Impoverishment and the Expansion of Governmental Control
Author(s): Pitirim A. Sorokin
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PITIRIM A. SOROKIN
University of Minnesota

ABSTRACT

In a society where there exists a differentiation into poor and rich, an impoverishment or an increase of the economic contrast between the wealthy and the poor facilitates an expansion of government interference in economic relations. This factor, together with that of militarism, has been, and is, responsible for an increase of governmental control of economic relations in the past and in the present.

I

We know well that the amount of governmental control of human interrelations is not constant: it fluctuates from society to society and, within the same society, from time to time. Its theoretical minimum is a situation of extreme laissez faire; its theoretical maximum is complete state socialism, where government controls all human relations beginning with the family and economic relationship and ending with the religion, education, and amusement of the citizens. Between these two extremities the real movement of governmental control has been fluctuating. Some societies have been nearer to the type of laissez faire; others, to that of state socialism. In some periods the organization of the same society, for instance, of Russia in 1917–22, makes a swing toward an increase of government interference; in others, in the opposite direction.

The problem to be discussed now is what factors are responsible for such a fluctuation of the amount of government interference and control. There is no doubt that the factors are numerous. But among them there seem to be a few especially important in this respect. Herbert Spencer has indicated the factor of militarism as

1 Co-operative organization and control is strongly different from governmental control; therefore what is going to be said of the latter cannot be applied to the former.
the most important cause of an increase of government interference.² The last war conspicuously corroborated his theory. Its essence is to be recognized as scientifically valid. Among other factors of the above fluctuation a very conspicuous part seems to have been played by the factor of economic impoverishment of the masses, especially when it manifests itself in its extreme form of mass famine. In a society where there exists a differentiation into poor and rich an extraordinary impoverishment facilitates an expansion of government interference in economic relations, and, through that, an increase of governmental control in other fields of social life. If the economic level of the masses remains the same, but the economic difference between the wealthy and the poor increases in such a way that the rich become still richer, the effect is similar because a relative enrichment of the wealthy is a relative impoverishment of other groups of the population, and vice versa. An increase of economic prosperity or a decrease of economic contrasts between the rich and the poor tends to decrease the economic control of the government. Such seems to be the second important factor of fluctuation of the amount of governmental interference. From the standpoint of the proposition it does not matter whether an increase of the interference is made in a peaceful or revolutionary way, by a conservative or revolutionary government, under the name of socialism or absolutism. What matters is that in some way it takes place, regardless of these details.

The reason of this is at hand: abundance of a necessity makes unnecessary any governmental regulation. Since we have plenty of air to breathe, our need is satisfied without any compulsory regulation. If there were a scarcity of this necessity the regulation would have become unavoidable. The same may be said of other necessities. Owing to a lack of space I cannot enter here into a more detailed discussion of the reasons for an increase of governmental control under the influence of the factor of impoverishment. Instead of such an analysis it would be better to show factually that the foregoing correlation really exists and has been regularly repeated in history. Such a regularity, exhibited in different societies

and at different periods, is one of the best witnesses that the two phenomena are correlated.

II

Whether we take the records concerning great famines in the history of ancient Egypt, or ancient Greece and Rome, or China and Persia, or Russia and many medieval societies, we can but notice an expansion of the economic control of the government at such a period. On the other hand, except in the cases of "a militant state socialism" called forth by the factor of militarism, the greatest expansion of governmental control, amounting to a universal state socialism in the history of different societies and at different periods, has invariably happened in the periods of economic disorganization of the country and of impoverishment of its masses. Such are two series of facts which corroborate the proposed hypothesis.

An increase of governmental economic control in the periods of famine and impoverishment has been regularly manifest in the following phenomena. First, in an establishment or reinforcement of governmental control of exports and imports, which often amounted to governmental monopoly of foreign trade; second, in an establishment of fixed prices on food and other necessities; third, in governmental registration and tabulation of the entire amount of necessities in the country owned by its citizens; fourth, in a complete control of purchase and sale of commodities, including amounts to be bought, and conditions governing sales; fifth, in governmental compulsion of private citizens' sending their commodities to market; sixth, in requisition, to an extraordinary large degree, of private necessities by the government; seventh, in an establishment of numerous governmental agencies for the purpose of buying, producing, and distributing necessities among the population; eighth, in the introduction of a ration system; ninth, in an organization of public works on an extraordinarily large scale; tenth, in a substitution of governmental control of production, distribution, and even consumption, of necessities for that by private individuals or corporations. All these and many similar phenomena have been regularly repeated in most dissimilar countries at most
dissimilar times, as soon as famine and impoverishment have broken out. All this signifies great expansion of governmental interference in the economic relationships of the population and, through that, often in other fields of social interrelations. Here are a series of facts, a few out of many similar, which show this.

