

HUMAN ACTION

by Ludwig von Mises, 4th edition (1996)

PART SIX

THE HAMPERED MARKET ECONOMY

CHAPTER XXXIII. SYNDICALISM AND CORPORATIVISM

1. The Syndicalist Idea

The term syndicalism is used to signify two entirely different things.

Syndicalism, as used by the partisans of Georges Sorel, means special revolutionary tactics to be resorted to for the realization of socialism. Labor unions, it implies, should not waste their strength in the task of improving the conditions of wage earners within the frame of capitalism. They should adopt action directe, unflinching violence to destroy all the institutions of capitalism. They should never cease to fight--in the genuine sense of the term--for their ultimate goal, socialism. The proletarians must not let themselves be fooled by the catchwords of the bourgeoisie, such as liberty, democracy, representative government. They must seek their salvation in the class struggle, in bloody revolutionary upheavals and in the pitiless annihilation of the bourgeois.

This doctrine played and still plays an enormous role in modern politics. It has provided essential ideas to Russian Bolshevism, Italian Fascism, and German Nazism. But it is a purely political issue and may be disregarded in a catallactic analysis.

The second meaning of the term syndicalism refers to a program of society's economic organization. While socialism aims at the substitution of government ownership of the means of production for private ownership, syndicalism wants to give the ownership of the plants to the workers employed in them. Such slogans as "The railroads to the railroadmen" or "The mines to the miners" best indicate the ultimate goals of syndicalism.

The ideas of socialism and those of syndicalism in the sense of action directe were developed by intellectuals whom consistent adepts of all Marxian sects cannot help describing as bourgeois. But the idea of syndicalism as a system of social organization is a genuine product of the "proletarian mind." It is precisely what the naive employee considers a fair and expedient means for improving his own material well-being. Eliminate the idle parasites, the entrepreneurs and capitalists, and give their "unearned incomes" to the workers! Nothing could be simpler.

If one were to take these plans seriously, one would not have to deal with them in a discussion of the problems of interventionism. One would have to realize that syndicalism is neither socialism, nor capitalism, nor interventionism, but a system of its own different from these three schemes. However, one cannot take the syndicalist program seriously, and nobody ever has. Nobody has been so confused and injudicious as to advocate syndicalism openly as a social system. Syndicalism has played a role in the discussion of economic issues only as far as certain programs

Ludwig von Mises

unwittingly contained syndicalist features. There are elements of syndicalism in certain objectives of government and labor-union interference with market phenomena. There are, moreover, guild socialism and corporativism, which pretended to avoid the government omnipotence inherent in all socialist and interventionist ventures by adulterating them with a syndicalist admixture.

2. The Fallacies of Syndicalism

The root of the syndicalist idea is to be seen in the belief that entrepreneurs and capitalists are irresponsible autocrats who are free to conduct their affairs arbitrarily. Such a dictatorship must not be tolerated. The liberal movement, which has substituted representative government for the despotism of hereditary kings and aristocrats, must crown its achievements by substituting "industrial democracy" for the tyranny of hereditary capitalists and entrepreneurs. The economic revolution must bring to a climax the liberation of the people which the political revolution has inaugurated.

The fundamental error of this argument is obvious. The entrepreneurs and capitalists are not irresponsible autocrats. They are unconditionally subject to the sovereignty of the consumers. The market is a consumers' democracy. The syndicalists want to transform it into a producers' democracy. This idea is fallacious, for the sole end and purpose of production is consumption.

What the syndicalist considers the most serious defect of the capitalist system and disparages as the brutality and callousness of autocratic profit-seekers is precisely the outcome of the supremacy of the consumers. Under the competitive conditions of the unhampered market economy the entrepreneurs are forced to improve technological methods of production without regard to the vested interests of the workers. The employer is forced never to pay workers more than corresponds to the consumers' appraisal of their achievements. If an employee asks for a raise because his wife has borne him a new baby and the employer refuses on the ground that the enfant does not contribute to the factory's effort, the employer acts as the mandatary of the consumers. These consumers are not prepared to pay more for any commodity merely because the worker has a large family. The naivete of the syndicalists manifests itself in the fact that they would never concede to those producing the articles which they themselves are using the same privileges which they claim for themselves.

