

Is it really possible to believe that human history obeys all-commanding rhythms which ordinary logic cannot explain? I am inclined to answer yes, even though the phenomenon is as puzzling as the climatic cycles, whose existence we are forced to admit, since the evidence stares us in the face, although the experts can still only suggest hypotheses about their origin. I do believe in these tidal movements which seem to govern the physical and economic history of the world, even if the favourable or unfavourable indicators which trigger them off, and which are the product of so many relationships, remain a mystery. I believe in them so firmly that since the beginning of our present difficulties, in 1972-4, I have often asked myself: is this the downward slope of a Kondratieff cycle? Or are we indeed embarking upon a much longer slide, a reversal of the secular trend? If so, are not the day-to-day remedies proposed to meet the crisis completely illusory? For the reversal of the secular trend is a structural crisis which could only be resolved by thorough-going structural demolition and reconstruction.

Only a few years ago, when I outlined these arguments in a lecture, my prognosis of a long-term crisis made my audiences smile. To make forecasts like this in the name of history, and in the name of a long sequence of secular cycles in the past which we can only identify without being able to explain them, is of course a very risky business. But today's economists, armed with all the data about the present experience, also seem to be reduced to hypotheses. Are they not just as incapable as the rest of us of predicting the *length* or even of explaining the nature of the crisis into which we are plunging a little further every day?

By Way of Conclusion: Past and Present

WHAT I HAVE DONE in this book – and it was not so very difficult though it did raise a number of problems – was to introduce the word *capitalism* with its various meanings and ambiguities, into the broad arena of early modern world history. Was I right to welcome it in? To use it as an *essential* model, applicable to several centuries? A model is like a ship: built on land, launched on water. Will it float? Can it sail? If it is seaworthy, perhaps its analytic cargo will be valid too.

Capitalism, as I have understood it, has proved throughout this book to be a good barometer. Taking it as a guide has meant being able to tackle in a direct and useful way the basic problems and realities: the long-term (*la longue durée*); divisions of economic life; world-economies; secular trends and other fluctuations; the complex and complicating tangles of social hierarchies, not to say the class struggle; the ever-present yet varying role played by dominant minorities; even the series of industrial revolutions. What better subject then for these final pages than this explosive topic, the central focus of all the problems and debates raised in the book? But is it really worth recapitulating here, even briefly, all the evidence, arguments and examples the reader has already met in what has gone before and which we should be able to take as read? I am of the view that the classic conclusion, in which a book's central arguments are rehearsed imperturbably for one last time, as if closing the door on everything that has been said, is inappropriate in a work of history, which can never claim to be complete, to have told the truth once and for all.

At the end of such a lengthy undertaking, I feel rather the need to throw open the doors and windows, to give the house a good airing, even to go outside it. Having constructed as I went along my conceptual framework which ought to be applicable to more than the pre-industrial modern period (otherwise it can hardly claim to belong to history in the deepest sense) I should rather like to launch it on the waters and in the setting of another period. And while we are at it, why not take the present day as that period? Why not, that is, take the realities we have ourselves seen and felt? This would take us out of the magic world of retrospective history and into the living landscape which needs no reconstruction, but lies before us in all its richness and confusion.

There is nothing illogical about this: is it not the secret aim and underlying motive of history to seek to explain the present?¹ And today, now that it is in

touch with the various social sciences, is history not also becoming a science of a kind, imperfect and approximate as they are, but ready to ask questions as much as to answer them, to be a measure of the present as well as of the past? That at any rate is what encourages me to embark on a venture I consider not only possible and useful but even pleasurable. Let us disregard, without excessive heart-searching, the risks inherent in a comparison which will take little notice of that bogey of the historian, anachronism. As we emerge from our long journey through the past, the present may be a refreshing way of getting our bearings – and even perhaps a test of truth.

It goes without saying that I make no claim to explain the present in the light of history. I would simply like to see how the explanations and expository schemas I have used stand up to the rough waters of today. Is the model I have built on the frame of pre-nineteenth-century capitalism still seaworthy? Can it withstand the violent buffetings it will clearly receive in the twentieth century? I do not believe that the present contradicts the past; on the contrary, it helps to illuminate it and vice versa. There is no shortage of analogies. But such continuity as there is can only apply to the West, to the so-called 'free world', which no longer encompasses the entire globe as it did before 1917. With the dramatic experiments carried out by the socialist countries, capitalism has vanished from large areas of the planet. So today's world is one which contains both continuity and discontinuity, and this contradiction will always remain on the horizon of the problems I shall be considering in the following order: capitalism as a long-term structure; capitalism as part of the social complex; whether capitalism is in a fit condition to survive or not (though if it were to disappear, would all the inequality in our societies vanish overnight? I rather doubt it); and finally capitalism as distinct from the market economy, which is for me the essential message of this long quest.

