Wesleyan University The Honors College

Towards a Framework for Reforming Globalization

by

Keith Schumann
Class of 2009

An essay submitted to the
faculty of Wesleyan University
in partial fulfillment of the requirements for the
Degree of Bachelor of Arts
with Departmental Honors from the College of Letters
and with Departmental Honors in History

Middletown, Connecticut April, 2009

Introduction

Critical accounts of globalization stress that the integration of the global economy has brought the degradation of an increasing number of workers. Peter Winn chronicles the "race to the bottom" in the global textile industry in the 1980s and 1990s as production rapidly shifted from country to country in pursuit of ever lower wages and standards of protections for workers.[1] The economic insecurity of American workers, even those in previously secure white-collar jobs, has been commented upon in media as diverse as Aihwa Ong's *Neoliberalism as Exception* and the pages of *Newsweek* Magazine.[2]

A frequent theme in literature on the uncertain prospects for social justice in the era of contemporary economic globalization has been the "withering" or diminution of the nation-state.[3] National governments are said to be increasingly incapable of intervening in economic affairs to secure benefits and ensure the rights of citizens. Given this, what are the prospects for a progressive politics which does not assume that unfettered markets by themselves will provide for the well-being of those beyond the handful of the well-positioned?

'Progressivism' as it is here used harkens back to the progressivism of the early 20th century in the United States. An investigation into the intellectual genealogy of progressivism reveals the influence of a tradition of thought which suggests both a moral framework in which

---

[1] Peter Winn, *Victims of the Chilean Miracle* (Durham, Duke University Press 2004) 144-49

[2] Aihwa Ong, *Neoliberalism as Exception: Mutations in Citizenship and Sovereignty*. (Durham: Duke University Press 2006) 174 & James M. Pethikoukis, "Anxiety Attack," *Newsweek*, June 2006

[3] For example, Robert Boyer and Daniel Drache, *States Against Markets* (New York: Routledge, 1997), Gosta Esping-Andersen, *Welfare States in Transition* (California, Sage Publications LTD, 1996), Susan Strange *The Retreat of the State: The Diffusion of Power in the World Economy* (Cambridge: Cambridge University Press, 1996), Malcom Waters, *Globalization* (Cornwall, Great Britain: Routledge, 2004)

to identify injustices in globalization as well as possibilities for reforming globalization to address these injustices.

Numerous scholars have recognized that Progressivism bore the influence of what is often referred to as the 'German historical school' of economics.[4] While there has been some dispute over the appropriateness of the appellation, the influence of thinkers associated with what has been called the German Historical School, such as Gustav von Schmoller, is a subject of little controversy.[5] Conceived in Germany at a time when Laissez-Faire Capitalism was blamed for the suffering and degradation of many and fear of Socialist agitation was a potent force in politics, Schmoller's thought was distinct from either ideology.

The collapse of the centrally planned economies of the USSR, China's movements towards a market economy, and the torment and loss of human lives under communist regimes across the world present seemingly insurmountable challenges to any traditional Socialism's claim to offer a more humane alternative to capitalism in the 21st century. Yet, the vulnerability of workers in the present manifestation of globalization suggests the need for some alternative framework to the principles of laissez-faire to guide the integration of the global economy. The thought of Schmoller and certain of his interpreters beckon re-examination.

Of course, the world of the beginning of the 21st century is not the world of the end of the 19th. Developments in the interim cast doubt on the contemporary applicability of Schmoller's project of social reform. The interpretations of Schmoller's thought by American Progressives and the Ordoliberal scholars of economics and law active in Germany around the mid-twentieth century expose limitations of Schmoller's project. Yet these interpretations of Schmoller's

---

[4] Such as Erik Grimmer-Solem, *The Rise of Historical Economics and Social Reform in Germany, 1864-1894*, Alex Schäfer, *American Progressives and German Social Reform*.
[5] Heath Pearson, "Was There Really a German Historical School of Economics?" History of Political Economy 31, No. 3, (1999)

thought also indicate the possibility of modifying his insights to address situations different than that in which he wrote.

Naming injustices in the present form of globalization requires a moral framework. The story of a worker in a wealthy country lacking insurance or an account of the removal of health and safety standards for workers in developing countries certainly has the potential to powerfully affect the emotions. Yet, as it might be argued that such conditions, though unsettling, must be accepted as the unfortunate consequences of an ultimately good system of de-regulated global capitalism, an argument for systemic change requires articulating why such conditions should not be accepted.

This essay works to construct such an ethical framework for contemporary globalization by bringing Schmoller's thought into dialogue with the work of his interpreters. Chapter 1 narrates the development of Schmoller's thought and establishes the vision of justice he sets forth in The Idea of Justice in Political Economy. Chapter 2 focuses on the interpretation of Schmoller's thought in the arenas of national and transnational politics, by German policy-makers in his lifetime and the American Progressives in the early 20th century and by Walter von Eucken and his fellow Ordoliberal scholars of economics and law in Germany during and immediately after World War II. Chapter 3 provides an account of globalization by focusing on changes in the nature of, and relation between, government and private enterprise, a focus of the ethical and political visions of Schmoller and his interpreters. Finally, Chapter 4 considers the insights of Schmoller & his interpreters in light of the transformations associated with globalization in order to suggest a contemporary vision of social reform.

Chapter 1: The Insights of Gustav von Schmoller

Economics & Economic Development in 19th Century Germany: A Background

The lands today referred to as Germany had entered the 19th century in a state of relative economic backwardness. Germany was "primarily an agricultural country, and her industry had not developed to any point of importance."[6] Although at this time Adam Smith's thought prevailed among many economists in Germany, there was also an understanding shared by many who supported free trade that Germany industry required protection if it were ever to be able to compete with Britain's.[7] This helps to explain the views of those such as Friedrich List, an economist influential in the development of the Zollverein, a customs union that removed trade barriers between the German states and instituted an external tariff to protect the German states from competition from abroad. While List ultimately supported free trade for all nations, he believed it could not immediately be appropriate for all nations. In his *National System of Political Economy*, he wrote

> "…national economy appears from this point of view to be that science which, correctly appreciating the existing interests and the individual circumstances of nations, teaches how every separate nation can be raised to that stage of industrial development in which union with other nations equally well developed, and consequently freedom of trade, can become possible and useful to it."[8]

There is some debate about the extent to which the Zollverein contributed to Germany's industrialization, although "there is evidence that protection of 'infant industries' had benign

---

[6] Arnold Price, *The Evolution of the Zollverein: A Study of The Ideas and Institutions Leading to German Economic Unification Between 1815 and 1833*. (Ann Arbor: University of Michigan Press, 1949) 27
[7] Ibid 29
[8] Friedrich List, *The National System of Political Economy*. Trans. Sampson S. Lloyd. (New York: Longmans, Green, and Co, 1909) 103

effects."[9] Whatever the extent, the Zollverein certainly did help to drive the transitions in Germany towards proto-industrial and industrial enterprises, and the integration of once isolated regional economies into "an increasingly national and international division of labour."[10] This transformation and geographical shift of production resulted in what Grimmer-Solem refers to as "painful adjustments" for many.[11]

Grimmer-Solem identifies as among the "losers" of these phenomena the *Mittelstand*, an economic class that incorporated artisans and craftsmen.[12] Though a declining economic class, the *Mittelstand* "exercised an influence far out of proportion to their economic power."[13] While Mittelstand is often translated as 'middle class', Grimmer-Solem comments that *Mittelstand* "needs to be differentiated from French '*classe moyenne*' and the English '*middle class*,'" in part because these terms lack the "moral-ethical ring" of the German term.

The "moral-ethical ring" of Mittelstand must be understood in the context of 19th century German liberal ideology. In the era of the increasing integration of the German states, liberals "spoke to and for a universal entity, the nation as a whole." [14] Derived from eighteenth century notions of national culture, the *Volk* was "at the centre of liberal ideology…the focus of their efforts, the foundation of their movement, and the source of their claim to set the course for the German future."[15] The liberal vision of the *Volk* featured representative government and some

---

[9] Toni Pierenkemper & Richard H. Tilly, *The German Economy in the Nineteenth Century* (New York: Berghahn Books, 2004) 34
[10] Erik Grimmer Solem, *The Rise of Historical Economics and Social Reform in Germany*, 1864-1894. (New York: Oxford University Press, 2003) 91
[11] Ibid
[12] Ibid 97
[13] Ibid 99
[14] James J. Sheehan, *German History, 1770-1866* (Oxford University Press, 1989) 597
[15] Ibid

measure of public participation in politics.[16] Potentially, the 'public' participating in politics would be open to all classes, although most German liberals "qualified their belief in the Volk's potential universality with a series of practical restrictions," largely based on the notion that only men of education and property "could be expected to have the skills and interests necessary to govern."[17]

Grimmer-Solem notes that the Mittelstand "made a claim to representing an indispensable middle, a source of 'normal' morality and political reliability—the sturdy basis of economy and society."[18] Belonging to the Mittelstand was thought to require 'independence,' both economic (Based in financial security and social autonomy) as well as independence of spirit, identified with the rationality and disinterestedness "necessary for proper participation in public affairs."[19] Thus the "moral-ethical ring" of *Mittelstand*; the term does not merely describe a certain economic position but communicates an interrelatedness of the economic and good participation in politics in the way the term "middle class" does not.