The syndicalist principle requires that the shares of every corporation should be taken away from "absentee ownership" and be equally distributed among the employees; payment of interest and principal of debts is to be discontinued. "Management" will then be placed in the hands of a board elected by the workers who are now also the shareholders. This mode of confiscation and redistribution will not bring about equality within the nation or the world. It would give more to the employees of those enterprises in which the quota of capital invested per worker is greater and less to those in which it is smaller.

It is a characteristic fact that the syndicalists in dealing with these issues always refer to management and never mention entrepreneurial activities. As the average subordinate employee sees things, all that is to be done in the conduct of business is to accomplish those ancillary tasks which are entrusted to the managerial hierarchy

Ludwig von Mises

within the frame of the entrepreneurial plans. In his eyes the individual plant or workshop as it exists and operates today is a permanent establishment. It will never change. It will always turn out the same products. He ignores completely the fact that conditions are in a ceaseless flux, and that the industrial structure must be daily adjusted to the solution of new problems. His world view is stationary. It does not allow for new branches of business, new products, and new and better methods for manufacturing the old products. Thus the syndicalist ignores the essential problems of entrepreneurship: providing the capital for new industries and the expansion of already existing industries, restricting outfits for the products of which demand drops, technological improvement. It is not unfair to call syndicalism the economic philosophy of short-sighted people, of those adamant conservatives who look askance upon any innovation and are so blinded by envy that they call down curses upon those who provide them with more, better, and cheaper products. They are like patients who grudge the doctor his success in curing them of a malady.

3. Syndicalist Elements in Popular Policies

The popularity of syndicalism manifests itself in various postulates of contemporary economic policies. The essence of these policies is always to grant privileges to a minority group at the expense of the immense majority. They invariably result in impairing the wealth and income of the majority.

Many labor unions are intent upon restricting the number of workers employed in their field. While the public wants more and cheaper books, periodicals and newspapers, and would get them under the conditions of an unhampered labor market, the typographical unions prevent many newcomers from working in printing offices. The effect is, of course, an increase in the wages earned by the union members. But the corollary is a drop of wage rates for those not admitted and an enhancement in the price of printed matter. The same effect is brought about by union opposition to the utilization of technological improvements and by all sorts of featherbedding practices.

Radical syndicalism aims at entirely eliminating payment of dividends to shareholders and of interest to creditors. The interventionists in their enthusiasm for middle-of-the-road solutions want to appease the syndicalists by giving the employees a part of the profits. Profit-sharing is a very popular slogan. There is no need to enter anew into an examination of the fallacies implied in the underlying philosophy. It suffices to show the absurd consequences to which such a system must lead.

It may sometimes be good policy for a small shop or for an enterprise employing highly skilled workers, to grant an extra bonus to employees if business is prosperous. But it is a non sequitur to assume that what under special conditions may be wise for an individual firm could work satisfactorily as a general system. There is no reason why one welder should make more money because his employer earns high profits and another welder less because his employer earns lower profits or no profits at all. The workers themselves would rebel against such a method of remuneration. It could not be preserved even for a short time.

A caricature of the profit-sharing scheme is the ability-to-pay principle as recently introduced into the program of American labor unionism. While the profit-sharing scheme aims at an allocation to the employees of a part of profits already earned, the

Ludwig von Mises

ability-to-pay scheme aims at a distribution of profits which some external observers believe the employer may earn in the future. The issue has been obfuscated by the fact that the Truman Administration, after having accepted the new union doctrine, announced that it was appointing a "fact-finding" board which would have the authority to examine the books of the employers in order to determine their ability to pay an increase in wages. However, the books can provide information only about past costs and proceeds and past profits and losses. Estimates of future volume of production, future sales, future costs, or future profits or losses are not facts, but speculative anticipations. There are no facts about future profits.¹

There cannot be any question of realizing the syndicalist ideal according to which the proceeds of an enterprise should completely go to the employees and nothing should be left for interest on the capital invested and profits. If one wants to abolish what is called "unearned income," one must adopt socialism.

4. Guild Socialism and Corporativism The ideas of guild socialism and corporativism originated from two different lines of thought.

