

**WEA Conference**

**MARKET, SOCIALISM AND DEMOCRACY  
IN AN INTERDISCIPLINARY PERSPECTIVE+**

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## Introductory Abstract

In this period of economic and social distress, a thorough re-appraisal of the foundations of our economic and social systems has been emerging in virtually all the most developed Countries.

We will address some elements of such issues by analysing how, within a pluralistic and interdisciplinary perspective, a number of heterodox theories — in particular, institutional economics, Marxism and other theories of socialism and social justice — can help us to identify significant aspects of market, capitalism, socialism and democracy.

In fact, although these “familiar” concepts have shaped the complex “material” and “spiritual” evolution of our societies, it is still largely unclear how this influence has unfolded in real situations.

As a matter of fact, these concepts convey complex meanings which are interpreted differently according to the different theories, interests, values of the subjects involved. Furthermore, these interpretations often acquire an implicit character, since, to each person, they are ingrained in deep seated habits of thought and life in which the unconscious component is likely to play a relevant role.

Also for this reason, the social and political conflicts related to these issues often assume an emotional and intransigent character, which does not help to clarify what are the real aspects at the stake.

For instance, there is a strong conflict between the advocates and the detractors of the market. But what is the meaning of the market? Is it, as held by classical and neoclassical economists, a kind of “exogenous” mechanism strictly associated with capitalism? Or else, is it an institution created and maintained by public intervention and which, for this reason, can be present also in a socialist economy?

In our work, we will employ this pluralistic and interdisciplinary perspective for analyzing some controversial elements of the **(i)** definition and analysis of the market; **(ii)** authoritarian and democratic socialism, namely, how to bring together freedom and social justice; **(iii)** the possibility of reformulating Marx’s theory of value without reference to the concepts of Classic Economics; **(iv)** the theory of

historical materialism and the importance of bringing to the fore also the cultural and psychological factors; **(v)** the links of these issues with the debate between holism and methodological individualism; **(vi)** the importance of an interdisciplinary approach for reaching out the manifold aspects of these concepts and, on this basis, to identify suitable policies for our most urgent economic and social problems; **(vii)** within this ambit, we focus on the psychoanalytic perspective in elucidating many aspects of person-society dynamics, with particular attention on how it can improve the process of policy action.

### **1.1 The Institutional Analysis of the Market**

As is known, the analysis of the market constitutes perhaps one of the most controversial aspects in the study of the various forms of economic organization. For instance, the long-standing debate on “market socialism” has triggered diametrically opposed positions as concerns the role played by the market in economic and social development: on the one hand, advocates of this system<sup>1</sup> posit that the market existed before capitalism and, as a consequence, can also be present in a socialist society. On the other hand, opponents maintain that the market constitutes an economic device for the exploitation of workers and, as such, can exist in its most developed form only in a capitalistic economy. Even among non-socialist economists ideas widely differ with respect to the role of the market in many structural, and related, issues—for instance, scientific and technological progress, economic development, unemployment, environmental protection.

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<sup>1</sup> For instance, in Lawler's analysis (in Ollman, 1998) the decisive factor for the development of the socialist economy is not the elimination of the market for goods but the progressive limitation and regulation of competition in the labour market. Of course, as we are trying to highlight, also the market for goods would require different types of intervention and would be compatible with a notion of socialized ownership (for a comprehensive analysis of socialist thought see the encyclopedic works of Cole, 2003, and Salsano, 1982). In this regard, we can note that the issues of market socialism can receive a better insight by employing also the concepts of institutional economics and psychoanalysis. In this regard, a good example is Commons' account of the evolution of the concept of ownership, from a notion of simple possession of goods to one of relationships, rights, and opportunities referred to as incorporeal and intangible property. In this regard, Commons shows how the evolution of the concepts of ownership and freedom has accompanied the birth and evolution of capitalism that saw (and sees) the rise and development of new social classes in respect to which has arisen the need of building a body of norms, transactions and institutions in order to increase their participation in economic and social life. With regard to the worker, this implies a significant shift from a physical concept of ownership, tending to consider the labour force as mere goods, to a notion of rights and relationships extending their opportunities to participate in productive life. It is from this basis that, through a wide scrutiny of legislation and court rulings, Commons investigated the evolution of labour rights, union rights, and social legislation.

As a matter of fact, the analysis of the market lies at the juncture of many important aspects of economic and social structure and the corresponding policy action: in particular, public action and private initiative, forms of competition, and the correlated concepts of capitalism, socialism, sustainable development, participation and democracy.

The main problem in this debate is that the concepts involved are extremely complex and intertwined and can be interpreted differently according to the experiences and values of the different subjects.

In fact, as we are trying to show, the market does not constitute an "exogenous mechanism" in relation to the goals and values of the subjects involved. But, rather, it is an institution that, in J.R.Commons' terminology, with its relationships of "conflict", "dependence", and "order" — which are expressed, as noted above, in a complex system of juridical relations of rights, duties, liberties and exposures — evolves along with other institutions, thus contributing to identify the distinctive features of economic, social and cultural evolution<sup>2</sup> in any given context.

In this respect, if we consider the alleged more free market-oriented productive sectors, we realize that, even in these instances, consumers' demand rarely constitute the sole criterion for the existence and development of these sectors.

Indeed, in the related policy action there often comes into play other goals which tend to be latched onto numerous policies and institutions: for example, scientific and technological development, increase in employment, industrial restructuring, social and environmental impact. Moreover, these policies tend to carry multifarious influences on consumers' demand.

This complexity tends also to be reflected in the increasing articulation of the ownership structures of companies, which tend to mirror the presence of the various — "public" and "private" — interest groups involved<sup>3</sup>.

It is also worth noting that changes occurring in the market system directly impinge upon the forms of competition. In this sense, we can observe that competition<sup>4</sup>

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<sup>2</sup> We can define culture in a broad meaning as the systems of knowledge, values, beliefs, rituals and code of conducts typical of a given context. As we will see later on, cultural factors interact in a complex way both with the economic mode of production (the so-called "material" basis of society) and with the psychological orientations and conflicts of the persons involved.

<sup>3</sup> It is important to note that also the notions of "public" and "private" are not absolute concepts but are created by, and evolve with, the set of norms, institutions and policies of any given context.

<sup>4</sup> It is important to note that competition arises not only in economic action. As widely investigated in psychology, psychoanalysis and sociology, forms of rivalry and competition, often associated with emotional problems, are likely to play a pivotal role in childhood during family and school experiences. Relatedly,

does not constitute a static concept but evolves along with the transformations of economic and social organization.

## 1.2 The (Apparent) Trade Off between Freedom and Social Justice

The previous discussion directly bears on the issues of democracy and participation, which, as is known, have always been the crux of the debate on the various forms of economic organizations. As a matter of fact, there seems to exist an irreconcilable trade off between social justice, on the one hand, and liberty and democracy, on the other.

In this regard, socialist thought often regards the so-called "bourgeois liberty" and the market system associated with it as a stratagem for exploiting the worker in the factory system under the guise of an apparent equality of conditions.

For instance, in Marxist theory the market produces an "exchange of equivalents" (cf. also the next paragraphs), which, however, is actually based on workers' exploitation in the productive process and on the corresponding extraction of their "surplus value", which accrues to the company's owners.

As a consequence, the most appropriate solution would be — possibly through a revolutionary process — the abolition of this system of the "freedom of the strongest" and the establishment of a system of centralized economic planning, the contents of which are to be defined by the new political leaders<sup>5</sup>.

