Part I

"Capitalism," word and concept

1 Cries of pain
The word "capitalism"

Throughout nineteenth-century Europe, industrialization and urbanization occurred rapidly and in tandem with wrenching socio-political transformation. Within several generations the continent experienced the disappearance of cottage craft industries and explosive demographic growth. Peasants fled their overcrowded farming villages for the shanty towns and tenements of big cities that were bursting at the seams but offered employment in factories, workshops, and retail stores. In the nineteenth century, that could seem a mixed blessing because of the lack of sanitation, the ubiquity of vermin, and the pollution: the inhabitants of Hamburg, Germany, saw "everything as if through a veil, for the smoke from a thousand chimneys spread over everything like a drifting mist."[1] To go from being a mainly farming society to a mainly industrial and urban one was a jarring shift in the extreme. Polarities of wealth were severe in the new metropolises, and, for many societies undergoing industrialization for the first time, for at least a generation the wages and living standard of workers were as likely to decline as improve.[2] This is the general context in which the word "capitalism" emerged.

Unlike the word "capital," which dates to ancient Rome, and "capitalist," which was coined in mid-seventeenth-century Holland and Germany, "capitalism" is of relatively recent vintage.[3] Before the mid-nineteenth

[1] Richard J. Evans, *Death in Hamburg: Society and Politics in the Cholera Years, 1830–1910* (London: Penguin, 1987), chap. 2, with quote on 121.

[2] Theodore S. Hamerow, *The Birth of a New Europe: State and Society in the Nineteenth Century* (Chapel Hill: University of North Carolina Press, 1983), 89–92, 104, and passim; Daniel T. Rodgers, *Atlantic Crossings: Social Politics in a Progressive Age* (Cambridge, MA: Belknap Press, 1998), 47, 49.

[3] On the word "capital," see Edwin Deschepper, "L'Histoire du mot capital (et dérivés)," mémoire de licence, Université Libre de Bruxelles (1963–1964). For its earliest antecedents, see Marc van de Mieroop, "The Invention of Interest: Sumerian Loans," in *The Origins of Value: The Financial Innovations that Created Modern Capital Markets*, ed. William N. Goetzmann and K. Geert Rouwenhorst (Oxford: Oxford University Press, 2005), 24. On the origins of "capitalist," see Deschepper, "L'Histoire du mot capital," 123–125. The earliest English quotation cited in the *Oxford English Dictionary Online* (2006), s.v. "capitalist," dates to 1792. But it had already appeared in America the

century it appeared scattershot in the European and American press.[4] Its consistent usage commenced in 1850, beginning with this passage by French socialist Louis Blanc in the ninth edition of his book *The Organization of Labor*: "What I would call *capitalism* . . . [is] the appropriation of capital by the few, to the exclusion of the many." "Capitalism," he continues, is "the mortal enemy" of those who would make capital – "the hen that lays the golden egg" – accessible to the masses.[5] Later that same year, the anarchist-socialist Pierre-Joseph Proudhon mentioned the word in his personal correspondence, and in 1857 it made its appearance in one of his pamphlets. It makes sense that the word would have arisen in France in that time period: "socialism," "communism," and "liberalism" were coined there earlier in the century; adding "ism" to French words had become a natural linguistic reflex in the highly politicized atmosphere of class tensions and ideological conflict following the revolutions of 1789, 1830, and now 1848.[6]

For both Proudhon and Blanc, capitalism implied capitalists wielding power through capital; in other languages, the first instance of the word

previous year in staid sources that suggest it was not a neologism: see, e.g., *Pennsylvania Gazette* (Philadelphia) of August 17, 1791.

[4] The only instances I have found prior to Louis Blanc (see next note) are in *The Shamrock* of New York, NY (May 18, 1816) and *The Eagle* of Maysville, Kentucky (July 11, 1817), both reporting on events in Buenos Aires, and in *English Review, or, Quarterly Journal of Ecclesiastical and General Literature* (Dec. 1844). In all of these articles, the word "capitalism" hints at the power of great wealth, but the exact meaning is unclear. The term also appeared in early-nineteenth-century France, but it had a narrowly technical financial definition – "a system of capitalization" – that disappeared: see J. B. Richard de Radonvilliers, *Enrichissement de la langue française: dictionnaire de mots nouveaux*, 2nd ed. (Paris: Léautey, 1845), 52.