The eulogists of medieval institutions long praised the eminence of the guilds. What was needed to wash away the alleged evils of the market economy was simply to return to the well-tried methods of the past. However, all these diatribes remained sterile. The critics never attempted to particularize their suggestions or to elaborate definite plans for an economic reconstruction of the social order. The most they did was to point out the alleged superiority of the old quasi-representative assemblies of the type of the French *Etats-Generaux* and the German *Standische Landtage* as against the modern parliamentary bodies. But even with regard to this constitutional issue their ideas were rather vague.

The second source of guild socialism is to be found in specific political conditions of Great Britain. When the conflict with Germany became aggravated and finally in 1914 led to war, the younger British socialists began to feel uneasy about their program. The state idolatry of the Fabians and their glorification of German and Prussian institutions was paradoxical indeed at a time when their own country was involved in a pitiless struggle against Germany. What was the use of fighting the Germans when the most "progressive" intellectuals of the country longed for the adoption of German social policies? Was it possible to praise British liberty as against Prussian bondage and at the same time to recommend the methods of Bismarck and his successors? British socialists yearned for a specifically British brand of socialism as different as possible from the Teutonic brand. The problem was to construct a socialist scheme without totalitarian state supremacy and omnipotence, an individualistic variety of collectivism.

The solution of this problem is no less impossible than that of the construction of a triangular square. Yet the young men of Oxford confidently tried to solve it. They borrowed for their program the name guild socialism from the little known group of the eulogists of the Middle Ages. They characterized their scheme as industrial self-government, an economic corollary of the most renowned principle of English political rule, local government. In their plans they assigned the leading role to the

¹ Cf. F.R. Fairchild, *Profits and the Ability to Pay Wage* (Irvington-on-Hudson, 1946), p. 47.

Ludwig von Mises

most powerful British pressure group, the trade unions. Thus they did everything to make their device palatable to their countrymen.

However, neither these captivating adornments nor the obtrusive and noisy propaganda could mislead intelligent people. The plan was contradictory and blatantly impracticable. After only a few years it fell into complete oblivion in the country of its origin.

But then came a resurrection. The Italian Fascists badly needed an economic program of their own. After having seceded from the international parties of Marxian socialism, they could no longer pose as socialists. Neither were they, the proud scions of the invincible Roman legionaries, prepared to make concessions to Western capitalism or to Prussian interventionism, the counterfeit ideologies of the barbarians who had destroyed their glorious empire. They were in search of a social philosophy, purely and exclusively Italian. Whether or not they knew that their gospel was merely a replica of British guild socialism is immaterial. At any rate, the *stato corporativo* was nothing but a rebaptized edition of guild socialism. The differences concerned only unimportant details.

Corporativism was flamboyantly advertised by the bombastic propaganda of the Fascists, and the success of their campaign was overwhelming. Many foreign authors exuberantly praised the miraculous achievements of the new system. The governments of Austria and Portugal emphasized that they were firmly committed to the noble ideas of corporativism. The Pope's encyclical *Quadragesimo anno* (1931) contained passages which could—but need not—be interpreted as an endorsement of corporativism. In any case it is a fact that Catholic authors supported this interpretation in books which were published with the imprimatur of the Church authorities.

Yet neither the Italian Fascists nor the Austrian and Portuguese governments ever made any serious attempt to realize the corporativist utopia. The Italians attached to various institutions the label corporativist and transformed the university chairs of political economy into chairs of *economia politica e corporativa*. But never was there any question of the much talked about essential feature of corporativism, self-government of the various branches of trade and industry. The Fascist Government clung first to the same principles of economic policies which all not outright socialist governments have adopted in our day, interventionism. Then later it turned step by step toward the German system of socialism, i.e., all-round state control of economic activities.

The fundamental idea both of guild socialism and of corporativism is that every branch of business forms a monopolistic body, the guild or *corporazione*.² This entity enjoys full autonomy; it is free to settle all its internal affairs without interference of external factors and of people who are not themselves members of the guild. The mutual relations between the various guilds are settled by direct bargaining from guild to guild or by the decisions of a general assembly of the delegates of all guilds. In the regular course of affairs the government does not interfere at all. Only in exceptional

² The most elaborate description of guild socialism is provided by Sidney and Beatrice Webb, *A Constitution for the Socialist Commonwealth of Great Britain* (London, 1920); the best book on corporativism is Ugo Papi, *Lezioni di Economia Generale e Corporativa*, Vol. III (Padova, 1934).

