



Cold heartedness and efficiency





An interview with economic historian Werner Plumpe

In his widely acclaimed book “Das Kalte Herz” (The Cold Heart), economic historian Werner Plumpe tells the story of the history of capitalism, which in his view represents a sober form of economics which has proved itself superior and higher performing than other systems. To this day, the long tradition of capitalism criticism has not understood that in capitalism, great wealth is utilized to produce goods that are usually affordable for people with small incomes.

Dirk Frank: The image of the “cold heart,” taken from the fairy tale by Wilhelm Hauff, provides a somewhat contradictory basis for your book. Is capitalism really not that cold? Or can and should it not grow warm?

Werner Plumpe: The fairy tale takes place in 1800 in the Black Forest; the poor charburner Peter Munk wants to be rich but he doesn't know how to go about it. Finally, the sorcerer Dutch-Mike promises to make Peter rich if he will give him his heart in exchange for a stone. And this is exactly what happens. Only Peter not only becomes rich, he also becomes unfeeling and ruthless. Some literature scholars have therefore read the fairy tale as a criticism of capitalism. I also chose the title because it is ultimately fitting, even if it signals criticism. Coldness is the mark of capitalism, but this is exactly where its strength lies: by only following calculations of utility, the economy is particularly efficient! The title “The Cold Heart” is therefore also a semantic wordplay that takes up the criticism, but then turns it into its

Today the concept of the “disruptives” is rampant. Is the character of capitalism coming to light with particular clarity today?

I prefer the term “creative destruction,” but the core is clear. The change not only applies to products and production methods. Entire regions are challenged and subject to significant change. In the West, the success of capitalism and the dominance of West Europe and North America were long considered, almost by law of nature, to be one and the same. Since the 1970s, and especially since the rise of China, this can no longer be taken for granted. Many economic activities have disappeared from Europe since then, and have reappeared in Asia. The old West will have to get used to the fact that there is no “born leadership” in capitalism. This is obviously difficult for the USA.

Would it be Euro-centric to think that Europe “invented” capitalism? It did originate in Europe after all.