Capitalism and the long-term (la longue durée)

Throughout this book, I have argued that capitalism has been *potentially* visible since the dawn of history, and that it has developed and perpetuated itself down the ages. On this point I give my vote to Theodor Mommsen,² to Michael Rostowtzeff³ and to Henri Pirenne.⁴ Far in advance, there were signs announcing the coming of capitalism: the rise of the towns and of trade, the emergence of a labour market, the increasing density of society, the spread of the use of money, the rise in output, the expansion of long-distance trade or to put it another way the international market. When, in the first century AD, India seized or at any rate penetrated the islands of the East Indies; when Rome held an area even greater than the Mediterranean in her power; when China invented paper money in the ninth century; when the West reconquered the Mediterranean between the eleventh and thirteenth century; when a world market began to take shape in the sixteenth century, the 'biography of capital' was starting to be written in one

form or another. Many historians, more cautious than I, refuse to go back any further than the sixteenth or even eighteenth century, identifying capitalism more or less with the cataclysmic explosion of the industrial revolution. But even in this 'short-term' perspective, we are talking about three or five centuries, and therefore about a long-lived structure – which is not the same thing as an absolutely unchanging reality. The long-term is made up of a succession of repeated movements, with variations and revivals, periods of decline, adaptation or stagnation – what sociologists would describe as *structuration*, *destructuration* and *restructuration*. Sometimes too there are major breaks with the past – and the industrial revolution was certainly one such. But I would maintain, rightly or wrongly, that throughout even this formidable transformation, capitalism remained essentially true to itself. Is it not in the nature of capitalism, a sort of rule of the game, that it thrives on change, drawing strength from it, being ready at any moment to expand or contract itself to the dimensions of the all-enveloping context which, as we have seen, limits in every period the possibilities of the human economy everywhere in the world?

It would however be a mistake to imagine capitalism as something that developed in a series of stages or leaps – from mercantile capitalism to industrial capitalism to finance capitalism, with some kind of regular progression from one phase to the next, with 'true' capitalism appearing only at the late stage when it took over production, and the only permissible term for the early period being mercantile capitalism or even 'pre-capitalism'. In fact as we have seen, the great 'merchants' of the past never specialized: they went in indiscriminately, simultaneously or successively, for trade, banking, finance, speculation on the Stock Exchange, 'industrial' production, whether under the putting-out system or more rarely in manufactories. The whole panoply of forms of capitalism – commercial, industrial, banking – was already deployed in thirteenth-century Florence, in seventeenth-century Amsterdam, in London before the eighteenth century. It is undoubtedly the case that in the early nineteenth century, the coming of machines made industrial production a high-profit sector and capitalism went over to it on a massive scale. But it was by no means confined to this sector. When the first fantastic profits of the cotton boom in Britain fell, in the face of competition, to 2 or 3%, the accumulated capital was diverted to other industries, steel and railways for instance; to an even greater extent though, there was a return to finance capitalism, to banking, to more speculation than ever on the Stock Exchange, to major international trade, to the profits derived from exploitation of the colonies, to government loans etc. And here again, there was little or no specialization: the Wendel family in France were steelmasters, bankers, mill-owners in the Vosges and suppliers of military equipment for the Algiers expedition in 1830.⁵

Secondly, despite everything that has been written about the liberal competitive capitalism of the nineteenth and twentieth centuries, monopoly is by no means a thing of the past. It has simply taken on new forms, a whole range of

them, from trusts and holding companies to the famous American multinational firms which in the 1960s tripled the number of their subsidiaries abroad. In 1973, 187 of them, with subsidiary companies in at least five foreign countries, accounted for 'not only three-quarters of US investment abroad, but also for half the total of US exports and one third of total sales of manufactured goods on the US market'. Accused of taking jobs away from workers in their own country by setting up subsidiaries abroad, of contributing to the trade deficit and of playing a disastrous role in the international money markets, including speculation against the dollar, they were the object of inquiries by the American Senate for several years – but seem to be none the worse for it today. The multinationals too have a finger in every pie – in industry of course (since they invest in low-wage countries); in finance inevitably, given the size of their short-term disposable funds ('more than twice the reserves of the central banks and the international monetary institutions', so that a 2% shift in their liquidities would be enough to provoke an acute monetary crisis anywhere in the world, according to a US Senate committee); but they also have commercial interests: it was advanced in defence of the multinationals in 1971 that they were responsible for a majority of American exports (62%) whereas they actually produced only 34% of them.⁶