According to Grimmer-Solem, this liberal vision of civil society was central to the historical economists' understanding of the morality of their work preserving the *Mittelstand* and integrating the working class.[20] To those identified with the historical school, however, these projects increasingly seemed to require a departure from liberal doctrines and self-identified liberal politics.[21]

---

[16] Ibid
[17] Ibid 598
[18] Erik Grimmer Solem, The Rise of Historical Economics and Social Reform in Germany, 1864-1894. (New York: Oxford University Press, 2003) Ibid 98
[19] James J. Sheehan, German History, 1770-1866 (Oxford University Press, 1989) 598
[20] Erik Grimmer Solem, The Rise of Historical Economics and Social Reform in Germany, 1864-1894. (New York: Oxford University Press, 2003) Ibid 104
[21] Ibid 104

The story of Friedrich List is that of a man compelled to re-evaluate the accepted dogmas of classical economics by the particular conditions of 19th century Germany. While there is some controversy over how much Friedrich List can be said to have influenced thinkers such as Gustav von Schmoller and other historical economists,[22] what can be said is that Schmoller and the historical economists, like List, departed from economic orthodoxy to tackle what seemed to be issues that Adam Smith and others had not addressed.

In the 1860s, economics was in a certain state of disrepute, as many of the theories of classical economists such as David Ricardo were challenged by new social and economic realities wrought by industrialization.[23] There was also quite a considerable challenge from a number of thinkers who questioned the very basis of economics as a science.[24]

The work of Schmoller and his colleagues can be regarded as part of this broader move towards re-evaluating the science of economics; theirs was a reaction against "the scientific vacuousness of classical economics."[25] The reasoning of economics was increasingly seen as out of step or even at odds with the prevailing scientific climate of the time, with its emphasis on empirical work.[26] In the words of Grimmer-Solem, Schmoller noted that

> "as economics self-consciously cut its roots to the tradition of moral science and moral philosophy—by becoming more abstract and supposedly 'value neutral'—economics was actually becoming metaphysical and thereby in danger of knocking the ground from under its own feet."[27]

---

[22] Ibid 32
[23] Ibid 118-120
[24] Ibid 122
[25] Ibid 123
[26] Ibid
[27] Ibid 124

Grimmer-Solem goes on to comment that since Schmoller viewed ethics as a science of human action, he was disturbed that economics might have ceased to be a science of behavior.[28] Schmoller asserted that the abstracted and allegedly neutral human sciences drew their axioms

> "not from the real facts and conditions of the inner workings of human consciousness, the outside world, and the mechanism of cultural civilization produced by humans, but instead from higher powers above all earthly life."[29]

Schmoller's use of the phrase "higher powers above all earthly life" is significant. At issue was whether in fact the economy was mechanistic in nature, that is, "ruled by celestial law… [with] value, prices, wages, a division of labour, and trade [being] possible without basic agreement on what constituted morally or ethically acceptable action."[30] Though there seemed to be little actual evidence for the notion that individuals were guided by a "universal egoism and the natural governing laws of the market," these views seemed to predominate in the classical system of economics.[31] Yet the validity of these "scientific" notions was thrown in doubt by newer scientific research, such as the work of Moritz Lazarus and Wilhelm Wundt, the founders of comparative and experimental psychology, which seemed to show that "sensory perception and human motivation were extremely complex and required detailed empirical and comparative investigation."[32]

The conclusions to be drawn from this theory were significant. Grimmer- Solem writes:

> "In the 1860s, appeals to economic law seemed not only quaint and theological, but, considering the social question in Germany, politically and socially unacceptable, since they wrongly lifted the mechanics of the economy outside of the provenance of human action and therefore denied much of a scope for reform."[33]

---

[28] Ibid
[29] Ibid
[30] Ibid
[31] Ibid
[32] Ibid
[33] Ibid 124-125

Schmoller's Idea of Justice in Political Economy & Broader Views

Gustav Schmoller's thought did not preclude the existence of mechanistic laws. Rather, Schmoller believed that economics consists both of these natural forces and of human forces. This view is apparent in his work "The Idea of Justice in Political Economy"" of 1881.

In this work, Schmoller acknowledged that the laws of economics do exist, but also asserted that they do not constitute the totality of economic realities and expressed the view that the human aspects of economics are for humans to contemplate and change. This idea is best captured in the line:

> "As far as human action governs and influences the distribution of incomes, so far this action will create the psychological processes whose final result is the judgment which finds the distribution just or unjust; so far as blind extra-human causes interfere, reasonable reflection will demand that men should submit to them with resignation."[34]

Schmoller opens his piece by assessing a variety of claims from across the ideological spectrum, and concludes that "Whether a just distribution of goods exists in reality or not, a question which for the present I will leave unanswered, still it is always spoken of, there is a general belief in it; this belief is speculated upon, and it has its practical consequences."[35]

Focusing particularly on the issue of a just distribution, Schmoller put forth the idea of justice as based in a kind of proportionality, of the proportionality of "human beings and goods which are to be distributed."[36] Human beings can be said to form a moral community when they come together to pursue "certain common ends."[37] Inequality or equality, the justice or injustice

---

[34] Gustav Schmoller, "The Idea of Justice in Political Economy." Trans Ernest Halle and Carl Schutz. *Annals of the American Academy of Political and Social Science Volume 4*, 1893-1894. 11-12
[35] Ibid 2
[36] Ibid 3
[37] Ibid 6

of distribution of goods in relation to persons, must be judged in relation to the "aims and ends of the community."[38]

Schmoller anticipated the criticism that what he refers to as a "general judgment" might be viewed as impossible because "all is a matter of personal taste, that mere individual processes of feeling are in question, which are immeasurably entangled, and which a fool alone could regard as a basis of public affairs and institutions."[39] However, he believes this would only be so "if the individual thoughts and sentiments of men were, indeed, only the product of isolated individuals," whereas in fact, "every disposition of mind, every word, every idea, every conception, more profoundly examined, is the result not of an individual, but of a social process."[40] He concludes this point by saying, "Thus it happens that the smallest part of our thoughts originates in ourselves, and that we draw, as it were, from a public storehouse, and participate in a universal generation of thoughts" to which the individual's contribution is relatively small."[41]

Although one could certainly argue that there is a collectivist bent to Schmoller's thought, it is worth noting how he distinguishes his own beliefs from socialism. Remarking that "Only a complete misconception therefore could establish individual needs as a standard of distributing justice," he stated that "only a fool could require as a demand of justice, that the grocer grade the price of a pound of coffee according to the wealth of each customer."[42] Perhaps Schmoller's strongest distanciation of his work from the project of socialism is presented in the lines

---

[38] Ibid 7
[39] Ibid
[40] Ibid
[41] Ibid 7-8
[42] Ibid 17, 19

> "The error of socialism was simply that it overlooked the difference between material and formal justice, as well as the significance of other equally justified social ideal conceptions; that it imagined the individual conceptions of certain idealists of what is just, would suffice to overthrow suddenly and immediately primeval institutions."[43]

Schmoller set out as an objective in his work the closing of the very gap between material and formal justice. While repeatedly acknowledging that laws are not capable of reforming all of society's ills, Schmoller reminded that "the position of social classes in general is determined by the institutions" such as "institutions of unrestricted trade and interest on loans, of the exchanges and the system of public debts, the forms of undertakings, the system of joint stock companies, of co-operative associations, the unions and corporations of employers and laborers, all labor law."[44] Schmoller drew on history to demonstrate that this has always been the case; as these institutions determine "our present distribution of incomes," so in the past did institutions such as slavery, guilds, and the governmental regulation of the "domestic system of the eighteenth century" determined the distribution of income of past eras. As Schmoller noted, "The most primitive barter is impossible, unless between the parties practicising it regularly, a certain moral understanding exists. There must have been an express or silent mutual agreement to preserve peace. The barterers must have common agreement to preserve peace."[45] The conclusion Schmoller drew was this:

> "We demand to-day above all, besides a just system of barter, just economic institutions, i.e., we demand that the complexes of rules of morals and right which govern groups of men who live and work together should harmonize in their results with those ideal conceptions of justice which on the basis of our moral and religious conceptions are prevalent to-day, or which are gaining recognition. We do not acknowledge any one of these institutions to be above history, as having always existed or as necessity everlasting. We test the result of every one of them, and ask of each: How did it originate, what conceptions of justice have generated it, what necessity exists for it to-day?"[46]

---

[43] Ibid 19
[44] Ibid 19, 13
[45] Ibid 14
[46] Ibid

The conception of "moral community" presented in this text has an important bearing on Schmoller's other work. In *The Idea of Justice in Political Economy*, Schmoller established that moral community results from a common economic purpose because every larger undertaking uniting people in a common economic purpose "governs the external and internal life of all participants, determines their residence, school, division of time, family life, to a certain degree their mental horizon, education and pleasure."[47] Thus, where there is common production there will be economic community.[48]

This seems very similar to a comment Schmoller later made on the public character of enterprises:

> "[Enterprises] have a public character because they serve a production which provides for wide-ranging areas and countless people, often enabling export in which the whole has an interest; they have a public character because with the first steps of their existence they are dependent upon state civil and administrative law, tariffs, concessions, streets, railways, stations, postal routes, schools, borough functions of all kinds, because they transform and feed whole valleys and villages, cities and regions, and during slow-downs or with collapse, cast these into misfortune. The more they cartelise, combine, organize common sites of sale, the more their power comes to the fore leaving behind all private life."[49]

One can certainly imagine how this logic could provide a justification for regulation and intervention of business. It's important to note that while Schmoller could be quite critical of business and businessmen in particular (In *The Idea of Justice in Political Economy* he portrayed the wiles of businessmen as an inevitable limit to what laws can accomplish) there is much that indicates his faith in what business can provide for the common good. Grimmer-Solem states that "Schmoller noted that empirical observation showed that what was moral was also often

---

[47] Ibid 14
[48] Ibid
[49] Erik Grimmer Solem, The Rise of Historical Economics and Social Reform in Germany, 1864-1894. (New York: Oxford University Press, 2003) 237

economical, just as what was economical was often moral. He emphasized the common interests between workers and factory owners: well-paid, skilled workers were more reliable."[50] Grimmer-Solem goes on to detail specific examples (Such as Robert Owen's Lamark and Price's Patent Candle Company) in which one might say the business owners recognized that economic production created a community and provided accordingly, to their own economic benefit.[51] As Grimmer-Solem notes,

> "Schmoller's faith in enterprise as a dynamic institution of Vergesellschaftung and therefore of social reform was an extension of his progressive view of the development of all institutions; his confidence in the Promethean, evolutionary force of industrial capitalism was reinforced by his conviction that it could be institutionally moulded to serve ever greater collective ends."[52]

Chatper 2: Interpretations of the Thought of Gustav von Schmoller in the Context of National & International Policy

As Gustav von Schmoller's oeuvre was vast and multifaceted, it would be difficult indeed to conceive of how one could adequately convey the full extent of his influence. Geoffrey Hodgson's *How Economics Forgot History* focuses on the methodological issue of historical specificity in social science and examines the reverberations of Schmoller's historically informed vision throughout much of modern economic history. Since inquiry and policy were both so central to Schmoller's work, one could perhaps just as easily imagine tracing the influence of a particular policy recommendation of Schmoller's as a theoretical insight.