This solution, however, as pointed out by many scholar both pro- and anti-socialism, is inadequate for reaching the goal of a complete development of the person. This type of system, in fact, gives rise to problems of self-referential action at all levels of public management. For that reason, all the problems of policy action and the related tendencies towards authoritarian "solutions" (see also the next sections) tend to become more acute.

In fact, even supposing that political leaders are driven by the best intentions to realize the common good for citizens — a hypothesis known in economic literature

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social environment can also embody forms of competition among persons, groups, classes, institutions and nations based on values not directly economic-driven, such as influence, power and prestige. In this regard, also competition assumes a distinct "institutional" character. As effectively expressed by Commons, "Competition is not Nature's "struggle for existence" but is an artificial arrangement supported by the moral, economic, and physical sanctions of collective action.", (Commons, 1934: 713).

<sup>5</sup> In this regard, it seems appropriate to pinpoint that in every process of social change Marx gave primary importance to workers' active participation in all aspects of collective life (cf. also the next footnote).

as that of the "benevolent dictator" — there remains the fundamental problem of evaluation: what are the social arrangements (and hence the corresponding norms and institutions) for assessing whether the policies pursued are truly "socialist"? On the basis of what criteria, informational backgrounds and systems of coordination are made the thousands of micro-decisions necessary to keep the system working? How can those who govern provide for the full expression of the true needs of citizens without involving them in the process of social decision-making? And how can citizens express their different wills, opinions and conflicts in this context?

But, critics could object, democracy implies freedom and freedom means the possibility for the individual to carry out his/her initiative, which can lead to different outcomes in the economic sphere, according to circumstances. As a result, critics claim, democracy would once again provide the opportunity for individuals to exploit their fellows and so to obtain unfair advantages, with all the resulting negative consequences. How can we, then, sort out these problems?

### **1.3 Authoritarian versus Democratic Socialism**

From such considerations one can infer that, if socialism means a type of social organization the main goal of which is citizens' untrammelled participation in economic and social life then, in addition to the satisfaction of primary needs, a system of substantial democracy constitutes an essential ingredient of every socialist organization.

In this sense, an authoritarian solution, while can perhaps become necessary in the short run in order to manage a revolutionary process, seems utterly inadequate for an effective transition toward a socialist and communist society.

In this regard, it is worth remembering that both Marx and Lenin highlighted that **(i)** socialism and communism are evolutionary processes which require long time for their accomplishment and that **(ii)** the main features of a really communistic society are the elimination of social classes and of the power of the state.

But, as is known, especially in the so-called “orthodox<sup>6</sup> Marxism” of the former communist Countries, the so-called “dictatorship of proletariat” should find expression and legal representation in the communist party, which is so entitled to rule a communist Country.

In this vision, as set forth in particular in the first years after the Russian revolution, all the economic and social organizations must be directed by the ruling party. In fact, if the decisions of the party’s leaders are held to be the expression of the will of proletariat, any opinion which does not perfectly adheres to such a scheme is considered, by definition, counter-revolutionary. And on this ground, even mild dissenters can be marginalized and persecuted in the name of revolution.

For instance, if a union asks for higher wages, this request is considered counter-revolutionary if it is not in accordance with the party’s decisions.

It is easy to see the highly autocratic character<sup>7</sup> of such regime, which becomes even more inadequate on the account of the growing complexity of the system, which demands an opposite process for its full development. A process in which political parties are less and less able to encapsulate the multifarious expressions of social structure and that, for this very reason, requires an adequate level of democracy and pluralism in order to understand and promote these social expressions.

The recognition of the plurality of economic and social expressions is typical of the exponents of the so-called “democratic socialism”, which include different strands such as “guild socialism”, “Austro-Marxism”, socialist unionism, industrial democracy, cooperative economy and the various versions of market socialism.

Their basic idea is that in a complex society persons are concerned not only with a (hard to define in detail) notion of common good but also with their own occupations and fields of activities. In this regard, it is quite normal that people working, say, in the transport sector would try to solicit the growth of their sector, and so also of their status and income.

But, orthodox Marxists could object that this idea seems at odds with the notion of classless society hypothesized in Marxist theory. In fact, in a classless society the

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<sup>6</sup> However, it is highly questionable that such “orthodox Marxism” corresponds to the real visions of Marx, Engels and Lenin. For more details on this debate refer to Cole (2003), and Salsano (1982), quoted. Cf. also the next paragraphs.

<sup>7</sup> In fact, on this ground, every social request is considered “corporative”, whereas the power and privileges of the ruling party and its exponents are the “true and necessary means” for attaining the cause of the proletariat.



division of labour, typical of capitalism, would disappear and so no conflicts of interest would be possible.

True, this aspect constitutes one of the most important contribution of Marxism to the construction of a new society. However, the application of this notion by the “orthodox Marxists” is highly questionable. As a matter of fact, they tend to forget two “little details” of Marx’s theory: **(i)** the transition to a pure communist society cannot be realized at once but requires a long process of evolution; **(ii)** such process should be based on a growing involvement of citizens, which calls for the introduction of more and more perfect forms of democracy in political, economic and social spheres.

In this respect, an authoritarian regime which will “abolish” by decrees conflicts of interest and which would hold for itself — and in the name of revolution — a good number of privileges, constitutes, in the view of many thinkers, the best way to cripple the potential of socialism and communism.

In this regard, it is easy to note that personal initiative can take place not only in private sphere but also in public and “mixed” domains. In this sense, one of the most important intuition of John Rogers Commons, one of the founder of institutional economics, is that individual action tends to take place more and more within institutions and organizations.

In order to go beyond these too blinkered models (central planning and neo-liberalism) we believe that Marxism and other heterodox theories should focus more on the analysis and solutions of real problems. Within this context, we believe that the central aspect for the construction of socialism and communism does not consist in the elimination of transactions<sup>8</sup> as such but in the growing socialization of the systems of production and exchange. Such socialization, in fact, is very different from a central planning system because it implies a policy action involving the contributions of all the interested subjects (cf. also later).

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<sup>8</sup> In fact, as we have tried to show, transactions assume complex meanings which reach out all dimensions of economic, social and psychological life. This was underscored in particular by Commons by his classification of bargaining, managerial and rationing transactions. In this light, we can also employ a broader meaning of transactions as including every process of evaluation occurring at the individual and social level. In this meaning, transactions, at least in our opinion, have always be present in human history and will continue to constitute the framework of humans society. Hence, transactions can be fully compatible with a socialist and communist society. What is important, then, it is to gradually eliminate the predatory, authoritarian and neurotic-based transactions typical of capitalistic systems and replace them by more equitable and sound ones.

A cooperative of production, for instance, can sell its products, innovate, etc., provided that its activity be directed to the attainment of the common good. This implies that it should promote the professional development of its workers, and that its products and services be useful for society. Within this ambit, a reasonable profit for the most efficient cooperatives can certainly exist — for instance, for a restaurant which attracts more customers — but this should be considered no longer as a private and antisocial profit but as a social relation, a kind of social reward for their activities.

#### **1.4 Marx's Theory and the Classical Hypotheses**

For all these reasons we can observe that a too sharp definition in Marxist analysis of relevant concepts<sup>9</sup> tend to miss relevant aspects of their development. In particular, the hypotheses of perfect competition and the absence of state's intervention — even if the state is considered in Marx's analysis as the expression of the dominant class — seem rather distant from reality.