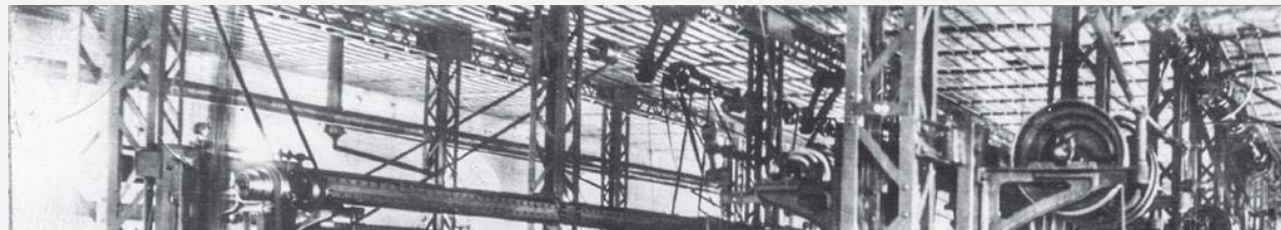


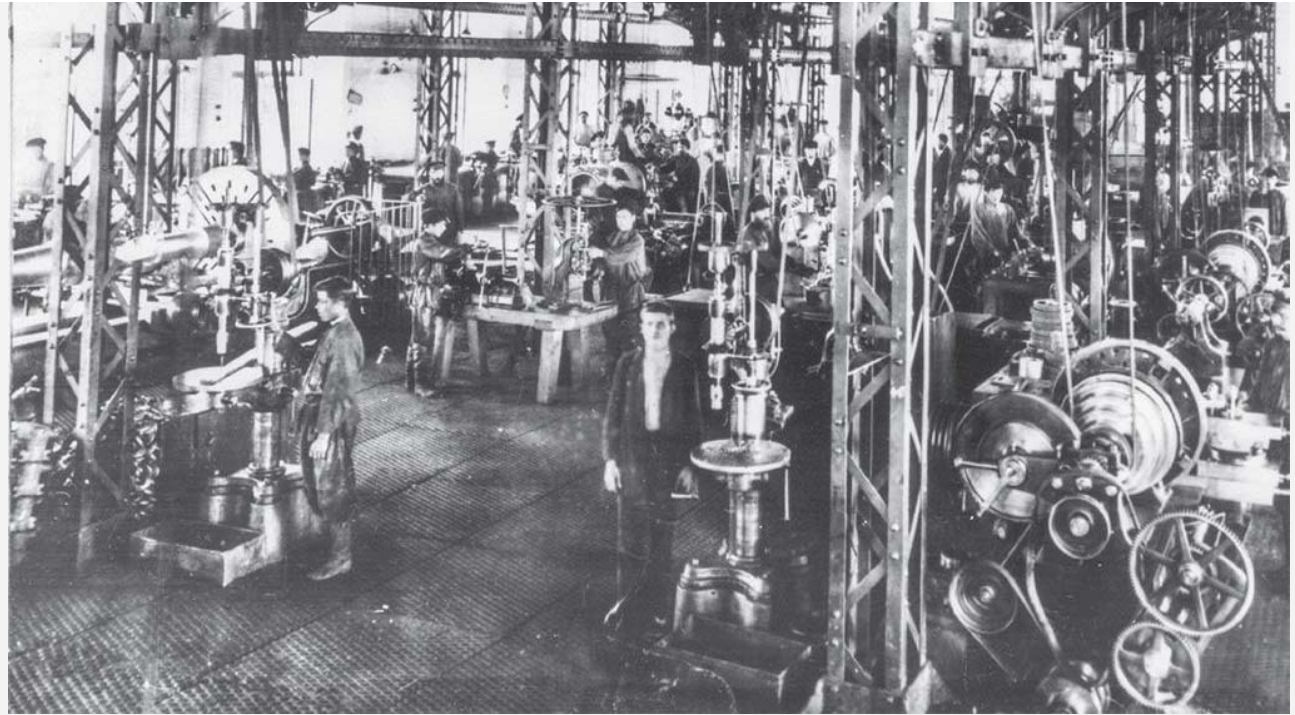
opposite. From a predominantly moral perspective, coldness can never be acceptable; but the judgment is different when coldness itself, and taken historically coldness alone, makes a material yield possible that benefits many people

The subtitle contains the concept of revolution – doesn't capitalism hinder upheavals?

That depends on where you look: under capitalistic conditions, a constant change in material circulation takes place, everything is changed that gets in its way, or in the way of its progress, even if the type of economy remains the same. There is something diabolic about it, because the new is always destructive, rendering old production methods and qualifications obsolete. Joseph Schumpeter spoke aptly of "creative destruction". For the old, this can be hard to accept, but it is intrinsic to the logic of this economy. And this is not something that will simply stop. As long as human productivity increases, as long as our knowledge grows, as long as regional and social references of our economic action change, something new will always be coming about that will be tested on the market. This is not a process of success alone – it comes with a lot of bankruptcy and ruin. In sum, however, this has so far increased prosperity; and that is precisely the legitimacy of this type of economy.

Its development is a historic event; the conditions in the urbanised regions of north-western Europe were particularly favourable due to a wealth of factors. By copying, by best practice, but also by violent expansion of the type of economy that came about in the Netherlands and Great Britain, a model finally emerged that took over the others. There is a position within social and economic historical literature that capitalism was a kind of declaration of war on the rest of the world; its rise over here meant a demise there – in fact, it required it. But this is not factually correct. In Europe, something simply happened earlier which since then we have also seen in Japan, Asia, parts of South America, and today in certain regions of Africa as well. With the transition to capitalism, the dynamic accelerates there as well, and gaps shrink. Capitalism is definitely not a Western phenomenon. In order for it to develop, however, certain conditions are necessary: private property, decentralised decision-making structures, a large variety of courses of action and the ability to select these courses of action through price-forming markets, a working money system and fundamental legal certainty. So a lot depends on government, because a portion of these conditions can only be guaranteed by government, and it has specific reasons to do so only under certain circumstances.





