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## A RECONSIDERATION OF CAPITALISM AND SOCIALISM AS THEORETICAL CONCEPTS: SOME THESES\*

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1. Fifty years ago, in 1942, Joseph Schumpeter's famous book "Capitalism, Socialism, and Democracy" was first published. A reconsideration of capitalism and socialism as theoretical concepts seems to suggest an intensive discussion of that book. But I prefer not to follow the path of Schumpeter. The reason is: I disagree with some of the basic assumptions of Schumpeter, for example, his definition of democracy as an "institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for their people's vote" (1942, p. 269). For me, that definition is nothing more than a very formal understanding of democracy, although this understanding may be the predominant one of today. I would like to define democracy in a more ideal-normative conceptualization as *a decision process in which all people that are affected by the decision can participate*. Likewise, I do not accept Schumpeter's definition of "socialism" as "an institutional pattern in which the control over means of production and over production itself is vested with a central authority – or as we may say, in which, as a matter of principle, the economic affairs of society belong to the public and not to the private sphere" (1942, p. 167). Perhaps Schumpeter had in mind what we used to call "real socialism". But we see socialism as a historic-political concept of French Enlightenment – I would like to remind the reader of Jean-Jacques Rousseau, Claude-Henri de Saint-Simon and others –, as a basic orientation which concerns the collectivity rather than the individual person, concerns social responsibility rather than particular interest, concerns historic and transregional contexts rather than only current and local everyday problems. I mainly differ with Schumpeter's concept of capitalism. To outline and explain my own perspective on that specific kind of societal organization will be the crucial part of this article. But I feel there is a second essential connotation of the topic before us.

2. This second connotation has to do with the so-called "theory of convergence", discussed in circles of sociologists and political scientists in the

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1960s. At that time we had reason to believe that after decades of tensions, conflicts, and even wars between socialism and capitalism – the leading ideologies of the 19th and of their real existing political systems of the 20th century – a slow assimilation of both systems would happen. The main assumption behind that belief was that the formation of two competing superpowers, i. e., the U.S.A. and U.S.S.R., could not have infinitely divergent paths of development. The more they saw themselves as competitors, the more they had to strive for the same approaches, methods, and procedures in their endeavors. Both had to create and maintain more or less the same means of military, economic, and ideological leadership. Let me give one example: To send a man to the moon, both systems needed the same kinds of research, technology, and underlying infrastructure. However, it was also supposed that the development of an industrial society – a private free market or a state controlled system – would generate specific problems inherent to that type of society. In the light of the events since 1989, I dare say that we have to modify at least one essential part of that convergence theory. Convergence can no longer mean the symmetrical assimilation of two existing – yet different – systems into a single model of development. Contrary to a focus on some inevitable end-state, this concept of convergence must now refer to the transformation process itself.

3. We probably all agree that the main function of sociology is *to analyse social conditions/structures for understanding and interpreting social behavior*. The aim is to discover universal or historic causes and conditions in the process. Philosophers of emerging civil society offered two basically different conceptual approaches: (1) To look at society as generated by the efforts of individuals, i. e., individualism; or (2) to view society as being produced by collective cooperation, i. e., collectivism. These two paradigms can be contrasted with each other or they can be combined.

One of the first theorists who conceptualized an individualistic approach was Niccolò Machiavelli (1469–1527) in his book *Il Principe* (1513). One of the first to describe the alternative model was Jean-Jacques Rousseau (1712–1778) in his book *Le Contrat Social* (1762). The person who is traditionally understood as the father of liberalism (in the stricter sense of the word), Adam Smith (1723–1790), developed a combination of both paradigms in his book *Inquiry into the Nature and Causes of the Wealth of Nations* (1776). Every single person, believing to pursue only his (or her) own particularistic interest, creates, in fact, the optimal condition for the collective interest; individual and collective interests were guided by the “invisible hand”. In the past, those concepts worked together as ideologies underpinning the value systems which organize all activity. Subsequently, they were institutionalized in political systems that developed during the 19th and are still being realized in the 20th century.