Needless to say, the central idea of Marx about a class antagonism remains dramatically true but it has come to assume much more articulated forms in historical evolution.

In this regard, as is known, Marx sharply criticized the classical economists by highlighting the oppressive and alienated character of capitalistic society and the corresponding necessity of a revolutionary social change.

Marx's critique, however, rests for some aspects confined within the classic economics' framework and so does not question the hypotheses which are at the basis of classic (and later neoclassical) economics: namely, perfect market, perfect competition and absence of direct state intervention in the economy. These processes are considered, even though historically determined (cf. next paragraphs), self-sustaining and hence a limited role is left to the State as a key agent in the development of capitalistic institutions.

In Marx's view, these are the gist of capitalism and, owing to the intrinsic contradictions of the system, there is no way to amend or transform capitalism except through a revolutionary process.

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<sup>9</sup> For more details on this interesting debate refer to Cole (2003), and Salsano (1982), quoted.

The rationale for this orientation lies in his theory of exploitation, which is based on the notions of labour value and surplus value. As the surplus value originates only from the variable capital — and is equal to the total hours of labour minus the hours of work necessary to reconstitute the workforce — the Ricardian theory of perfect competition and labour value seems perfect for demonstrating that the apparent “exchange of equivalents” occurring in the circulation process entails and covers a huge process of exploitation in the productive process.

In this way, however, Marx’s theoretical framework does not succeed in providing a full account of a set of relevant phenomena which have characterized the economic and social evolution in the last two centuries and which, as can be easily seen, point towards a growing complexity of the system. We can mention, in particular,

**(i)** the growing importance of public intervention in the economy: it assumes various forms and plays, especially in the form of public spending, a paramount role in providing an adequate level of effective demand, and hence of profits, for private sector.

**(ii)** The relevance of “market imperfections” — public goods, market power, informational asymmetries, principal-agent relations, consumption and production externalities — which are associated with the emergence of big and articulated corporations. In this regard, there is also a growing articulation and segmentation of the market for goods and of the market for labour, which makes it unrealistic to reduce them to the uniformity of the classic economics.

**(iii)** Also as a result of these phenomena, there is an increasing importance of collective action involving every level of economic and social life: we can mention, in addition to the more pure “public” and “private” institutions, a host of “mixed institutions” such as unions, producers and consumers associations, political parties, philanthropic associations, etc.

## 1.5 The Labour Theory of Value as a Process of Social Valuation

In this regard, as noted before, we believe that — without entering in the huge debate on the problem of “transformation” — a more realistic account of economic process would pinpoint that the notions of market and competition are highly institutional and psychological processes and, also for this reason, are characterized by many imperfections.

Within this context, the identification of the characteristics of workers’ exploitation — and of all types of predatory relations taking place in the economic and social spheres — will be rooted on the analysis of the power relations typical of any given situation.

For instance, in labour market is quite unrealistic to assume the same starting point for a single isolated worker and for a big company. It is even too obvious that there are enormous differences<sup>10</sup> in power and opportunities for the big company and the isolated worker and that, therefore, a person can be out of necessity induced to accept a very unfair contract. In this cases, then, competition is far from being “perfect”, as assumed in the classical hypotheses.

Thus, the outcome of the exchanges occurring therein can hardly be considered an “exchange of equivalents”. But how can we identify in every circumstance and for every contract the degree of its fairness or unfairness?

In this regard, the labour theory of value constitutes a sound principle for assessing the value of the products and, then, of labour remuneration. However, it is pertinent to note that this principle does not constitute something like a metaphysical entity which demands nothing less than an “automatic” application to the real circumstance. Conversely, it constitutes a matter of social judgment, which involves a complex process of social valuing<sup>11</sup>.

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<sup>10</sup> It is in these differences that, as observed by many thinkers, lie the necessity of labour associations for counteracting the power of firms. As observed by Commons (in particular, 1913 and 1924), in a firm of, say, 10,000 workers, the management, in dealing with a single worker, has a power corresponding to the asset of all its workers, whereas an isolated worker can rely only on his/her contractual power. It is easy to see that in normal circumstances the difference in power between the company and the worker amount to 10,000 to 1, which implies that the worker has a fraction of only 1/10,000 of the power of the company! It is easy to see how far is this situation from the hypothesis of balanced bargaining power of classical and neoclassical economics.

<sup>11</sup> As is known, the theory of social value has a long tradition in economic theory. It was introduced by Commons mainly through the elaboration of the concept of reasonable value. The complexity and evolutionary meaning of reasonable value emerges from the following passage, “The preceding sections of this book brought us to the problems of Public Policy and Social Utility. These are the same as the problems

In fact, first of all, it is matter of social valuation to decide that human labour — and not, for instance, some kind of political or religious principle — should constitute the “immanent basis” of the value of products. Once adopted this criterion, the ways for comparing different kinds of labour are anything but easy.

As we know, a central concept of Marx’s theory is the “abstract value” of “the socially necessary labour”, which should equalize — in the marketplace and in terms of a general monetary equivalent — different kinds of labour and of use values.

The abstract and pecuniary quality that social labour acquires in the market reflects the alienation of human relations, since in capitalistic society they can express themselves only as abstract social relations between goods.

This aspect, while constituting an outstanding contribution of Marx’s theory, does not imply, however, that different types of labour would be easily comparable. We have already noted that market power is likely to be very different between the worker and the employer. But this is not the sole problem in the labour theory of value. In fact, in Marxist perspective the great majority of agricultural and industrial activities is constituted by simple and “unskilled” labour, whose units can then easily be measured and exchanged in monetary terms. And, as for the more specialized activities, they can be easily equalized to a multiple of a simple labour unit. But this vision, while retaining some ground of truth in Marx’s time, has become overtime more and more distant from reality.

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of Reasonable Value and Due Process of Law. The problem arises out of the three principles underlying all transactions: conflict, dependence and order. Each economic transaction is a process of joint valuation by participants, wherein each is moved by diversity of interests, by dependence upon the others, and by the working rules which, for the time being, require conformity of transactions to collective action.. Hence, reasonable values are reasonable transactions, reasonable practices, and social utility, equivalent to public purpose....Reasonable Value is the evolutionary collective determination of what is reasonable in view of all changing political, moral, and economic circumstances and the personalities that arise therefrom to the Supreme bench.”, Commons (1934, p. 681, 683-684).

Following these insights, the theory of social value has become one of the core concepts of institutional economics, as appears from the following passage, “To conceive of a problem requires the perception of a difference between ‘what is going on’ and ‘what ought to go on’. Social value theory is logically and inescapably required to distinguish what ought to be from what is....In the real world, the provisioning process in all societies is organized through prescriptive and proscriptive institutional arrangements that correlate behaviour in the many facets and dimensions of the economic process. Fashioning, choosing among and assessing such institutional structure is the 'stuff and substance' of continuing discussions in deliberative bodies and in the community generally. The role of social value theory is to provide analyses of criteria in terms of which such choices are made.” (Tool, in Hodgson, Samuels and Tool, 1994, pp. 406-407).

In fact, economic and social development carries with it a growing differentiation and articulation of markets, products and labour force. This implies that, as the mainstream hypotheses of perfect markets become more and more unrealistic, the so called market imperfections<sup>12</sup> become the normal way of working of the real economic systems.

The classical assembly line associated with Taylorism does not constitute anymore the dominant system of production as new more flexible forms<sup>13</sup> are developing, which demand different degrees of skills and specialization.

