

*Concepts of man and production*

**PROF. MIGUEL A. MARTÍNEZ-ECHEVARRÍA**

UNIVERSITY OF NAVARRA. SPAIN

# CONCEPTS OF MAN AND PRODUCTION

Miguel A. Martínez-Echevarría

University of Navarra. Spain

## 1. Abstract

Although many of you may have a practical and immediate vision of production processes as something related to the activity of workshops, technology and machines, warehouses, problems of distribution, managing people, etc., etc., I will only be referring indirectly to such specific and tangible aspects. Not because I do not consider them to be important, but because, on many occasions, in order to capture the meaning of what is happening, it is advisable to maintain a certain distance and to adopt viewpoints that are not the usual ones.

If you were to open any economics manual and look for the definition of production you would probably be amazed at the scarcity and lack of precision of what you read. In reality no rigorous definition has been established, rather production is presented as something that it is assumed to exist, something that businesses just do and which does not appear to require a definition. However this way of thinking cannot be attributed to the fact that the authors of these manuals are either ignorant or careless, in fact the opposite is the case, they are highly conscious of the fact that this concept is probably the most difficult and problematic in the whole of economic theory. The reason for this difficulty is, firstly, that production is an activity, something practical that is in a process of endless elaboration. That is why it is not particularly apt for the kind of definition that can be summarised in a few lines. Nevertheless, arriving at a good theory of production is not without importance, given that a success in conceptual terms may help a great deal towards the improvement of economic activity and, even more importantly, may help man to understand himself. That is why I believe that the best approach to the arduous problem of establishing exactly what production is should not start by introducing a new definition, which would not be a great help, but through a brief synopsis of the different concepts that have been raised throughout our history and then, through the difficulties and limitations that have arisen with regard thereto, try to discover what the true meaning, of this process that we call production, is.

Logically enough, in the case of a review which of necessity must be brief, summarising and synthesising cannot be avoided, with the result that, in some cases, we may do less than justice to some of the ideas of the authors. In order to avoid this it would be necessary to continually add qualifications and exceptions, thus rendering the exercise interminable and incoherent for anyone other than an expert in the field. Whatever the case, I have attempted to bring together the most essential aspects of these ideas in order, at least, that we may finally lay the foundations for a brief debate on what has been written, or encourage a subsequent reflection on these ideas and, insofar as possible, a reading of the original works.

I have divided this account into four parts. The first, which I have called the Classical Period of the concept of production, brings together early theoretical enquiries and the framework within which they were postulated. This is undoubtedly the most important period, insofar as it raises the fundamental problems. The second part, called the Neo-classical Period of the concept of production, reviews the various attempts made to

permanent characteristics, due to his nature. By means of a strange intellectual pirouette, this supposedly natural individual, could not be governed by reason, which was understood to be essentially artificial. Consequently he was abandoned to the impulse of his passions.

Man's natural tendency to perfection was primarily manifest in that his needs are not, strictly speaking, natural, not even those which we usually refer to as basic, but must always be designed. This could lead us to the impression that man never knows what his needs are, or that he is radically unsatisfied. As Nietzsche would say, man appears to be the highly strung, or unfinished, animal, who is unable to adjust to his environment. Although this trait has more to do with reason, the designers of the utilitarian individual reduced it to a passion: insatiability. Thus reason was converted into a kind of cunning, for the effective achievement of the impulses of man's passions. In this way the problem of perfection, which demanded the impossible knowledge of the purpose of man, was side-stepped, and in its place appeared the idea of progress, a kind of process, objective and, in principle, interminable, fed by human insatiability.

Perfection was thus relegated to an intimate and subjective sphere, to the world of each individual's fantasy, with no further importance for the development of the social objective that is the progress of humanity. The true science of society had to be the discovery of the laws which explained such progress. Thus emerged an immanent and secularised concept of history, which was called conjectural. A processed explanation based on conjectures as to how man had evolved, from his primitive and basic naturalness to his present state of development and civilisation. In other words, the history that explains how man produced society out of himself.