4. There are three dimensions in this very rough historic recollection: (1) the concepts of theorists, (2) ideologies as functioning belief systems, and (3) politically institutionalized structures of states. In the first case, social philosophers combine ethereal ideological elements with their own ideas to construct idealistic concepts for societies. Ideologies are composed of socially existing values and theoretical orientations, or theorems, that fit the historic systems of social action. And in the third case politically active people try to realize ideologies by laws, organizations, and forceful means like the military and police.

It is obvious that all three dimensions are interdependent, but have their own specific scopes or worlds. For that reason we speak, on the one hand, of capitalism (i. e., the pure model), with only a few basic components like free market, competition, profit orientation, and on the other of “real capitalism”, of which we really mean the different kinds of state-supported capitalism common to the Western world and the corresponding belief system. In the same manner (at least until 1989) we spoke of the pure model of socialism, or even utopian socialism, expressed in the theories of, for example, Claude-Henri de Saint-Simon (1760–1825), Robert Owen (1771–1858), Charles Fourier (1771–1837), Karl Marx (1818–1883), and others, respectively, of “real socialism”. By that label we referred primarily to the states in Eastern Europe like the USSR and its satellites, including their specific ideology.

5. After the events of 1989 in Eastern Europe, many people thought that real socialism had passed away and communism – as both a theoretically and politically defined social advancement – had been left without a future. I tend to believe that this kind of thinking is wrong. In support to this I offer the two following sociological observations:

- (1) The basic contrasting orientations of individualism and collectivism work, more or less, as a kind of covert religion that individuals use for the purpose of successful striving or of mental compensation in cases of personal or social emergencies. In the latter function collectivism as a religion generates trust in a transcendent force like God or “the Leader” or “Nature”; collectivism is fostered by a diffuse desire for a better world. It is also frequently projected into the past, e. g., the so-called “Golden Ages”. Individualism as religion produces the conviction that one must cope with all problems by one’s own efforts. Finally, everybody has the chance to find his or her personal fortune ... if he or she is tough and smart enough. Individualism and collectivism, in light of their function as covert religions, will thus go on as paired alternative ideal value systems.
- (2) On the level of real social life, individualism as the specific tenet of capitalism, and collectivism as the seemingly contrasting tenet of socialism, are combined

or even integrated as the ruling tenet within the so-called welfare states. Presently, these capitalistic welfare states are of the most successful in the world.

In fact, from the very beginning of civil society, all kinds of state activities were interventions into “pure individualism” (ironically, in contrast with the current American usage of the word, *liberalism* was once the equivalent of pure individualism). For example, at no time did there really exist political systems that strictly followed the advice given by the French merchant Legendre to Jean-Baptiste Colbert (1619–1683), the “Super-minister” of the French King Louis XIV: “Laissez faire, laissez aller, le monde va de lui-même”. And “state intervention” into the development of so-called capitalist countries has been increasingly expanded and institutionalized during the last few decades. Today we have a system that we call a capitalistic one; but in fact, it must be propped up by components of socialism.

6. I do not believe that the existing combination of private and state socio-economic activities was intended by anyone. Rather, it was an evolutionary process in which capitalism functioned as the basic belief, institutionalized by corresponding patterns of individual and state activities, and regulated by ideas of socialism in case of problems, crises, or disasters – many of which are generated by “pure capitalism” itself. In short: successful countries follow the path of capitalism, but socialism functions as a kind of relief valve for releasing the inherent pressures of “dysfunctional capitalism”. In other words, state interventions compensated dysfunctions, i. e., the self-destroying activities inherent to pure capitalism, with the double effect of securing the essential elements of capitalism while modifying the system – not into socialism or communism in the ideal sense – but into the modern welfare state.

If the reader is yet not convinced, I invite him/her to consider the different ways by which the Western type of state controls essential parts of life by law, civil servants, or money. Suffice to say that in 1990, government final consumption expenditures as a percentage of Gross Domestic Product (GDP) were 18.1 in the USA and 18.4 in Germany; and in Sweden even 27.1. Between 1960 and 1990 the increase in that kind of consumption was, year for year, an average of 2.7% for the USA and 3.0% for Germany. This means that state consumption in 1990 in the USA was 973.4 billion US-Dollars and 210.1 billion in Germany. If one looks at total government outlay – including interest on the public debt, entitlements, and social security transfers to households, one finds a rate of 36.1% of the GDP in the USA (1989) and 46.0 in Germany (1990) (OECD 1992, p. 18, 59, 66, 68).

