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INDIVIDUAL SUBSISTENCE: ON A PRINCIPLE OF ECONOMY AND SOCIETY*

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Abstract

With this paper the author tries to clarify the terms of “public“ and “private“ with reference to the ideas of Thomas Hobbes and Johann Heinrich von Thünen. Both scientists showed that the individual's subsistence is very fundamental for a society and – therefore – the base of “public“. Additionally with reference to Polanyi's “Great Transformation“, it will be shown that the mainstream economic idea of “modern“ market economies acts strictly against the individual's subsistence. In contrast to his explanations, the protection of individual subsistence is an important part of solidarity. From that the question of shifting boundaries between “private“ and “public“ is reformulated against the background of the individual's subsistence! This paper gives reasons to think about the individual's subsistence as a neglected economic principle. Hereby it will also provide another and self-critical view from alternative economic perspective to the real question behind the shifting boundaries: Is a change in economic thinking to be expected? The insights into these problems will be especially useful in the preparatory work to discuss political activities in the light of the current economic crisis worldwide.

JEL: B00, B52, B59, P48, Z13

Keywords: History of Economic Thoughts, Thomas Hobbes, Johann Heinrich von Thünen, Karl Polanyi, Subsistence, Viability, Right of Subsistence

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(1) Introduction

Against the background of the governments reactions to the crisis – e.g. the global bank crisis and especially the current case of Greece – economists may discuss the question about shifting boundaries between “private“ and “public“ in economics. Usually, such discussions are often

* The original paper was written on the occasion of the 7th conference of the *Italian Association for the History of Political Economy* (STOREP) in 2010 which was dedicated to the special theme “The shifting boundaries between public and private in economics”. A new section with some explanations was added here to the original paper, inspired by the helpful comments of *Giandomenica Becchio* (Università di Torino) and *Meghnad Desai* (London School of Economics) for the STOREP conference 2010.

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dominated by the associations that “private“ is “free market“ and “public“ stands for market interventions by the state. This raises the question about a theoretical foundation of both – “private“ and “public“ – that must be discussed upfront. This mainly aims at the individual subsistence as a basic precondition of economic activities overall, where “private“ and “public“ are connected by the question of the individual's subsistence. The problem resides in the term “subsistence“ as well as the scientific engagement in the subsistence as a matter of principle for economic activities, which is neglected by the scientists. As a result, the paper will concentrate on the following issues:

- (1) How does science deal with the main problem of individual subsistence against the background of social problems? It will hereby be shown that the subsistence perspective is neglected in spite of always existing social problems. Additionally, the idea of subsistence will be clarified in short to avoid misunderstandings.
- (2) The individual's subsistence will be developed as an institutional precondition for social cooperation using Thomas Hobbes and Johann Heinrich von Thünen as a reference.
- (3) The individual's subsistence will be compared to Polanyi's “Great Transformation“ to show the subsistence problem against the background of “modern” societies.

Based on the gained insights into the problem of subsistence the paper will conclude with answering the real question behind the shifting boundaries between “private“ and “public“: Can a change in economic thinking be expected?

(2) On a Neglected Question within Economics

Today's “public” in economics is often associated with social assistance by the state. That was an unpleasant idea in the view of the *mainstream economics* because the state activities should only be restricted to the urgent necessities.¹ In the light of today's economic crisis, this situation seems to change: Bank regulations are claimed and social institutions as well as economic organisations call upon the state to save companies (e.g. General Motors in the USA

¹ The term “mainstream economics” is used for the attitudes, theories and approaches which dominate economics, economic textbooks as well as the economic thinking that is presented by the media. With respect to economic textbooks, this term is mainly referred to the “over-mathematisation” of economics, the assumptions of rationality and – especially – the “homo economicus” as well as the lack of engagement in the history of economic thoughts. Some of these characteristics were mentioned e.g. by Hodgson (2009), Ötsch/Thomasberger (2009) and Ortlieb (2006).

or – in association with – Opel in Germany). The main argument is the so called “systemic” relevance of the bank sector and single companies for some branches of industry and (finally) with respect to the national economy all together. The reason behind such claims seems to be the fear of unemployment and the loss of social achievements. In some cases, the concern about possible revolts is even mentioned. However there is one more reason behind: The threat to the individual life! That's the threat to the individual's subsistence! It may also be intuitively clear that the threatened individual subsistence weakens the solidarity of society. With respect to that fear, it raises the question about whether the history of economic thoughts provides some theoretical foundations.

