

THE "SCHOOL OF SOCIAL HARMONISM" IN THE ECONOMICS THOUGHT OF CZECH COUNTRIES

Jaroslav Krameš

Abstract

The school of social harmonism as a specific stream within classical economics and the situation of economic thought in the Czech lands in the second third of the 19th Century. František Ladislav Rieger, František Cyril Kampelík and other representatives of economic thought in the Czech lands in the second third of the 19th century. Representatives of social harmonism in the economic thought of the Czech lands. Maximilian Wellner (1838 - 1904) inspired by the work of F. Bastiat (1801 – 1850), František Ladislav Chleborad (1839 - 1911) inspired by the theory of H. Ch. Carey (1793 – 1879). Representatives of social harmonism help the process of economic emancipation of Czech society and in solving of the social issue. Chleborad's socio-economic reform of society and its theoretical background. The ideas of social harmonism opposed to Malthus-Ricardian pessimism in the teachings of F. L. Chleborad. F. L. Chleborad, H. Schulz-Delitzch (1808 – 1883) and Cooperatives. Solving of the workers' question and national economic emancipation through associations. Chleborad's reform criticized by socialists. The relationship and impacts of the teachings of Ferdinand Lassall (1825 – 1864) and Friedrich Engels (1820 - 1895) on social issues in the Czech lands. Response of the reform for contemporaries. Ideas through which the theory of reform has gone beyond its time.

Keywords: School of Social Harmonism, Reform, Association

JEL Code: B 100, A 100

Introduction

Social Harmonism formed a specific tendency of the classical school. The leading figures, whose ideas influenced economic school of thought in the Czech lands, included the American economist *Henry Charles Carey* (1793 - 1879). His ideas were discussed mainly in Europe. Other representatives included the French economist *Frederic Bastiat* (1801 - 1850). Many Czech economists were influenced by the ideas of Social Harmonism in the Czech lands. *František Ladislav Chleborad* (1839 - 1911), *Maxmilián Wellner* (1838 - 1904), *František*

Ladislav Rieger (1818 - 1903), *František Cyril Kampelík* (1805 - 1872), *Antonín Emanuel Komers* (1814 - 1893) and others. The work of *H. C. Carey* was supported by *František Ladislav Chleborad* in the Czech lands. *F. L. Chleborad* also influenced other Czech intellectuals, such as *František Cyril Kampelík* or *Karel Sabina*. *Maxmilián Wellner* was a follower of *Bastiat's* teachings.

The teachings of some economists were paid attention to in the literature. See for example (Doležalová, 2018; Vencovský, 1997; etc.). In the form of brief information and partial knowledge or literature that touches on the issue; see for example (Loužek, 2001; Rodriguez, Blanco, 2011; Freni, Salvatori, 2019; Doležalová, 2017). Social Harmonism formed the ideological support of the national movement in the Czech lands in the second third of the 19th century. The article focuses on the ideas with which hopes were associated in society for solving the social problems of Czech society, which were current at that time. The ideas of 'Social Harmonism' formed the ideological basis of the first socio-economic reform, which was based on the needs of Czech society.

1 Social Harmonism and its representatives in economic thought in the Czech lands

The pessimistic movement was inspired by the teachings of *David Ricardo* (1772 - 1823) and *Thomas Robert Malthus* (1776 - 1834). The combination of David Ricardo's teachings, including the land rent theory, and the population law of Thomas Malthus resulted in the idea of a pessimistic perspective on the development of society and conflict social relations, especially between capitalists and workers.

Representatives of Czech economic school of thought relied on the accumulation of (Czech) capital. They associated with it the hope for the economic emancipation of Czech society and the solution of the social question. A vision of the perspective of a stationary state which society, according to David Ricardo's teachings, tends to and the idea of a conflict between capitalists, workers and landowners, as represented by the combination of the teachings of Ricardo and Malthus, would take away the hope of economic emancipation of Czech national society and solution to social issues.