7. In this sociological conception, capitalism as a belief system plays the conducting, leading, or constructing, part in the process of societal development. In order to fully explain my views on “welfare-state-capitalism” and to examine some of the most important real features of a few welfare states, I would have to write another article. With regard to the significance of capitalism in societal development, I will now draw a sketch of capitalism as *the* basic ideological orientation in so-called Western, i. e., industrial, democratic societies.

My justification for the exclusive focus on the belief system or ideology of capitalism is that: Beyond “real” social power or given “real” social and natural conditions, the activities of every individual actor are oriented towards how he or she perceives a situation, a structure or process, an action or reaction, as “real”. This perception is socially learned, primarily through the interdependent processes of watching others’ behavior and utilizing different corresponding “languages” in talking, feeling, and thinking. My objective as a sociologist is to understand not only how the predominant underlying belief system of an individual is learned and realized, but how this is also socially produced and reproduced in perceiving “real” life. Very soon I will come back to this specific concept. However, scientifically, it should already be evident. Although I wanted to focus on the ideology or religion of capitalism, I am involved in two different fields: in theory production on the one hand, and in the transforming process of a belief system into social “reality” on the other. Talking about ideology meets both these objectives: it is a specific social action and makes a contribution to the formation – i. e., affirmation or modification – of mind as a perceiving or coding system of social situations, the system being the primary orientation for acting.

8. In his famous book *The Structure of Social Action* (1937), Talcott Parsons stated “Spencer is dead”. And then asked: “But who killed him and how?” During a very long life span (1820–1902), the early British sociologist Herbert Spencer wrote numerous books, including *The Principles of Sociology* in three volumes. They were first published between 1874 and 1896 and were translated into all major languages. In 1967, I published an answer to Talcott Parsons’ question in my own book *Critique of a Sociology of Order*. In this work I compared the approaches of Herbert Spencer, Auguste Comte – the French counterpart to the British sociologist – and Talcott Parsons. I argued that the American author followed the other two writers in some very important ways. I found a lot of similarities, especially in their conceptualization of the theories of knowledge, of science, and of society. My conclusion was that Herbert Spencer lived forth (at least till the middle of the 1960s) in the works of Talcott Parsons. And today, I dare say that, for the construction of an adequate theory

of contemporary society, Herbert Spencer's work delivers components as essential as those of Talcott Parsons. Let us take an example.

I published an essay in 1976 using Spencer's dynamic concept of the relationship between integration and differentiation. In that essay I wrote: "The extension of the capitalist system all over the world didn't yet find an end and no serious hindrances – every country that tried to withdraw finally became a part of the system. That seems to be true also for the Soviet Union ... as well as for the oil exporting countries..." (Kellermann 1976, p. 197). The theoretical basis for that allegation was an analytical discussion of the interrelationship between integration and differentiation. I first divided the term "integration" into the two aspects of "direct integration" in the meaning of incorporation of other elements like smaller villages into a growing town, and "indirect integration" as a process of growing interdependence of elements inside a system. Then, I saw six different real tendencies:

- Growth in population
- Expansion of system's borders
- Growing interdependency of elements or factors
- Growing structuralization by formation of an internal order, with the consequence of growing inequality (in respect to that process Spencer spoke of "growing heterogeneity")
- Growing differentiation as progressing division of labor with concomitant differentiation of functions and structures
- Growing problems of loyalty as the precondition for cohesion ("synthesis") with the specific problems of internal regulation and social control.

It is not really hard to see how Parsons followed Spencer's lead – at least in his important work *The Social System* (1951) (see Kellermann 1967, 1976).