First of all, let's come back to the “public” in terms of social assistance, meaning the protection against social distress. Of course, it may also be interpreted as the protection of individual subsistence. However, social policy is mentioned within the long history of economic thinking. Let's start with the old Greeks: They gave a guaranteed minimum income in terms of basic income security (*misthoi* and *theoretikon*) to the citizens of the polis.² Aristotle also mentioned a so called seed money (*aphormas*), that is like a start-up capital to start handicraft business or farming. Minimum wage levels were mentioned as well. Later on, the economic mastermind William Petty (1623-1687) called for the society's responsibility with respect to people in need (cf. Petty 1662: Chap. IV, nr. 38, p. 30). Even Robert Malthus (1766-1834) – the economist who is well known for his theory of population which postulates a low charity – was not completely against social assistance, albeit his “assistance” should prevent people only from death (probably by Christian reasons).³ As can be seen from the above examples, the engagement in social policy by the economic science existed. However, what was the theoretical background of such a social policy?

In fact, although measures of social assistance were mentioned, a theoretical base is hard to find. For example, the interventions of the old Greek's polis seem to have been based on practical reasons and not theoretical thoughts about subsistence. Of course, there was the

² The basic income guarantee as well as the seed money is mentioned in Gronemeyer (2007: 188 and 221). The seed money will be found in Aristotle's *Politics* (German version from 1978 was used here, listed within the Bibliography, look at: Aristotle, VII (V), 3, p. 661). The minimum wage levels within the Greeks were broadly discussed by Eich (2006: pp. 206). His work is also an interesting as well as controversial reflection of the conventional content in economics with respect to the old Greeks. General information about the Greek economy will be found within economic textbooks about history of economic thoughts like Kolb (2004) or Schachtschnabel (1971).

³ Information about Malthus will be found within the works of Winkler (1996), Ferdinand (1999) and Kolb (2004).

“good life” of Aristotle. Similar things were mentioned by Hesiod, Homer and Xenophon. But there seems to be no theoretical base for an explicit foundation of a social policy: Why should someone be able to keep him- or herself alive? What are the reasons for self-preservation? Are there any moral or economic reasons behind it? The scarce awareness of these questions seems to be consistent with all of the economic theories.

A further consistency is the claim for social assistance in terms of the minimum existential needs. But should social assistance only be allowed for viability? The term “viability” means hereby a circular static level of life: The person (or the household, the state etc.) should not have the need to change and persists at the current situation. That's a typical economic short term view. With respect to social phenomena, people are able to just scratch a living! In contrast to “viability”, the term “subsistence” follows its original meaning of “existing by itself”: It's self-preservation in the long term.⁴ In practice, people have to keep the means of subsistence that guarantee life functions but also include room for actions to possible adjustments with respect to a changing environment, the latter being similar to “self help”.

However, following the ideas of minimum living wage, there are only a few scientists which clearly claimed wages higher than the minimum of existence, e.g. the French philosopher and politician Marquise de Condorcet (1743-1794) and the German economist Johann Heinrich von Thünen (1783-1850).⁵ Especially the latter had to endure the harsh criticism on his well-known tomb wage formula. This case alone shows how mainstream economics neglect thinking about economic activities based on individual subsistence.

Of course, social assistance at least aims at the viability of individuals. However, not even this viability seems to have been used as a theoretical base for the foundation of a social policy. Today, viability is more like a barrier or a border to business activities in this respect, which is interesting since especially the mainstream economics postulate(d) the *homo economicus* who is strongly driven by self-interest: But which *homo economicus* would ignore the fundamental question about his elemental needs? Based on that, even today's discussions about “private” responsibility and “public” (or social) necessities lack the view of

⁴ Please keep in mind that today's “subsistence“ is also used for minimum income in terms of “subsistence wage“ or “subsistence level“. But such use ignores the philosophical meaning of “existence by itself“ and it limits “subsistence“ only to “viability“. As shown within the above explanations, there is the necessity to differentiate between these terms.

⁵ The works of Lüchinger (2002) and Dippel (1981) are recommended for information about Marquise de Condorcet.

individual subsistence. It's especially beyond comprehension with respect to economic discussions about wage levels: No one seems to raise the evident question about the aim of wages! Instead, scientists rather discuss the wage based on (abstract) productivities or market situations (demand and supply). As a result, "private" and "public" appear to be mutually exclusive. However, the history of economic thoughts does also provide some exceptional cases of economic thinking that relate "private" to "public" in this respect. After the next paragraph some of the people who thought about this relationship will be discussed. However, upfront some clarifications on "subsistence" and "viability" are necessary and will be made in the following paragraph.

(3) Excursus: Further Clarification on "Subsistence" and "Viability"

As already mentioned above, "viability" describes a circular static level of life, where only the needs of the individual status quo are satisfied. In contrast to that, "subsistence" contains "viability" but also includes the means of subsistence to be adaptive to environmental changes. However, the problem of "subsistence" is more complex than it might seem at the first view. As a result, the two terms "viability" and "subsistence" may run the risk of being misinterpreted. Therefore, some further words about the idea of "subsistence", presented within this paper, are necessary.