Furthermore, even when we have identified the main typologies of work within a certain field, it is still arduous to reduce, by a kind of an abstract law, the work of different people to a homogenous entity. In fact, even though in capitalistic society labour force tends to be considered just as goods, the reality is that workers and their labour force are not goods but persons. Hence, they cannot help, even within a repressive and alienated system, injecting in their activities their distinctive skills, experiences and personalities.

While this is evident for the “high-skilled” jobs — where, for instance, every teacher acquires his/her distinctive features and teaching style — the same can hold true also for “less-skilled” jobs. In this respect, there are different barmen, cooks, tailors, etc.

In this regard, it can be interesting to note that national contracts agreed upon by unions and employers are very articulated. There are in general two levels of negotiations: one referring to a more “abstract” notion of a particular type of labour, in which are fixed the general parameters—for instance, minimum wage, maximum length of the workday, safety provisions. And another more tailored to the specific characteristics of work in its context of reference.

In this situation, in which many economic, social, cultural and psychological elements combine to define the “value of the labour” in a given context, an

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<sup>12</sup> As emerges from the institutional analysis of the market (cf.above) this does not imply that such imperfections cannot be in some way reduced, but that all these relations assume are heavily embedded in the complexity of economic, social, institutional structure. For this reason, any change in the market system is likely to interact with all these dimensions.

<sup>13</sup> True, the Marxist description of labour force remains dramatically true in many forms of exploitation, often involving the “off the books work”, in particular of women and children in the emerging Countries. Also, the declining role of the assembly line does not imply the automatic elimination of insane, repetitive and alienating jobs. In many cases, these phenomena go together with a high stratification of job positions, and the result is, as also observed by Commons (1913), a diminution of class solidarity.

improved process of social valuing seems paramount for attaining an equitable and rewarding organization of labour activities.

## 1.6 Marx's Historical Materialism in Its "Deterministic" Version

As is known, Marx's theory of historical materialism can be considered a substantial breakthrough in social sciences. However, as it tends (at the least in part) to acquire a monistic and absolutistic form, it can hardly be employed in this way — let apart the abstract revolutionary aspirations — for the solution of actual economic problems.

On that account, we think that it is this aspect of absolutism that has led to the failure of real communist experiences and the consequent later and rather uncritical adoption in these Countries of neo-liberalist policies. Another, and related problem (see above), is that Marx's theory is mostly based on the notions of perfect market and perfect competition, which are typical of the classical theory in economics.

But, we can ask, what are the aspects of absolutism we attribute to Marx's theory of historical<sup>14</sup> materialism? It constitutes one of the core elements of the Marxist theory and posits, in its more "deterministic" form<sup>15</sup>, that: **(i)** the historical epochs can be identified according to their mode of production; **(ii)** these modes of production tend to follow a kind of linear, "necessary" and evolutionary sequence—from the simpler to the more sophisticated technologies; **(iii)** in that connection, these modes of production can be identified mainly by their modality of extracting the surplus value; **(v)** the "habits of thought and action" of persons are largely, if not totally, influenced by the role they occupy in the process of production and extraction of surplus value. This implies that in each epoch the dominant ideology is that of the ruling class at economic (and hence social, political, juridical) level.

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<sup>14</sup> The most clear account of this theory is contained in "The German Ideology", which was written with Friedrich Engels in 1846 and remained unpublished until 1932. In our exposition, we refer to this theory as overwhelmingly developed by Marx, because it lay the basic principles of Marx's subsequent work. In fact, although Engels contributed to the shaping of the most extreme form of this theory as set forth in "The German Ideology", he elaborated later on a more comprehensive and pluralistic version this theory—a kind of a "mild or pluralistic version" of the historical materialism.

<sup>15</sup> In fact, as we will see presently, the determinism of his theory tends, especially in later works, to be mitigated owing to a more careful consideration of the multiplicity of factors which combine to define the historical development of the various Countries.

The central aspect of this theory is that the outlined evolutionary sequence is considered “necessary”, in the sense that each stage, together with its evolution into the next stage, is something that does not depend on the wills of the participants but on an array of forces external to them and upon which they can exert scant control.

These situations entail social injustice and alienation, but these problems cannot be solved by any kind of gradual action or reform. On that account, any action of this kind is sharply criticized by Marx as a useless expression of “bourgeois mentality”. Hence, only a proletarian revolution able to wholly dismantle the “material mode of production” of the old system can really work. This is because, in Marx’s view, a revolution in the material mode of production would suddenly and “naturally” trigger, in a kind of cathartic process, a parallel revolution in the mentality of the newly society.

In this way, a truly communist society would usher in, one in which the market system and the division of labour associated with it is abolished. In such classless society, people will regain their control over the mode of production, and, on this basis, products will be distributed in a fair way according to the capacity and needs of every person. Furthermore, the revolution, in order to be successful, should be realized at the world level.

In accordance with his materialistic theory, Marx specifies that, in order for this process to be really accomplished, it can take place only after the preceding modes of production have gone through all their potential. On that account, every form of socialization and common ownership which took place in the past was downplayed by Marx as primitive or local communism.

There are no more details in Marx’s account as to when and how this new society can be realized. In particular, it is utterly unclear whether such ideal society would assert itself spontaneously after the revolution or if it would imply, through the concept of proletarian dictatorship, an authoritarian regime.

In this sense, it remains an open question whether, and to what degree, Marx would have endorsed the largely authoritarian systems emerged in Russia after the October Revolution. There can be no precise answer, of course, but we believe that Marx’s instinctive sympathy for the workers would have led him anyway to propose for them a better participation in economic, social and political life.



In any instance, what is striking in this picture is that all historical evolution seems to stop at the gates of the communist society: in fact, it does not resemble to a real society, but to a paradise where everybody and every thing is perfect, there are no conflicts and every person can only be busy at enjoying life.

### **1.7 The Growing Complexity of the System and the Role of Cultural and Psychological Factors**

As we have seen, the theory of historical materialism finds its inspiration in the Hegelian dialectic and underscores the necessity of going beyond pure idealism by bringing to the fore the “material and real” aspects of the existence. In this respect, historical materialism has provided a decisive advancement in the comprehension of the inner nature of economic and social phenomena.

However, in the extreme form of this theory, the role of economic factors in shaping human history has been appraised as a parallel unimportance of the “non-economic factors”—in particular, the whole set of culture, values, propensions and conflicts of the persons in their individual and collective expression.

In this way, an abstract idealism has been replaced by an as much abstract materialism. Abstract because, in overlooking the role of non economic factors, reduces the economic evolution to a deterministic and rationalistic process.

On that account, the dogmatic and deterministic character of this interpretation — that was reinforced by a rather egocentric and intolerant attitude of Marx towards any socialist theory different from his “scientific communism”, which were all liquidated as a disguised expression of the “bourgeois mentality” — has impaired a full understanding of the growing complexity and multifariousness of economic and social evolution.