Ludwig von Mises

cases, when an agreement between the various guilds cannot be attained, is the state called in.³

In drafting this scheme the guild socialists had in mind the conditions of British local government and the relation between the various local authorities and the central government of the United Kingdom. They aimed at self-government of each branch of industry; they wanted, as the Webbs put it, "the right of self-determination for each vocation."⁴ In the same way in which each municipality takes care of its local community affairs and the national government handles only those affairs which concern the interests of the whole nation, the guild alone should have jurisdiction over its internal affairs and the government should restrict its interference to those things which the guilds themselves cannot settle.

However, within a system of social cooperation under the division of labor there are no such things as matters of concern only to those engaged in a special plant, enterprise, or branch of industry and of no concern to outsiders. There are no internal affairs of any guild or corporazione the arrangement of which does not affect the whole nation. A branch of business does not serve only those who are occupied in it; it serves everybody. If within any branch of business there is inefficiency, a squandering of scarce factors of production, or a reluctance to adopt the most appropriate methods of production, everybody's material interests are hurt. One cannot leave decisions concerning the choice of technological methods, the quantity and quality of products, the hours of work, and a thousand other things to the members of the guild, because they concern outsiders no less than members. In the market economy the entrepreneur in making such decisions is unconditionally subject to the law of the market. He is responsible to the consumers. If he were to defy the orders of the consumers, he would suffer losses and would very soon forfeit his entrepreneurial position. But the monopolistic guild does not need to fear competition. It enjoys the inalienable right of exclusively covering its field of production. It is, if left alone and autonomous, not the servant of the consumers, but their master. It is free to resort to practices which favor its members at the expense of the rest of the people.

It is of no importance whether within the guild the workers alone rule or whether and to what extent the capitalists and the former entrepreneurs cooperate in the management of affairs. It is likewise without importance whether or not some seats in the guilds governing board are assigned to representatives of the consumers. What counts is that the guild, if autonomous, is not subject to pressure that would force it to adjust its operations to the best possible satisfaction of the consumers. It is free to give the interests of its members precedence over the interests of consumers. There is in the scheme of guild socialism and corporativism nothing that would take into account the fact that the only purpose of production is consumption. Things are turned upside down. Production becomes an end in itself.

When the American New Deal embarked upon the National Recovery Administration scheme, the government and its brain trust were fully aware of the fact that what they

³ Mussolini declared on January 13, 1934, in the Senate: "Solo in un secondo tempo, quando le categorie non abbiano trovato la via dell' accordo e dell' equilibrio, lo stato porta intervenire," (Quoted by Papi, *op. cit.*, p. 225).

⁴ Sidney and Beatrice Webb, *op. cit.*, pp. 227 ff.

Ludwig von Mises

planned was merely the establishment of an administrative apparatus for full government control of business. The short-sightedness of the guild socialists and corporativists is to be seen in the fact that they believed that the autonomous guild or corporazione could be considered a device for a working system of social cooperation.

It is very easy indeed for each guild to arrange its allegedly internal affairs in such a way as to satisfy its members fully. Short hours of work, high wage rates, no further improvements in technological methods or in the quality of the products which could inconvenience the members--very well. But what will the result be if all guilds resort to the same policies?

Under the guild system there is no longer any question of a market. There are no longer any prices in the catallactic sense of the term. There are neither competitive prices nor monopoly prices. Those guilds which monopolize the supply of vital necessities attain a dictatorial position. The producers of indispensable food stuffs and fuel and the suppliers of electric current and of transportation can with impunity squeeze the whole people. Does anybody expect that the majority will tolerate such a state of affairs? There is no doubt that any attempt to realize the corporatist utopia would in a very short time lead to violent conflicts, if the government did not interfere when the vital industries abused their privileged position. What the doctrinaires envisage only as an exceptional measure--the interference of the government--will become the rule. Guild socialism and corporativism will turn into full government control of all production activities. They will develop into that system of Prussian Zwangswirtschaft which they were designed to avoid.

There is no need to deal with the other fundamental shortcomings of the guild scheme. It is as deficient as any other syndicalist project. It does not take into account the necessity of shifting capital and labor from one branch to another and of establishing new branches of production. It entirely neglects the problem of saving and capital accumulation. In short, it is nonsense.