In short, the chief privilege of capitalism, today as in the past, remains the ability to *choose* – a privilege resulting at once from its dominant social position, from the weight of its capital resources, its borrowing capacity, its communications network, and, no less, from the links which create between the members of a powerful minority – however divided it may be by competition – a series of unwritten rules and personal contacts. Its sphere of action has undoubtedly widened, since all sectors of the economy are now open to it and in particular it has very largely penetrated that of production. But it is also true that just as in the past capitalism did not control the whole of the market economy, so today there are still quite considerable areas of activity with which it does not concern itself, leaving them to a market economy still operating under its own steam, to small business and to the determination of producers and workers in modest enterprises. Capitalism has its own preserves: top-level real estate and Stock Exchange speculation, banking, large-scale industrial production which by virtue of its size, and the strength of its organization, has considerable freedom in price-fixing and in international trade. Sometimes, but only in special circumstances, capitalism concerns itself with agricultural production or even transport – for instance those shipping companies which sail under flags of convenience in order to escape tax and which have made it possible to amass fantastic fortunes. And since it does have the freedom to choose, capitalism can always change horses in mid-stream – the secret of its vitality.

Its capacity to adapt, its versatility and consistent strength do not of course shield capitalism from every risk. In major crises, numbers of capitalists go under, but there are always others who survive or take their place. Creative

responses are indeed often made outside capitalist circles, since innovation has more than once come from below. But such solutions almost automatically find their way to the owners of capital and the end result is a revitalized capitalism often even stronger than before, more energetic and efficient than the old. The vicomte d'Avenel was surprised and on the whole pleased to note that with the passage of time wealth changes hands many times, so that on a single estate for instance several different 'races' of owners may succeed one another.⁷ He was right, but such takeovers do not in the end eliminate either private wealth or private property. The same is true of capitalism: it may change all the time but it carries on inheriting the succession. What Henry Hope, a leading Amsterdam businessman once said of trade in 1784 after the fourth Anglo-Dutch War, could also be said of capitalism: 'It is often ill but it never dies'.⁸

Capitalism and the social context

The worst error of all is to suppose that capitalism is simply an 'economic system', whereas in fact it lives off the social order, standing almost on a footing with the state, whether as adversary or accomplice: it is and always has been a massive force, filling the horizon. Capitalism also benefits from all the support that culture provides for the solidity of the social edifice, for culture – though unequally distributed and shot through with contradictory currents – does in the end contribute the best of itself to propping up the existing order. And lastly capitalism can count on the dominant classes who, when they defend it, are defending themselves.

Of the various social hierarchies – the hierarchies of wealth, of state power or of culture, that oppose yet support each other – which is the most important? The answer as we have already seen, is that it may depend on the time, the place and who is speaking.

A businessman might reply that at present politics is the most important, that the power of the state is such that neither banking nor industrial capital stand a chance compared to it. And there are certainly serious commentators who have written of the all-powerful state, crushing everything in its path, stifling initiative in the private sector, sapping the beneficial freedom of the 'innovator'. The state, they say, is a mastodon that must be driven back into its cave. But it is of course possible to read the opposite – that capital and economic power are entrenched everywhere, crushing the freedom of the individual. We should not let ourselves be deceived: the truth is of course that both state and capital – a certain kind of capital at any rate, the monopolies and big corporations – coexist very comfortably, today as in the past; capital does not seem to be doing so badly. It has, as it always did, burdened the state with the least remunerative and most expensive tasks: providing the infrastructure of roads and communications, the army, the massive costs of education and research. Capital also lets the state take charge of public health and bear most of the cost of social security. Above all, it shamelessly

benefits from all the exemptions, incentives, and generous subsidies granted by the state – which acts as a machine collecting the flow of incoming money and redistributing it, spending more than it receives and therefore obliged to borrow. Capital is never very far away from this providential source of bounty. 'Contrary to the myth of the private sector as the source of initiative whose dynamism is stifled by government action, late [or as some people would say mature] capitalism has found, in the range of activities peculiar to the state, the means of ensuring the survival of the entire system' – the capitalist system needless to say. This reflection comes from a review by the Italian economist Federico Caffè⁹ of two books generally in agreement with this position, by C. Offe¹⁰ on contemporary Germany, and James O'Connor¹¹ on the United States in 1977. Lastly, it is thanks to its friendly relations, indeed symbiosis, with the state – the dispenser of fiscal incentives (to stimulate the great god investment), of lucrative contracts, of measures which make it easier to reach foreign markets – that 'monopoly capitalism', which J. O'Connor contrasts with the 'competitive sector', prospers. Consequently, O'Connor argues, 'the growth of the state sector [including the welfare state] is indispensable for the expansion of private industry and in particular the monopolist industries'. Although 'economic power and political power are formally separate, there is a close network of informal relations between them.'¹² I will not quarrel with that – but collusion between the state and capital is nothing new. It dates back to the beginning of the modern period and is so regular that every time a state falters – whether the state of Castile in 1557 or the French monarchy in 1558 – capitalism visibly misses a beat too.