First of all, the idea of "subsistence" is naturally strong related to the questions about social security, welfare state (German: Sozialstaat) and social policy. As already mentioned above, there is a long history of measures of social policy that aims at least at the individual viability. Therefore, it would be wrong to conclude that the scientific thinking did completely ignore the necessity of social policy. However, the argument that "subsistence" is usually neglected within the science, especially within the economic science, is something different; it does not mean the total absence of social policy within the economic thinking at all. The idea of subsistence stands for an scientific view that *centers* the individual subsistence in terms of "self-organisation", "autonomy" or "autopoiesis" (Maturana/Valera).

Some scientists would argue "self-organisation" was already a matter of economic science. The most popular example may be the "invisible hand" of Adam Smith (1723-1790). With respect to that counter-argument, please pay attention that "subsistence" in terms of "self-organisation" aims at the adaptiveness to environmental changes. With other words:

Self-organisation does not stand for a clockwork which has to be wound up to do the "work" in the same way as it always works. For the same reason, it does not stand for something like a mechanic "perpetual motion machine".

However, the most economists, "modern" mainstream economists in particular, did claim a minimum living wage level that was limited to just viability. Unfortunately, this view treats social processes as a mechanism just like the mentioned clockwork. Indeed, a lot of economists are aware of poverty and therefore "charity" or other measures of social policy to decrease at least the worst social evil. However, such notions seem to have been only "side notes". Additionally, it appears to be that economists had (and have) difficulties to take a clear position between the claim of "low wages" and the necessity of poverty reduction; their position often seems to be vague. In contrast to that and in context with this paper, *to center* the individual subsistence within an economic idea means to treat the individual subsistence as a starting point of social cooperation and economic decisions in general.

Therefore, please keep in mind that every (economic) idea that includes social policy measures does indeed touch the matter of "subsistence", but not every idea that mentions social policy does really center the individual subsistence. The same applies to theories which mention "self-organisation": Not every note to "self-organisation" presents an idea that uses the individual subsistence as "linchpin". This is important, since the economic ideas often seem to be content to terms like the "invisible hand" without any words about the impetus behind the mechanism of "self-organisation". But what is the driving force that characterises an process as being "self-organisational"? The idea of subsistence may provide an answer to that question.

Albeit and with respect to the history of economic thoughts, the argument of the neglected subsistence within economic theory may be strengthened by the fact that J.C. Scott's "The Moral Economy of Peasant" (1976) seems to be one of the first work that mainly concentrated at the matter of subsistence, especially the "right of subsistence". He also introduced the terms "subsistence ethics" and "safety-first-principle"; and he met the concerns about the relation between economic behaviour, social relationships and subsistence. However, his work was discussed within the social/cultural anthropology, while the economic science did not seem to take notice of him (although economists may learn a lot from his work). Basically, a work that concentrated on subsistence in a similar way like that of J.C.

Scott is hard to find within the economic theory. However, the mentioned difference between the “traditional” economic theory and approaches based on individual subsistence in view of this paper may become clearer by the exceptional cases of economic thinking which will be presented in the following paragraphs (with respect to Hobbes, Thünen and Polanyi). Before this excursion, some further problems have to be discussed to avoid misunderstandings.

Of course, “subsistence” is also connected to the so called “right of subsistence” which was an important matter within the work of J.C. Scott and the later discussed (institutional) approach of Thomas Hobbes. However, please pay attention that such a “right of subsistence” contains different dimensions. Firstly, the dimension of economic functionality: “Subsistence” will be shown within this paper as a *necessary condition* to social cooperation and economic decisions in general. As a result, “subsistence” appears as one aim of human behaviour. Please keep in mind that this argument does *not* proclaim “subsistence” as the only aim of human behaviour! That means that even goals like profit-maximisation may be quiet in accordance with the aim of subsistence. Indeed, subsistence has to be satisfied by logical reasons *before* thoughts about any further (economic) goal make a sense – especially in the long term. In a similar way and with respect to institutional economics, the “right of subsistence” will also be presented as a necessary condition for any institutional arrangement. With other words: “The right of subsistence” is necessary and integral part of a (social) contract, regardless of the other parts that may also be included within the contract. Please pay attention that this “economic dimension” refers to rationality and the individual self-interest, basically the respect to such “right of subsistence” results from rational und “economic” reasons.

In contrast to the economic dimension, there is also an ethic dimension. Ethical decisions may indeed be inspired by rationality and self-interest, but there may also be religious reasons like the christian grace of “charity”. Such religious decisions may also work by rationality, but in a way that economists surely would not call “rational” (in terms of “economic rationality”). Additionally, while economic decisions do traditionally aim at “efficiency”, ethic decisions do usually focus on normative values like “good” and “bad” or “justice” and “inequity”. However, it may be possible that ethic and economic values are in accordance, but such case does not automatically transfer economic values into ethic values!