Capital accumulation caused additional demand for labour. It was also connected by a growing population (of workers). The teachings of Ricardo and Malthus on capital accumulation and population growth presented the representatives of economic school of thought in Czech lands with a problem. The increased need for food caused by the growing

population met with the law of diminishing return on capital contributions to land. The need for food made it necessary to farm more and more land with ever lower soil quality, with lower fertility. The growth rate of food was not enough for the growth rate of the population and lagged behind it. The notions of wages were influenced by subsistence minimum and wage fund theories, with the conclusion that if food prices rise as a result of the law of diminishing returns of capital to land, land wages rise and profits fall. The profit motive of capital accumulation weakened and undermined capital accumulation. First in agriculture and then in other sectors of the national economy.

From an examination of the problem of division, the social relations between capitalists and workers appeared to be conflicting, and the development of society was associated with a gloomy perspective.

The question of whether the growth of the amount of subsistence actually lags behind the growth of the population became a crucial problem for the representatives of Czech economic school of thought.

The representatives of Czech economic school of thought in the second third of the 19th century generally proceeded from the rejection of land rents as income and were inclined to the opinion that the usefulness of nature is free. The price paid for agricultural products pays only income from work and income from capital. The relationship between population growth and food growth puts it under scrutiny of statistical research and concludes that population and food growth are growing at the same rate in the long term. (*J. Bartošek, F. L. Chleborád, A. E. Komers, M. Wellner*). The explanations for this are different. *Chleborád* relies on the argument of *Carey* who opposed *Ricardo's* theory of land rent by arguing that people, when cultivating land, progress from soils of the worst quality to soils with better quality; *Wellner* relied on *Bastiat's arguments*. *Rieger* stated that the use of capital goods and the achievements of science and technology in agriculture, together with quality agricultural education, led to '*the fertility of the field constantly increasing*'; see (*Rieger, 1860, p. 191*). Most often, it was a reference to a statement based on statistics, with the conclusion that the means of subsistence and the population were growing in the same proportion.

These form the basis of social harmony, which is reflected in long-term development trends. Capital accumulation is growing faster compared to population growth. It no longer encounters the law of diminishing returns on capital contributions to land. The result is absolute and relative wage growth and absolute profit growth. However, there is a relative decline of profits in costs. An unmistakable proof of this is the declining trend in profitability (e. g., *Wellner, 1872, p. 187*). As capital accumulates, employment grows. The social status of the

working class is constantly improving. This is a proof of social harmony and the convergence of social classes.

However, this does not mean that there can be no disruptions that disrupt the flow of general trends at certain stages of society development. Disruptions stem from various causes. On the one hand, it is *'small production'*; see (Wellner, 1875) or *'underproduction'*; see (Rieger, 1860), and on the other hand, it is the *'high consumption'* of workers, which means that workers' consumption expenditures exceed their incomes. Significant disruptions include, in particular, obstacles that stand in the 'way' of capital accumulation. They are associated with the expectations of entrepreneurs. Expectations of war, poor harvest, unfavourable government decisions, etc., which lead to the 'retention' of capital and thus to the reduction of capital accumulation.

However, in some areas (for example, domestic production in the Ore Mountains), real incomes have long been below the subsistence level, and the social, economic, etc. consequences caused by this attract the government's attention. The current theory fails here and is unable to explain the reality and propose a solution. The government announces rewards for resolving the situation. *Peter Mischler* (1824 - 1864) and *Theophil Pisling* drew attention to themselves with their studies regarding the situation.

Tendencies are manifested in a free market environment. The relation to the principle of 'laissez - faire, laissez - passer' was not unambiguous. For example, Wellner thinks that he will decide for laissez - faire or state intervention (inspired by the representatives of the German historical school) only from the conclusions of a detailed examination of individual areas of the economy based on statistical data. Economic liberalism prevails in the views of *F. L. Rieger, L. Hasner, P. Mischler, T. Richter, F. C. Kampelík, E. A. Jonák, E. A. Komers* and others.