The relations between capitalism and culture are even more ambiguous because they contain a contradiction: culture is both support and challenge, guard dog and rebel. It is true that a challenge will often wear itself out after its most violent explosions. The protests in Luther's Germany against the monopolies of big firms like the Fuggers and Welsers, in the end came to nothing. Almost invariably, culture becomes a mainstay of the existing order and capitalism derives not a little of its security from it.

We are still being told today that capitalism is if not the best, at any rate the least bad regime, that it is more efficient than socialism while at the same time leaving individual property intact, that it favours individual initiative (shades of Schumpeter's innovator). The arguments in its favour are sprayed like artillery fire over a broad range, sometimes apparently very far from the target. Thus since money for instance is clearly a structure which furthers injustice, every thesis in favour of social inequality is another argument for capitalism. Keynes in 1920¹³ pronounced himself unconditionally in favour of 'inequality in the distribution of wealth' which was in his view the best way of swelling the accumulated capital indispensable to the vigour of economic life. Sixty years later, *Le Monde* in August 1979 was telling us that 'inequalities of every kind are a natural phenomenon so what is the point of denying them?'¹⁴

In a debate like this, any and every authority can be invoked, from Fustel de

Coulanges or Georges Dumezil to Konrad Lorenz¹⁵ or a certain recent critic of Michelet, inveighing against the liberal camp. It is argued that human nature is unchangeable, therefore that society is unchangeable too; that it has always been unjust, unequal, subject to hierarchy. History is thus dragged in to testify. Even the old myth of the 'hidden hand' of the market, adjusting supply and demand better than any human intervention, will not lie down and die. Its message is that by pursuing his own interest, the individual will serve the interest of all – so let battle commence and may the best man win! America has become intoxicated with the myth of the self-made man, who builds up his fortune from scratch, an honour and an example to the nation. There are certainly plenty of rags-to-riches stories in America and elsewhere, but not only is honesty not always their most conspicuous feature, they are less common than is often supposed. Sigmund Diamond¹⁶ has brought relish to the task of discovering how many of the so-called self-made men in the United States actually concealed the headstart they had received from a family fortune built up over several generations, just like the 'bourgeois' fortunes in Europe after the fifteenth century.

What has disappeared however is the euphoria and complacency of early nineteenth-century capitalism; and the new defensive language is in fact a response to the vehemence of socialist attacks, rather as in the sixteenth century the Counter-Reformation was a response to the Reformation. There has been a predictable sequence of blast and counterblast. And since no element in society exists in isolation, the deepening crisis in our present-day economies and societies is indicative of a profound cultural crisis too, as we know from our experience of 1968. Herbert Marcuse¹⁷ who, without wishing to, became the guru of this revolution, was quite justified in saying (23 March 1979) that 'it is stupid to describe 1968 as a defeat'. 1968 shook the foundations of society, broke habits and taboos, even destroyed apathy: the fabric of family and society was sufficiently torn for new life styles to be created at every level of society. It is in this sense that it really was a cultural revolution. After 1968, capitalism, at the heart of much-decried western society, was in a less secure position than before, under attack not only from socialists and orthodox Marxists but from new groups opposed to power in every form, whose rallying-cries include 'Down with the state!'

But time passes; ten or fifteen years are nothing in the slow-moving history of society, but a long interval in the lifetime of an individual. Those active in 1968 have been reabsorbed into a long-suffering society whose patience gives it prodigious powers of resistance and recuperation. Inertia is the feature it lacks the least. So the cultural revolution may not have been a failure – but one would have to think very hard before pronouncing it an outright success. In any case have there ever been any outright successes in cultural matters? The Renaissance and the Reformation were both outstanding and long-lived cultural revolutions, coming one after the other. It was already an explosive enterprise to have reintroduced Greece and Rome to Christian civilization; to tear apart the seam-

less robe of the Church was even more earth-shaking. Yet in the end the dust settled, everything was absorbed into the existing order and the wounds healed. The Renaissance ended with Machiavelli's *Prince* and the Counter-Reformation. The Reformation loosed upon the world a new dominant Europe, supremely capitalist; in Germany it produced a crew of petty princelings – not a happy result. And did Luther not betray the rebel cause in the Peasant War of 1525?