Finally, a political dimension of a “right of subsistence” must be considered. This dimension includes especially the ways in which a “right of subsistence” comes into the real

world, for example as giving alms, basic income and other kinds of social transfers, as right to work, as laws of job safety as well as ideas, discussions and political programs which aim at the realisation of the “right of subsistence”. Of course, all of the mentioned dimensions may interact among each other. Indeed, it's important to keep these different dimensions in mind to avoid misunderstandings.

On the one hand, the idea of the “right of subsistence” stands for a moral principle that may be a reference to judge informal “rights” (within tradition) as well as written laws. Accordingly, it may be a foundation of both, informal “rights” as well as written laws. That means that the “right of subsistence” as moral principle is of utmost importance. On the other hand, this superior moral principle may be implemented (i) as an informal rule like the duty to give alms and (ii) as a written law like laws of job safety or laws that guarantee a basic income. Basically, the real appearances of the “right of subsistence” are naturally different from the moral principle itself and among themselves. However, these differences have to be kept in mind especially with respect to Thomas Hobbes whose approach will be presented in the following paragraph.

(4) Hobbes and the Individual's Subsistence as Precondition of Society

Thomas Hobbes's view of men was strongly characterized by self-interest, as can be seen within his well known *Leviathan* (1651), which explicitly includes the individual's will to survive!⁶ His argumentation started with the abstract and theoretical situation of a population by single individuals. If someone feels that his or her life is threatened, the single individual would then be allowed to do anything to stay alive! In the end, this would cause the war against each others. Everyone would be confronted with uncertainty and the threats on the own life. That's what is metaphorical mentioned by the phrase “the society of wolves”.

But this was just an abstract situation! It was used to deduce the rational decision about the social contract which appoints a ruler who limits the allowed activities of individuals and enables security through it. In other words: Uncertainty and threats are traded off for the limitations of activities. Security hereby means the social security in terms of a protected subsistence. However, the power of the ruler is not infinite. In the case where the individual life seems to be threatened by the ruler, the individual gets back the full sovereignty over him

⁶ The presented explanations about Thomas Hobbes especially refer to Böckenförde (2004), Dix (1994) and Hörner (2006). The latter is recommended because of being an understandable and short summary of the *Leviathan* by Hobbes.

or herself. The individual is hereby allowed to do anything to stay alive. Therefore, the power of the ruler is restricted by the so called natural law (the right of nature), that is associated with the right of subsistence!⁷

A similar idea was used by John Locke and the Physiocrats like Pierre Samuel Dupont de Nemours (1739-1817).⁸ Especially Locke described a natural law of subsistence that was restricted by itself because individuals should not threaten their fellow men. It was also combined with an idea of divinity. Finally, he deduced the duty to work: Everyone has to work because working was a divine duty. “No work, no food!” might be Locke's credo. But – similar to Hobbes – he also provides a right to resistance that was related to the right of subsistence. However, Hobbes and Locke showed no further engagement in individual subsistence in terms of providing a theoretical base for the economic activity of everybody (including members of the society's fringe groups). Especially Locke showed an extreme enmity against social fringe groups within his “Report of the Board of Trade to the Lords Justices, in the year 1697, respecting the relief and employment of the poor” (cf. Peters 1997).⁹ Indeed, there was a scientific attitude against the existence of fringe group members. However, both Hobbes and Locke provided approaches that may be useful to explain the relationship between “private” and “public” today including the reason for people to come together as well as for societies to break apart. Today's idea of institutions is very similar: An institution or a rule comes into effect if two or more people agree upon that rule; if a rule is broken several times, this rule will then stop to work. That's the base of institutional economics today! It's the base of “private” and “public“. But there is hardly another illustration of institutional arrangements that roots in the right of subsistence as consequently

⁷ The Right of Nature “is the liberty each man has to use his own power for the preservation of his own Nature; that is to say, of his own Life; and consequently, of doing anything, which in his own Judgement, and Reason, he shall conceive to be the aptest means thereunto”, Hobbes (1651: p. 64, Chapter 14). Please pay attention that the “right of subsistence” within the “right of nature” at the so called “state of nature” is a superior principle, while the “social security” within the social contract may contain written laws to guarantee a basic income (etc.).

⁸ Information about John Locke will be found in Peters (1997: 153 and pp. 156), Priddat (1998), Specht (2007) and Euchner (1996: 89). The work of Peters (1997) includes a reprint of Locke's “Report of the Board of Trade to the Lords Justices, in the year 1697, respecting the relief and employment of the poor”. The explanations about the Physiocrat Pierre Samuel Dupont de Nemours were referenced to Priddat (2001: pp. 30).