*Ancient Egypt.*—The Bible gives us one of the oldest records which clearly shows the foregoing correlation. As a result of the great famine in the time of Joseph, the money, cattle, and land of the population of ancient Egypt "became Pharaoh's." The people became the slaves of the government. The entire economic life began to be controlled by the government. In the modern terminology this means that everything was nationalized, and that the economic control of Pharaoh's government was expanded enormously at the expense of that of private individuals.\(^3\) Other Egyptian records show that this was repeated several times in the history of ancient Egypt. Its pharaohs and officials often stress in their records that "in years of famine they plowed all the fields of the nome, preserving its people alive and furnishing its food."\(^4\) As war and famine or danger of famine were very frequent phenomena in ancient Egypt, this accounts for a high level of governmental control throughout the history of Egypt. And yet, in the famine years and in periods of impoverishment, as the before mentioned facts show, the control seems to have jumped still higher. The economic life of Egypt under the Ptolemy dynasty gives an additional example of this. Economic disorganization of this period was accompanied by an extraordinary growth of governmental control which led to a transformation of society into an universal state-socialist organization.\(^5\)

*China.*—More abundant and conspicuous confirmation of the hypothesis is given by the history of China. It is the history of a society with very frequent famines and with a permanent danger of

\(^3\) See Genesis 47:12–20.


\(^5\) See M. Rostovtzev, *State and Personality in Economic Life of the Ptolemaic Egypt* (Russian, Sovremennya Zapiski), No. 10.
starvation. This accounts for an exclusively high level of governmental control in China throughout its history. The organization of Chinese society has been in essence "an economic state socialism," with "many governmental regulations to control consumption, production, and distribution." And yet, in the periods of great famine or impoverishment, governmental control expanded still more. This, according to the records, has invariably happened in the time of Yao, in the years of famine during the Yin, the Chow, the Hans, the Tang, the Sung, and other dynasties. On the other hand, the attempts to introduce a real state-socialist organization, like the attempts of Wang Mang or Wang an Shih, regularly happened in the period of a great impoverishment of the country.

Ancient Greece.—Aside from the factor of militarism, economic insecurity was responsible for a large degree of governmental control in Sparta, Athens, Lipara, and other Greek states. R. Pöhlmann says: "The products of the Spartan agriculture were not sufficient to satisfy the necessities of the population. The entire economic life was based on a very narrow and uncertain basis. Every economic crisis, every delay or interruption of imports of necessities was very dangerous. Shall we wonder that the strongest governmental control of economic life became inevitable?" In similar straits was Athens. In the periods of impoverishment and famine the governmental control intensified.

"As soon as the prices on the necessities began to go up, the state interference took extraordinary forms. For the struggle with the coming famine the state organized an extraordinary commission of Sitons with unlimited control of economic life." All mentioned effects of famine took place in an extraordi-

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8 R. Pöhlmann, Geschichte d. antiken Communismus und Socialismus, Russian trans., pp. 32 ff., 430 ff.

nary degree. Often private control of economic relations was almost completely superseded by that of the government, in the production and distribution of the necessities and in the field of economic life of society generally.\textsuperscript{10}

In the period of extreme impoverishment governmental control assumed the forms of the Russian Communism of 1918–20. The government confiscated private lands and wealth, distributed them in such a way as it found necessary, nationalized what it wanted; in brief, pushed its control up to possible limits. Such were, for example, the periods of impoverishment after the Messina War and in the times of Agis IV, Cleomenes III, and Nabis in Sparta; after the Peloponnesian War in Athens (the periods of the Thirty and the Ten Tyrants), and in some other periods. Either in a legal way or in the form of revolution, under conservative as well as revolutionary dictators, state interference in such periods grew to its limits and assumed the form of state socialism.\textsuperscript{11}