[5] Louis Blanc, *Organisation du travail: association universelle*, 9th ed. (Paris: Bureau du nouveau monde, 1850), 161, 162; the term does not appear in earlier editions. Emphasis in the original. For the etymology, in addition to online database searches, I have relied on J.-J. Hémardinquer, "'Capitalisme': mot et idée quarante-huitards? (Précision nouvelles)," *Annales* (March-April 1967), 442–446; Marie-Elisabeth Hilger et al., "Kapital, Kapitalist, Kapitalismus," in *Geschichtliche Grundbegriffe: Historisches Lexikon zur politisch-sozialen Sprache in Deutschland*, ed. Otto Brunner et al., vol. III (Stuttgart: Klett-Cotta, 1982), 399–454; and Richard Passow, *"Kapitalismus": Eine begrifflich-terminologische Studie* (Jena: G. Fischer, 1927), 2–3. Albert Dauzet et al., *Nouveau dictionnaire étymologique et historique*, 3d ed. (Paris: Larousse, 1974), 132, incorrectly claims that it first appeared in Diderot's *Encyclopédie*, where in fact the word is not found. Alain Rey et al., comps., *Dictionnaire historique de la langue française* (Paris: Dictionnaires le Robert, 1992), 343, dates the term to 1753, but without any evidence. David McLellan, *Karl Marx: His Life and Thought* (NY: Harper and Row, 1973), 217, is also incorrect when he states that the German radical Andreas Gottschalk used the word in 1848. The German source for this statement shows Gottschalk speaking of "*Kapitalherrschaft*" – the domination of capital – rather than "capitalism": see Hans Stein, *Der kölner Arbeiterverein (1848–1849)* (Cologne: Gilsbach, 1921), 96.

[6] Arthur E. Bestor, Jr., "The Evolution of the Socialist Vocabulary," *Journal of the History of Ideas* (June 1948), 259–302; Bestor does not discuss the origins of the word "capitalism."

was somewhat more restricted in its meaning. In English, the honor goes to the Victorian writer William M. Thackeray – the rival of Dickens who was much agitated by the condition of the urban poor – in his novel *The Newcomes* (1854). Here, capitalism refers specifically to having money invested in the stock market: because the character Paul de Florac had investments, it gave him a "sense of capitalism," which made him feel more "dignified."[7] In Germany, the first person to use the word in print was the Prussian conservative social reformer Karl von Rodbertus in a book on rural credit published in 1869. Although Rodbertus was the first person to call "capitalism ... an entire social system," all he was signifying was that money-lenders and speculators had gained too much influence over the disposition of landed property, the effect of which was to get landowners stuck in a "whirlpool of capitalism" – i.e., debt and bad investments.[8]

The word caught on only slowly. Karl Marx only mentioned it a few times late in life: the closest he came prior to that was "capitalist means [or mode] of production."[9] Books with "capitalism" in their titles were few and far between. In German, the first was political economist and social reformer Albert Schäffle's *Kapitalismus und Sozialismus* (1870), with the next one coming eleven years later.[10] In English, French, Italian, and Spanish, only a handful of books with "capitalism" in the title were published before the 1890s.[11] Keyword searches using database collections of the major English and American newspapers and French books indicate that the word did not regularly appear until after World War I (for reasons we will see), and often required an explanation for

[7] William Makepeace Thackeray, *The Newcomes* (London: Everyman, 1994 [1853–1855]), 467.

[8] Karl von Rodbertus-Jagetzow, *Zur Erklärung und Abhülfe der heutigen Creditnoth des Grundbesitzes* (Jena: Mauke, 1869), pt. 2, xiv–xvi, 377–379.

[9] For Marx, see German texts of his writings on the website "Stimmen der proletarischen Revolution" (mlwerke.de/me/default.htm), keyword search "Kapitalismus." As this chapter treats those who used the term "capitalism," it does not devote a specific section to Marx. But his legacy is inescapable and will be apparent throughout the first part of this book.