⁹ The term “enmity“ refers to the Wilhelm Heitmeyer's idea of the “group-focused enmity“ and means “that people – independent of their individual behaviour – become targets only because of their attributed or real belonging to certain groups“ (Endrikat et al. 2007: p. 11). That is caused by an ideology of inequality which includes “prejudices toward the homeless and the disabled“ as well as “the defense of established privileges“ (Heitmeyer 2007: p. 12). Since 2007 the concept of “group-focused enmity“ includes the prejudices toward so called “permanently unemployed persons“ (cf. IKG 2006).

showed by Hobbes. However, the individual's subsistence seems to be also relevant to a “newer“ economist, who was engaged in examining the so called natural wage. His name was Johann Heinrich von Thünen.

(5) Thünen and the Idea of Subsistence

The starting point of Thünen's analysis can be found at the edge of his so called “isolated state“.¹⁰ Please keep in mind that he used the abstract idea of a state to gain his economic insights. At the edge of the “isolated state“ profit is impossible because of the long way to the (city's) market (cf. Thünen 1850: § 14, I, p. 532; §15, pp. 542). However, land is for free and therefore everybody is able to become a landowner or be on the payroll of a landowner (cf. Thünen 1850: §14, I, 533). That raises the question about the wage level. The solution of this problem will be provided by the decision to work free or to be on the payroll: If the wage is less than the income of agricultural activities on free land, then individuals would like to become landowners. Given the situation that activities on free land cover the household's needs of existence, the wage level has to cover at least these. As a result, the individual viability should be preserved, otherwise the viability would be achieved by farming.

This implicates that the division of labour is based on social cooperation that depends on keeping individual viability and subsistence. It also suggests that the “public“ or “social“ aspects of economy are based on this social cooperation: In the case where the individual viability is neglected, the base for social cooperation will fade. Some critics would complain about the abstract character of this scenario, but please keep in mind that in Thünen's opinion the natural wage – the real wage – is the wage under which no distortions like land rentals or the employer's strive for profit exists: People should be really free to negotiate the wage (cf. Thünen 1850: §14, p. 543, and § 15, 549), which was the case at the edge of his “isolated

¹⁰ The term “isolated state“ stands for the title of the main work of Thünen as well as for the abstract model that was used within his explanations. This model is clearly and brief described within the first two paragraphs of the first part of Thünen's “isolated state“. It consists of homogeneous means of transportation, homogeneous quality of farming land and just one market at the center of this “state“ (cf. Thünen 1842: §1, p. 11). Areas of different agricultural production – the so called “Thünen'schen Ringe“ – are settled around the market and follow a special sequence. This sequence depends on the transportation costs, the costs of production (including the intensity of farming) as well as the weight, the putridness and the value of the agricultural commodities (cf. Thünen 1842: §2, p. 12). Based on that, agricultural products of low transportation costs will be produced with great distance to the market (center). Therefore, e.g. strawberries, salad and milk have to be produced next to the market (cf. Thünen 1842: §3, p. 12). The last agricultural area – the sixth circle – was dedicated to cattle breeding (cf. Thünen 1842: §26a, p. 231). However, this way of abstract theorising may be associated as foundation of the so called “ceteris paribus assumption“ – the method of *isolated abstraction* (cf. Brockhoff 2009: 141) – that is well known within the economic theory (cf. Mantel 1951: p. 721).

state“. But it should be the base with regard to the remainder of the “isolated state“ (cf. Thünen 1850: §14, 544). However, an even clearer hint at subsistence can be found within the wage formula by Thünen (cf. Thünen 1850: §14, p. 533, and §15, p. 544; Schumpeter 1955: p. 467; Samuelson 1987: pp. 50; and Helmstädter 1995: pp. 60).

This wage formula is: $l = \sqrt{a \cdot p}$, where l is the natural wage, p stands for the output of the labour and a stands for the needs of existence that was called “wage of subsistence“ (German: Subsistenzlohn). It's very important to keep in mind that Thünen's wage of subsistence was not restricted to the necessities of life alone. The wage of subsistence had to allow the ability to work (cf. Thünen 1850: 1850, §6, p. 476), which is more than just to prevent an individual from death. Therefore, Thünen's wage of subsistence surely provides more means of subsistence than what is needed to just allow for individual viability!

Let's come back again to the wage formula: $l = \sqrt{a \cdot p}$. There is the necessity of $a > 0$ and $p > 0$, otherwise the natural wage becomes zero. Furthermore, it has to be $p \geq a$ because: In the case of $p < a$ it follows $\sqrt{a \cdot p} < a$, so the needs of existence would not be satisfied. In the case where $p = a$ the equation $\sqrt{a \cdot p}$ becomes $\sqrt{a \cdot a}$ so the wage is a : The workers get by just because the needs of existence are satisfied. Hence, it goes along with the assumption of an additional value (German: Mehrwert) in the terms of Marx, where the unit of work produces more than what was used to produce this unit, basically the output is more than the input. In this respect, it is assumed that Thünen was thinking that people should – and do – earn more than the absolute necessities of existence.¹¹ These mathematical and theoretical preconditions were not mentioned very explicitly by Thünen, but many hints were found within his “isolated state“. In addition, some of these preconditions are logical necessities: Please keep in mind, e.g. that it has to be $p \geq a$, otherwise the natural wage does not satisfy the needs of existence. So in favour of Thünen, it should be assumed that he was aware of these preconditions.¹²