2 On the teachings of František Ladislav Chleborad

Chleborad came up with a peculiar theoretical concept that was to contribute to the economic emancipation of Czech society in the conditions of life in the Austro-Hungarian Empire, in which Czech society lacked Czech national capital and struggled with the 'social question'. *Chleborad* provided a distinctive interpretation of the problems, suggested their solutions and was also personally involved in their practical implementation. The main writings of *Chleborad's* publishing activities include *Sjednocení Slovanů – záruka světového míru* ('The Unification of the Slavs - a Guarantee of World Peace'; 1908), in Russian, *Boj o majetek* ('The

Struggle for Property’; 1884) and *Soustava národního hospodářství politického* (‘The System of National Political Economy’; 1869) and a number of smaller treatises in periodicals.

It all started in 1867, when several workers came to *Chleborad*, intending to publish their own periodical and called on *Chleborad* to help them with that. *Chleborad* saw this as a challenge and an opportunity, which he seized with extraordinary energy. He explained the theoretical background of the solution of the worker issue together with the purposeful efforts for the economic emancipation of Czech society especially in *Soustava národního hospodářství politického* published in 1869.

Chleborád was critical of contemporary economic thought. Economic theory inspired society incorrectly. The most important relations in society were associated with randomness in relations based on cause and effect. They lacked freedom, choice and, consequently, the laws of harmony. *Chleborad* distinguished between formal and real freedom. Property is a guarantee of freedom. However, the workers lack property. Therefore, they are *dependent* on entrepreneurs. The worker must submit to the dictates of the entrepreneur. Worker’s choice is to accept a job for a poor wage or not to accept it. Formally, he has this choice. However, not accepting the conditions of an entrepreneur means condemning one’s own family to starvation. Not accepting the conditions of an entrepreneur is not a real choice. The worker must accept the entrepreneur’s conditions. The situation with another entrepreneur is similar. Hence the relations of cause and effect between labour and capital. A worker depends on an entrepreneur. Chleborad referred to the relations with the term ‘*nevolnost pracovní*’ (*non-free labour*); see (Chleborad, 1869, p. 393) and emphasized ‘*selfishness*’. It is not only the relation between workers and entrepreneurs, but also the relation between producers and consumers as well as the relation of the Czech nation to the German nation. Relations are exposed to a policy of non-intervention in the economy, which is governed by ‘*laissez-faire*’. This policy exposes the weaker (which was a worker, a consumer, the Czech nation) to the dictates of the stronger (which were entrepreneurs, producers, the German nation) and the laws of cause and effect. It should be added that Chleborad also considered the opposite dependence. This means the dependence of capital on labour, producer on consumer. These relations are not so intense. The laws of harmony cannot be enforced in the conditions of the existence of randomness and the relations of cause and effect.

The solution is offered by the ‘school of nationalists’ represented by Chleborad. The dependence of either labour on capital or capital on labour is eliminated and there will be a shift from ‘*selfishness*’ to ‘*altruism*’ by combining ‘*labour*’ with ‘*entrepreneurship*’ into one common entity. Where the entity of club movement are workers or small producers, the so-

called *‘tovaryšstva podnikatelská’* (‘entrepreneurial associations’) are a means of association of workers and small producers. If it is the starting point of an existing private company with its own capital, it is a means of creating the so-called *‘podnikatelsta ztovaryšená’* (‘associated entrepreneurs’). In practice, both methods were successful. Various Ouly, Včely (‘Hives, Bees’), etc. were created as *‘entrepreneurial associations’*; in the second case, it was more about the participation of employees in a company through corporate shares.

The essence was aptly expressed by *Cyril Horáček* (1862- 1943), professor of political economy at the University of Prague, in the monograph *Počátky českého hnutí dělnického* (‘The Beginnings of the Czech Workers’ Movement’), published in 1896. Professor *Horáček* said: *‘Chleborád was not a man of petty work, he had in mind the magnificent organization of all Czech workers, one great centre, the only hive in which the workers, being themselves entrepreneurs and capitalists, producers and consumers, would form a decisive economic power.’*; see (Horáček, 1896, p. 30)

What did *Chleborád* expect from the creation of united entities? When the forces of consumption and production, labour and capital proceed from a united entity, there will be a shift from selfishness to altruism, from relations of dependence to freedom, which will be reflected in the action of the laws of harmony. With the capital accumulation and the growth of employment, the income from work will grow faster than the income from capital.