Following Karl Popper's theory of science, one might say that the collapse in 1989 of the so-called socialist systems of Eastern Europe is not necessarily proof of the adequacy of the sociological approach I tried to develop. Nevertheless, I claim that evidence has been produced for that theoretical view. First, in any case, it was a form of prediction – prediction as a necessary condition for an empirical examination of theories. Second, that prediction – although not being "true" – was not wrong. Of course, it is necessary to develop the theoretical approach according to the development of its objective. One reason for this is that only by an ongoing confrontation of theoretical conceptualizations and empirical observations can an adequate theory be developed. But, the main reason is that theory and theorists are part of their object of investigation. Thus, they (theory and theorists) inevitably influence

empirical observation and the development of any additional theory that may be required. Let us now develop this argument further.

9. We need some basic assumptions for an understanding of the dynamics of “capitalism”. The first is that human beings have to produce the means that meet their needs, i. e., to supply products and services for themselves through their own work in culturally specific modes and kinds. Nothing and no one – neither nature, nor God, nor any system – provides in itself what people need. This we may call the “materialistic perspective”. The second basic assumption is that every human activity is guided by the perception that the acting human being is able to become active in relation to the given situation. We can call this the “idealistic perspective”. The perception may be individually known or unknown, restrictive or pushing, adequate or inadequate, with respect to the assessment of others. In any case this perception is learned, as are the modes and kinds of responding activities. We conceive of this learning as a process and regularly call it by the misleading term “education”. The process has two aspects, intransitive learning and transitive teaching, but the term “education” stresses mainly the transitive aspect. That is why I prefer to talk about “development” of the abilities and perceptions of an individual person, or group of persons, or even of society. In some cases, to avoid any misunderstanding, we might say “human development”. Needs and work are socio-historically defined, and so are kinds and modes of perception and action. The third basic assumption is – and now it should be already obvious that I do not write about a rank of autonomous factors or processes but rather about interdependent moments in a holistic process – that at no time and nowhere can single persons exist on their own. In fact, human beings are born, grow up, and live in collectivities. We call these collectivities by different names like family, or community, or society. Most elementary, we can talk about “social systems”. And again we have to admit that every existing social system is specific according to its socio-historic frame. My fourth and provisionally final assumption is that inequality exists in every social system in respect of individual and collective involvements in working and experiences of development. That results mainly from the fact that members of a social system are of different ages, i. e., have socio-historically different accesses to work and development, participate differently in the systems of work and development, and hold different parts of the distribution of the outcomes of work and development.

10. Since I stressed that work, development, social system, and inequality are to be seen as processes, I have yet to conceive of “capitalism” in the manner of a process. For the theoretical construction of a process I must be able to identify the energy behind the movement, its direction, and its essential contents.



The energy for capitalist development comes out of a specific pattern of work, parallel to a specific educational development, with given, historically modified elementary inequalities. Out of the cultural-historic modes and types of work, development, and inequality come the real impetus and direction of the capitalist movement. The contents are, on the one hand, moments, and on the other, consequences. Consequences as outputs of the process become, almost simultaneously, socio-historic moments, i. e., factors and conditions for living inside the social system.

Now, of highest theoretical importance is how I conceive capitalism with regard to work, development and inequality. Analytically speaking, I define capitalist work as characterized by a historic process in which capital, as material and non-material means of production, comes to have more and more influence on the organization and productivity of work through the systematic introduction of productive capital. Regarding capitalist development, we can say that both material means of work, and the symbolic knowledge (so to speak the hardware and software) that are necessary for the use of tools are simultaneously required for production and reproduction. Thus, the specific underlying capitalist perception of situations received wider and wider social acceptance. This elementary perception involves looking at every person, thing, and condition in terms of how they can be used to make a profit – profit, in the sense of gaining means for securing one's own status in a dynamically changing world.