---

[50] Ibid 141
[51] Ibid
[52] Ibid 245

This chapter will concentrate on a component of Schmoller's thought, established in *The Idea of Justice in Political Economy*. This is Schmoller's idea that moral community emerges through the joining of people in common economic purpose.

This chapter is subdivided into two parts, "National" and "Transnational". These two sections refer to the arenas for which policies (And policy ideas) influenced by Schmoller's thought were conceived. The national will focus chiefly on Germany and the United States, because these were the two nations in which Schmoller's ideas (As opposed to those of other historical economists) had particular influence. The transnational will focus on how the work of the German Economist Walter von Eucken was influenced by Schmoller's work and how Eucken's thought in turn provided a framework for European integration in the decades after World War II.

Interpretation & Implementation: The Influence of Gustav Schmoller's Thought in the Context of National Policy

Germany During Schmoller's Lifetime

Social insurance is an area of policy that offers the possibility for examining the implications of Schmoller's ideas for policy formulated in Germany during his lifetime. While it cannot be said that Schmoller was directly involved in the drafting of some of the most significant pieces of social insurance legislation passed in the 1880s, such as the Accident Insurance Bill passed in 1884, the influence of his ideas nonetheless is apparent.

The social insurance legislation came into being under the leadership of Chancellor Otto von Bismarck. It has been suggested, variously, that this legislation was enacted as part of Bismarck's campaign against socialism, and also that Bismarck merely made the claim that it

was in order to garner support among interests and political parties especially frightened of Socialist revolution, whose support Bismarck needed.[53]

Schmoller, too, often raised the specter of Socialist revolution, though not a member of Bismarck's government.[54] The resemblance of the policies ultimately passed to Schmoller's own proposals can be attributed, among other factors, to the role of Theodor Lohmann, who was serving as Bismarck's main legislative adviser at the time.[55] Lohmann was personally acquainted with Schmoller, having attending an 1874 conference of the Verin für Sozialpolitik, a social reform organization founded by Schmoller and others associated with historical economics.[56] Lohmann would even later go on to become a member of Schmoller's Staatswissenschaftlihe Gesellscahft, described as "a forum where economists and civil servants informally exchanged ideas."[57]

Schmoller and Lujo Brentano, another important historical economist, concluded in the aftermath of the economic downturn after 1873 that policy measures had to be developed to provide more effective insurance against sickness, injury, disability, old age and unemployment.[58] Yet, on the basis of empirical observations made to test the claims of the Socialists, the two were conscious of the limits of bureaucratic organization and planning.[59] The issue, then, was "finding the optimal organizational size to achieve the specific tasks desired."[60]

---

[53] Erik Grimmer Solem, The Rise of Historical Economics and Social Reform in Germany, 1864-1894. (New York: Oxford University Press, 2003) 216 & Toni Perenkemper and Richard Tilly, The German Economy During the Nineteenth Century (New York: Berghahn Books, 2004) 142
[54] Erik Grimmer Solem, The Rise of Historical Economics and Social Reform in Germany, 1864-1894. (New York: Oxford University Press, 2003) 220
[55] Ibid 214
[56] Ibid 67, 186
[57] Ibid 186
[58] Ibid 210
[59] Ibid
[60] Ibid

Thus, while Schmoller and Brentano believed that a proper scheme for worker insurance had to be nationally coordinated, they also believed that it would have to be decentralized, with local corporative insurance bodies being run by workers and supported by worker contributions.[61] Schmoller "saw the state not as an interventionist regulator but as an initiator of worker and occupational self-administration."[62] In Schmoller's understanding, corporative insurance bodies served to mediate between individuals and the state and also encouraged "through the experience of self-administration the integration of the working class into bürgerlich society."[63] Schmolller believed that a corporate egoism would have to be developed in order for these plans to work, which he thought would be fostered by decentralization and self-administration.[64]

These proposals are strikingly consonant with the views Schmoller advances in *The Idea of Justice in Political Economy*, which would have been written only a few years later. The emphasis on decentralization and the role of workers in the administration of insurance funds (Or, in the case of accident insurance, employers) indicates that these corporative bodies would consist of those joined in common economic purpose. It is then appropriate to legislate for such institutions because they correspond to the moral communities that come into being when individuals are joined in common economic purposes.

The relation of such institutions to the state in these proposals also appears in line with the thought established in *The Idea of Justice in Political Economy*. Towards the end of the work, Schmoller asserts "The State is the centre and the heart in which all institutions empty and

---

[61] Ibid 211
[62] Ibid
[63] Ibid
[64] Ibid 212

unite."[65] He went on to say that "…the State is and must be the leading intelligence, the responsible centre of public sentiment, the acme of existing moral and intellectual powers…"[66] Yet in this work, as in his proposals for social insurance, Schmoller is far from advocating a highly centralized bureaucracy. He said "We do not demand that any leading personalities, like a human omnipotence, should control, compare, examine, and estimate the qualities and achievements of millions, and accordingly distribute incomes justly."[67] Rather,

> "The State can at all times chiefly influence a juster distribution of income by means of improved social institutions… The total of economic institutions will always be more important than the insight and intention of those who for the time being govern in the central administration, be they greatest of men. Their wisdom and justice can promote and reform the institutions, but it cannot take their place."[68]

Here, too, Schmoller presents the state not as an interventionist regulatory body but as an initiator of worker and occupational self-administration through institutions such as the corporative bodies.

According to Grimmer-Solem, Bismarck's insurance program initially "envisioned bureaucratic, highly centralized, state-funded insurance schemes."[69] Yet Lohmann "rejected the formation of a large bureaucratic Imperial insurance body," instead ensuring that the legislation would "allow choice between already existing schemes (i.e. local, municipal, factory, or occupational sickness funds) and only create new ones as the need arose."[70] Paralleling Schmoller's views, the system was run by decentralized organizations partially staffed by

---

[65] Gustav Schmoller, "The Idea of Justice in Political Economy." Trans Ernest Halle and Carl Schutz. *Annals of the American Academy of Political and Social Science Volume 4*, 1893-1894. 23
[66] Ibid
[67] Ibid
[68] Ibid 24
[69] Erik Grimmer Solem, The Rise of Historical Economics and Social Reform in Germany, 1864-1894. (New York: Oxford University Press, 2003) 216
[70] Ibid 217

working-class representatives.[71] These organizations "saw to it that employers paid two-thirds of an employee's contribution, leaving the latter to pay the remaining one-third."[72]

It's worth nothing that these policies, so in line with Schmoller's proposals, were not without significant opposition. While Schmoller may have believed that what was moral was often economical, employers complained about the high costs of a system which they largely bore, and some industrialists made efforts to end the system.[73]

The United States of America in the 19th and Early 20th Centuries

In the late nineteenth century, particularly from the 1870s on, German universities were the first choice of most American students of the social sciences studying in Europe.[74] In these decades, young would-be American social reformers traveled to Germany to in search of new perspectives which offered some promise of addressing the social challenges presented by industrialization back home.[75] These reformers who would come to be called progressives looked to Germany for inspiration in the social reform programs taking place there and the "new intellectual vistas" being pursued by scholars, such as the work of the historical economists.[76]

The progressives were to imbibe many of the key elements of the thought associated with the historical economists, with Schmoller a vital influence.[77] Yet progressivism did not consist merely in copying the ideas of the historical economists; their ideas would be modified and adapted, a process affected especially by the background of the reformers and the conditions of

---

[71] Toni Perenkemper and Richard Tilly, The German Economy During the Nineteenth Century (New York: Berghahn Books, 2004) 142
[72] Ibid
[73] Ibid 143
[74] Axel R Schäfer, *American Progressives and German Social Reform, 1875-1920* (Stuttgart: Franz Steiner Verlag 2000) 12
[75] Ibid 11
[76] Ibid 14
[77] Ibid 15

American politics.[78] Perhaps most significantly, the Progressives "replaced the Germans' search for ethics embedded in history with the search for ethics that emerged from increased social interaction in society," seeing new social possibilities in industrial society and urban environments.[79]

These German-trained progressives were largely white and of middle class origins.[80] While demonstrating a concern for those of less means, many were intensely racist, and their philosophy often retained distinctions of gender and race that it is doubtful few calling themselves progressives today would endorse.[81]