Furthermore, as Marx’s theory heavily rests on the simplistic vision of classical economics about market and competition (cf. before), it partly carries with it a kind of conservative flavour<sup>16</sup> since it seems to imply that, short of triggering a

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<sup>16</sup> As also underscored by psychoanalytic contributions, in scientific investigation every theory is likely to reflect the complexity of the orientations and conflicts of their proponents in their “spiritual” and “material” interaction. Of course, it is out the scope of this work to undertake a socially grounded psychoanalysis of the Marx’s orientations. What we can note here is that Marx’s had tried in many occasions to mitigate the one-sidedness of his “materialism” (cf. also the next footnote and the next section) by underscoring the importance of individual action for promoting social change. In this regard, it is worth noting that, as also emerges from private letters, Marx and Engels had a wide range of cultural interests also in “not very materialistic fields” like art and literature. In these fields, Marx and Engels developed interesting insights on the complex relations between artistic forms and the economic modes of production. And furthermore, they

revolutionary process worldwide, any attempt to improve the conditions of the disadvantaged classes of society is largely doomed to be useless. As a matter of fact, in such classical economics-based vision, the “inexorable laws” of economics imply that capitalism can work only if wages<sup>17</sup> will not permanently exceed “their value, which is equal to their subsistence level<sup>18</sup>”.

Hence, any difficulty in suddenly realizing this magnificent and perfect revolution can easily lead to an attitude of pessimism and defeatism.

However, for good or bad, reality is much more articulated than this too simple account, since historical evolution has shown a growing importance of the mixed forms<sup>19</sup> of economic activities, which reflect their growing complexity. This aspect contributes to explain that a revolutionary process, at least in the way foreshadowed by Marx, becomes more and more difficult just because<sup>20</sup> reality is becoming more and more complex.

For instance, even supposing a worldwide revolutionary process has just been realized under the principle “social justice for everyone”, and even supposing everybody would agree on this moral precept, there arises the next hour the problems of defining within the framework of a complex world what is the meaning of social justice in relation to family, productive and social sphere.

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wrote several reviews of novels and poems (and Marx himself wrote beautiful poems of love to his future wife).

<sup>17</sup> This not imply, however, that in Marx’s view workers should give up fighting for improving their conditions. For instance, in *Wage, Prices and Profit* he clearly states that workers have the moral duty to fight for improving their conditions, even if the likely outcome in the long run would be to keep wages at their “values”—that is at their subsistence level. However, as just noted, in Marx’s view these attempts are considered useful only insofar as they are preliminaries to the total revolution. Hence, “in the meanwhile”, there is little room in his theory for any permanent improvement of workers’ conditions. However, as we do not live in the simple world of classical economics but in a complex “mixed capitalism”, it follows that workers can actually improve their conditions *here and now* and that any progress in this way is also a progress in the building of “the total revolution”.

<sup>18</sup> This level, both in classical economics and in Marx’s theory, depends not only on the natural needs of the workers but also on a number of “conventional” elements.

<sup>19</sup> In this light, it can be interesting to note that Marx’s classical hypotheses have in some way limited the interpretative potential of his theory of economic crisis, and also made more difficult a useful collaboration between Marxist theories and other important strands of heterodox economics—such as, for instance, Institutional and Keynesian economics, and other theories of socialism, social justice and sustainable development.

<sup>20</sup> Needless to say, acknowledging this complexity does not imply any kind of “revisionistic” attempt to overlook the role of class conflicts in the development of capitalistic institutions. In this regard, these conflicts remain central also in our mixed forms of capitalism but they assume more complex and varied expressions.

For instance, in our times economic exploitation à la Marx has by no means not lost its importance. But this is not the sole problem for many workers that, in public and private domains, are overwhelmed by the problems of bureaucratic and hierarchical power, and lack of motivation and participation. As we are trying to show, these problems can find a better understanding and solution by considering the manifold ties between economic, social and psychological factors in their historical evolution.

## **The Manifold Patterns of Economic and Social Evolution**

For this reason, as also analysed in other works, any process of social change requires a thorough process of social valuing in order to bring to the fore the profound needs, orientations and conflicts of the persons and classes involved.

In that connection, it is interesting to note that even within the modes of production identified by Marx, historical analysis shows that feudalism and capitalism, for instance, have acquired different forms in the various Countries and that, in the evolutionary shaping of these forms, a crucial role was played by political and social action, with all the set of distinctive psychological and cultural features.

For instance, it is far too obvious that different religions, with all their set of psychological and cultural orientations, have promoted, in a more or less direct way, different economic systems. Of course, it is also very true that, in turn, the resulting modes of production have contributed to shape the prevailing “habits of thought and life” of the time, but these elements should be studied in their complex interchange<sup>21</sup> in order to grasp all the complex and specific aspects of every considered reality.

But the consideration of the psychological and cultural factors brings to the light an even more fundamental limitation of this extreme version of historical materialism, which pertains to the supposed “necessity” of the modes of production and their evolution.

For instance, the system of slavery of the ancient times — and even the modern one of the USA in the XIX century — was considered by Marx “necessary and inevitable” in order to realize the so-called primitive accumulation of capital. This applies also to the family sphere, where the father is held to be, at least in the past, the “owner” of the wife and children.

In this way, the attitude of a person to enslave (or exploit and oppress) another is devoid of any psychological content and made to derive mechanistically from an

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<sup>21</sup> For instance, by referring to a famous issue, it can be true that “the protestant ethic” may have facilitated the development of capitalism, but the reverse is no less true: namely, that the diffusion of protestant religion have been favoured by a change in the mode of production towards a capitalistic system. Needless to say, many other factors should be taken into account in order to attain a far-reaching explanation of the characteristics that these developments have assumed in different Countries.

immanent and uncontrollable external and “necessary” pressure of the prevailing mode of production.

However, this vision completely disregards the complexity and conflicts of human mind in its economic and social unfolding. In this regard, psychological and psychoanalytic studies pinpoint that the need to enslave, exploit and oppress people (and animals) is related to profound psychological conflicts which have their roots in the infantile life of the person. Needless to say, these neurotic needs can be reinforced by economic reasons, but the latter do not constitute by no means the sole motive for slavery.

Hence, it follows that also psychological factors, and in particular neurotic conflicts, have played a paramount role in economic and social evolution. As an indirect evidence of this circumstance, we can note that many cases of oppression and slavery have little to do with economic reasons, as in the case, for instance, of racial and religious persecutions.

This being the case, a fundamental conclusion ensues: the modes of production of the past — with all their burden of oppression, exploitation and slavery — were not necessary in any immanent meaning of the term. They asserted themselves also on account of neurotic conflicts, and if these conflicts had been less severe, different and more rewarding modes of production could have emerged.

But, someone can say, the past has gone and so it is useless to complain on the spilt milk.

However, we can learn from the past in order to avoid in the future the same errors: namely, disregarding the role of psychological and cultural factors in economic and social evolution.

### **1.8 A More Pluralistic Orientation in Marx’s and Engels’ Theories**

In this regard, it is worth noting that Marx, while paying so much attention to the economic factors, had not completely disregarded the importance of the non economic aspects of life.

Undoubtedly, the significance of these aspects — by having been relegated in the realm of a superstructure, which is supposed to be largely determined by the economic structure — results severely downsized in Marx’s analysis. But not completely, however. In this sense, the determinism so often ascribed to Marx is

not so complete. For instance, in theorizing the historical necessity of a transition from capitalism to socialism and communism, it is explicitly required by Marxist analysis that persons — instead of letting be passively transported by the “deterministic stream of history” — play an active role in the very definition of these events.

This being the case, it is hardly imaginable that the culture, motivations and conflicts of the person do not enter the picture. In this light, it is no surprise that the first chapters of *The Capital* are devoted to workers’ struggles for obtaining the ten-hours workday and that, on that account, Marx has demonstrated to be not only an acute theorist but also an effective union man.

This more comprehensive and pluralistic view is further developed by Engels<sup>22</sup>, who clarifies that “material” factors, although playing a prominent role in human development, interact and can be influenced by social and cultural factors.