Ancient Rome.—Similar parallelism is given in the history of Rome. Here the years of famine, like the years 5, 8, 18, 52, A.D., were usually accompanied by a corresponding increase of the governmental control. Side by side with these small fluctuations we see that the periods of impoverishment of the masses were followed by an expansion of state interference which amounted sometimes to state socialism. It is well known that the period from the second half of the second century B.C. to the beginning of the first century A.D. was that of a great economic disorganization of Rome. The same period is marked by the Corn Laws of the Gracchi, (123 B.C.); by the establishment of a special institution for prevention of famine and for control of the public supply (104 B.C.); by the introduction of a ration system and public supply free of charge; by many nationalizations and confiscations and restriction of private economic enterprise; by a great increase of economic func-


tions of the government. Still more conspicuous was the discussed correlation in the period from the third century A.D. to the "end" of Rome. It was also the time of an establishment of state-socialistic economic organization in the Western Roman Empire. "The Empire was transformed into a big factory where, under the control of the officials, the population had to work. It was a real state-socialist organization of industry and labor. Almost all production and distribution of wealth was concentrated in the hands of the government." One who has observed the Soviet Communist system in the period from 1917 to 1922 can but notice the essential similarity of the Roman and the Soviet régimes.

The Middle Ages.—Here the same correlation is repeated many times. In 792–93 the famine broke out. As a result, "Charles the Great introduced the first fixed prices under its influence." In 805 famine burst out again, and a decree was issued that "ne foris imperium nostrum vendatur aliquid alimoniae"; free trade was forbidden; fixed prices were reintroduced; the freedom of contracts was restricted; agriculture and industry began to be controlled more severely, and so forth. As in the Middle Ages famine was very frequent, this, besides the factor of war, seems to have been responsible for a relatively high government control of economic relations throughout the Middle Ages. It, however, jumped up in the years of famine. In the history of England such years were 1201–2, 1315–16, 1321, 1483, 1512, 1521, 1586, 1648–49, and others. In the history of France such years were 1391, 1504–5, 1565, 1567, 1577, 1591, 1635, 1662, 1684, 1693, 1709, to mention but a few cases. The same years were marked by an increase of government interference in economic relations. A historian of the food-trade in France sums up his exhaustive study as follows: "As


33 Waltzing, op. cit., Vol. II, pp. 383–84; Duruy, Histoire des Romains, VIII (1885), 559 ff.; see also Dill, Roman Society.

34 F. Curschmann, Hungersnöte in Mittelalter (1900), pp. 71–75 and passim.
soon as famine was bursting out governmental control became stronger; as soon as famine was weakening, the control weakened also.\textsuperscript{15} The discussed correlation is still more conspicuously exhibited in the history of Russian famines. Each of the periods of famine or of great impoverishment has been invariably followed by an increase of governmental control.\textsuperscript{16}

In the light of this hypothesis it is comprehensible why governmental control in the form of the revolutionary or counter-revolutionary dictatorship usually increases in the periods of great revolutions. Such periods are marked by an extraordinary impoverishment and disorganization of economic life. Hence its result—an extraordinary increase of governmental control of the entire economic life of a revolutionary society. Sometimes it leads to an establishment of a “Communist” or “state-socialist organization” in a revolutionary country, like the Communist societies in Tabor (in revolutionary Bohemia), in Mühlhausen, in New Jerusalem, or in Paris in 1871, to mention but a few cases of that kind.\textsuperscript{17}

Finally, a striking confirmation of the hypothesis has been given by the expansion of governmental control during the years of the war and after. During this period, not only in the belligerent, but in the neutral, countries, too, the control of economic life by the government increased enormously. In the belligerent countries it was due primarily to the factor of war, and secondarily to that of scarcity of food and other necessities. In the neutral countries the expansion of the interference was called forth principally

\textsuperscript{15} Afanassieff, \textit{The Conditions of Food Trade} (Russian, 1892), pp. 1–3, 8, 17, 144–48, 155, 158. Araskranianz, “Die französische Getreidehandelspolitik bis zum Jahre 1789,” Schmoller's \textit{Staats und Sozialwiss. Forschungen} (1882), Bd. 4, pp. 3, 10–14. It is curious to note that this regularly happened even when the head of the French government were persons who were inimical to an expansion of governmental control of economic affairs. An example is given by Turgot. In 1774 he decreed a complete freedom of trade. In 1775, under the influence of the famine of 1774–75, he was forced to annul his decree. The same happened with Nekker, Dupont de Nemure, and the National Assembly (see Afanassieff, \textit{op. cit.}, pp. 299 ff., 370–71.