In *American Progressives and German Social Reform*, Axel R Schäfer argues that despite their talk of constructing a new social ethics of interdependence and positive freedom, the language of the German-trained progressives "revealed a deep attachment to classical liberal conceptions of man and nineteenth-century Protestant morality."[82]

There were important respects, however, in which progressives did depart from liberalism, as Schäfer explains:

> "Liberal reform used state regulatory power to protect private property, fair competition, equal opportunity, and the rights and autonomy of the individual. It did not aim to supplant the market, but to allow the individual to function in a competitive environment, where bonds between humans are based on a rational social contract. Many progressive thinkers criticized that civil, political, and social rights ultimately served to tie people to the norms and practices of liberal capitalist society by encouraging competitive behavior and individual ambition."[83]

Despite the progressives' departure from Schmoller and other German historical economists, specific ideas very similar to those of Schmoller's are recognizable in the thought of

---

[78] Ibid 75
[79] Ibid 18
[80] Ibid 11
[81] Ibid 16, 75
[82] Ibid 75
[83] Ibid 56

the progressives. Like Schmoller, the progressives did not advocate a large scale bureaucratic, paternalist state, rather seeing the state as a means of "[supporting] the ethical demand for broader public control."[84] Schäfer's comment that progressives "embraced democratic and local decision making" leads the reader to recall Schmoller's emphasis on the corporative bodies that were administered in large part by workers.[85]

There is in fact an instance of insurance legislation introduced in America that was almost exactly the same as its German predecessor. In 1916, the American Association for Labor Legislation submitted a model health insurance bill which would provide the basis for insurance bills introduced in New York, Massachusetts, New Jersey and 15 additional states.[86] The bill reflected the influence of Isaac M. Rubinow, a member of the Social Insurance Committee of the AALL who had studied at Columbia under leading German-trained academics and prominent figures in the movement for social legislation.[87] Like Schmoller's proposal, the plan called for local, self-governed funds jointly managed by employers and employees, which were to be subject to public regulation and supervision.[88]

These bills never passed. Chief among the reasons why they failed were factors associated with World War I. Germany's declining public image was exploited by opponents of the insurance reforms to "set up insurmountable cultural and political obstacles."[89] There were, however, other issues. The power of courts often limited the development of social legislation, and America's federal political structure ensured that states would be locked in a "race to the

---

[84] Ibid 76
[85] Ibid
[86] Ibid 175
[87] Ibid 170, 174-175
[88] Ibid 175
[89] Ibid 209

bottom" to attract businesses through low taxes and limited social expenditures.[90] There were also divisions among progressives themselves, some of whom, deeply wedded to the mentality of the poor-law tradition, held to a distinction between "deserving" and "undeserving" groups which could be flexibly interpreted to exclude or include nearly any groups in society.[91]

As Schäfer remarks, it is an irony that "the liberal-administrative model of expanded police powers" that emerged after World War I "legitimized a much more interventionist and restrictive role of the state than the exponents of ethical-historical views ever imagined, although they were the ones being accused of promoting 'despotism.'"[92]

Interpretation & Implementation: The Influence of Gustav Schmoller's Thought in the Context of Transnational Policy

Post World War II Germany & The Integration of Europe

Towards the conclusion of *The Idea of Justice in Political Economy*, Schmoller called for institutions and complexes of morals that would, in governing groups of men who live and work together, "harmonize in their results with those ideal conceptions of justice which on the basis of our moral and religious conceptions are prevalent to-day, or are gaining recognition."[93] He went on to add:

> "We do not acknowledge any one of these institutions to be above history, as having always existed or as necessity everlasting. We test the result of every one of them, and ask of each: How did it originate, what conceptions of justice have generated it, what necessity exists for it to-day?"[94]

---

[90] Ibid 211
[91] Ibid 210
[92] Ibid 218
[93] Gustav Schmoller, "The Idea of Justice in Political Economy." Trans Ernest Halle and Carl Schutz. *Annals of the American Academy of Political and Social Science Volume 4*, 1893-1894. 21
[94] Ibid

Certainly, one could read a certain degree of relativism in this. Historicism, the understanding that "all human ideas and values are historically conditioned and subject to change" was at the center of a backlash against historical economics in Germany in the first third of the twentieth century.[95] For Walter von Eucken and his fellow Ordoliberals, scholars committed to establishing a legal order to enable the functioning of a liberal market society, historicism made for both inadequate understanding of economic realities and, critically, an unacceptable moral relativism.

By the beginning of the twentieth century, historicism was the dominant variety of economic thought in Germany, and Eucken himself had been trained in the tradition.[96] However, he had come to believe that historicism had rendered German economists and policymakers incapable of perceiving the fundamental principles and necessary components of a market economy.[97] According to Nils Goldschmidt, Eucken endeavored to construct a new methodological approach for studying economics, drawing on the influences of his father Rudolf Eucken, Max Weber, and Edmund Husserl. This method was first and foremost "set against all relativist currents."[98]

In his essay 'Objectivity in Social Science and Social Policy,' Weber endeavored to construct " 'genetic concepts,' which are captured by intellectually intensifying elements of

---

[95] Goerg G. Iggers, "Historicism: The History and Meaning of the Term," Journal of the History of Ideas 56, No. 1 (1995) 133
[96] David J Gerber, "Constitutionalizing the Economy: German Neo-Liberalism, Competition Law and the 'New' Europe." The American Journal of Comparative Law, Vol. 42, No. 1 (American Society of Comparative Law 1994) 34
[97] Ibid 34
[98] Nils Goldschmidt, "Walter Eucken's Place in the History of Ideas." http://www.gmu.edu/centers/publicchoice/HES%202007/papers/6d%20goldschmidt.pdf (accessed November 10, 2008)

reality…[with the goal of] developing a tool 'for the intellectual mastery of empiricial data'."[99] Weber aimed to order "the empirical reality within the chaos of culturally significant phenomena in order to uncover a nexus of causal interrelations."[100]

Like Weber, Eucken believed that "the main priority of scientific debate is to offer an analytical grid to interpret the multiplicity of individual phenomena."[101] From this Eucken endeavored to conceive "all…ideal types of economic forms… through the use of abstraction of the distinguishing or significant characteristics of these forms,"[102] explaining that "Just as a huge variety of words of different compositions and different length can be formed out of two dozen letters, similarly an almost unlimited variety of actual economic systems can be made up out of a limited number of basic pure forms."[103]

Eucken's goal "is to outlast 'historical changes'… and as such, to create, as an alternative to the idea of truth that was undermined and destroyed by the Historical School… an economic theory that 'is more secure against its crises'."[104] In this way Eucken "leaves aside the subjective relation of value developed by Weber in the context of a cultural theory and seeks instead to a bond with an objective realm of truth and value."[105]

Both Walter and Rudolf Euckens shared the concern that empiricism cannot reconcile subjective and objective insights, with reductionism supposedly providing, in the words of the

[99] Ibid
[100] Ibid
[101] Ibid 4
[102] Ibid 6
[103] Ibid
[104] Ibid 7
[105] Ibid

son, a means of overcoming "arbitrariness and subjectivity, and for arriving at objectively true judgments on concrete relationships."[106]

Personal ties existed between Edmund Husserl and the Euckens, and connections can be drawn in their statements on the relation of science to humanity's condition in the modern world. According to Goldschmidt "Husserl is, for Eucken, the authority confirming that his ideal typical approach and his method of abstraction... coupled with the process of reduction (borrowed from his father and Weber) are appropriate instruments to reach what both of them, within their own conceptions and in different shades, strove towards: namely, to capture the 'realm of truth'."[107]

Even if Walter von Eucken strove to differentiate his economics from that of the historical school, there is significant overlap between Schmoller and Eucken on certain vital points. Like Schmoller and the historical economists, Eucken and his colleagues believed that economic systems could not be understood apart from the legal structures in which they operated.[108] For the Ordoliberals, neither purely theoretical or purely historical perspectives would suffice to understand economic reality.[109] Like Schmoller, Eucken was committed to the view that economics should not be solely concerned with issues of efficiency. Walter Eucken wrote, "We need to get used to the idea that solemn questions about the intellectual and spiritual existence of Man have to be combined with rather sober and mechanical issues of economic design."[110] We therefore face the great task of providing this new industrialized economy, with

[106] Ibid 9
[107] Ibid 15
[108] Ibid 44
[109] Ibid 40
[110] Ibid 16

its far-reaching division of labor, with a functional and humane order of the economy," remarked Eucken in 1952.[111]

Yet just as Eucken's economic methodology was a reaction against the alleged undermining of objective truth by the historical school, so can his moral vision be considered a reaction against the perceived relativism associated with the historical school's notion of the historically determined character of morality. The vision of a just society suggested by *The Idea of Justice in Political Economy* is as vague as one in which the harmonization of institutions with currently prevailing religious and moral ideas called for by Schmoller has taken place. Eucken's vision of a just social order is far more definite, premised on the principles represented in his Ordoliberal thought.

It was the "quest for a just order which guided Eucken even during the time of utmost injustice under the National Socialist regime" and even led him to play an active role in the Freiburg circles which opposed National Socialism.[112] According to Goldschmidt, while freedom for Eucken is "not a value in its own right," "[The] order that is to be realized must guarantee freedom."[113]

The relation of "order" and "freedom" that defines Ordoliberalism becomes more apparent in light of the vital importance of Eucken's Christian faith to his work. The 'Ordo' in the 'Ordoliberalism' conceived by Eucken and his colleagues refers to the "natural god-given order" Eucken sought as part of his quest for a way to "lead a life according to ethical principles."[114] The text "Economic and Social Order" produced by Eucken and colleagues in the Freiburg resistance circle called for an economic order "which would make possible a life of

---

[111] Ibid
[112] Ibid 17
[113] Ibid 17-18
[114] Ibid 18

evangelical Christianity."[115] Thus, while freedom is not a value in of itself, an order guaranteeing freedom allows one to lead a life according to ethical principles, namely, a life of evangelical Christianity.