The practical implementation of the reform was associations (cooperative base) of various forms, to which in practice their members gave different names, such as Bee, Worker, and most often Hives. The association was to proceed from the simplest forms to the more complex ones. The activities also included educational programs for association members. There were about 300 associations of the *Chleborád* movement established in Bohemia and Moravia during the 1860s and early 1870s. They were organized on the basis of principles based on the German economist Franz Hermann Schulze-Delitzsch (1808 - 1883).

Chleborád became the chairman of the newly founded Oul (‘Hive’) association with the Czech language in 1867. Oul was divided into unions. Oul became one of the largest capitals in Central Europe. Similar developments took place in other associations in the Czech lands, of which about 300 were established. The largest of them was the aforementioned Prague Oul, which developed into one of the largest Central European capitals. Associations developed on the wings of boom and the economic emancipation of Czech society, including the social issue, seemed to be resolved. *Chleborád’s* popularity reached its zenith.

3 Results of the Chleborád’s reform

The Chleborád Movement was struck by the economic depression of 1873. The disintegration of the movement took several years. The distaste for *Chleborad's* personality and for cooperatives survived in society for a long time. This was reflected, among other things, in the literature of the time. We do not find any significant mentions of *Chleborad's* personality and his teachings in the works of representatives of Czech economic school of thought until 1896, when the aforementioned monograph by *Cyril Horáček* was published.

In addition to economic reasons, there were other reasons that contributed to the collapse of the movement. According to Austrian regulations, the movement had to be non-political. Infamous police commissioner *František Dedera* came to every meeting of the Prague Oul to monitor compliance with the law. *Dedera* was known for the deportation of *Karel Havlíček Borovský* to Brixen. *Chleborad* found himself in an unenviable situation. His teaching also includes the establishment of 'political associations' in order to achieve political and economic goals. *Chleborad* solved this by postponing this task. The members of the association, especially the workers, must first receive a certain level of education, then 'political associations' can be realized. He met with criticism in this regard.

The activities of associations began to be accompanied by disputes. For example, the dispute over whether the association should have a purely working-class or general character was one of the most important disputes in Prague Oul. *Chleborad* met with opinions that the solution of the social issue should bring a revolution in society with the subsequent nationalization of the means of production. *Friedrich Engels'* work: *The Condition of the Working Class in England* had a significant influence on the workers at that time. *František Ladislav Rieger* criticized *Engels'* work in his work *Průmysl a postup výroby jeho v působení svém k blahobytu a svobodě lidu zvláště pracujícíchho* ('Industry and the Process of Production Affecting the Well-being and Freedom of the Working People in Particular'; Litomyšl, 1860). The ideas of *Ferdinand Lassalle* had a significant influence on the socialist-oriented workers. *Lassalle* was known for criticizing *Schulze-Delitzsch's* views. The ideas associated with the so-called Iron Wage Act, according to which the real wage of a worker was tied to the subsistence minimum, were also fruitful. The periodical *Budoucnost* ('Future'), which was founded in 1874, became the mouthpiece for this new opinion movement. The editors were *Ladislav Zápotocký* and *Josef Boleslav Pecka* with articles criticizing the concepts of *Chleborad* and the work of *Rieger*.

Chleborad's reform failed. The failure provoked an aversion to the cooperative movement in the Czech lands for about twenty years. However, the theoretical concepts that set the task of economic emancipation of the Czech national society did not end. Oul ceased to

exist in 1875. *Chleborad* moved to Russia, where he became involved in the Pan-Slavic movement led by Russia and in founding the All-Slavic Bank. Social Harmonism lost its influence on economic thought in the Czech lands.