¹¹ Thünen considered a so called overplus wage as wage element: That was not absolutely necessary for “subsistence“ (cf. Thünen 1850: §6, p. 476). It may be seen as a residual by subtraction of subsistence wage from the whole wage. Following Thünen, the workers were entitled to earn overplus wage elements. It's an important trait of Thünen because his mainstream colleagues proclaimed wage levels that were content to scratching along. However, Thünen was also aware of the “reality“ whereby the overplus wage element might be zero. But in contrast, there was also the Malthusian argument: Thünen saw the increase of the welfare recipient population and reasoned that these people must earn more than the pure needs of existence; otherwise they would not be able to increase their population (cf. Thünen 1850: §14, IV, p. 540).

¹² Please keep in mind that – for example – the wage of subsistence should allow the ability to work that includes the satisfaction of the existential needs. Based on that, there is no reason to think that Thünen thought that $p < a$. Therefore, some of the discussed preconditions seem to be used *implicitly* by Thünen.

However, Thünen was a scientist who saw the contradictions between economic theory and social “reality“. He clearly wrote that if people think that economic laws are not fair, these economic laws must lose their legitimation (cf. Thünen 1850: §1, p. 437). But this was not an easygoing statement! By reading his “isolated state“, the readers will see a man who was torn by the economic laws that he represented and the social “reality“ that he noticed. In spite of the criticism and the mockery by his (mainstream) colleagues, Thünen has to be appreciated for his engagement in harmonizing economics and social distress. His wage formula was the honest try to enable and keep social balance and it seems to be the first wage formula that hints at this important fact because it's based explicitly on the individual's subsistence. Remember that his “subsistence“ was not only content to the fulfilment of viability alone! Hence, these ideas were outstanding in contrast to the economic Zeitgeist of Thünen's lifetime!

(6) The Ideas of Thünen and Hobbes in Contrast to other Scientists

Of course, there was always Marquise de Condorcet who proclaimed a minimum wage level that should be more than the absolute need of existence. In contrast to that idea, the argumentation of Thünen referred to the abstract situation at the edge of his “isolated state“ and he illustrated the relationship between private interests and social cooperation through it. However, other experts of history in economic thinking would remark the role of the Physiocrats and Marx with respect to viability. But in contrast to Hobbes and Thünen, these scientists worked on an abstract level that was not close enough to the concrete needs of individuals. For example, Marx's idea of the basic and the extended reproduction (German: einfache und erweiterte Reproduktion) is indeed very similar to the presented view of viability and subsistence within this paper; but Marx only wrote about “workers“ as a socially aggregated entity within his theory of reproduction. On the other hand, Hobbes and Thünen provided approaches that explain social cooperation by starting from the view of the individual's needs of existence. That is important because their economic followers seem to neglect the individual subsistence as a fundamental principle of economic behaviour, which is illustrated by mainstream economics who still postulate low wage levels only based on the hint that they are an economic necessity.

(7) Subsistence in the Light of Polanyi's Great Transformation

The individual's subsistence is also the gist of Karl Polanyi's explanations within his well-known "Great Transformation". In his opinion, the archaic societies of the past mainly aimed at social security by keeping the individual's subsistence (cf. Polanyi 1995: pp. 87). In contrast to these archaic societies, the so called "modern" market societies are based on forcing individuals to provide them with their labour. Hence, the old societies had to be eliminated before a market society and a market might be ready (cf. Polanyi 1995: p. 224).¹³ Market economy has to threaten everyone's life so that everyone has to work by the law of supply and demand on the markets. As a result, self-preservation should only be possible by the supply of labour, which is the reason for the statement "Any job is better than no job" (within the market economy).

Of course Polanyi often seems to be misinterpreted with respect to his ideas of the dis-embedded market system: But there are enough phrases where Polanyi points at the market economy as being an utopian idea (e.g. cf. Polanyi 1995: 109, 183 and 331). Additionally, his explanations about the Speenhamland System mentioned that the perfect market system only worked for about 36 years in England anyway.¹⁴ To the contrary, keeping the own subsistence and the market system is clearly perceptible.

This contrast is also shown in Polanyi's Double Movement (cf. Polanyi 1995: 182): Every expansion of the market system will cause a contrary response of societies in the direction of social security. The foundation of syndicates and introduced laws of job security are typical examples. Today we may add informal and (sometimes) criminal activities like agricultural productivity, informal trade (*buyam-sellam*) and smuggling.¹⁵ The idea behind is the same as what was always suggested by Hobbes and Thünen: If people feel threatened, neither law nor morals are left that would be able to limit their imagination of the meaning of

¹³ Please pay attention that the "market" should be understood in terms of "market system". That means market mechanisms and "laws" with respect to supply, demand, money and so on. If a society is *completely* steeped in that "market system", such society is a "market society". With respect to Polanyi, "market" and "market society" are interactive: The "market system" needs the society which is drawn by market mechanisms (market society).