According to this conjectural history, the work above all of Ferguson and Smith, in the first stage man would have lived in isolation, limited to the collection of nature's fruits, and how hunting and gathering, on free and common lands, would have been the only possible form of production. In a second stage, the individual would then have discovered that it is better to appropriate the land, given that through herding and agriculture he could programme what he needed on a regular basis. According to this explanation, the appearance of agriculture is linked to greater ingeniousness applied to the environment in which man lives. An ingeniousness which is not primarily due to the appearance of techniques but to the idea of ownership, by means of which man could create a world separated from the immediacy of the present, and could take decision on the basis of things that have still not occurred. That is, production is related to a concept so unnatural, in the physical sense, as something that still does not exist. That is why, although many have judged that the appearance of the concept of ownership is attributable to technical improvements, in reality the opposite is in fact the case. Ownership as a means of overcoming ephemerality allowed for the creation of a regularity which demanded technique.

The appearance of land ownership would then, properly speaking, be man's first productive act. By means of this institution nature became humanised, receiving a different order, becoming linked to man's spiritual dimension.

In this way the order of the ancient world emerged, with a division between the landowners who acted as the lords, governing and defending their territories, and the slaves or serfs, who cultivated the land and provided the means of survival.

Following on from a naturalistic prejudice that dates back to Plato and Aristotle, the learned men of the 17<sup>th</sup> and 18<sup>th</sup> centuries maintained the idea that only the cultivation of the land is a productive activity. The only difference being that the ancients scorned productive activities, considering them an obstacle to the achievement of excellence, while

spoilt or deteriorating, unlike the fruits of the land. However it was precisely this characteristic of money, its artificiality, that posed a serious problem.

Since remotest antiquity only the land, as a representative *par excellence* of the natural processes of fertility, was productive and money, representative *par excellence* of artificial processes, as Aristotle said, was sterile. For all of the cultures of the ancient world to live by trade was considered, in the best of cases, as something suspect, and to dedicate oneself to usury, making money from money, was absolutely prohibited. Money as a symbol and an artifice could be created at will and easily converted into a fiction of the imagination. On the other hand, as a means of exchange and universal measure of value, it had to remain immovable, with the result that any activity aimed at increasing its value must be considered as contrary to the good order of society.

There was the example of what had happened in Castille throughout the 16<sup>th</sup> century, as a consequence of the arrival of gold from the Americas, there was an abundance of gold and a scarcity of work, while prices soared. It appeared to be a confirmation that, effectively, it was very dangerous to live by this fiction, which consisted in thinking that money was, of itself, productive.

The authors of conjectural history needed to demonstrate that money was not sterile. That is that there was a natural process by which money multiplied, in the same way that the grain in the ground multiplied. To this end the first thing that had to be done was to naturalise money, to convert it into something tangible, to give it an intrinsic value like grain. The solution was to identify it with work. Once this step had been taken all that remained was to explain how it multiplied. This was the great discovery of Smith, which he called "the division of labour". Something that he described through his famous example of the pin factory.

Thus, as it was necessary to dispose of ground for the multiplication of grain, it was necessary to dispose of money for the multiplication of work. The advantage of this new way of understanding production was that, while land did not multiply itself money did, with the result that it overcame the limits imposed by the fertility of the land. From this moment on human progress would be both unstoppable and splendid.

It may seem shocking that such determination should be put into demonstrating that a process so manifestly artificial, as the one we have just described, was a natural thing. What was important was to demonstrate that production was something that was subject to necessary and inexorable laws, and that it had nothing to do with human fantasy. Thus, like the physics of Leibnitz, it is adjusted to an optimum principle, as described by Maupertuis: production, like physics, must also be guided by the principle of minimum effort in the use of labour.

Smith felt particularly satisfied with his explanation of the division of labour, given that not only did it not impose the obligation to subsidise the poor, but turned them into the base for the multiplication of money. In order to solve the problem of the poor it was not necessary to call on the compassion of the rich, merely to foster their natural tendency to become wealthier.