While the Ordoliberalism of Eucken and others emphasized freedom from government as much as possible, it also acknowledged private interests as sources of power whose excessive influence could result in a destabilizing of society, as Ordoliberals believed had been the case with cartels in the Weimar republic.[116] Indeed, the Weimar experience "led Ordoliberals to demand the dispersion of not only political power, but economic power as well," which for some meant simply the elimination of monopolies and for others the elimination of large enterprise altogether.[117] The political, humanist and social justice claims of the Ordoliberals rested on the notion that economic competition would generate economic development, a view certainly in keeping with their opposition to monopoly.[118]

Eucken and fellow ordoliberals believed that it was a lack of an effective, dependable legal framework that led to the economic and political disintegration of Germany, thus their work was concerned with constructing an appropriate legal society for a just, free society.[119] Diverging from the classical liberals, and in keeping with the thought of the Verein für Sozialpolitik, Eucken and the ordoliberals believed that the "economy was the primary means for integrating society around democratic and humane principals, but it could perform this role

---

[115] Ibid 19
[116] David J Gerber, "Constitutionalizing the Economy: German Neo-Liberalism, Competition Law and the 'New' Europe." The American Journal of Comparative Law, Vol. 42, No. 1 (American Society of Comparative Law 1994) 29
[117] Ibid 37
[118] Ibid 38
[119] Ibid 29

effectively only if it had certain characteristics."[120] The notion that the economy could serve a function of integrating society around humane principals is reminiscent of the idea of a moral community coming into being when human beings are united in a common economic purpose, though it approaches the issue from a somewhat different perspective.

Key to the ordoliberal vision was the idea of an economic constitution, which was defined by Franz Böhm as "a comprehensive decision… concerning the nature… and form of the process of socio-economic cooperation."[121] The economic constitution was conceived to represent a political decision about the kind of economy desired by a community, much as the political constitution represents fundamental decisions about the kind of political system desired by a community.[122]

It has been said that Ordoliberalism "supplied a framework for the process of European integration that has been highly influential among most Germans involved in European unification and has influenced other leaders as well."[123] As the creation of a community centered on a market economy was the essential objective of Ordoliberal thought, it was ideally suited to the creation of the European Community.[124] "The community was to be based on a voluntary agreement, which could play a role similar to that played in ordoliberal thought by the concept of an economic constitution."

While it was a specific idea drawn from Ordoliberal thought which contributed to the development of the European Community, it bears observing how other components of Ordoliberal thought could accommodate a trans-national project. The essential objective of the

---

[120] Ibid 37-38
[121] Ibid 44
[122] Ibid 45
[123] Ibid 72
[124] Ibid

Ordoliberal's thought is the creation of a community centered on the market economy, rather than on national identity or national traditions. The guarantee of the freedom of the individual, rather than the well-being of some nationally bound collective lies at the center of the Ordoliberal project. Eucken's insistence on an ethics based on essential principles can provide a just framework for the integration of nations in a way that Schmoller's view of ethics as contextually determined cannot. An ethics applicable to numerous (national) contexts is hard to imagine if ethics is unique to each context.

Ordoliberalism's capacity to accommodate a trans-historical project hardly seems coincidental. Influential Ordoliberal thinkers had, after all, opposed a regime that committed atrocities in the name of the good of their nation.

The Changing Contours of Globalization

Globalization is not a new phenomenon. At various points in history, and to varying degrees, there have been an exchange of goods, ideas, political institutions, and diverse forms of life across continents and social units, as has been observed by authors such as Immanuel Wallerstein and William H. McNeill.

The globalization beginning in the 19th century reached a level of economic integration in the early decades of the 20th century that would not be duplicated again until the later decades of the century, as governments in the 1930s increasingly tended towards protection.[125]The contemporary globalization referred to in this chapter is that which took place over the last decades of the 20th century and the beginning of the 21st century.

Before it is possible to apply the insights of Schmoller and his interpreters to address issues in contemporary globalization, it is necessary to establish how globalization has changed

[125] The battle of Smoot-Hawley. 2008. *The Economist*. Dec 18th.

since the time of these authors' writing. The contemporary incarnation of globalization, like those that preceded it, is multifaceted, with biological & cultural aspects in addition to the economic and political. It is therefore beyond the focus of the work to attempt a panoramic vision of globalization surveying changes in all its many parts. Instead, this section of the essay will chiefly concentrate on the economic aspects of globalization and the political aspects as they relate to the economic, while acknowledging the possibility of other aspects' bearing on these two. Specifically, it will focus on government and private enterprise, two sources of power whose relationship is a focus of Schmoller, the Progressives, and, to a certain extent, the Ordoliberals.

A recurring theme in much of the literature on globalization has been that economic globalization has outpaced political globalization, or that markets have outgrown nation states.[126] Particularly in the popular imagination, the multinational enterprise often features as the institution whose power presents the most pernicious threat to the power formerly invested in national governments.[127] In *Making Globalization Work*, Joseph Stiglitz states "For many people, multinational corporations have come to symbolize what is wrong with globalization; many would say they are a primary cause of its problems."[128] Through critically assessing such claims as the withering of the state and the threat of multinational enterprise, this chapter works towards a clearer picture of issues in cotemporary globalization and of the prospects for reform.

Private Enterprise & Globalization

---

[126] Joseph E. Stiglitz, *Making Globalization Work*. (New York: W.W. Norton & Company Inc, 2007) 279 & Malcolm Waters, Globalization. (London: Routledge, 2004)
[127] An excellent example would be the 2003 film *The Corporation*, by Mark Achbar and Jennifer Abbott
[128] Ibid 187

According to Mira Wilkins, a multinational enterprise is "a firm that extends itself over borders to do business outside its headquarters. It operates across political boundaries. It is a firm as economists define "the firm": an allocator of resources, a producer of goods and services."[129] Precedents for multinational firms can be found long before the advent of the industrial revolution. Trading firms in the Middle East and Asia extended across borders in the centuries after antiquity.[130] In the Middle Ages and Renaissance, financiers invested in mining abroad and later still, individuals and corporations invested in various forms of manufacturing abroad.[131] However, the modern multinational enterprise only came into being with the industrial revolution, specifically in the late 19th century.[132] According to Wilkins, this modern multinational enterprise "integrates the world economy in a manner that differs from trade, finance, migration, or technology transfer; it puts under one organizational structure a package of ongoing relationships— transfers of goods, capital, people, ideas and technology."[133] The modern multinational enterprise was made possible by technological innovation. The advent of railroads, steamships and cables made speed in delivering goods and information feasible, reducing costs and making possible a kind of organizational coordination and control within a firm that earlier would have been inconceivable.[134]

---

[129] Mira Wilkins, "Multinational Enterprise to 1930: Discontinuities and Continuities," in Leviathans: Multinational Corporations and the New Global Economy, ed. Alfred D. Chandler and Bruce Mazlish (New York: Cambridge University Press, 2005), 45
[130] Ibid 47
[131] Ibid 49
[132] Ibid 51
[133] Ibid
[134] Ibid

While it might be assumed that multinational enterprises in the late 19th and early 20th centuries were devoted to investments in raw materials and primary products, in fact many firms also extended manufacturing beyond their home base to other countries.[135] Wilkins notes

> "To a large extent, in the 19th and 20th centuries manufacturing multinationals went first to countries that were the most advanced in the transition from agriculture to industry. The MNEs then contributed to the pace of that transition. They went to these countries with distinctive products and processes."[136]

The operations of many multinational enterprises were to varying degrees disrupted by a number of global developments, beginning with the depression of the 1930s and continuing with World War II, the end of many European colonial empires and the conversion of many nations to communism.[137]

While the activities and influence of multinational enterprises in the decades after World War II were diminished, multinational enterprises did continue to play an important role in the economic integration of the globe, insofar as some multinational banking firms emerged in the period, although the development of multinational banking was to a certain extent hampered by regulation.[138] The post-war period was a time of significant growth of multinational enterprises in the services industries, with hotels and fast food chains serving to diffuse "global" lifestyles.[139]

Perhaps the most significant transformations in the nature of international business itself came in the last decades of the twentieth century. While in the 19th century some firms made use of a "network" structure of organization, which might take the form of a cluster of "free

---

[135] Ibid 70
[136] Ibid 71
[137] Geoffrey Jones, "Multinationals from the 1930s to the 1980s" in Leviathans: Multinational Corporations and the New Global Economy, ed. Alfred D. Chandler and Bruce Mazlish (New York: Cambridge University Press, 2005), 84
[138] Ibid 93, 94
[139] Ibid 92

standing-firms", by the mid-twentieth century the dominant form of industrial enterprise in Western Europe and the United States was the large integrated corporation.[140] These firms "conducted virtually all value-added activities within themselves," meaning that a corporation such as Unilever, a manufacturer of ice cream, soup, detergents and other hygienic products, also owned the plantations on which palm oil was produced, as well as packaging, paper, and transport businesses.[141]

However, by the 1980s and 1990s multinational enterprises were abandoning the vertical and horizontal forms of integration represented in firms such as Unilever in favor of a new production strategy in which products were manufactured outside of the firm or in alliance with other firms.[142] Thus began the phenomena of outsourcing, which by the end of the 1990s "seemed to be transforming automobile assemblers such as Ford into multinational service firms that did little manufacturing themselves."[143] This form of the multinational enterprise was called the "stateless global web" by some, but in reality "the 'webs' were fragile, the strategic alliances were [often] transient phenomena… and the national origins and ownership of large MNEs were highly visible."[144]

Even if some of the hype was overblown, contemporary globalization did herald a transformation in the way individuals would be drawn together in economic purpose. An unprecedented globalizing of production was not the only innovation of the contemporary era of globalization, which would have profound implications for the workforce of developed nations such as the United States.