¹⁴ Following Polanyi (1995: pp. 119, 121 and p. 145), the Speenhamland System ended in 1834 and there was no protecting institution like syndicates etc. before the 1870.

¹⁵ The term "informal trade" means informal trade activities. These may be legal but also illegal (smuggling). For example, the "buyam-sellam" is used for street hawker activities selling agricultural products in cities, which was mentioned within "Women and the Arts of Smuggling" by Niger-Thomas (2001: p. 48 and 68).

survival. If there is no other possibility, people come together to live outside the market system (like at the edge of the “isolated state“) and just exit!

But mostly, people come together to strike back at the market system's inequities, for example through organisations like consumer associations, syndicates or NGOs by initiating strikes, ways of civil disobedience or even some controversial measures like “boss-napping“ and the threat to dynamite workshops (as in France).¹⁶ It's important to keep in mind that such activities mainly aim at keeping the individual's subsistence and are often protecting activities. Especially the bitter way of the labour dispute in France 2009 showed that the state is not the only “public“ force: “Public“ force would also arise through civil engagement.

(8) Conclusion: Reflections on Private and Public in Contrast to Subsistence

The ideas of Hobbes and Thünen showed that subsistence is the element from what society merges as well as what may cause the society's break down. With respect to Polanyi, it was shown that keeping subsistence stands in large contrast to the principle of the free market economy: It even seems that the market economy is hostile toward the human being. However, Polanyi's Double Movement occurs as a counter-movement – as a metaphorical Good Twin – to protect individuals from threatening their lives. As mentioned, NGOs, syndicates or trade unions, consumer associations as well as the movement into the informal sector are typical examples of counter-movements. If the felt inequities increase, concerned people would call for more protection as a result: In spite of other possibilities, they may typically claim governmental support and new laws. Hereby, protecting activities may be seen mainly as a duty of governments today. However, let's now discuss these ideas in the light of “private“ and “public“ in economics.

Keeping the explanations from Hobbes and Thünen in mind, the individual's subsistence may be interpreted as a private area, so that the “public“, or the society, emerges from this private sphere. The public hereby has to consider and in fact depends on the individual's subsistence. This aspect is very important since the “public“ is not only limited to the state. It

¹⁶ “Boss-napping“ was used by newspapers to name the kidnapping of managers especially against the background of “labour disputes“ in France 2009 (cf. Batty 2009, Sage 2009 and Süddeutsche 2009). For example, a well-known producer of construction machines from the USA wanted to cut jobs in France. On the occasion of this plan, the concerned workers “arrested“ managers and forced the corporate management to change the job cutting plans. The workers of another company in France forced their corporate management to pay higher financial compensations to lay-off workers by so called “bomb threats“ against their workplaces (cf. Bremer 2009, Jolly 2009 and RFI 2009).

includes the whole social life, especially the culture-specific style of economy. In other words: The “free“ market economy is part of a (fictional) social contract that is of course a matter of “public“. In contrast to that, keeping the individual's subsistence was part of archaic societies mentioned by Polanyi, which was also an economic attitude, but it was clearly different from economic thinking of the “modern“ free market economy. However, based on Polanyi, a perfect market economy seems to be utopian.

At the same time, the construction of society by a strictly isolated individual view – as demonstrated by Hobbes and Thünen – may also be unworldly. No one is born isolated. As a result, social arrangements – that are formal and informal institutions – are always around and have to be part of economic activities. Following Polanyi, a right of subsistence was such an informal part of archaic societies. Later, this strive for subsistence is the main intention behind Polanyi's Double Movement. From the (rational) individual's point of view, it's also consequential to strive for survival. Although the society's and the individual's point of view reflect two different perspectives, they provide a reason for *the right of subsistence*. As the individuals strive to keep subsistence, the society has to aim at the individual's subsistence as well. As a minimum, social activities in general and governmental activities in particular should not be a threat to the individual's life.

Furthermore, subsistence provides a criterion with respect to public activities: Does a public activity aim at keeping or protecting the individual's subsistence? Does a public activity threaten the individual's subsistence? Both questions show that a public activity is really needed and legitimated (by subsistence reasons). The latter aims at public activities, which may cut the people's scope of action in a really bitter way to only support a few individuals. Please keep in mind, that subsistence is not only limited to the individual's viability! This case typically stands for the redistribution of income from bottom up. In the light of the crisis, some intentions for the redistribution of loss seem to exist, where the financial deficits of a few will be socialized and individual subsistence is being cut as a result! Such activities are not legitimated by the subsistence view, because there would not be enough people to take part in a society that cuts their subsistence in general. Of course, this refers to the abstract explanations of Hobbes. But his old ideas depict the problem in an extra figurative way: No one would agree by choice to a society that threatens his or her life!