He recommended a careful study of historical situations and warned against the risk that historical materialism be (mis)used as a way for not studying the real situations.

In short, what emerges from the “milder versions” of historical materialism and from other heterodox theories of socialism, institutions and social justice is that capitalism and socialism are not only economic systems but also systems of cultures and values through which the motivations and conflicts of persons find expression.

In this perspective, it should be noted that while a marked differentiation between economic and social/cultural aspects of human activity has occurred over time, it is also true that the links between the two spheres have become increasingly complex and significant: if, on the one hand, economic aspects (e.g. the evaluation of the costs and monetary benefits of the various alternatives) permeates the rest of social relations, on the other hand the opposite also holds true, in the sense that social and cultural aspects condition and find their expression in the economic sphere.

For instance, it is certainly true that, as effectively expounded by Karl Polanyi (1944), the establishment of capitalism has absorbed under its alienating framework the previous social relations, but the opposite is no less true, in the

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<sup>22</sup> Cf., for instance, his letter to Conrad Schmidt of 27th October 1890, contained in K.Marx-F.Engels *Ausgewählte Briefe*, pp.509-510.

sense that the previous social relations, with all their aspects of despotism and prevarication, may have found an “amplified” expression within capitalistic institutions.

Hence, this more far reaching perspective openly invites an interdisciplinary approach for the study of economic and social life. In the next paragraph we will consider some aspects of the psychoanalytic approach.

### **1.9 Historical Materialism and Psychoanalysis**

In this perspective, capitalistic society cannot be considered as a completely “exogenous factor” for social alienation. In fact, as this society has not arisen apart from the intended action of the actors involved, there comes up the issue of understanding the cultural and psychological foundations of capitalistic society in their relations with its material basis.

In this regard, psychoanalysis has provided relevant contributions, which are still today largely overlooked.

In this sense (cf. also Hermann, 2009a), many psychoanalytic studies underscore that in many cases social relations are based, at various levels, on a fight for power having its focus in — at real and/or symbolic level — “possessing institutions”. But, since an institution constitutes an organized whole of collective action controlling, liberating, and expanding individual action<sup>23</sup>, this implies that “possessing” an institution relates to an unconscious fantasy of omnipotent control over all the relations occurring therein. This means that, for instance, ownership in its predatory and acquisitive meaning embodies — as shown in particular by Marx and Veblen — not a person-to-goods but a person-to-person relation. According to this interpretation, the reason why, under these predatory and neurotic habits, institutions are considered like things to be owned does not rest in the circumstance that institutions are appraised as things in any meaning of the word, but in the fact that “the owner” of the institutions, in trying “to control and dominate” the social relations taking place therein, disregards all the needs and opportunities that may potentially arise from the people involved in these (frustrating and neurotic) social relations.

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<sup>23</sup> Cf., in particular, Commons (1934).

For instance, considering an instance of individual consumption, psychoanalysis can help identify the profound reasons, often unconscious, which can underlie this act. For instance, if persons buy a product chiefly out of imitation, emulation, and conformism to the prevailing social canons — a pattern well described by Veblen's theory of "conspicuous consumption" — it can hardly be the case that they are maximizing their behaviour.

For instance, in discussing Marx's theory, Freud stresses the necessity of considering not only the influence of the economic organization of society on individual psychology, but also the role of psychological factors in shaping the "materialistic aspects" of society. As he notes,

"The communists believe that they have found the path to deliverance from our evils. According to them, man is wholly good and is well-disposed to his neighbour; but the institution of private property has corrupted his nature. The ownership of private wealth gives the individual power, and with it the temptation to ill-treat his neighbour; while the man who is excluded from possession is bound to rebel in hostility against his oppressor. If private property were abolished, all wealth held in common, and everyone allowed to share in the enjoyment of it, ill-will and hostility would disappear among men. Since everyone's need would be satisfied, no one would have any reason to regard another as an enemy; all would willingly undertake the work that was necessary. I have no concern with any economic criticisms of the communist system; I cannot inquire into whether the abolition of private property is expedient or advantageous [Here, there is a footnote in which Freud stresses his solidarity, also in relation to his own experience, with the situations of economic deprivation]. But I am able to recognize that the psychological premises on which the system is based are an untenable illusion. In abolishing private property we deprive the human love of aggression of one of its instruments, certainly a strong one, though certainly not the strongest; but we have in no way altered the differences in power and influence which are misused by aggressiveness, nor have we altered anything in its nature. Aggressiveness was not created by property. It reigned almost without limit in primitive times, when property was still very scanty." (S.Freud, *Civilization and Its Discontents*, The Standard Edition, New York, Norton, 1961: 70-71).

Despite these cautious remarks, when discussing the difficulty of lessening human aggressiveness, he observes that,

"At this point the ethics based on religion introduces its promises of a better after-life. But so long as virtue is not rewarded here on earth, ethics will, I fancy, preach in vain. I too think it quite certain that a real change in the relations of human beings to possessions would be of more help in this direction than any ethical commands; but the recognition of this fact among socialists has been obscured and made useless for practical purposes by a fresh idealistic misconception of human nature.", (S.Freud, *Civilization and Its Discontents*, The Standard Edition, New York, Norton, 1961: 109).

And then, he clearly points to a closer collaboration between Marxism and psychoanalysis,

"The strength of Marxism clearly lies, not in its view of history or the prophecies of the future that are based on it, but in its sagacious indication of the decisive influence which the economic circumstances of men have upon their intellectual, ethical and artistic attitudes. A number of connections and implications were thus uncovered, which had previously been almost totally overlooked. But it cannot be assumed that economic motives are the only ones that determine the behaviour of human beings in society. The undoubted fact that different individuals, races and nations behave differently under the same economic conditions is alone enough to show that economic motives are not the sole dominating factor. It is altogether incomprehensible how psychological factors can be overlooked where what is in question are the reactions of living human beings; for not only were these reactions concerned in establishing the economic conditions, but even under the domination of those conditions men can only bring their original impulses into play—their self-preservative instinct, their aggressiveness, their need to be loved, their drive towards obtaining pleasure and avoiding unpleasure. In an earlier enquiry I also pointed out the important claims made by the super-ego, which represents tradition and the ideals of the past and will for a time resist the incentives of a new economic situation.", (Freud, *New Introductory Lectures on*



*Psycho-Analysis*, The Standard Edition, New York, Norton, 1989: 220-221, original edition 1933).

As noted by Freud (in particular, 1921) and by subsequent psychoanalysts, group cohesion tends to be based<sup>24</sup> on the following processes: **(i)** emotional links among the members of the group; **(ii)** projection of individual aggressiveness into people and/or institutions lying outside the group; **(iii)** identification with the group leader — who symbolizes the parental instance (typically, the father) — in order to repress the conflicts related to the *Oedipus* complex.

These processes — which operate partly at an unconscious level and may be partly driven by neurotic conflicts — can help explain the scission that often occurs within groups between “the good and right”, lying inside the group, and “the bad and mistaken”, lying outside.

These contributions highlight the role of groups and institutions for expressing the needs and conflicts of the person. For instance, for the person, the group may represent an idealized *ego*; and, in this connection, its “morals” and “code of conduct” symbolize parental figures that, through a process of “internalization”, play the role of *superego*.