---

[140] Ibid 101
[141] Ibid
[142] Ibid
[143] Ibid
[144] Ibid 102

As Neva Goodwin notes in "The Social Impacts of Multinational Corporations: An Outline of the Issues with a Focus on Workers," the contemporary period of globalization represents a time of increased competition for firms.[145] Firms facing global competition have two options for increasing competitiveness: the cooperative model and the competitive model.[146] In the cooperative model, firms make an effort to "retain the existing workforce and wage levels while retraining workers for new skills if necessary and at the same time seeking ways to produce higher quality goods and services and to make the company's operations more efficient and more responsive to market demand."[147] In the competitive model, firms fire many workers, cut wages, subcontract work to smaller low-cost firms and demand a faster pace of work from the employers who were not fired.[148] At least in the United States, most large multinational enterprises pursued the competitive model of management.[149] However, Goodwin goes on to say

> "During the 1980s and 1990s much downsizing was justified by CEO's claims that they had no other choice. In fact, however, although CEOs were cutting out workers and reducing workers' wages they were not turning all of the funds "saved" into profits. A substantial amount went instead into skyrocketing compensation for CEOs and other top management."[150]

Whether or not globalization actually necessitated reduced provisions for lower-level employment, it served to provide a justification for the practice.

States vs Markets?

The period of the last decades of the 20th century and beginning of the 21st century (That is, the period of contemporary globalization) has been characterized by many as a time of a shift

---

[145] Neva Goodwin, The Social Impacts of Multinational Corporations in Leviathans: Multinational Corporations and the New Global Economy, ed. Alfred D. Chandler and Bruce Mazlish (New York: Cambridge University Press, 2005) 147
[146] Ibid
[147] Ibid
[148] Ibid 148
[149] Ibid
[150] Ibid 152

in authority and influence away from the state and towards the market.[151] Indeed, prior to the economic crisis beginning in 2007, some went so far as to suggest the decline or withering away of the state.[152]

In the aftermath of massive interventions in 2008 and 2009 by national governments to rescue their economies during the ongoing crisis, the assertion of the withering of the state seems premature. Yet even during the 80s, 90s and much of the first decade of the 21st century a restructuring, rather than a withering, of the state was underway. Its capacities were shifting, with what some see as disturbing implications.

Perhaps the most obvious example of movement from government to market management of societies would be the transition from communism in much of Eastern Europe at the end of the 1980s (And, it could be argued, also in nominally communist countries in East Asia, albeit more gradually). Yet the market-based policies subsequently implemented in many of these societies were also applied more generally, to many non-Communist societies. A policy framework known as the Washington Consensus, which called for "downscaling of government, deregulation, and rapid liberalization and privatization" would also be applied to non-Communist countries such as Argentina in addition to former Soviet territories.[153]

In the United States a restructuring of the state was underway in the 1980s and 1990s, which has been described specifically as a "a shift from Keynesian policies of general welfare to

---

[151] Joseph E. Stiglitz, Making Globalization Work. (New York: W.W. Norton & Company Inc, 2007) 279 & Malcolm Waters, Globalization. (New York: Routledge, 2004) Saskia Sassen, Territory, Authority, Rights. (New Jersey: Princeton University Press, 2008)
[152] Saskia Sassen, *Sociology of Globalization.* (New York: W.W. Norton & Company Inc, 2007) & Malcolm Waters, Globalization. (New York: Routledge, 2004
[153] Joseph E. Stiglitz, *Making Globalization Work*. (New York: W.W. Norton & Company Inc, 2007) 17

the promotion of enterprise, innovation, and profitability in both private and public sector."[154] While not all may have been exactly premised on Keynes' ideas, there are a number of examples of state supported systems of domestic economic management from the United States to West Germany to Japan, the origins of which can largely be dated to the post World War II era.[155] Thus, the forms of state authority that have been shifting to markets in recent decades are themselves only decades old. They would have been instituted at a time when, according to Sassen, "the central policy issue was still unemployment, not free trade or global finance, as it became in the 1980s…[in] fact unemployment was seen as resulting from free trade."[156]

Though there may be a shift in authority from the state to markets in various matters, this need not be taken to mean that the state is somehow dissolving away. There is rather a restructuring of states underway, with certain capacities of the state gaining in power as others diminish. Sassen notes "While each state is different, the internal redistribution of power away from the legislature and toward the executive is becoming evident in a growing number of states worldwide."[157] Sassen also hypothesizes that "state participation in the work of implementing the global economy…[increases] the weight of certain components of the government, notably the Treasury, the Federal Reserve, and finance-related specialized regulatory agencies."[158] According to Sassen, these changes have taken place within a number of governments as they have entered the globalized economy.[159] The global is thus embedded in the national. Even while

---

[154] Saskia Sassen, *Territory, Authority, Rights*. (New Jersey: Princeton University Press, 2008) 239
[155] Ibid 153
[156] Ibid 154
[157] Ibid 146
[158] Ibid 171
[159] Ibid

some argued that the state was weakening, state institutions were enabling the functioning of the global economy.

Certain of the transformations in the capacities of the state might be attributed to a mixture of ideology and necessity. It might be argued that the shift from Keynesian policies to the policy framework of the Washington Consensus precipitates the strengthening of institutions such as the Treasury that are required to manage increased economic integration. Yet what is for many one of the most problematic transformations in the capacities of the state, the complication of the state's capacity to regulate business, at least in some instances can be traced to the power of the multinational enterprise.

As Stiglitz notes, the multinational enterprise is often vilified by critics of globalization, who place blame on it for much of what is wrong with globalization. However, to vilify the multinational enterprise is to ignore that part of the problems posed by its power arise precisely from the potential for good represented by its potential to create jobs and wealth.

Multinational enterprises—often those operating in developing nations— may flaunt basic health and environmental standards and threaten to leave if the national governments move to enforce regulations.[160] There are a number of examples in which governments, fearing the flight of the multinational enterprises, have abrogated laws providing for the safety of citizens. Stiglitz mentions that "at one point, Papua New Guinea passed a law making it illegal to sue international mining companies outside the country even for the enforcement of health, environmental, or legal rights, fearing that such suits would discourage investment in the country."[161] Stiglitz notes that corporations claim that "it is not their responsibility, but that of

[160] Ibid 195
[161] Ibid 195

governments, to align private and public interests" yet often use their power to influence government so as to prevent the creation of effective regulations.[162]

Even prior to the state interventions of the financial crisis beginning in 2007, the state was not disappearing, but rather changing as certain of its capacities strengthened and others weakened. Only time will tell whether the increased government intervention during the financial crisis will herald a broader return of Keynesian-type policies. Regardless, it is difficult to imagine a return to the world of the past. It is hard to conceive of North American and Western European nations becoming once more the only sources of labor & manufacturing capacities available to private enterprises. As the state seems likely to endure, so does it seem probable that the threats of multinational enterprises will continue to compromise the regulatory capacity of individual nations.

Chatper 4: The Implications of the Insights of Gustav von Schmoller & Interpreters for the Problems of the Era of Cotemporary Globalization

A Word on The Limitations of The Thought of Schmoller & His Interpreters

To turn the insights of Schmoller and his interpreters to addressing the issues of contemporary globalization, it serves to indicate what grievances in the present shape of globalization would likely not be recognized as injustices by Schmoller & his interpreters, and therefore would have to be addressed by a turn to other traditions of thought.

[162] Ibid 196

One could read in Schmoller's idea that a moral community comes into being when individuals are joined in common economic purpose the disturbing implication that individuals not joined in economic purpose are not a member of a moral community. Schmollers' provisions for insurance applied to presently employed laborers, as did those of certain of the American Progressives. As Schmoller, the Progressives and the Ordoliberals were all mistrustful either of government bureaucracy or government altogether, there's not much to indicate that they would support provisions for those not employed. Their thought must be distinguished from Keynesianism, with its particular policy focus on minimizing unemployment. Yet it would seem that a central feature of contemporary globalization (Particularly in developed nations) is job insecurity, as jobs increasingly move to newly opened job markets.[163]

As Joseph Stiglitz argues, preventing the great misery for many that would result from the movement of jobs abroad (And downward pressure on wages at home) would doubtless require a strengthening of a nation's social safety net.[164] As such a program would be entirely based in the state, and not tied to the functioning of any particular firm, it is difficult to imagine how Schmoller, the German-trained Progressives or Eucken would make the argument for such a social safety net. One would have to look to some other intellectual tradition to find justification for such a solution to the problem of inequality that globalization will continue to present.

However, this is not to say that the insights of Schmoller and his interpreters cannot speak to issues presented by contemporary globalization. On the contrary, establishing what their thought cannot address makes clearer what it can.

The Focus of an Ethics Drawn from Insights of Schmoller & His Interpreters

---

[163] Joseph E. Stiglitz, Making Globalization Work. (New York: W.W. Norton & Company Inc, 2007) 271
[164] Ibid 275

The idea of a moral community coming into being through the joining of individuals in economic purpose is a theme common to the work of Schmoller and his interpreters. This idea is most apparent in the thought of Schmoller and the American Progressives, where the joining of individuals in economic purpose narrowly refers to individuals joining together in some form of production, as in a corporation. It is less readily apparent, though still at work, in the thought of Walter von Eucken and the Ordoliberals, where the participation of individuals in the market economy serves the purpose of integrating individuals in a community around just, humane principles.