This may be seen as a logical matter of justice, but it would be misleading to conclude that societies always break at the moment of becoming exploitative to special groups of a society! As J.C. Scott (1976) showed within his “The Moral Economy of the Peasant“, people would swallow some bitter pills before they rebel: Not every inequitable activity would cause a riot! Hence, there is a scope of action within politics that may act in a way that would be felt as inequitable by some groups of the society. Nevertheless, this scope of action is limited: If the felt inequities increase and the individual's subsistence is threatened – Scott (1976) would talk about people living within the *zone of the subsistence crisis* – then a real danger of revolt would emerge. As this effect of subsistence is very plausible, the border to the possible revolts might shift. But coming back to the question of public activities nowadays. Is there a change of thinking observable? Are boundaries of “private“ shifting to the “public“ direction?

Firstly, in the light of the current economic crisis, it's clear that there is a need for governmental activities to keep the individual's subsistence, because a lot of people were threatened by individual bankruptcy; sometimes this concern may turn into the fear of an existential threat to the own life. Additionally, “modern“ societies are normally free of pre-modern structures that provide the individual's subsistence. But, if not the state, whatever or whoever else may alleviate the negative effects of a crises?

Please keep in mind that this argument can also be misused, e.g. by distributing the loss of a few among the whole society. Not every protagonist who calls for “public actions“ aims at protection of the individual's subsistence. For example, the political decisions of the German government with respect to banks (bank rescue laws) were reasoned by the so called “systemic character of the bank sector“, where a collapse of banks would put every German at risk. As a result, the German “bad bank“ laws came into effect in 2009: Banks are allowed to create “bad banks“ and trade off “bad“ stocks even to their own “bad banks“ for certificates of indebtedness (German: Schuldverschreibung) which are vouched by the German government.¹⁷ So in the end, the government bears the financial responsibility. In the worst

¹⁷ The German banks were allowed to found so called “bad banks“ and to assign “bad“ stocks to that banks in 2009 (cf. BUNDESRAT 2009 and BUNDESREGIERUNG 2009). Keep in mind that: (i) a bank will be checked before it's allowed to found a bad bank, (ii) the parent bank has to pay a fee for each of the “bad“ stocks traded off to the bad bank and (iii) so called bonus-payments are prohibited and the salary of the board of directors is limited to 500.000 Euro (cf. BMdF 2009). Then, in return of the “bad“ stocks, the parent bank receives certificates of indebtedness (German: Schuldverschreibung). These certificates are vouched by the government. This returns the financial statement of the parent banks back to balance again. Furthermore, the parent banks are able to trade the certificates off for “fresh“ money of the Bundesbank. In any case: The German Government bears the financial responsibility in the end. Mainly the banks benefit from this political measure.

case, the financial responsibility would be redeemed by taxes which are paid by everybody, especially income tax and value added tax! Against the background of political decisions such as “bank rescue laws“, does that policy really aim at individual subsistence security?

Finally, the question about a change in economic thinking has to be referred to the economic science itself. In fact, the crisis may show some anomalies within mainstream economics, which provide reasons for a hope of change or a “scientific revolution“. But in the light of “The great crash of 2008 and the reform of economics“ by Geoffrey Hodgson (2009), there are enough reasons to express the hope of change with caution. Firstly, as Hodgson (2009) wrote, today's teaching of economics neglects the history of economic thinking. But from where should alternative theories emerge, when teaching the history of economic thinking becomes more and more rare?

Secondly, the article of Hodgson (2009) unintentionally shows that there only seems to be two alternatives to mainstream economics, which may be mentioned within discussions today: Theories with respect to Marx and Keynes in which Marx does not seem to be accepted and Keynes only acts as the second best solution. Of course, there are a lot of further alternative economics like feminist economics and evolutionary economics, but they are often content to the criticism on mainstream economics. All in all, there are no alternative economic theories established as of to date, which could challenge mainstream economic recommendations.¹⁸

Therefore, in spite of the crisis, no real change in the economic thinking should be expected. The boundary of “public“ and “private“ will not shift soon. One of the indicators may be the neglect of the question of subsistence. Even though, the individual's life may be threatened by the effects of the worldwide economic crisis, there is still no economic theory based on the individual's subsistence (besides the mentioned approaches by Hobbes and Thünen). This change may come when scientists and politics start to pay more attention to the question of the individual's subsistence and it's role with respect to the economics.

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¹⁸ There are some exceptions like the Neo-Ricardian School and Piero Sraffa. But – unfortunately – these examples seem not to be established.

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