Can capitalism survive?

Boris Porchnev¹⁸ some years ago gently reproached me and other 'bourgeois' (i.e. western) historians, for talking at length about the origins and early stages of capitalism without ever considering its end. I have at least some excuse – since I have confined my studies to the early modern period it is not my fault if at the end of the nineteenth century, capitalism was still going strong. And while western capitalism is undoubtedly going through a period of uncertainty and crisis, I do not believe that it is on the point of collapse. It no longer, admittedly, excites the admiration which Marx himself could not help feeling for it; nor is it viewed, as it once was by Max Weber or Werner Sombart, as the culminating stage of a long development. But that does not mean that any system which might replace it in some relatively smooth evolution might not turn out to be strikingly similar.

I may be quite wrong, but I do not have the impression that capitalism is likely to collapse of its own accord, in some form of 'endogenous' deterioration; for any collapse to take place, there would have to be some external impact of great violence; and a credible alternative would have to be available. The colossal weight of a whole society and the powers of resistance of an alert ruling minority are not likely to be easily overthrown by ideological speeches and programmes or by momentary electoral success. Wherever socialism has triumphed in the world, it has been as the result of some external pressure and in circumstances of extreme violence – whether the Russian revolution of 1917, the setting up of socialist states in East Europe after the Second World War, the victory of the Chinese revolution in 1949, the triumph of the Cuban guerillas in 1959, or the liberation of Vietnam in 1975. And all these movements were founded on absolute confidence in the socialist future which may be less forthcoming today.

No one will deny that the present crisis, dating from the early 1970s, is a threat to capitalism. It is far more serious than that of 1929 and even large firms will probably be swallowed up in it. But capitalism as a system has every chance of surviving. *Economically* speaking (I do not say *ideologically*) it might even emerge strengthened from the trial.

We have after all seen what role was usually played by crises in pre-industrial Europe: they tended to eliminate the small firm (small that is in capitalist terms), the fragile undertaking created in times of economic euphoria, or the old-fashioned business – that is to say they reduced competition rather than increas-

ing it and usually ended with the bulk of economic activities concentrated in a few hands. In this respect, nothing has changed. At national and international level, there has indeed been a 'new deal' but it has benefited the strongest, and I am inclined to agree with Herbert Marcuse¹⁹ who argued in a recent debate with Jean Elleinstein that 'crises are essential to the development of capitalism; inflation and unemployment etc. [nowadays] encourage the centralization and concentration of capitalism. This is the beginning of a new phase of development but it is by no means the final crisis of capitalism'. Centralization and concentration are indeed the silent demolition and construction workers of our social and economic architecture. Back in 1968, Giovanni Agnelli, the chairman of Fiat, was predicting that 'in twenty years there may be no more than six or seven makes of car in the world'. And today nine companies between them account for 80% of world car production. Secular crises (and as I have said, the present crisis looks suspiciously like one) exact a penalty for the increasing discrepancy between the structures of supply, demand, profit, employment, etc. Breakdowns begin to occur and in the inevitable readjustments, some activities are reduced or even eliminated altogether. But new avenues of profit open up at the same time for the benefit of the survivors.

Major crises also provoke a new deal of a sort in international relations. Here too the weak tend to get weaker and the strong stronger, although world hegemony may change hands and geographical location. The world has profoundly changed, in many ways, in the last few decades. The American economy has shifted towards the south and west (a contributory factor to the decline of New York) – to such an extent that Jacques Attali²⁰ has even spoken of a shift of the world's centre of gravity from the Atlantic to the Pacific, with a new economic axis running between the United States and Japan. And there has also been a split in the Third World, with the new wealth of the oil-producing countries and the accentuated poverty and distress of the other less developed countries. But these years have also seen the industrialization (effected largely from outside by western nations and in particular by the multinational companies) of the backward countries which were until recently confined to the role of exporters of raw materials. In short, capitalism has had to rethink its policies in those large areas of the world which the western world-economy had for so long dominated – exploitable areas with low living standards, like Latin America, Africa now in theory liberated, or India. It is possible that India has now crossed a critical threshold: having been long accustomed to famine (in 1943, 3 or 4 million people died in Bengal) India has now made such progress in agriculture that with the aid of two or three good harvests she found herself for the first time, in 1978, heavily in surplus – and therefore obliged to think about exporting grain because of the quite unexpected problems of storage, difficult to solve at short notice. This does not however mean that the stage has yet been reached when the mass of Indian villagers will be the buyers of manufactured objects 'made in India'. Poverty remains widespread and the population is still increasing at the rate of

13 million a year.²¹ So I think it can be assumed that even faced with a new Third World, capitalism will, for some time to come, be able to reorganize its means of domination or devise new ones, using yet again the formidable strength of acquired position and the weight of the past.