The different interpretations of the ideas of economic purpose and moral community result in very different focuses in policy. The vision of Schmoller and the progressives emphasizes provisions for workers, whereas the Ordoliberals seek to limit the aggregation of private power and maintain competition. As Schmoller and the Progresssives' ethics stress the contextual basis of morality, it is hard to conceive of their vision enabling a general critique of the overall shape globalization has taken across nations. The Ordoliberals' vision, which offers general ethical principles, therefore better serves the purpose of a general characterization of what is unjust in the present form of globalization.

Multinational enterprises undermining the regulatory capacities of nation-states through threats of capital flight certainly seems an example of private power's corrosive influence on politics, which the Ordoliberals feared based on their experiences with cartels in Weimar Germany. Noting this as an injustice in the overall shape taken by globalization does not preclude bringing Schmoller's vision to bear on the practices of particular firms. In fact, the realities of the era of contemporary globalization necessitate that the Ordoliberal's vision be applied in order for the application of Schmoller's ideas to become possible.

It would be problematic to suggest that a focus on workers provides for a harmonization of the overall divergent views of Schmoller and his early interpreters and the Ordoliberals. However, the form contemporary globalization has taken makes the conditions of workers an issue that can align specific views of Schmoller and the Ordoliberals.

Appraising Contemporary Firms' practices based on Schmoller's Moral Vision

A facile reading for Schmoller's ideology in his proposals for social insurance might lead one to believe it would be fairly easy to imagine how Schmoller might judge many firms in the era of contemporary globalization. The practices of many firms towards their workers certainly have been a far cry from the benevolent provisions for social insurance in Schmoller's proposals. However, it is important to recall Schmoller's emphasis on the historical determination of morality. For example, Schmoller's proposal that workers should be involved in the administration of their insurance funds was in part intended to encourage "integration of the working class into bürgerlich [bourgeoise] society," which reflects the historical economists' commitment to preserving the ideal of the *Mittelstand* at a time of social and economic upheaval.[165] Thus, conceivably the practices of firms would have to be evaluated in terms of the notions of justice prevailing to the contexts in which their operations were based. Still, this does not mean that certain policy inclinations cannot be discerned in Schmoller's thought.

Although in *The Idea of Justice in Political Economy* Schmoller goes out of his way not to argue for any specific rules as to how businesses ought to act morally towards employees, one can read for a general idea of how they ought to act in his explanation that a moral community comes into being when individuals are joined in common economic purpose because "[it]

[165] Erik Grimmer Solem, The Rise of Historical Economics and Social Reform in Germany, 1864-1894. (New York: Oxford University Press, 2003) 211-212

governs the external and internal life of all participants."[166] If the moral character of a community results from a common economic purpose governing the external and internal life of all participants, then conceivably those governing the community have a moral responsibility to provide for the condition of the lives of the workers. One could certainly see employers' taking responsibility for accident insurance as coming from this line of thought (As indeed Schmoller did).[167]

Perhaps it might be possible to make a kind of moral argument for contemporary firms' use of the "competitive model" based on the exigencies of the present. One might say that these firms act in recognition of the moral community constituted by workers and management by taking the necessary steps to ensure the continued existence of this moral community of the firm in the face of intense competition. However, this is something of a strained argument, and one which is particularly difficult to sustain given the drastic increases in compensation given to upper-level executives in the same period that many firms were arguing that costs had to be cut at the workers' expense.

One could imagine Schmoller finding fault with contemporary firms in developed countries that do not provide for health insurance and similar benefits for workers. Certainly there would be many points on which Schmoller could criticize the practices of many multinational firms operating in developing countries, which go out of their way to circumvent even basic provisions for health and safety mandated by the law of these nations.

---

[166] Gustav Schmoller, "The Idea of Justice in Political Economy." Trans Ernest Halle and Carl Schutz. *Annals of the American Academy of Political and Social Science Volume 4*, 1893-1894. 14

[167] Erik Grimmer Solem, The Rise of Historical Economics and Social Reform in Germany, 1864-1894. (New York: Oxford University Press, 2003) 211

The argument for moral community may become more difficult to translate into policy proposals when applied to the practice of subcontracting. What kind of moral community comes into being between service and manufacturing firms that have entered into temporary partnerships? If the partnerships are only temporary, one wonders who would contribute to workers' insurance funds, and how much would come from each firm. It's true that at the time Schmoller was writing there was a practice of "network" organization of production which might seem somewhat analogous to the current "webs" of production. However, these "free-standing companies" can be distinguished from contemporary firms making use of strategies of subcontracting; while "free-standing companies" extended across borders, they "did not grow out of an existing home-based business operation," and lacked "core competencies," which cannot be said of contemporary firms such as Ford or Nike which provide the basis for transnational webs.[168] As "clusters," these presumably lacked the temporary nature that characterizes present alliances.[169] There is thus little cause to believe that Schmoller would have been considering something like the current transnational webs when making proposals for policies formulated into law by the Reichstag.

Here one begins to come up against the limits of the applicability of Schmoller's ideas for addressing the issues posed by contemporary globalization. Multinational enterprises now have an unprecedented ability to shift operations, as new regions with labor and manufacturing capacities have been integrated into the global economy. This presents both philosophical and practical problems for Schmollers' ideas, at least as he originally presented them.

---

[168] Mira Wilkins, "Multinational Enterprise to 1930: Discontinuities and Continuities," in Leviathans: Multinational Corporations and the New Global Economy, ed. Alfred D. Chandler and Bruce Mazlish (New York: Cambridge University Press, 2005), 53
[169] Ibid

On a philosophical level, one would have to question how the very basis for Schmoller's moral appeal based on tradition could work given the cultural dynamism of many societies in the contemporary era of globalization. In *The Idea of Justice in Political Economy*, Schmoller demanded

> "that the complexes of rules and morals and right which govern groups of men who live and work together should harmonize in their results with those ideal conceptions of justice which on the basis of our moral and religious conceptions are prevalent to-day, or which are gaining recognition."[170]

It is challenging enough to imagine how "rules and morals and right" governing "groups of men who live and work together" could harmonize with ideal conceptions of justice based on religion in a society such as 19th century Germany in which both Catholicism and Protestantism had significant followings. It is perhaps even more challenging to establish the contemporary relevance of this notion given a variety of cultural phenomena associated with contemporary globalization. Multinational restaurant and hotel chains disseminate "global" lifestyles across nations. The internet puts treasures from cultures the world over at the fingertips of nearly anyone with access. Immigrants bring their cultures to new countries and cultural cross-pollination ensues. And so on. It is no easy task to identify any "prevalent" conception of morality within a community such as a nation, and even if it were, explicitly basing legislation on a prevailing vision of morality might have disturbing implications for pluralism.

There is something to be said for an ethics based on a realization of interconnectedness, as opposed to an ethics based on perceived historical unities. The American Progressives "replaced the Germans' search for ethics embedded in history with the search for ethics that emerged from increased social interaction in society," seeing new possibilities in industrial

---

[170] Gustav Schmoller, "The Idea of Justice in Political Economy." Trans Ernest Halle and Carl Schutz. *Annals of the American Academy of Political and Social Science Volume 4*, 1893-1894. 21

society and urban environments.[171] This notion of an ethics coming into being through present interconnectedness would seem to offer more possibilities for articulating a moral vision for communities characterized by the dynamic interchange and innovation of culture than does Schmollers' culturally and historically based theory. It is true that many Progressives were hardly accommodating of difference, as a number held deep prejudices. Yet as these prejudices were premised on essentialist notions of culture and identity, it can be said they did not represent a full appreciation of the possibilities afforded by interconnectedness and interaction within a diverse society, namely, the potential of interconnectedness and interaction to jostle and destabilize constructions of identity and culture. An ethics centered on the opportunities for interconnectedness and interaction presented by modern industrial society should not be discounted because of the prejudices of some of the Progressives.

Even if the ethics underpinning Schmoller's policies can be salvaged by way of their modification by the Progressives, there is still the problem of policy implementation. Policies such as Schmoller and the Progressives' insurance legislature would need to be carried out by local (National) governments, as for Schmoller and the Progressives the state is an initiator of the institutions that are appropriate for the moral communities constituted by individuals joined in economic purpose. Yet it is the capacity of national governments to carry out such policies governing businesses that has often been compromised in the present manifestation of globalization by multinational enterprises' threat to move operations elsewhere. If they are to be made possible, it is necessary to provide a framework for limiting the power of these multinational enterprises. Such a framework could be built by drawing upon the insights of the Ordoliberals.

---

[171] Axel R Schäfer, American Progressives and German Social Reform, 1875-1920 (Stuttgart: Franz Steiner Verlag 2000) 12

The Ordoliberal notion of an economic constitution, stipulating the kind of economy desired by a community centered on the market economy, inspired the 'voluntary agreement' that provided the basis for the economic integration of Europe.[172] A similar idea could be a set of principles (Instituted, perhaps, by a body such as the World Trade Organization) establishing standards on which decisions about the integration of the world economy should be based.

International law could be devised to allow governments to take action when multinational enterprises threaten capital flight in order to force the destruction of health and safety standards. Perhaps more generally, a set of general principles could serve as a model for regulations across nations. Internationalizing health, safety, and labor standards would prevent multinational enterprises from making threats to flee from nations attempting to make provisions for the well-being of workers. If standards were relatively uniform, where would multinational enterprises threaten to flee to?