Wilhelm Hauffs fairy tale „A Heart of Stone“ was the inspiration for Werner Plumpe’s analysis of capitalism. This illustration is from a 1869 edition of the book: The charburner Peter Munk conjures the little glass man, who is supposed to help him gain wealth and esteem. He is later even willing to trade his own heart for a cold stone.

Capitalism as historic event: Conditions in the urbanized regions of northwestern Europe were particularly favourable for the industrial advancement of the 19th Century.



“Private property” has become a red flag in some debates – why is that?

Private property seems to be directly linked with social inequality: luxury here, squalor there. Criticism in this regard isn't limited to capitalism – it's much older. Think of the Sermon on the Mount. Capitalism seems to radicalise this ancient lament of inequality, but this criticism misses the fact that with capitalism, and its utilisation of property, something fundamentally new comes about. The new does not lie in the existence of greater wealth, but in its transformation to capital, which turns wealth, which previously served only for the consumption of the upper classes, into productive capital. And its utilisation is only profitable for the mass production of wares that on average are inexpensive enough that simple households can also afford them.

So the new is mass production, which requires a lot of capital. But this alone does not completely explain the modern functionality of private property. In addition, it leads to the establishment of budget rationalism: an individual person in possession of wealth will usually act according to his or her expectations of the future and does so on his or her own costs. If things go wrong, that person is affected and perhaps his or her environment, but it is immaterial to the economy itself – the economy may even profit from individual actors withdrawing and others winning. In this way, private property guarantees a functionally essential “centreless-ness” that allows capitalism to be much more dynamic.

In the famous dispute between Jürgen Habermas and Niklas Luhmann, you tend to share Luhmann's position that Marxist social criticism no longer does justice to the functional logic of society.

Indeed. I was sceptical with regard to the capitalistic economy for a long time for very basic reasons; but the intensive study of recent economic history has taught me better, and prompted me to distance myself from rigid system assumptions, such as those of Marxism. Capitalism as a form of economy is understandable; its changes can be demonstrated empirically and made plausible. But to immediately assume a “capitalistic society” in which the economy determines everything else – that doesn't convince me either historically or in the present day. If that were the case, the widespread and recently ballooning criticism of capitalism would be difficult to explain. And mass consumption doesn't destroy a particular meaning of life. On the contrary: under half-way functioning capitalistic circumstances, individual options for shaping one's life increase significantly. Capitalism, when it works, offers a kind of background relief. What we do with it is up to us.

In one chapter you also write about youth culture, its media and music, and that new mass cultural media also produce social change.

Once the capitalistic form of mass consumption society had established itself in the late 1950s, traditional techniques for coping with scarcity and their corresponding normativity



To put it pointedly, capitalism is highly dynamic precisely because it allows, in fact implies, failure. Critics of capitalism since Marx have therefore claimed time and again that concentration and centralisation in just a few hands would lead to capitalism destroying itself, a risk also perceived by Werner Sombart and Joseph Schumpeter. Empirically this hasn't been borne out; larger complexes have continually come into being, but as a rule they have all fallen victim to structural change.

gradually lost their purpose. For the youth of that period, this meant they could liberate themselves from paternalism and narrowness without risking the material survival of the family. The clearest expression is youth fashion, which was commercialised from the very beginning, and which also created new market opportunities. The new mass market for pop consumption begins essentially with Bill Haley: hey, we can earn money with that. Clever record producers kept developing new ideas. This is the precise logic of capitalism: You search, experiment, and make discoveries. And it is notable that this doesn't get reduced to a new form of standardized culture.