'Tradition and previous generations', Marx wrote, 'weigh like a nightmare on the minds of the living' – and not only on the minds, on the very existence of the living too, one might add. Jean-Paul Sartre may have dreamed of a society from which inequality would have disappeared, where one man would not exploit another. But no society in the world has yet given up tradition and the use of privilege. If this is ever to be achieved, all the social hierarchies will have to be overthrown, not merely those of money or state power, not only social privilege but the uneven weight of the past and of culture. The experience of the socialist countries proves that the disappearance of a single hierarchy – the economic hierarchy – raises scores of new problems and is not enough on its own to establish equality, liberty or even plenty. A clear-sighted revolution, if such a thing is even possible – and if it were, would the paralysing weight of circumstances allow it to remain so for long? – would find it very difficult to demolish what should be demolished, while retaining what should be retained: freedom for ordinary people, cultural independence, a market economy with no loaded dice, and a little fraternity. It is a very tall order – especially since whenever capitalism is challenged, it is invariably during a period of economic difficulty, whereas far-reaching structural reform, which would inevitably be difficult and traumatic, requires a context of abundance or even superabundance. And the present population explosion is likely to do little or nothing to encourage the more equitable distribution of surpluses.

A conclusion to end conclusions: capitalism and the market economy

It is in the end at the political level that the distinction – to my mind beyond doubt – between capitalism in its various guises and 'the market economy' takes on its full significance.

The rise of capitalism in the nineteenth century has been described, even by Marx, even by Lenin, as eminently, indeed healthily competitive. Were such observers influenced by illusions, inherited assumptions, ancient errors of judgment? In the eighteenth century, compared to the unearned privileges of a 'leisured' aristocracy, the privileges of merchants may perhaps have looked like a fair reward for labour; in the nineteenth century, after the age of the big companies with their state monopolies (the Indies companies for instance) the mere freedom of trading may have seemed the equivalent of true competition. And industrial production (which was however only one sector of capitalism) was still quite frequently handled by small firms which did indeed compete on the market and continue to do so today. Hence the classic image of the entrepreneur serving the public interest, which persisted throughout the nineteenth

century, while the virtues of laissez-faire and free trade were everywhere celebrated.

The extraordinary thing is that such images should still be with us today in the language spoken by politicians and journalists, in works of popularization and in the teaching of economics, when doubt long ago entered the minds of the specialists, certainly before 1929. Keynes was already writing about imperfect competition. Today's economists go even further and distinguish between market prices and monopoly prices, that is they see a two-tier structure, a monopolist sector and a 'competitive sector'. This two-stage model is to be found in J. O'Connor's writing as well as in Galbraith's.²² Is it therefore wrong to describe as the 'market economy' what some people would call the 'competitive sector'? At the top come the big monopolies, while underneath them competition is confined to small or medium-sized concerns.

The distinction is by no means universal in everyday discussion, but the habit is gradually growing of using 'capitalism' to refer to big business only. Increasingly capitalism is being used as a *superlative*. In France for instance, which are the concerns held up to public abuse? The 'trusts', the multinational corporations – that is, public hostility is accurately and rightly directed at the top. The little shop where I buy my daily paper could hardly be called a capitalist enterprise, though if it belongs to a chain of shops, the chain could be said to be part of capitalism. Nor could one describe as capitalist the little firms or independent manufacturing enterprises sometimes known in France as 'the 49s' because they want to keep the total of their employees under the magic number of 50, to avoid the fiscal or union regulations affecting larger concerns. These small businesses are legion. But they are visible in large numbers in the bitter conflicts which now and then put both them and the problem which presently concerns us in the limelight.

Over the twenty years or so before the crisis of the 1970s, New York – at that time the leading industrial city in the world – saw the decline one after another of the little firms, sometimes employing less than thirty people, which made up its commercial and industrial substance – the huge clothing sector, hundreds of small printers, many food industries and small builders – all contributing to a truly 'competitive' world whose little units were both in competition with, yet dependent upon each other. The disorganization of New York was the result of the squeezing out of these thousands of businesses which in the past made it a city where consumers could find in town anything they wanted, produced, stored and sold on the spot. It was the big firms, with their big production units out of town, which ousted the little men. The bread which an old-fashioned bakery used to make for New York schools is now brought in from New Jersey.²³

Here then is a good example, in the most advanced country in the world, of what a competitive economy could be – an obsolete economy to be sure, employing small numbers and managed on a personal basis. It has now gone for ever, leaving a gap in the heart of New York which will never be filled. But there

are still examples of this old-fashioned activity to be seen today. Prato, the big textile centre near Florence, is the best example I can think of, a real hive of thriving small family businesses, with a workforce ready to turn its hand to anything, quick to follow changes in fashion or the markets, with old-world practices sometimes reminiscent of the putting-out system. The big Italian textile firms are all suffering from the crisis at the moment, but there is still full employment in Prato.