On the other hand Smith, who was an intelligent observer, realised that the extension of the division of labour could only be carried out to the extent that the market also expanded. Which should have served him as a clue to the discovery that the source of this value was not in the individual, but in the social relations that were reflected by the extension of the market. But yet again, for reasons that it would be prolix to explain here,

From this new viewpoint, what was important was to present production as something of a technical nature, yet resulting from consumer decisions taken by individuals. In this way production would no longer be considered as the imposition of capitalists, but as an expression of the democratic principle that constituted the foundations of the market. Thus emerged the essence of the thesis of the Neo-classical economy. The concept of production then became an authentic riddle. On the one hand, from the macroeconomic point of view, it was seen as a consequence of market balance, on the other, from a microeconomic point of view, as a technical process that took place within businesses. Two radically incompatible points of view.

From the microeconomic point of view production is considered as the generation of a monetary surplus, through recourse to a production function. A surplus that mysteriously disappears in the balance, on the basis of which, theoretically, there would be no production or businessmen. An absurd conclusion, given that it is evident that businesses in balance continue to supply the quantities demanded by the market. That is, production does exist with zero profits, although it continues to be a contradiction. In this world, as Schumpeter would say, the task of the businessman would be to break through the balance to which the market continually tends.

The existence of these agents, called businessmen, then becomes an enigma. They are moved by an individualistic passion: the search for a profit, essential for the achievement of social wellbeing, yet which becomes incompatible as soon as the latter is achieved. Furthermore, they move in a world without frictions, where everything is foreseeable, where neither history nor institutions count. The same business theory ignores the sense of the organisation and structure of the business. Everything is reduced to a technical problem of the location of a maximum, for certain given conditions.

Corresponding to this way of understanding production, where everything that happens within the factory is merely a technical problem, the so-called scientific theory of management was elaborated. The manager, given a certain technology and knowing the quantity that he must produce, will design the processes in such a way that maximum performance is obtained by adjusting the worker to his task.

Later on, when it was discovered that the achievement of this supposed maximum of efficiency not only depended on the design but also on motivation, emerged the so-called human relations view point, which insisted in applying the same technical criteria, but this time to the supposed psychological structure of the individual. The objective still being the same: to discover the factors that determine the degree of intensity of effort made by the workers, in this way controlling them in order to obtain maximum productivity.

From the macroeconomic point of view, however, the neo-classical concept of production becomes more coherent. The economy can be explained as a continuous circular flow of products which cross over each other as they flow from the business to families, and back. A flow that is maintained in balance as long as savings coincide with investment. That is, as long as the decisions of consumers, in relation to what they must save, is compatible with the decisions of businessmen with regard to what they must invest. For the first time in history the theory can be seen with complete clarity, that consumption is the flip-side of production. The creation of value does not appear to be something that is located somewhere in the economic circuit, nor in a specific activity, but is related to the structure and, especially, to the functioning of the totality of inter-linked decisions that make up society.

As Keynes so rightly warned, when the task of the businessman truly acquires meaning and becomes a human task, is when it is seen from the macroeconomic angle. To

strengthens and modifies the environment in which he acts. To produce is to learn to resolve the difficulties and challenges presented to man by his needs, in principle unlimited, and which require continuous design and judgement as to their viability. In other words, production is part of an overall process of the creation of meaning.

The idea of an open, progressive, rationality cannot be considered as new. Aristotle said "there are three things that make a man excellent: nature, custom and reason". That is, human actions are supported by natural dispositions, of themselves formless, customs that emerge when these dispositions are cultivated in a determined way, and reason that develops as it is directed and reflects on the mode in which the customs are developed. Nevertheless, as we have seen, since the 17<sup>th</sup> century, this trinomial has been reduced to a dichotomy pitting nature and reason against each other. While the first represents that which is universal, real and necessary, the second represents that which is ephemeral, arbitrary and limited. The resulting confrontation has been tragic for the development of the social sciences. Attempting to turn economics into a science like physics led, as we have seen, has led to the insistence that realities, as human as money and production, are nothing more than natural processes.