Conclusion

National economic emancipation and the solution of the social issue correspond to the movement of classical economics called ‘Social Harmonism’. It was represented by personalities such as H. Ch. *Carey* and *Frederic Bastiat*; and in the Czech lands, *Maxmilián Wellner*, a follower of the teachings of *Bastiat* and especially *Chleborád*, the author of the original reform, which aimed at the economic emancipation of the Czech nation and the solution of the social issue. *Chleborad*’s ideas were followed by other Czech intellectuals, such as *F. C. Kampelík* or *Karel Sabina*. The reform was to be implemented through associations modelled on the German reformer *Schulze-Delitzsch*. The reform took place in the second half of the 1860s and was initially a great success. The economic emancipation of the nation, including social emancipation, seemed a matter of time and resolved. However, the economic depression of 1873 struck the reform. The association movement, based on a cooperative basis until then successful, began to collapse. The failure was so great that aversion against any attempts to restore the cooperative movement persisted in Czech society for a relatively long time. Social Harmonism lost its influence on economic thought in the Czech lands.

Acknowledgment

The article is supported by the foundation “Nadání Josefa, Marie and Zdeňky Hlávkových”.

References

1. Doležalová, A. (2018). *A history of Czech economic thought*, Routledge Taylor & Francis Group: London and New York
2. Horáček, C. (1896). *Počátky českého hnutí dělnického*, Praha: Published by Czech Academy of Emperor Franz Josef for science, literature and art.
3. Chleborád, F. L. (1869) *Soustava národního hospodářství politického*, Praha: Own publishing.
4. Chleborád, F. L. (1884) *Boj o majetek*. Brno: printed and published by Benedictines of the Rajhrad.
5. Loužek, M. (2001). Vliv německé historické školy na české ekonomické myšlení. *Politická ekonomie*, Volume: 49 Issue: 1 Pages: 127-139.

6. Rodriguez, B. C., Blanco, M. (2011) Bastiat as an Economist , *Independent Review*, Volume: 15 Issue: 3 Pages: 421-445.
7. Freni, G.; Salvatori, N. (2019), Ricardo on machinery: an analysis of Ricardo's examples, *European journal of the history of economic thought*, Volume: 26 Issue: 3 Pages: 537-553
8. Doležalová, A. (2017). The story of poverty: An interpretation of the concept of poverty in czech economic thought in the 19th and 20th centuries. Conference: International Conference on For You Always Have the Poor with You - From Charity to Municipal Social Policy Location: Clam Gallas Palace, Prague, CZECH REPUBLIC Date: Oct. 08-09, 2013 Sponsor(s): Prague City Archives; Acad Sci Czech Republ, Inst Hist; Charles Univ Prague, Fac Humanit poverty, charity and social welfare in central Europe in the 19th and 20th centuries Pages: 40-52.
9. Procházka, F. K. (1876). *A. E. Komerse Základové nauky národního hospodářství i statistiky*, Olomouc: printed and published by Kramář and Procházka
10. Ricardo, D. (1956). *Zásady politické ekonomie a zdanění*, Praha: Státní nakladatelství politické literatury.
11. Rieger, F. L. (1860) *Průmysl a postup výroby jeho v působení svém k blahobytu a svobodě lidu zvláště pracujícíchho*. Litomyšl: published by A. Augusta.
12. Vencovský, F. (1997) *Dějiny českého ekonomického myšlení do roku 1948*. Brno: Nadace Universita Masarykiána.
13. Wellner, M. (1875) *Národní hospodářství ve stručném přehledu pro česko – slovenské učitelstvo*. Praha: Fr. A. Urbánek.
14. Wellner, M. (1874) *Hospodářství národní*. Tábor: printed and published by Jan Nedvídek
15. Wellner, M. (1872) *Články národně hospodářské*. Tábor: Own publishing.

Contact

Jaroslav Krameš

University of Economics, Prague, Faculty of Business Administration, Department of Managerial Economics

Sq. W. Churchill 1938/4, 130 67 Prague 3, Czech Republic

Krames@vse.cz