological obstacles to efficiency." Tawney thought it to be "an elementary economic truism" that the "active and constructive cooperation on the part of the rank and file of workers would do more to contribute . . . to increase the output of wealth" than new discoveries of energy or technological innovations. "Compared with that psychological incubus," he thought that technical problems were "a bagatelle," because there was "no alchemy which will secure efficient production from the resentment or distrust of men who feel contempt for the order under which they work." Enlisting in "the conduct of industry, the latent forces of professional pride" would result in work being performed more effectively. Well ahead of his time, Tawney realized that "*espirit de corps* is the foundation of efficiency." Public ownership, by itself, would not be enough. Maximum productive efficiency would only be obtained by actively enlisting "professional feeling" for public service [Tawney 1964, p. 112; 1920, pp. 85, 92–7, 105–7, 115–21, 126, 143, 147–50].

Tawney recognized that a new organizational structure would be required that went well beyond mere public ownership of an industrial system still hierarchial in order. It would be necessary to expand the "scope of collective bargaining" to require consultation on "all matters affecting the position and prospects of the personnel, such as questions of discipline, the introduction of new processes, machinery, and so-called scientific management." While Tawney's argument in *Equality* did reflect some of the views of Guild Socialism, he expressly noted that the basis for worker participation in management was "not a question, of course, of any mystical theory of industrial self-government," but rather "of conferring on common men such power as is needed to protect them against economic oppression." Tawney viewed the trade unions as a means to create an "industrial democracy" wherein workers had "a new status of authority and responsibility" and "an effective voice in questions of industrial policy and administration" [Tawney 1931, pp. 245–8; 1961, pp. 197–201; 1968, pp. 159–61; 1920, p. 154].

The agenda for unionism had to be broadened to include recognition that "questions of wages and working conditions, not to mention unemployment, necessarily involve the consideration of industrial organization and policy, and of possible modifications in them." It was necessary "to recognize that the traditional division of functions between 'labour and management' no longer corresponds to economic realities." Unions should not only "kick the door," but should "consider whether the edifice itself is capable of being reconstructed." The hierarchial nature of capitalist or-

ganization was "not fixed and immutable." This new participatory role for ordinary working persons could not "be initiated by the State," but it could be "encouraged and accelerated by it" [Tawney 1931, pp. 246–50; 1961, pp. 198, 222; 1920, pp. 100–2].

The Social Requirements of Economic Organization

Tawney's major effort as a political economist was his analysis of the multifold dimensions of economic change and his insights into the social requirements for the prospective forms of the evolving economic organization. He understood that the productive process in the modern industrial setting cannot be adequately conceptualized in the neo-classical production function. He recognized that productive efficiency was not related solely to the degree of capitalization, but rested ultimately upon embodied human capacities that were in turn the result of the social environment. Long before the post-Keynesian growth theory controversies, Tawney realized that the so-called "residue" now assigned a formative role in fostering productivity was merely the arithmetic respository of the human characteristics that he sought so eloquently to advance.

Notes

1. The first bibliography of Tawney's more than 700 works was published by J. M. Winter [1972, pp. 137–153]. A more complete bibliography was provided by Terrill [1973, pp. 287–313]. In addition, Tawney wrote most or all of many other documents which did not appear under his name. Tawney's economics is classified as compatible with neo-institutionalism in David A. Martin, "R. H. Tawney as Economist," *Journal of Economic Issues*, forthcoming.
2. Terrill [1973, p. 252, also 255] points out that "Tawney viewed capitalism historically, which was rare when he started to write."

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