[10] Online catalogue searches of Deutsche Nationalbibliothek, Leipzig and Frankfurt am Main; and worldcat.org, s.v. "Kapitalismus." Worldcat.org gives the date of a pamphlet by the German socialist Heinrich Lux, *Die technische Revolution und der Kapitalismus* as 1870, but Lux was born only in 1863 and the real date of publication was 1895. See Hilde Schramm, *Meine Lehrerin, Dr. Dora Lux*, 2d ed. (Reinbek: Rohwolt, 2012), dritte Exkurs, 22–23, online at rowohlt.de/buch/Hilde_Schramm_Meine_Lehrerin_Dr_Dora_Lux.2954762.html.

[11] Online catalogue searches of Biblioteca Nacional de España; British Library; Library of Congress; worldcat.org, and theeuropeanlibrary.org, s.v. "capitalism"; "capitalisme"; "capitalismo."

readers.[12] In 1908, for instance, Thorstein Veblen explained to other economists that it was a socialist term meaning a "large-scale industrial regime" – not the first thing that comes to mind when we think of capitalism today.[13]

An exception to that pattern was in Russia. The Russian intelligentsia was particularly sensitive to the rapid incursion of foreign models of economic development, and vigorously debated the ways Russia might cope with them. In doing so, its members made precocious use of the term "capitalism." There, the first occurrence of the word was in the title of the 1871–1872 translation of Schäffle's above-mentioned book.[14] The earliest appearance in an original Russian-language text that I have found comes from an anonymous Narodnik (Russian populist-socialist) article published in 1877 in a London-based exile journal.[15] The first Russian-authored book with "capitalism" in its title was also by a Narodnik economist, who was much troubled by the fate of native Russian handicrafts following the introduction of European-style factory production.[16] Regardless of their political position, most Russian thinkers of the late tsarist era would have agreed with the economist Nikolai-on (Nikolai F. Daniel'son) that capitalism had penetrated all realms of Russian life with the resulting disruption of traditional ties: "capitalism ... has destroyed all the age-old 'foundations' of the folk: economic, legal, moral."[17] The question was whether to oppose or embrace it: Marxists like Peter Struve argued that Russians needed to "recognize our backwardness and enter onto the path of capitalism," while Narodniks wanted to resist it for fear of what would happen to the once-flourishing but now fragile craft industries.[18]

[12] Keyword search in "ProQuest Historical Newspapers," "*Times* Digital Archive," and "Frantext" databases, s.v. "capitalism" or "capitalisme." Earliest appearance in the London *Times*: May 10, 1882, p. 7; in the *New York Times*: July 20, 1878, p. 3. Other first appearances of the word: *Washington Post* (Sept. 27, 1885), 1; *Los Angeles Times* (Oct. 13, 1890), 7; *Wall Street Journal* (Feb. 16, 1904), 1.

[13] Thorstein Veblen, "On the Nature of Capital," *Quarterly Journal of Economics* (Aug. 1908), 534.

[14] Al'bert E. Sheffle, *Kapitalizm i sotsializm* (St Petersburg: Tipografiia M. Khana, 1871–1872).

[15] "Ocherki uspekhov ekonomicheskoi ekspluatatsii v Rossii za poslednie gody," *Vpered*, no. 5 (1877) (London), excerpted in *Narodnicheskaia ekonomicheskaia literatura: Izbrannye proizvedeniia*, comp. N. K. Karataev (Moscow: Izdatel'stvo sotsial'no-ekonomicheskoi literatury, 1958), 273, 656.

[16] V. V. [Vasilii Pavlovich Vorontsov], *Sud'by kapitalizma v Rossii* (St Petersburg: Tipografiia M. M. Stasiulevicha, 1882).

[17] Nikolai-on [Nikolai F. Daniel'son], *Ocherki nashego poreformennogo obshchestvennogo khoziaistva* (St Petersburg: A. Benke, 1893), 74–75, n1.