Humanity vs. profit? In March 2015 thousands demon strated against the capitalistic model of society in Frankfurt..



Plumpe, Werner. Das kalte Herz. Kapitalismus: Die Geschichte einer andauernden Revolution, Rowohlt, Berlin 2019.

Let's talk about the financial crisis, which contains a contradiction with regard to the rescue of the banks.

I would say: the financial crisis was a serious breakdown, but not a crisis of the capitalistic system! There are clear political reasons for it – basically, the risks of deregulated financial markets were systematically underestimated, while at the same time its positive effects were overestimated. The deregulation of financial markets was actually a hallmark of politics for a long period. The intention was for individual actors to be able to act successfully on the international financial markets.

They did, and they did so in a rather risky manner. This was hardly new; there have always been cyclical crises, speculative bubbles and structural distortions. Crises becomes extreme when these phenomena are selectively combined, as was the case with the speculative pricing bubble on the real estate markets. When these burst, everything suddenly went downhill, and the financial sector, bloated as a consequence of deregulation, found itself in dire straits which, if the logic of capitalism had not been suspended, would have resulted in a series of bank collapses. This seemed too risky for the government. We all know the result. Now the government has

And the fact that large portion of youth and music culture understand themselves as anticapitalistic and critical is not a contradiction, but according to your interpretation substantiate the elasticity of the capitalistic principle.

It might be disappointing to many people that protest can only take place in the form of a market-conforming product. There is no rule in capitalism that prohibits this, in contrast to socialism where it is clear: Criticism of the system will not be publicised. To that extent, capitalism is also “cold” with regard to criticism of itself. If a certain number of sales are achieved for a consumption-critical book such as Marcuse’s “Culture and Society”, everyone is happy. The same applies to pop and rock.

Capitalism also comes under fire in the climate discussion because of its concept of growth.

Climate fluctuations have always greatly determined the economic behaviour of people; a large portion of economic history has to do with handling consequences of climate fluctuation, from the flood, through the small ice age since the 16th Century. What is new today is that the population has grown so extensively under capitalistic conditions and that in



the dilemma of having to strictly regulate the financial sector in order to lower its risk of crisis, but simultaneously limit its performance, on which both the economy and the state depend.

It was decided to take the escape route through the central banks, which meant not really regulating the banks but keeping them alive with cheap money. We all know the result of this as well. At the same time, many of the instruments that are being criticized today – for example, swaps, certain (structured) credit transactions and derivatives – have a useful overall purpose. They came about in the 1970's and 1980's as hedging instruments on increasingly volatile financial markets. In short: it is not the structures of the financial markets that sparked the crisis, but the excesses, which were viewed quite favourably by the state, in combination with the big players' hunger for success.

sum the consumption of resources and land have increased enormously. The paradox here is that the expense for the livelihood of an individual has simultaneously shrunk dramatically. From an economic historical viewpoint, the livelihood of an individual person is today cheaper than ever before. Around 1800, a farmer could feed about four other people; today one farmer can feed about 120 people. But this is another reason for the rapid increase in population development. It is certainly a paradoxical situation that capitalism, by being able to provide for the individual so efficiently, created the leeway for there now being so many individuals. However, population pressure decreases under developed capitalistic conditions, as is obvious here in this country. The great increase in population is probably a transitional phenomenon that will again recede under the conditions of developed capitalistic relations. It might therefore be possible, although this is a speculation, that ultimately the pressure on resource consumption will sink again, for the very reason that capitalism has one day been established worldwide.

The author

Werner Plumpe has been Professor for Economic History at Goethe University since 1999. His areas of interest are the business and industry history of the 19th Century and in the history of economic thought and economic theories. From 2009 to 2013, Plumpe was Chair of the German Historian Association (*Verbandes der Historikerinnen und Historiker Deutschlands (VHD)*).

The interviewer

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