Law could also allow for greater transparency. Pressure from human rights and labor groups caused Nike to "become the world's first [multinational enterprise] to make public the location of its Third World subcontractors."[173] This kind of transparency could also facilitate inquiry into the kind of moral communities that come into being between subcontractors and subcontracted firms.

The objection could be raised that international law might impinge on the governance of individual states. To this it could be replied that there has already been a transformation in recent decades of what was formerly the domain of the state (Itself only a relatively recent development, instituted in many countries following the second World War). Rather than

---

[172] Ibid 72

[173] Neva Goodwin "The Social Impacts of Multinational Corporations," in Leviathans: Multinational Corporations and the New Global Economy, ed. Alfred D. Chandler and Bruce Mazlish (New York: Cambridge University Press, 2005),

"disappearing," nation-states have been rearranging their capacities in the era of contemporary globalization. In *The Idea of Justice in Political Economy*, Schmoller calls the state "the centre and the heart in which all institutions empty and unite" and says that the "State is and must be the leading intelligence, the responsible centre of public sentiment and the acme of existing moral and intellectual powers…"[174] There is reason to believe that this is still so, at least for many individuals. Jürgen Habermas, writing in the aftermath of the failure of the European Constitution of 2005, called for the development of civic solidarity among Europeans. This suggests that, at least to that point, Europeans had not developed such a solidarity.[175] This is to say that, at least among many in "the West," the state is still the center of public sentiment, as opposed to any organization resembling a super-state. Schmoller's argument can still hold, with international law being considered an institution which "empties" in the state. Representatives of nation-states make international laws through international organizations, and, at least to this point the (limited) enforcement of these laws has been the province of nation-states.[176]

Conclusion

The tradition of thought represented in the work of Gustav von Schmoller, the American Progressives, and Ordoliberals such as Walter von Eucken cannot address all criticisms of contemporary globalization. Yet insights drawn from these thinkers supply a framework for envisioning social reform with the potential to improve conditions for countless workers the world over. Crucially, the alignment of the Ordoliberals' project with Schmollers' speaks to the

---

[174] Gustav Schmoller, "The Idea of Justice in Political Economy." Trans Ernest Halle and Carl Schutz. *Annals of the American Academy of Political and Social Science Volume 4*, 1893-1894. 23

[175] Jürgen Habermas, "The Divided West." Trans Max Pensky. (Great Britain: Polity Press, 2006)

[176] Joseph E. Stiglitz, Making Globalization Work. (New York: W.W. Norton & Company Inc, 2007) 76

realizability of such a vision; this is a framework for transnational reform that can accommodate local differences. A commitment across nations to basic principles of business governance could still allow for some variations appropriate to local conditions in the specific laws and institutions governing moral communities of employers and workers in distinct localities.

Moreover, a framework constructed on the ideas of Schmoller and his interpreters supplies arguments for the broader significance of protecting workers in the era of contemporary globalization. A concern for social stability is a central focus for Schmoller, the Progressives, and the Ordoliberals. While these thinkers' relationships with the liberal tradition vary, even Schmoller, who sought to distance himself from the liberal politics of his day, worked to maintain the economic and social conditions he would have viewed as requisite for a functioning liberal polity (Incomplete and imperfect though that polity might be considered by many today). In this way, his project can be seen as not so dissimilar from the Ordoliberals' work to establish stable legal foundations to ensure the functioning of a liberal market society. This focus of the tradition of Schmoller and his interpreters indicates the larger significance of reform directed at guarding workers.

It would be easy to criticize the historical economists' mission to assimilate the working classes into the *Mittlestand*, especially given the mistrust and disdain towards the lower classes that characterized so much 19th century liberal German ideology. The notion that the less well off are unprepared to participate in politics might well draw cringes across the political spectrum today. Perhaps less controversial would be the idea that means play a significant role in determining political participation. It has been observed that in the United States, middle class persons are more apt to participate in a variety of politics (electoral, governmental, etc) than the

poor, for both material and psychological reasons.[177] At a time when corporations have moved away from providing for workers, the argument may be made anew for maintaining and expanding middle class standards of living through policies such as Schmollers' in order to support liberal, participatory politics.[178]

The Ordoliberal view of the potential of aggregations of private power to destabilize society suggests additional political problems worker-based reforms would address. If workers in a given country feel that their government is allowing foreign companies to benefit at their expense, their faith in their government and perhaps globalization itself might well be undermined.[179]

This is only to consider the potential political implications of the present shape of globalization indicated by the framework of Schmoller and his interpreters. There are economic implications to be considered as well. Examples suggest that workers increasingly incapable of making ends meet will resort to buying on credit to maintain lifestyles they once were able to support, making for a questionable foundation for an economy.[180] One also has to ask what kind of economic development is really being brought to countries by multinationals that pay low wages, strip away protections and benefits previously mandated by law and then disappear as soon as an opportunity for lower benefits still arises elsewhere. It may well be, then, that

---

[177] Leonard Beeghley, "Social Class and Political Participation: A Review and an Explanation." Sociological Forum 1, no 3 (1986)
[178] James M. Pethikoukis, "Anxiety Attack," *Newsweek*, June 2006
[179] In Chile, textile workers who helped bring the center-left Concertación party to power refused to register or cast blank or spoiled ballots in the 1997 congressional elections because the Concertación Government had left intact neoliberal policies and anti-labor laws designed to attract foreign investment. Peter Winn, *Victims of the Chilean Miracle* (Durham, Duke University Press 2004) 157. Joseph Stiglitz discusses the possibility of a backlash against globalization by those whose lives are consistently made worse, not better by it. Joseph E. Stiglitz, *Making Globalization Work*. (New York: W.W. Norton & Company Inc, 2007) 23
[180] James M. Pethikoukis, "Anxiety Attack," *Newsweek*, June 2006 & Peter Winn, Victims of the Chilean Miracle (Durham, Duke University Press 2004) 180-181

Schmoller's model of the "moral community" of workers and employer really is economical as well as moral; providing some measure of economic security for workers seems important to ensuring greater economic stability in the global economy.

Of course, the inseparability of moral understanding from understanding of economic and social reality has characterized the tradition represented by Gustav von Schmoller and his interpreters from its beginnings as a methodological and moral challenge to classical liberalism. It is a testament to the vitality of this perspective that the insights of Schmoller, the Progressives, and the Ordoliberals can reveal injustices in early 21st century globalization and enable an argument both moral and practical for a different future.

Bibliography

Beeghley, Leonard. "Social Class and Political Participation: A Review and an Explanation." Sociological Forum 1, no 3 (1986)

Boyer, Robert and Daniel Drache, *States Against Markets.* New York: Routledge, 1997.

Chandler, Alfred D. and Bruce Mazlish, Eds. *Leviathans: Multinational Corporations and the New Global Economy*. (New York: Cambridge University Press, 2005)

The battle of Smoot-Hawley. 2008. *The Economist*. Dec 18th.

Esping-Andersen, Gosta .*Welfare States in Transition*. California, Sage Publications LTD, 1996.

Gerber, David J. "Constitutionalizing the Economy: German Neo-Liberalism, Competition Law and the 'New' Europe." The American Journal of Comparative Law, Vol. 42, No. 1 (American Society of Comparative Law 1994)

Goldschmidt, Nils. "Walter Eucken's Place in the History of Ideas." http://www.gmu.edu/centers/publicchoice/HES%202007/papers/6d%20goldschmidt.pdf (accessed November 10, 2008)

Grimmer Solem, Erik. *The Rise of Historical Economics and Social Reform in Germany*, 1864-1894. New York: Oxford University Press, 2003.

Habermas, Jürgen. *The Divided West*. Trans Max Pensky. Great Britain: Polity Press, 2006

Iggers, Goerg G., "Historicism: The History and Meaning of the Term," Journal of the History of Ideas 56, No. 1 (1995)

List, Friedrich. *The National System of Political Economy*. Trans. Sampson S. Lloyd. New York: Longmans, Green, and Co, 1909.

Pearson, Heath. "Was There Really a German Historical School of Economics?" History of Political Economy 31, No. 3, (1999)

Pethikoukis, James M. "Anxiety Attack," *Newsweek*, June 2006

Pierenkemper, Toni & Richard H. Tilly. *The German Economy in the Nineteenth Century*. New York: Berghahn Books, 2004.

Price, Arnold. *The Evolution of the Zollverein: A Study of The Ideas and Institutions Leading to German Economic Unification Between 1815 and 1833*. Ann Arbor: University of Michigan Press, 1949.

Sassen, Saskia. *Sociology of Globalization.* New York: W.W. Norton & Company Inc, 2007.

Sassen, Saskia. *Territory, Authority, Rights*. New Jersey: Princeton University Press, 2008.

Schäfer, Axel R. *American Progressives and German Social Reform, 1875-1920*. Stuttgart: Franz Steiner Verlag 2000.

Schmoller, Gustav. "The Idea of Justice in Political Economy." Trans Ernest Halle and Carl Schutz. *Annals of the American Academy of Political and Social Science Volume 4*, 1893-1894.

Sheehan, James J. *German History, 1770-1866.* Oxford University Press, 1989.

Stiglitz, Joseph E. *Making Globalization Work*. New York: W.W. Norton & Company Inc, 2007.

Strange, Susan. *The Retreat of the State: The Diffusion of Power in the World Economy.* Cambridge: Cambridge University Press, 1996.

Waters, Malcom. *Globalization.* Cornwall, Great Britain: Routledge, 2004

Winn, Peter. *Victims of the Chilean Miracle*. Durham, Duke University Press 2004.