[18] James H. Billington, *Mikhailovsky and Russian Populism* (London: Oxford University Press, 1958), 165 (Struve quote); see also Nikolai-on, *Ocherki nashego poreformennogo obshchestvennogo khoziaistva*, 322, 335, 339, and, in general, Wayne Dowler,

By the early twentieth century, the term had entered such general usage among the Russian intelligentsia that medical doctors diagnosed the phenomenon as the cause of what they perceived to be a far-reaching "degeneration": they equated "capitalism" with a harmful Darwinian "struggle for existence" that was responsible for a deterioration of mental and physical health in the newly industrialized cities. In a 1907 book on the social diseases of tuberculosis, alcoholism, and syphilis, physician Lev B. Granovskii concluded that "struggle with [these manifestations of] degeneration ... should be directed at the removal of the capitalist order."[19] This type of medical analysis appeared in the West, too, where the critics of capitalism, whether they were socialist or not, believed that "evil capitalism makes people wicked and turns them into criminals and social parasites."[20]

With some exceptions, for the first couple of decades the word "capitalism" was predominantly part of the leftist vocabulary, adopted by other Marxists, anarchists, syndicalists, and an array of garden-variety socialists. This was true in China and Japan as well as in Europe and the United States. It started out as a term of abuse, adopted in order to describe what it was socialism was fighting against – or, better, to demonize what socialists hated about the modern world. If socialism was the dream of a perfect human future, free from all struggles and inequalities, then capitalism was the dreadful reality of suffering and oppression that had to be surmounted to achieve the wondrous promise of that freedom.[21]

"The Intelligentsia and Capitalism," in *A History of Russian Thought*, ed. William Leatherbarrow and Derek Offord (Cambridge: Cambridge University Press, 2010), 263–285, and Andrzej Walicki, *The Controversy over Capitalism* (Notre Dame: Notre Dame University Press, 1989 (1969)). One of the earliest academic articles explaining these Russian-intelligentsia debates to Western scholars was N. I. Stone, "Capitalism on Trial in Russia," *Political Science Quarterly* (March, 1898), 91–118.

[19] Daniel Beer, *Renovating Russia: The Human Sciences and the Fate of Liberal Modernity, 1880–1930* (Ithaca, NY: Cornell University Press, 2008), 80–88.

[20] Austrian (later American) legal philosopher Hans Kelsen, early 1920s, cited in Norbert Leser, "Otto Weininger und die Gegenwart," in *Otto Weininger: Werk und Wirkung*, ed. Jacques Le Rider and Norbert Leser (Vienna: Österreichischer Bundesverlag, 1984), 21.

[21] Deschepper, "L'Histoire du mot capital," 153; Martin Malia, *The Soviet Tragedy: A History of Socialism in Russia, 1917–1991* (NY: Free Press, 1994), 48–49; R. M. Hartwell and Stanley L. Engerman, "Capitalism," *in The Oxford Encyclopedia of Economic History*, ed. Joel Mokyr, vol. I (Oxford: Oxford, University Press, 2003), 321. In America, one of the earliest instances of the word was in an anti-private property tract published in 1877 by the Workingmen's Party of the United States, Adolf Douai's *Better Times!* (Chicago: Executive Committee, Workingmen's Party of the United States, 1877), 19, 23. On China and Japan see Wolfgang Lippert, *Entstehung und Funktion einiger chinesischer marxistischer Termini* (Wiesbaden: Franz Steiner Verlag, 1979), 145–153; and Andrew E. Barshay, *The Social Sciences in Modern Japan: The Marxian and Modernist Traditions* (Berkeley: University of California Press, 2004), passim.

The language associated with the word was, therefore, mostly negative, but with the promise of redemption. It drew from the deep well of ancient moralizing against money and merchants. Apostle Paul's counsel to Timothy in the New Testament epitomizes this enduring heritage of the classical Mediterranean: "They that will be rich fall into temptation and a snare, and into many foolish and hurtful lusts, which drown men in destruction and perdition. For the love of money is the root of all evil."[22] The echoes of admonitions such as Paul's resounded in the anti-capitalism of the modern era, but with a supplementary call to revolutionary action. In France, socialists of the 1860s and 1870s thundered against "parasitical capitalism," and on the eve of the violent insurrection of the Paris Commune, the latter-day Jacobin, Auguste Blanqui, seethingly remarked that "capitalism takes itself to the window and with utter tranquility views the people wallowing in the gutter."[23] The German socialist leader Wilhelm Liebknecht in 1872 castigated those who would sacrifice the working class to the "Moloch of capitalism" on the "battlefields of industry."[24] Others blamed "all the evils of society" on capitalism, "this severe social disease" which involves the "excessive and illegitimate accumulation of capital" and turns workers into "raw materials, work tools, and beasts of burden."[25] The American Wobblie leader Big Bill Haywood decried the "slave bondage of capitalism" in a speech he gave in Chicago on June 27, 1905, before the "Continental Congress of the Working Class."[26]