Thus, it is worth note that the *superego* stems also from a normal human tendency to establish sound interpersonal relations; and accordingly, to behave with affection and solicitude towards each other and continually improve the positive aspects of personality. However, whereas in non-neurotic situations the “code of conduct” emerging from such tendencies asserts itself as a genuine behaviour, in neurotic situations leading to the formation of *superego* things can be quite different: here, the tendency of improving personality tends to be, under an appearance of goodness and morality, subordinated to the expression of neurotic contents at cross-purposes with such tendency.

In particular, quite often the severity of *superego* leads — through the so-called paranoid<sup>25</sup> and narcissistic transformation of personality, extensively studied in psychoanalysis — single individuals, groups or societies to do nasty and

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<sup>24</sup> This does not imply that Freud disregarded the positive aspects of group cohesion, only that he gave prominent attention to the problematic aspects of group dynamics.

<sup>25</sup> Paramount contributions to these issues were provided by, among others, Melanie Klein, Wilfred Bion, Otto Kernberg and, within the “Cultural Psychoanalysis”, by Karen Horney and Harry Stack Sullivan.

persecutory actions towards other individuals, groups or societies into which their aggressiveness has been projected, and so to sabotage, in the meaning reviewed before, the possibility of establishing sound interpersonal relations. These psychological processes can help explain — and history is full of such instances — the neurotic roots of racism, xenophobia and other phenomena of exclusion and marginalization. As we will see later, these phenomena tend to be reinforced by economic and social crises.

### **1.10 Psychoanalysis and Social Change**

As we have seen, Freud and subsequent psychoanalysis provides relevant insights into the conflicts of individual and collective life and the possibility of social change.

However, notwithstanding these contributions, among social scientists Freud is rarely regarded as a social reformer. Rather, social scientists — owing, perhaps, to a rather pessimistic vein arising from his theory<sup>26</sup> of death instinct — tend to regard his theory as essentially "conservative", as it would seem to imply that little can be done to abate human aggressiveness.

Certainly, as we have seen, there is such a vein in Freud's theory. But, at the same time, his theory is more far-reaching than this interpretation would suggest, as it contains aspects which clearly point to the possibility of social change. For instance, in discussing the 1917 Russian Revolution, he is not against such transformation but underlines the importance for social reformers, in order to build a truly better society, to acquire a deeper understanding of human nature. The following passages effectively express these concepts,

In this regard, individual self-understanding is not without consequences for social self-understanding, since psychoanalysis is (cf. Freud, in particular 1921) at the same time an individual and a collective psychology. Therefore, the application of psychoanalysis to the comprehension of social phenomena, although not entailing a direct ethical impact as such (cf. Freud, in particular 1926), can have important

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<sup>26</sup> As we have shown in another work (Hermann, 2009a), this theory is really inconsistent and is now dismissed by the vast majority of psychoanalysts. However, even within such a framework, Freud clearly pinpoint the role of psychoanalysis in furthering the processes of social change (cf. below).

consequences in this respect. In this regard, Freud thinks that psychoanalysis, in collaboration with other social sciences, can find interesting applications in a host of social issues. As he points out, in a coloured discussion with an imaginary interlocutor,

"[Psychoanalysis]....as a 'depth-psychology', a theory of the mental unconscious, it can become indispensable to all the sciences which are concerned with the evolution of human civilization and its major institutions such as art, religion and the social order. It has already, in my opinion, afforded these sciences considerable help in solving their problems. But these are only small contributions compared with what might be achieved if historians of civilization, psychologists of religion, philologists, and so on would agree themselves to handle the new instrument of research which is at their service. The use of analysis for the treatment of neuroses is only one of its applications; the future will perhaps show that it is not the most important one.....Then let me advise you that psychoanalysis has yet another sphere of application....Its application, I mean, to the bringing-up of children. If a child begins to show signs of an undesirable development, if it grows moody, refractory, and inattentive, the paediatrician and even the school doctor can do nothing for it, even if the child produces clear neurotic symptoms, such as nervousness, loss of appetite, vomiting, or insomnia....Our recognition of the importance of these unobtrusive neuroses of children as laying down the disposition for serious illnesses in later life points to these child analyses as an excellent method of prophylaxis....Moreover, to return to our question of the analytic treatment of adult neurotics, even there we have not yet exhausted every line of approach. Our civilization imposes an almost intolerable pressure on us and it calls for a corrective. It is too fantastic to expect that psycho-analysis in spite of its difficulties may be destined to the task of preparing mankind for such a corrective? Perhaps once more an American may hit on the idea of spending a little money to get the 'social workers' of his country trained analytically and to turn them into a band of helpers for combating the neuroses of civilization.", (Freud, *The Question of Lay Analysis* The Standard Edition, New York, Norton, 1989: 83, 84, 85, 86; original edition, 1926).

### 1.11 The Links with the Debate between Holism and Methodological Individualism

It can be also interesting to note that the issues so far discussed presents significant parallels with the debate between holism and methodological individualism. More generally, this debate pervades all social sciences<sup>27</sup> and there is most often a conflict between the theories centred on “the person and individual action” and those focussed on “institutions and structures”.

Interestingly enough for our theme, this latent tension between individual and structure relates not only to the whole social structure but to also to its various sub-fields. For instance, in relation to our previous discussion of the economic, cultural and psychological fields, it is easy to note that each of them can be interpreted in a “holistic” or “individual” way.

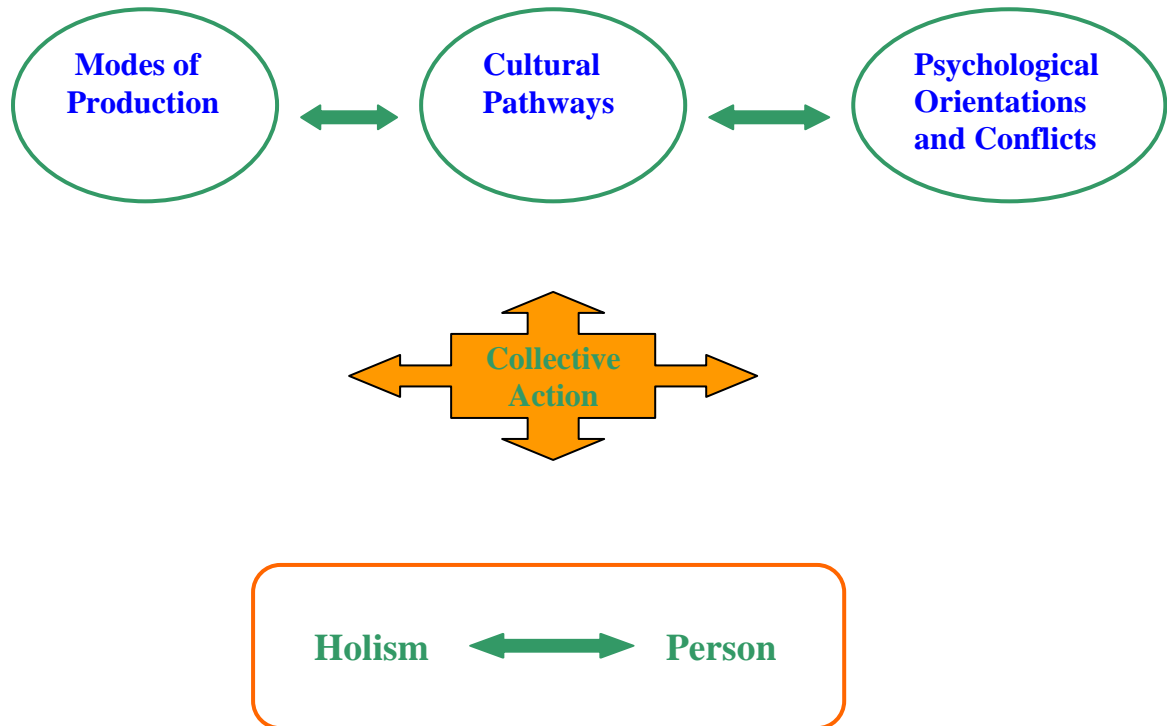
For instance, one can think that: **(i)** it is the mode of production that actually “determines” individual economic action, or conversely, that the latter is the real driving force of economic evolution; **(ii)** it is the cultural structure which really shapes the values and beliefs of the person, or, instead, that the person enjoys a high degree of freedom in creating the most suitable cultural patterns; **(iii)** it is collective psychology, with its set of beliefs and orientations, which is preponderant on individual psychology, or, conversely, that what really matters is the individual will.

