

THE END OF HISTORY AND THE EUROPEAN PREDICAMENT

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Abstract

This paper criticizes Francis Fukuyama's 'The End of History and the Last Man' (EOH) on two grounds. First, it is argued that it is not legitimate to infer the failure of the economic theory of socialism on the basis of the failure of Soviet communism in practice. The possibility of a socialist society based on "equal recognition" in the Hegelian sense is nowhere refuted in the EOH. Secondly, it is argued that the peace and prosperity enjoyed by European democracies in the post war period are largely attributable to the redistributive measures associated with the welfare state in the absence of which communism would have been a much more serious danger for these countries. Moreover, the dismantling of the welfare state in the Eurozone in accordance with austerity measures may raise the spectre of communism again and lead to a "resumption of history", contrary to Fukuyama's conclusion that the capitalist democracy marks the "end of history".

Keywords: Comparative Economic Systems, Economic Theory of Socialism

TARİHİN SONU VE AVRUPA AÇMAZI

Özet

Bu makale Francis Fukuyama'nın "Tarihin Sonu ve Son İnsan" adlı eserini iki açıdan eleştirmektedir. Birincisi pratikte Sovyet komünizminin başarısız olmuş olmasından yola çıkarak sosyalizmin iktisadi teorisinin geçersiz olduğuna hükmetmenin doğru olmadığıdır. Adı geçen kitapta Hegel'in "eşit tanıma" kavramına dayalı bir sosyalist toplumun mümkün olamayacağı kanıtlanmış değildir. İkinci olarak Avrupa demokrasilerinin İkinci Dünya Savaşı'ndan sonraki dönemde ulaştıkları barış ve refah ortamının büyük ölçüde yeniden bölüşüm politikalarına öncelik veren refah devleti sayesinde gerçekleştiği, aksi takdirde komünizmin bu ülkeler için çok daha ciddi bir tehlike olabileceği savunulmaktadır. Buna ek olarak Avro bölgesinde kemer sıkma politikalarının sonucunda refah devleti tasfiye edildiği takdirde komünizm tehlikesinin yeniden belirerek Fukuyama'nın varmış olduğu sonucun aksine "tarihin sonu" yerine "tarihin devamı" sürecini başlayabileceği ihtimali göz önünde bulundurulmalıdır.

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And, indeed, as he listened to the cries of joy rising from the town, Rieux remembered that such joy is always imperiled. He knew what those jubilant crowds did not know but could have learned from books: that the plague bacillus never dies or disappears for good; that it can lie dormant for years and years in furniture and linen-chests, that it bides its time in bedrooms, cellars, trunks, and bookshelves; and that perhaps the day would come when for the bane and the enlightening of men, it would rouse up its rats again and send them forth to die in a happy city.

Albert Camus

The Plague

Six years ago Francis Fukuyama published the second edition of his ‘The End of History and the Last Man’ (hereafter EOH) where he answered a number of criticisms to the first edition of his book (see pp. 341-354) and reiterated his argument that capitalist democracy was the end of history because alternative political models such as fascism and communism were either forcibly eliminated (Nazi Germany) or imploded as a result of internal contradictions, so to speak, without any hostile intervention from outside being necessary. (USSR) My purpose here is to highlight the key features of Fukuyama’s argument and to raise two criticisms which, to my knowledge, have not been made before. Finally, I would argue that the Eurozone crisis, if not managed properly, might lead to a “resumption” of history where the conflicts of the interwar period may be revived to reverse the peace and prosperity that Europe has enjoyed in the postwar period.

It must be admitted at the outset that despite the serious flaws that it has, it would be extremely unfair to deny that EOH is a “tour de force”, deserving of its reputation as a landmark. Who in his right mind would embark on writing a book of more than 400 pages armed only with a few behavioral assumptions and several concepts borrowed from two philosophers and finish the journey unscathed? More specifically, Fukuyama has written a stage theory of history, matching the stage

theories of Adam Smith and Karl Marx in terms of audacity if not explanatory scope or predictive significance.¹

The organizing principle underlying the book is Plato's claim that the human soul has a tripartite structure, composed of desire, reason and "thymos". While the first two terms are self-evident, thymos is a concept which Fukuyama translates as "spiritedness", an inclination of human beings to disregard considerations of self-preservation and rationality to challenge superior force to earn "recognition" despite the possibility of heavy punishment even death. Thymos is then linked to Hegel's view that the need for recognition is a fundamental aspect of human nature which distinguishes man from animals.² The story begins with a metaphorical battle in the unspecified origins of human history. This is a "bloody battle for pure prestige" between two individuals for domination which ends with one individual accepting defeat because his need for self-preservation or his inability to face death overcomes his need for recognition and the master-slave relationship is born. Nevertheless, the victorious master remains unfulfilled because, according to Hegel, recognition is meaningful only between free and equal individuals. This asymmetric relationship, so to speak, lasts through centuries until we reach the French Revolution of 1789 when liberty and equality are declared to be the governing principles of society. When Napoleon beats the Prussian armies in the Battle of Jena in 1806, carrying the principles of the French Revolution with him outside France, Hegel declares the end of history.