Nonetheless it is surprising that in the 18<sup>th</sup> century, when Ferguson and Smith, began to theorise on the origins of society, an investigation was also started into the origin of language. At the present time the study of language may also be of great use to us in order to reach a better understanding as to what production consists of. Something that Aristotle also suggested when he affirmed that man can live in society thanks to language, money and justice. Language is, above all, a means of communication, something destined to the creation of meaning, that it cannot be considered as a purely natural process, which would lead to one single language, nor a mere convention, which would render languages incommunicable. On the one hand it is natural, insofar as it is based on the manipulation of the human mouth and larynx. Yet no single language has emerged on the basis of these manipulations, but many languages, each emerging from different customs and habits, which ascertain certain symbols to determined things and actions. Subsequently, reflection on how this happens gave rise to the development of grammar, which perfects the language and allows for translation from one language to another. Rationality was present from the beginning, but it does not emerge from the abstraction of a grammar which is assumed to be complete from the beginning, but from the hesitant learning that leads to the resolution of communication problems that become increasingly more complicated.

Language can never be reduced to a closed logical structure, to grammar, because it is a means of human expression that will always be a source of continuous and greater self-knowledge. It includes a self-reflexive dimension that continually transforms and strengthens it.

Production, like language, cannot be reduced to either a purely natural process, as the classicists believed, or to a merely logical decision disconnected from all reality, as the neo-classicists claimed. In both cases the essential germ of production is lost, that is its condition as a means of social cohesion, of that other aspect of the creation of meaning which is value. Production creates value with the help of money, as communication creates meaning with the help of language.

Production, in terms of the creation of value, is not generated or located in any specific place. On the one hand it is something common, the fruit of custom and reflection, and on the other it admits the expression of the singularity of each individual. In order to judge whether an answer is rational it is not necessary to know all of the possible questions and answers, it is sufficient for it to make sense within the particular context created by the

which breaks through the natural limitations and allows for the same thing to be produced in many ways.

The state of human freedom is paradoxically made manifest by its needs. Man has an inescapable need to eat, in this sense it is something natural, yet the specific manners of meeting that need are undefined, it can be done in an extensive variety of ways. This is precisely the definition on which the state of human freedom is based, and which makes production possible. This variety of ways to satisfy needs is not only unlimited but is also open to continuous change. The foundations of this possibility lie within man's own environment, man can order the relationships between all things and all men in different ways. That is, on a common basis, man can give value to certain things and remove them from others. That is why production, although it is carried out within businesses, where determined transformation processes take place, is finally directed towards responding to a social attribution of value. This is, in the end, what is meant by insisting that the business must be oriented to its customer.

Production is then, a process of assigning value which forms a part of a continuous search for meaning, taking place within society. That is why, in terms of the constitutional dimension of society, it is absurd to attempt to divide activities between productive and non-productive. The possibility of production is greater to the extent that freedom, or the possibilities of manifesting man's very being, is greater. That is, the greater is the respect for basic human rights, the greater the effective freedom of citizens to start up their own initiatives, both within or outside businesses. The source of wealth, of production, is not in the material nature of things, but within the individual human being himself.

History has demonstrated that any attempt to subordinate man to a close and materialistic view of production brings, as an immediate consequence, the impossibility of production itself. The socialist trials in Owen's factories, the soviet factories, or the Taylorist schemes, constitute a clear indication of a serious anthropological error that obstructed the possibility of production itself given that, as we have insistently repeated, it forms a part of the extent of human freedom. It is not the business that produces, that generates this creation of meaning that is society, but the opposite, it is society that makes businesses possible. Only within a society in which excellence is cultivated, where the rules of coexistence are respected, where beauty is admired, etc., etc., will the conditions in which businesses can contribute to the creation of value exist.

Finally I must also state my most radical disagreement with any business perspective on production, represented paradigmatically by the posture of Drucker, at least in his early work. Generally speaking these viewpoints contain a materialistic view of production, and consider, as did Owen, that the business constitutes something like the key to the process of the creation of meaning which defines society. I should also like to warn against the excesses in which the viewpoint, known as "customer orientation" can incur which, although I judge it to be positive in itself, insofar as in one way it acknowledges that production is a social process in the creation of meaning, it also runs the danger of confusing citizen with customer. If this occurs there is a danger that this business will cease to be aware of reality as such, and will confuse it with a kind of virtual prolongation of the business itself. The true "management of knowledge" is not acquired by business contemplating its own belly button, but by examining the smaller and greater tendencies of the creation of meaning which arise in society. This is the root of all production.