\textsuperscript{17} See the facts in Sorokin’s \textit{Sociology of Revolution}, chaps. v, xiv.
by an increased scarcity of food and other necessities. The same
two factors seem to have been responsible for the Communist ex-
periments in Russia, Bavaria, and Hungary, not to mention milder
socialist measures in several other countries. From this standpoint
the so-called "Communist régime" in all the countries mentioned
has represented the expansion of governmental control up to its
limits. An annihilation of private property; a universal national-
ization, beginning with factories and land and ending with the last
silver teaspoon; a complete annihilation of private commerce and
trade; a regulation of the entire production, distribution, and even
consumption of all products of the country by the government; a
complete substitution of governmental control for that of private
indivduals—such have been the characteristics of the Communist
régime in Russia in the period from 1917 to 1922.

This means an extreme expansion of governmental control.
What were its causes? The answer in brief is as follows: Owing to
the war the lack of necessities began to be felt in Russia already in
1915. Since the same period there appeared the tendency of the ex-
pansion of governmental control in the economic field. The decrees
of August 15, 1915, and October 25, 1915, which gave the right to
officials to search, to tabulate, to confiscate, to requisition all pri-
vate food and necessities could be regarded as a beginning of what
later on developed into "Communism." Owing to the growth of
impoverishment, due to the war, this process necessarily grew also.
As the revolution only aggravated the economic situation, govern-
mental control continued to grow during the Provisional Govern-
ment, whose policy in this respect only pushed further that of the
Czarist government. At the time of the overthrow of the Kerensky
régime private trade and commerce were almost annihilated; pri-
vate industry and agriculture were greatly restricted, state control
was expanded enormously. Owing to the factors of the civil war
and the growth of impoverishment the Bolsheviks pushed this proc-
ess up to its possible limits. In this way appeared the so-called
"Communist régime," which, in the present terminology of the
Communists themselves, was nothing but "Military and Starving
Communism." The continuation of this process is no less instruc-
tive.
In 1920 the civil war was finished. In this way one of the factors of “Communism” ceased to work. At the same time everyone, except a small group of Communists and swindlers, was ruined. Economic differentiation disappeared. An equality in poverty was established. If my hypothesis is true, under such conditions we should expect an opposite trend, toward a decrease of governmental control. This is what actually happened. In 1921 the Bolsheviks were forced to introduce the New Economic Policy. It meant a step toward the so-called “capitalist régime”; it represented a reduction of the governmental control of economic life and an increase of private control, initiative, and autonomy. Since that time this trend has been continued and at the present moment there is left but little of the “Communism” of 1917–22. Thus, under the pressure of the indicated factors, the Czarist government had to pave the path for Communism; these factors disappearing, the Communist government has been forced to destroy its communistic régime and to pave the path for capitalism. Really, volentem fata ducunt, nolentem trahunt. The foregoing series of facts, which might be continued ad libitum, if there were more space, seem to show that the offered hypothesis is not baseless and is likely to be warranted by historical facts.

III

If the hypothesis is true, it gives a sufficient basis for the following tentative inferences.

1. Since a considerable expansion of governmental control of economic relations has been a result of impoverishment or of a disproportionate economic contrast between the wealthy and the poor classes, it follows that the very fact of great expansion itself is a symptom of economic disorganization of a society.

2. From this standpoint the Soviet Communism has been but a form of an extraordinary expansion of governmental control due to an extreme impoverishment of the Russian population caused by the war. In this sense Communism has been a manifestation of a great social sickness, but not of a social improvement of Russia.

3. As far as at the present moment the expansionist policy is represented principally by socialist and communist ideologies, it is
natural that these ideologies have had a success during the years from 1917 to 1924, because they were the years of economic disorganization in Europe.

4. But for the same reason it must be concluded that the success of these ideologies and groups is one of the best symptoms of the economic disorganization of society. In this sense an increase of success of different ideologies of nationalization has been and is one of the best symptoms of social sickness. In the periods of prosperity such ideologies have but very little chance to be popular or to be carried out.

5. Other conditions being equal, if in the near future an aggravation of the economic situation of a Western society takes place, or economic inequality within it grows, an increase of governmental control, probably in the form of socialist nationalization, is to be expected.

6. If the future shows an improvement of the economic situation within such a society, or a diminution of economic inequality, a decrease of governmental control is likely to happen. It will probably manifest itself in the form of a decrease of popularity of socialist demands for substitution of governmental control for that of private persons and corporations.