The implication of the argument is contemporary liberal democracies are, in effect, post-historical societies while societies governed by authoritarian regimes are still awaiting the end of history. How do we know that liberal democracy is the end of history? Fukuyama's answer to this question is that the serious alternatives to liberal democracy on both the authoritarian Right and Left have failed in terms of their claims to legitimacy. On the authoritarian Right, the national socialists' claim to legitimacy was based on the superiority of the German race which entitled them to rule other nations by force if necessary. Hitler's defeat in 1945 by the Allies

¹ It is unfortunate that stage theories of history are judged generally in terms of what they have failed to foresee rather than what they have explained. Thus Adam Smith was convinced that "the commercial stage" was the highest stage of social development even though James Watt, the inventor of the steam engine was a personal friend, and the English Industrial Revolution was just around the corner. Similarly, Marx's "reserve army of the unemployed" was absorbed into Simon Kuznets's service sector, eliminating the possibility of the socialist revolution as a mere pushover, and opening the door to Lenin's voluntarism which ultimately carried the day.

² "The desire for recognition and the accompanying emotions of anger, shame and pride are parts of the human personality critical to political life. According to Hegel, they are what drives the whole historical process." (EOH, p.xvii)

In contrast to the founding fathers of Anglo-American liberalism such as Thomas Hobbes and John Locke, Hegel rejects the proposition that human nature is fixed. Nevertheless, the need for recognition is somehow a permanent aspect of historical development.

buried this argument for good. On the authoritarian Left, the Soviets failed to create “the New Soviet Man” that was heralded by the Bolshevik Revolution, and, in effect, acknowledged this failure in the 20th Congress of the Communist Party of the Soviet Union in 1956. The remaining authoritarian regimes use various arguments to rationalize their position, but virtually none of these regimes have a claim to stay in power on a permanent basis based on an alternative concept of legitimacy.³ Moreover, the collapse of the Soviet Union has eliminated the most serious alternative to liberal democracy on the world stage, highlighting its position as the end of history.⁴

This necessarily brief summary of Fukuyama’s argument in the EOH skips many details and qualifications, but hopefully conveys its essence correctly. Unsurprisingly, Fukuyama’s views have been criticized extensively since the publication of the first edition of the EOH. As I indicated at the beginning, Fukuyama answers the criticisms that he thinks are most important in an “Afterword” to the second paperback edition. It is astonishing that two of the most serious weaknesses in Fukuyama’s argument do not seem to have been addressed by his critics. It is our purpose to focus on this neglected aspect of the “end of history argument”.

First, there is a fundamental methodological rule in the study of comparative economic systems that theories are to be compared with theories and realities with realities. Fukuyama has not violated this rule to the extent that he compares the reality of Soviet communism with the reality of liberal (capitalist) democracy and argues rather convincingly that liberal democracy has won. The problem is that this says nothing about the argument that one of the greatest misfortunes to befall the economic “theory” of socialism has been the “practice” of Soviet communism. Consequently, it is not legitimate to infer the failure of the economic theory of socialism on the basis of the failure of Soviet communism in practice. The possibility of a socialist society based on “equal recognition” in the Hegelian sense is nowhere refuted in the EOH.

³ “After Hitler’s defeat what remained as an alternative to liberal democracy on the Right was a group of persistent but in the end unsystematic military dictatorships. Most of these regimes had no grander vision than the preservation of a traditional social order, and their chief weakness was the lack of a plausible long-term basis for legitimacy. None was able to formulate, as Hitler did, a coherent doctrine of nation that could justify perpetual authoritarian rule.” (EOH, p. 17)

“For while totalitarianism managed to destroy the visible institutions of pre-revolutionary Russian and Chinese society, it was utterly ineffective in its aspirations to create a new man of either the Soviet or Maoist variety.” (EOH, p. 38)

⁴ “And if we are now at a point where we cannot imagine a world substantially different from our own, in which there is no apparent or obvious way in which the future will represent a fundamental improvement over our current order, then we must also take into consideration the possibility that History itself might be at an end.” (EOH, p. 51)

Secondly, while Fukuyama acknowledges that “unequal recognition” arising from inequities in income distribution in a liberal democracy may constitute a basis for criticizing his views, he does not investigate the implications of this problem in detail.⁵ From a strictly technocratic standpoint, there is nothing wrong with the exploitation of labor or the existence of profits in a capitalist society. Efficiency in resource allocation necessitates the “exploitation” of every factor of production including labor. If a given factor of production did not produce a return which exceeded its cost, its use in production would not be justified. Moreover, profits, in a formal sense, would also exist in a socialist society where resources are efficiently allocated. In this sense, Marx’s obsession with the exploitation of labor was misguided. Mark Blaug has made this point very clearly:

“Marx merely attributes all income to labor and so presumes the existence of a purely fictitious ratio s/v , arbitrarily set equal across all industries. If, instead, he had operated with a capital theory of value, attributing the whole of the surplus to machinery and implements, and defined the rate of surplus value as s/c , he could have carried on transforming values into prices in exactly the same way as he did. It is not always appreciated that the assumption that will make s/v equal between industries, namely an equal organic composition of capital everywhere, will also make s/c equal everywhere. With a capital theory of value, we can say that all capitalists share in a pool of surplus value, a pool created solely by the nonhuman factors of production...”⁶

Where Marx has a very strong case, however, is the fact that profits are appropriated by a capitalist class which owns the means of production. In other words, it is not the existence of profits in a capitalist society which is a problem, but their appropriation by the capitalist class. In terms of Fukuyama’s own argument, this puts workers in a capitalist society on a par with slaves in the Ante-Bellum South or South African blacks in the Apartheid era who suffered from “unequal” or “deficient” recognition.⁷ The introduction of universal suffrage based on a constitution that protects private property, in and of itself, cannot solve this problem.

In fact, it is possible to examine the history of economic policy in the 20th Century on a thematic basis as a sustained attempt to make unequal recognition

⁵ “The attack from the Left would maintain that the promise of universal, reciprocal recognition remains essentially unfulfilled in liberal societies, for the reasons just indicated: economic inequality brought about by capitalism ipso facto implies unequal recognition”(EOH, p. 289)

⁶ Blaug, Mark, *Economic Theory in Retrospect*, Cambridge, 1996, pp. 225-226.

⁷ I am not implying by any means that “free labor” is on a par with slave labor. Surely, the freedom to accept or refuse employment is a major improvement over slavery where free labor faces no formal obstacles on the way to full recognition. For practical purposes, however, full recognition is denied to free workers so long as liberal democracy tolerates large disparities in income distribution.

tolerable for the dispossessed masses. Perhaps the Swedish social democrats were the first to realize the potentially devastating implications of the October Revolution for all capitalist economies and went to work in devising policies of income redistribution⁸. Roosevelt's New Deal and Keynes's advocacy of expansionary macroeconomic policies to counteract underemployment equilibrium in a capitalist economy are too well known to need emphasis.

What needs to be highlighted in the postwar period is the adoption of Keynesianism by two nominally socialist parties with large constituencies in Western Europe. Who remembers today that when the British Labor Party won the elections of 1948, supporters celebrated their victory by singing the "Internationale"? In like manner, the Bad Godesberg conference of 1959 is another crucial landmark when the German social democrats made a similar commitment.⁹ The breakdown of the Keynesian consensus in the late 1970s which catapulted Margaret Thatcher and Ronald Reagan to power was not followed immediately by a dismantling of the public sector in the United Kingdom or the United States. In fact, the commitment of the Reagan administration to high levels of defense spending was probably as crucial in precipitating the collapse of Soviet Communism as the political and economic problems inherent in the USSR.

In making a proper assessment of the trade-off between growth and austerity, the leaders of European liberal democracies would be extremely unwise to belittle the "insurance policy" provided by the welfare state to advanced capitalist economies which have maintained stability and social harmony against the specter of communism over many decades. The issue is highly relevant to the future of Europe today as a spasm of German intransigence seems to drag the Eurozone to the brink of economic disaster. It would be a rare individual indeed who is not experiencing a "deja vu" while watching Spanish miners firing homemade rockets at the police and receiving rubber bullets in return. If the Rubicon were ever to be passed, we should not be surprised to come across a long lost, yet familiar face

⁸ Eric Lindahl's path breaking contributions in this regard cannot be overemphasized: "If the ruling party cannot achieve favourable finance arrangements by covert means, it uses its preponderance to impose openly upon the others higher taxes than they want to pay of their own free will. We have indicated elsewhere how the concept of "political cost" has been introduced in an attempt at quantitative measurement of the importance which the other parties' resistance has for the ruling party. But we must bear in mind that the decisive factor need not always be the "fear of revolution"; in the course of time the powerless classes will come to influence the ruling classes' sense of equity. As the weaker classes succeed in giving currency to their own sense of justice, so their concrete political power grows and so, also, diminishes the ruling classes' preponderance of power and their ability to secure by force special benefits at the expense of others. In the last resort the views about what is just in taxation determines its actual shaping." Lindahl, Eric, "Just Taxation-A Positive Solution"(1919)

⁹ In the early postwar period, the much maligned Common Agricultural Policy (CAP) may have played a crucial role in this respect by preventing unemployed farmers from swelling the ranks of the urban proletariat.

emerging from the Maghribi banlieues of Paris or the “gecekondü” districts of Istanbul, “not as an unrecognizable element of a cultural inheritance, but in his individual garb and with his personal scars which people may see and touch”, as Schumpeter would have said, upon which all we would be capable of doing would be to tip our hats, and taking a cue from Stanley, the 19th Century explorer, exclaim “Herr Marx, I presume?”