Writing about this socialist movement and its bitter fury toward capitalism, French sociologist Émile Durkheim observed that it was "not a science" but "a cry of pain" in the face of the Industrial Revolution.[27] This was the most thorough-going and disruptive transformation of human affairs since the Neolithic birth of agriculture. Looked at in that context, we can understand why other ideological movements emitted cries of pain as they, too, latched onto the threat of "capitalism."

From socialists the term passed to Catholics, who were everywhere under assault by anti-clerical liberals and in Germany associated capitalist business with the harsh discrimination they faced in Bismarck's Lutheran- and Prussian-dominated, fast-industrializing nation.[28] Some

[22] 1 Timothy 6:7–10. [23] Hémardinquer, "Capitalisme," 443.
[24] Hilger, "Kapital," 444. [25] Passow, *Kapitalismus*, 10, 12, 23.
[26] Melvyn Dubofsky, *We Shall Be All: A History of the Industrial Workers of the World* (Chicago: Quadrangle Books, 1969), 81.
[27] Émile Durkheim, *Le socialisme* (1928), ebook version: http://classiques.uqac.ca/classiques/Durkheim_emile/le_socialisme/le_socialisme.html, 12.
[28] Wolfgang Hock, *Deutscher Antikapitalismus* (Frankfurt am Main: Fritz Knapp, 1960), 26; Paul Jostock, *Der deutsche Katholizismus und die Überwindung des Kapitalismus*

Catholic thinkers and politicians warmed to socialism, others moved to the far right, but either way they borrowed from socialist terminology as they sought to make sense of the bewildering challenges facing them in the nineteenth century. One statement encapsulates the mix of ideas in Catholic social thought of the period: "The enemy of the worker and of mankind in general was the vile spirit of egoism, which today rules the earth as capitalism and destroys Christian moral principles."[29]

From both socialists and Catholics, the word "capitalism" circulated to anti-Semites. According to the renowned economist Ludwig von Mises, writing in 1922, the term was a red cape waved by the "matadors of ultra-nationalist hate literature" to whip up the fury of the masses against free-market economics.[30] It was long standard fare for Jews to be associated with money lending and stock trading, but this ethnic minority became a more visible presence in certain arenas of economic life after gaining equal rights in Western Europe, and they were often scapegoats for the market crashes of the later nineteenth century. For anti-Semites, the "capitalist era" was synonymous with "control by the Jews."[31] "The Hebrew is the bearer of capitalism," a form of slavery imposed by these "subhumans" waging a "war of extermination . . . against the rest of humanity."[32] The Imperial German government had encouraged this link in the mind of the masses: Bismarck told an interviewer that he supported the anti-Semites of his day as "a safety-valve for reducing the pressure of the popular movement against capitalism in general. It deflected it from Socialist channels."[33] In France, too, many left-wing socialists and anarchists, as well as conservatives, were prone to anti-Semitism, which the historian Anatole Leroy-Beaulieu in the 1890s called

(Regensburg: Friedrich Pustet, 1933), 13; Joseph N. Moody, ed., *Church and Society: Catholic Social and Political Thought and Movements, 1789–1950* (NY: Arts, Inc., 1953), 519–520, 546–547; Passow, *Kapitalismus*, 12, 16–18, 25, 68–70. Cardinal Bourne of the English Catholic Federation tarred capitalism by association with the Protestant Reformation: "capitalism really began with the robbery of Church property in the sixteenth century" (London *Times* [Feb. 15, 1918], 4).

[29] Joseph Schwalber, *Vogelsang und die moderne christlich-soziale Politik* (Munich: Leohaus, Hauptstelle katholisch-sozialer Vereine, 1927), 12.

[30] Passow, *Kapitalismus*, 77n2.