11. From the viewpoint of today's confusing Europe one may say that the nationalist movements all over the countries – from Northern Ireland to North-East Spain, from the different countries and provinces of the former Soviet Union and Yugoslavia to the formal political separation inside Czechoslovakia and the formal unification, but informal separation inside Germany – are all moments in disintegrative processes. Taking into account that capitalism, as a basic belief system of the most powerful type, does not know national borders (we have every reason to speak of multinational corporations), it is safe to say that the belief systems of the disintegrating states were not up to competition with capitalism since they were unable to mobilize the optimum output of the individual workforce and means of production. In fact they had no appropriately integrated system of perception and work. Regarding the emergence of a global society and its leading belief system on the one hand, and the process of smaller national aggregations on the other, we can see these disintegrative processes as necessary bridges for the coming transnational integrated system. The time for this integration to take place depends mainly on how regional inequalities are perceived. As long as such inequalities are seen as unjust or illegitimate, no productive integrated system can be produced. If the inequalities are coded as different, but legitimate, resources for a division of labor leading

to a mutual maximization of profit – in fact, a common belief system with further integrating effects – will have been established.

12. Once the capitalist belief system of individual rights and wealth as the measure of individual success is in place, the former belief system and former perceptions are destroyed. One example will illustrate this. President Kennedy promised black people civil rights, having irreversible consequences for perceptions of the legitimate rights of blacks ever since 1961. The court decision made in Los Angeles in Spring 1992, concerning the brutal behavior of white policemen towards a black man, would not otherwise have been collectively coded as illegitimate. Of course, the same decision, taken fifty years ago, would not have been seen as illegitimate; at that time ethnic inequalities were perceived as legitimate. The same pattern can be observed inside the conflicts between social classes, women and men, minorities and “host society”, and so forth. The intensity of the conflicts depends on the discrepancies first between perceived legitimation of inequalities, second, with perceived “real” power. The strongest point of capitalism is that it delivers, on the one hand, an integrated legitimation of inequalities by its ideology of individualism and, on the other hand, material power by its ability to coerce out the highest productivity through that very ideology.

13. Of course, that process of capitalist victory throughout the world had very many negative consequences. To overstress these historic consequences as constitutional attributes of capitalism and to overlook its essential moments is – that is my central allegation here – the basic error made by most of the previous thinkers on capitalism. As Karl Marx said, for a capitalist it is unimportant whether he makes his profit with bread or with weapons – important is only the profit; we can say that for the expansion of capitalism the consequences are essentially unimportant: they are no more than historic conditions for the pursuing of the essentials.

I consider the essentials of capitalism to include: looking at every thing and person as a means to make a profit; striving for profit in order to secure one’s own status; and the social setting of elementary competition, because under the condition of generally limited resources and capacities, striving for the same produces personal and institutional contest. That competition evokes further development of the system as a whole. I call it a dialectic process because the individual interest to secure his or her status by making profit results in dynamic collective development, in which it is again required of every single person to make more profit in order to secure that status inside the perceived system of competition.

With regard to these essential moments of the capitalist process – for instance, the alienation of workers or the private ownership of the means of production, or the reification of money –, these are examples of the misinterpretation of consequences as essentials. All three are in principle unimportant for the success of capitalism. Capitalism – as a basic belief system that produces its own ideological means by forming the perceptions of the worlds of everyday life, working organizations, and global history – does not care about the alienation of men, institutions, or media. And if it was possible to make a profit without these consequences – but sociologically it is not –, capitalism would do it. Based on this view, I consider all previously mentioned kinds of integration and differentiation (that being a central concept of Herbert Spencer) as consequences of expanding capitalism. They do not, however, provide an explanation for the essential workings or functioning of capitalism.

14. As a sociologist who wants to keep in mind the first objective of his science, namely, to contribute to an improvement of social life, of course I agree that the socio-historic consequences of capitalism are not of less social and sociological meaning than its general essentials. But the aim of this theoretical endeavor was to present a reconsideration of capitalism – in relation to socialism – as the predominant model of the most powerful countries, or even of the coming global society. In conclusion I would say that working for the improvement of social life is, under the present conditions, nothing else than to support capitalism in solving problems, crises, or catastrophes as its consequences, not as its essentials – even or just as a socially involved sociologist. In light of the consequences of capitalism, but *not* of its essentials, the remaining question is still perhaps: is Herbert Spencer *really* dead? Does capitalism integrate socialism by differentiating it only to provide a more balanced, and therefore even more successful capitalist development?

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