But it is not my intention to list examples, simply to point out that there is a sort of lower layer in the economy – it may be small or large, and we may call it what we like, but it exists and is made up of independent units. So we should not be too quick to assume that capitalism embraces the whole of western society, that it accounts for every stitch in the social fabric. Neither the little workshops of Prato nor the small printers of New York can be regarded as examples of true capitalism – that would be completely wrong, both socially and in terms of economic organization.

Finally, it should be said that the competitive sector does not account for everything large-scale capitalism leaves aside or abandons. Today, just as in the eighteenth century, there is quite a sizeable lower floor, a sort of bargain basement, below the other two storeys; some economists estimate it at about 30 to 40% of economic activity in the *industrialized* countries. This surprisingly large figure, for which estimates have only recently appeared, is made up of all the activities outside the market and state controls – fraud, barter of goods and services, moonlighting, housework – that domestic economy which St Thomas Aquinas regarded as the *economia pura* and which still of course exists today. It is still possible then to use the three-tier model whose relevance to the past has already been discussed. It can still be applied to the present. And our statistics which do not find room anywhere for the ‘basement’ of the economy, give us only an incomplete picture.

This is enough to make one think again before assuming that our societies are organized from top to bottom in a ‘capitalist system’. On the contrary, putting it briefly, there is a dialectic still very much alive between capitalism on the one hand, and its antithesis, the ‘non-capitalism’ of the lower level on the other. It is sometimes said that big business tolerates small firms, although if it really tried it could sweep them aside. How generous! In much the same way, Stendhal thought that in Renaissance Italy, a cruel world if ever there was one, the big cities let the small towns survive out of the goodness of their hearts. I have argued (and I think I am right) that the big cities would not have been able to survive without the smaller ones at their service. As for the big companies of today, Galbraith argues that they only respect small businesses because the latter, being on such a small scale, have much higher unit production costs, which makes it possible for market prices to be fixed at levels providing handsome profits for the larger firms – as if the big companies, if they were left alone in the field, could not perfectly well fix prices and profits at any level they liked! The

truth is that they need the smaller firms, first and foremost to carry out the humble tasks indispensable to any society, but which capitalism does not care to handle. Secondly, like the eighteenth-century manufactories which frequently drew on family workshops in the surrounding districts, the big firms farm out certain tasks to sub-contractors, who deliver finished or semi-finished goods. There are small workshops in Savoy today turning out metal parts for faraway factories. Then too there is a need for retailers and middlemen. All these chains of sub-contractors may be directly dependent on capitalism but they are in themselves merely another branch of small business.

Indeed it seems that if the conflict between capitalism and the layer beneath were a strictly economic one – which it is not – both sides would have an interest in peaceful coexistence – the conclusion reached by a recent conference of economists.²⁴ But government policies may intervene. Since the last war, several European countries have consciously adopted policies designed to eliminate small business on the New York pattern: they are seen as a hangover from the past and a sign of economic backwardness. The state itself creates monopolies – to take just one example, *Électricité de France* (the nationalized French electricity company) is today being accused of being a state within the state, holding up the development of alternative forms of energy. And it is the biggest private firms which receive state aid and subsidy, whereas banks are supposed to restrict credit to small firms – which amounts to condemning them to vegetate or vanish.

There could be no more dangerous policy. This is to repeat in another form the fundamental error committed by the socialist countries. Read what Lenin wrote: ‘Small-scale commercial production is, every moment of every day, giving birth *spontaneously* to capitalism and the bourgeoisie . . . Wherever there is small business and freedom of trade, capitalism appears’.²⁵ He is even supposed to have said: ‘capitalism begins in the village market-place’. His conclusion was that in order to get rid of capitalism, its very roots that is, individual production and the freedom of trade had to be dug out. Are Lenin’s remarks not in fact a homage to the enormous creative powers of the market, of the lower storey of exchange, of the self-employed artisan or even of individual resourcefulness – creative powers which provide the economy not only with a rich foundation but with something to fall back on in times of crisis, war, or serious economic collapse requiring structural change? The lowest level, not being paralysed by the size of its plant or organization, is the one readiest to adapt; it is the seedbed of inspiration, improvisation and even innovation, although its most brilliant discoveries sooner or later fall into the hands of the holders of capital. It was not the capitalists who brought about the first cotton revolution; all the new ideas came from enterprising small businesses. Are things so very different today? One of the leading representatives of French capital said to me the other day: ‘It is never the inventors who make a fortune’; they have to hand over to someone else. But they have the ideas in the first place! A recent report from M.I.T. points out that over the last fifteen years more than half the jobs created in the United

States have been in small firms employing less than 50 workers.