[31] Heinrich Schnee, *Bürgermeister Karl Lueger* (Paderborn: Schöningh, 1936), 16 (quote), 30, 41. See also Kurt Wawrzinek, *Die Entstehung der deutschen Antisemitenparteien (1873–1890)* (Berlin: E. Ebering, 1927), 16–17; Bruce F. Pauley, *From Prejudice to Persecution: A History of Austrian Anti-Semitism* (Chapel Hill: University of North Carolina Press, 1992), 42, 158–159; and Schwalber, *Vogelsang*, 15–16.

[32] Ferdinand Roderich-Stoltheim [pseud. of Theodor Fritsch], *Die Juden im Handel und das Geheimnis ihres Erfolges* (Steglitz: Peter Hobbing, 1913), chap. 12 title, 144, 264.

[33] London *Times* (April 29, 1893), 7.

a manifestation of "anti-capitalism."[34] And in England, the Social Democratic Federation newspaper *Justice* stated that "the Jew financier" was the "personification of international capitalism" – an opinion repeated in the anti-Semitic diatribes of John A. Hobson, the socialist writer who wrote one of the earliest English books with "capitalism" in the title and helped to familiarize Britons with the concept.[35]

The German scholar Werner Sombart played a special role in furthering an anti-Semitic understanding of the relationship between Jews and capitalism.[36] His writings influenced right-wing extremists across Europe in the interwar years. As Sombart elucidated in numerous best-selling books, among them *The Jews and Economic Life* (1911), modern capitalism was devoid of any admirable Nordic qualities as it evinced a detestable Jewish spirit. By that he meant capitalism had taken on the allegedly nomadic, unrooted, and ultra-rational attributes of Judaism – all stereotypes rather than empirically derived characteristics. For Sombart, the "Jewish species" that created and dominated modern capitalism was epitomized by the unheroic trader "whose intellectual and emotional world is directed to the money value of conditions and dealings, who therefore calculates everything in terms of money" to the detriment of human considerations and the interests of the community.[37]

In the 1920s, in the wake of Germany's defeat in World War I and devastating hyperinflation, Sombart's musings became even more extremist. For Sombart, the modern era had entered the "chamber of horrors that was capitalism." He now believed that only German productive efficiency and technological greatness could serve as a bulwark against the greedy and conniving Jewish capitalist spirit that had pervaded the rest

[34] Stephen Wilson, *Ideology and Experience: Antisemitism in France at the Time of the Dreyfus Affair* (Rutherford: Farleigh Dickinson University Press, 1982), 248; see also chap. 10 and passim.

[35] John A. Hobson, *The Evolution of Modern Capitalism: A Study of Machine Production* (London: Walter Scott Press, 1894); Colin Holmes, "Anti-Semitism in British Society, 1876–1939," in *Hostages of Modernization: Studies on Modern Antisemitism, 1870–1933/39*, vol. I, ed. Herbert A. Strauss (Berlin: Walter de Gruyter, 1993), 326–329, 333 (quotes).

[36] See Friedrich Lenger, *Werner Sombart, 1863–1941: Eine Biographie*, 3rd ed. (Munich: C. H. Beck, 2012), chap. 9; Arthur Mitzman, *Sociology and Estrangement: Three Sociologists of Imperial Germany* (NY: Knopf, 1973), 22, 25–26, 251–259; Reiner Grundmann and Nico Stehr, "Why Is Werner Sombart Not Part of the Core of Classical Sociology?" *Journal of Classical Sociology*, vol. I, no. 2 (2001), 262–263; Jeffrey Herf, *Reactionary Modernism: Technology, Culture, and Politics in Weimar and the Third Reich* (Cambridge: Cambridge University Press, 1984), chap. 6; Jerry Z. Muller, *The Mind and the Market: Capitalism in Modern European Thought* (NY: Knopf, 2002), 253–257; Werner Sombart, "Capitalism," in *Encyclopedia of the Social Sciences*, ed. Edwin R. A. Seligman (NY: Macmillan, 1930), vol. III, 205.

[37] Cited in Grundmann and Stehr, "Why Is Werner Sombart Not Part of the Core of Classical Sociology?" 262–263.