Furthermore, there are different opinions as to the relative importance of the economic, cultural and psychological spheres in shaping the overall evolution of the system. A visual representation of these relations is presented in the following chart:

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<sup>27</sup> There is a huge literature on that subject. Cf. among many others, Agassi (1960), Hodgson, Samuels and Tool (1994), Levine, Sober and Wright (1987), and the many internet resources, for instance, <http://philpapers.org/browse/holism-and-individualism-in-social-science>

**CHART 1**



It highlights the manifold interrelations between economic, cultural and psychological factors and the circumstance that both the whole structure and its-subfields can be interpreted in more or less “holistic” or “individualistic” way.

In this regard, it is worth noting that “holism” and “individualism” should not be considered as separate entities but as two different but very interrelated aspects of the unfolding of collective action.

In this sense, one of the most important intuition of John Rogers Commons, one of the founder of institutional economics, is that individual action tends to take place more and more within institutions and organizations. For this reason, as shown in the chart, collective action embodies both the individual and collective aspects of the “human will in action”, which unfold in the multifarious web of transactions and institutions.

## **The Importance of a More Integrated Approach**

In the analysis of these issues, we believe that no discipline (or field or school within a discipline) is self-sufficient and perfect. The insulation process typical of many scientific approaches can really impair a far reaching understanding of the economic and social phenomena.

In this light, a closer collaboration of Marx's theory with institutional and Keynesian economics, and with other social and psychological sciences, can help to bring out their great potential for the interpretation of socio-economic evolution.

But, at this stage, a sceptic interlocutor can ask: "Well, an interdisciplinary approach seems very promising, but how can it be realised in practice without triggering a kind of a general melting pot, a situation in which everybody speak their own language and go their own way without any fruitful interaction?"

This danger is very real, and should always kept in mind by social reformers. How can it be reduced? Of course, there is not, in the nature of the case, a straightforward answer to these questions.

In order to bring out the potential of the interdisciplinary approach, a growing process of participation at economic, social and political level appears paramount. In fact, it acquires relevance for policy action also because, as was made evident in particular by Commons (1934), policy action is not limited to governmental sphere but involves all the institutions and individuals concerned in one way or another with policy measures. For this reason, the problem of policy co-ordination goes at the heart of the problem of realizing an adequate social value process: namely, an adequate "institutional" or collective co-ordination between different and often conflicting values, interests and orientations.

Another important and related issue concerns the possibility that interdisciplinarity would involve for the disciplines involved a blurring of their distinctive features. In this regard, we do not think that such approach should work in this way.

As observed by the famous sociologist Karl Mannheim, a landscape can be seen only from a determined perspective and without perspective there is no landscape. In this sense, observing a landscape (or phenomenon) from different angles (or

disciplines) can help to acquire a much clearer insight into the features of the various perspectives.

Therefore, an interdisciplinary perspective does not imply that each discipline would lose its distinctive features. Quite the contrary, such more comprehensive approach, by broadening the horizon of the observer, can contribute to a better appraisal also of the specific characteristics of his/her main fields of specialization.

### **Conclusions: How Can Heterodox Economics and Psychoanalysis Contribute To Policy Action?**

Let us now address how heterodox economics and psychoanalysis can interact in promoting, at national and supranational level, a roadmap of policy action specifically targeted at the solution of the most urgent economic and social problems.

The reason why we attribute much importance to psychoanalysis rests in the circumstance that such discipline, by providing a better understanding of the complex motivations and orientations of persons in their individual and collective unfolding, can contribute to answer, among others, the following questions: **(i)** What are the profound meanings of the various aspects of economic action—in particular, work, consumption, saving, investment — considered in their psychological, social and cultural dimensions? **(ii)** Are, for instance, the quests for money and for a given consumption pattern a direct and sole targets, or else they cover other motivations of the person? **(iii)** For example, the (partly unconscious) need for affection and consideration, which the person tries to pursue through a perceived socially accepted behaviour? **(iv)** In other words, is the quest for money a primary or secondary goal to the person? **(v)** And what are the psychological, social and cultural factors (including the role of mass media) leading the person to a given consumption (or work, investment and saving) pattern? **(vi)** In particular, what is the role of any given context in orienting, fostering or frustrating the various propensions, values, conflicts and needs of the person?

In this regard, a more systematic interaction between heterodox economics and psychoanalysis can help reach out a deeper insight into the main factors underlying the emergence of the recent economic and financial crisis, and into the

multiple links between the various spheres of policy action. We can mention, in particular:

- (A) The economic and psychological significance of economic and social crisis;
- (B) The main features of the economic, social and institutional system — and, in particular, the role played by predatory behaviour, inadequate response of many policies, and individual and social conflicts — which can have facilitated the emergence of these imbalances;
- (C) How can a pluralistic interpretation of key concepts like market, socialism, social justice improve our understanding of these phenomena;
- (D) The most suitable macroeconomic policies<sup>28</sup> and how they interact with structural policies;
- (E) How these policies are perceived, appraised and influenced by citizens.

The significance of this approach for policy action can be shown by a simple example: if we wish to further personal initiative at economic and social level, a narrow conception of the *homo oeconomicus* will suggest policy measures centred only on pecuniary incentives.

Conversely, a proper acknowledgement of the significance for the person of establishing sound interpersonal relations will help devise more effective and far reaching policies, as they would be more tailored to the real needs and orientations of the person.

The usefulness of this approach springs from the fact that, if it is true that the processes of social valuing perform a key role in the dynamics of policy action, this role very often acquires an implicit and partly unconscious nature. This happens especially when such processes take place, at least in part, on the basis of

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<sup>28</sup> We have addressed in more detail the macroeconomic aspects of the crisis in Hermann (2012a and 2012b). We have drawn attention to the role of public spending and credit creation in the formation of aggregate profit and how this factor can help explain the stable increase, over many decades, of the ratio Public Spending/GDP in virtually all the OECD Countries. In this regard, we have also underlined the role of *super-ego* in the perception that public spending is “too high” and so should be reduced at any cost.



"consolidated habits of thought and action" that mirror the economic, social, and cultural features and conflicts of the given reality.

Thus, it can be created the basis — in particular in more disadvantaged Countries which tend to stuck on a vicious circle of **(i)** insufficient level of economic, social, scientific and technological development and **(ii)** inadequate institutional structure and policy action — for the definition of a policy strategy more able to comprehend and promote the experiences and capabilities of the subjects involved.

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<sup>29</sup> In Sigmund Freud's references, C.P. refers to Freud, *Collected Papers* (5 vols.), London 1924-50 and Standard Ed. refers to Freud, *Standard Edition* (24 vols.) London, from 1953.

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