Finally, if we are prepared to make an unequivocal distinction between the market economy and capitalism, might this offer us a way of avoiding that 'all or nothing' which politicians are constantly putting to us, as if it were impossible to retain the market economy without giving the monopolies a free hand, or impossible to get rid of monopolies without nationalizing everything in sight? The programme proposed by the 'Prague spring' – socialism at the top, but freedom and 'spontaneity' at the base – was put forward as a double solution to a double and unsatisfactory reality. But what kind of socialism will be able to maintain the freedom and mobility of the individual enterprise? As long as the solutions put forward amount to replacing the monopoly of capital with the monopoly of the state, compounding the faults of the former with those of the latter, it is hardly surprising that the classic left-wing solutions do not arouse great electoral enthusiasm. If people set about looking for them, seriously and honestly, economic solutions could be found which would extend the area of the market and would put at its disposal the economic advantages so far kept to itself by one dominant group in society. But the problem does not essentially lie there; it is social in nature. Just as a country at the centre of a world-economy can hardly be expected to give up its privileges at international level, how can one hope that the dominant groups who combine capital and state power, and who are assured of international support, will agree to play the game and hand over to someone else?

30 October 1979.

Notes

Translator's note: Wherever possible, when a French edition of an English-language source is quoted in the text, the original has been traced and the page reference in the notes amended. This has not always been possible. References to works originally published in French have been left unaltered, except where there is a recent and easily available English translation.

Abbreviations used in notes:

A.d.S.	Archivio di Stato.
A.E.	Affaires Étrangères (Foreign Affairs), Paris.
A.N.	Archives Nationales, Paris.
B.M.	British Museum (now British Library), London.
B.N.	Bibliothèque Nationale, Paris.
C.S.A.	Central State Archives, Moscow.
P.R.O.	Public Record Office, London.

NOTES TO FOREWORD

1. The expression 'world time', which was used for the French title of this volume, (*Le Temps du Monde*) is borrowed from Wolfram Eberhard, *Conquerors and Rulers. Social Forces in Medieval China*, 2nd edn., 1965, pp. 13 ff., quoted by Immanuel Wallerstein, *The Modern World System*, 1974, p. 6.
2. Ashin DAS GUPTA, 'Trade and Politics in 18th Century India', in *Islam and the Trade of Asia*, ed. D. S. RICHARDS, 1970, p. 183.
3. René BOUVIER, *Quevedo 'homme du diable, homme de Dieu'*, 1929, p. 83.
4. Jean IMBERT, *Histoire économique des origines à 1789*, 1965; Hans HAUSHERR, *Wirtschaftsgeschichte der Neuzeit*, 1954; Hubert RICHARDOT and Bernard SCHNAPPER, *Histoire des faits économiques jusqu'à la fin du XVIII^e siècle*, 1963; John HICKS, *A Theory of Economic History*, 1969.
5. *Allgemeine Wirtschaftsgeschichte des Mittelalters und der Neuzeit*, 2 vols., 1958.
6. Friedrich NOVALIS, quoted in *L'Encyclopédie*, 1966, p. 43.
7. René CLEMENS, *Prolégomènes d'une théorie de la structure économique*, 1952, esp. p. 92.
8. Witold KULA, in conversation, many years ago. Cf. *On the Typology of Economic Systems. The Social Sciences. Problems and Orientation*, 1968, pp. 109–27.
9. José GENTIL DA SILVA, exact reference mislaid and untraceable by the author himself when consulted.
10. W. W. ROSTOW, *Politics and the Stages of Growth*, 1971.
11. Article by K. S. KAROL in *Le Monde*, 23 July 1970.
12. Quoted by Cyril S. BELSHAW, *Traditional Exchange and Modern Markets*, 1965, p. 5.
13. Joseph SCHUMPETER, *History of Economic Analysis*, 2nd edn., 1955, I, p. 6.
14. Jean POIRIER, 'Le commerce des hommes', in *Cahiers de l'Institut de*