

Freedom, Authority and Economics

Essays on Michael Polanyi's Politics
and Economics

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That volume consisted of revised papers given, in English, at the “Michael Polanyi Seminar”, 28th-31st July 2011, at the Theodor Heuss Akademie.

We are grateful to the Friedrich Naumann Stiftung for permission to publish for public sale that collection under the present title.

Abbreviations

All references in this collection to Polanyi's works will use the usual abbreviations:

CF = *The Contempt of Freedom*

FEFT = *Full Employment and Free Trade*

KB = *Knowing and Being*

LL = *The Logic of Liberty*

M = *Meaning*

PK = *Personal Knowledge*

SFS = *Science, Faith and Society*

SOM = *The Study of Man*

TD = *The Tacit Dimension*

and

SEP = *Society, Economics and Philosophy: Selected articles
by Michael Polanyi*

For further details see the Bibliography

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Foreword

The papers in this collection are revised versions of those given at the Polanyi Seminar, 28th-31st July 2011, at the Friedrich Naumann Stiftung, Gummersbach, Germany. They are intended for readers new to Polanyi and aim to introduce to them the principal features of his distinctive philosophy and of his contributions to political, social and economic theory. The authors have striven to avoid jargon and to require as little special knowledge as possible.

After an outline of Polanyi's life and publications on philosophy, politics and economics, Endre Nagy and Phil Mullins consider the fundamental theme of freedom, of which Polanyi gives an distinctive and "positive" account, after which comes a study by Simon Smith of the complementary theme of authority and Polanyi's distinction of two forms of it, general and specific, and his application of it in science and society at large.

Viktor Geng and Tihamér Margitay then survey and apply further a specific application of his philosophy, his account of moral inversion, the process whereby moral passions, which an ideology forbids persons explicitly to avow them, become tacitly attached to merely "factual" objects.

The centre of Polanyi's general philosophy, as expounded in *Personal Knowledge* and developed in subsequent books and articles, is the from-to structure of tacit integration, whereby we tacitly integrate subsidiary details, *from* which we attend, into a focal whole *to* which we attend. Richard Moodey shows how it applies to political and economic thinking, while R.T. Allen takes the ontological counterpart of tacit integration, Polanyi's account of the different levels of reality and how they are related, and applies it to the relations between political and economic activities.

The final two articles consider sociological strands in Polanyi's thinking. Moodey's second article shows how he

turned to a more sociological view of economics. To close this collection, Klaus Allerbeck examines Polanyi's own forays into and contributions to sociology, which other and more pressing concerns prevented him from developing further.

Michael Polanyi was a man of many talents. Besides his training in medicine and practice of it in the Austro-Hungarian army, and then his work in physical chemistry and his knowledge of the other natural sciences and their history, from all of which he drew many examples in his publications, he made significant contributions to philosophy, political thought, economics and sociology, as partially examined in this volume; was fluent in at least four modern European languages—Hungarian, German, French, English, and probably had at least a working knowledge of Russian; was interested in Hungarian and contemporary French poetry; cited empirical studies of the psychology of perception, the learning of language, intellectual development, and the practices and methods of modern science; pioneered the production of animated diagrammatic films to illustrate his economic theories; and proposed changes to the patent laws. It has been suggested that these other interests may have affected his chances of winning a Nobel Prize for his researches in chemistry. Yet philosophy, politics and economics would have been the poorer without his non-scientific work and it deserves to be more widely known and appreciated.

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Chapter 6

Moral inversion: A social diagnosis^{*}

Tihamér Margitay

Modern (western) societies are characterised as consumer societies. Though there is no consensual account of these societies, nevertheless commentators agree on that one of the most prominent features of these societies is that consumption is elevated to among our most delightful and precious activities.

This fundamental phenomenon of consumer society will be interpreted by means of Michael Polanyi's theory of moral inversion. He developed this theory to understand the two extreme dictatorships of the 20th century, namely, communism and fascism; and he analysed these political structures as paradigm examples of moral inversion. (Viktor Geng discussed these political applications in his paper in this volume.)

I shall argue that consumption in consumer societies is also an instance of moral inversion and consumerism is analogical in certain respects with those political structures.

In what follows, firstly, I shall briefly discuss the nature of consumption in modern consumer societies; then, secondly, my Polanyian notion of moral inversion will be explicated; thirdly, two forms of moral inversion will be identified in consumerism; and, finally, I shall contrast my criticism of consumerism with other well-known ones from the literature.

It is meant to be a Polanyian analysis but it does not coincide in every detail with what Polanyi says.

1. Consumer society, consumerism

Many theorists agree that social, technological and economic development brought about a new form of life what is called consumer society. The expression was popularised by Boudrillard (1998), but I shall use it in a general way to refer to the cultural and social structure of modern affluent societies. One of the most conspicuous phenomena of this new form of life is passionate consumption. Consumption has become our favourite pastime. We behave as if consumption would be the goal of our life—as some commentators put it.¹

What is special about consumption in this new era compared to its forms in previous historic periods? It is not easy to tell though, from Veblen (1899) on, a vast literature tries to answer this question. One possible answer could be that the role of consumption has changed. Formerly, we mostly consumed goods and services in order to satisfy our needs. We felt, for example, hungry and purchased food to satisfy our need. It has become more and more typical in contemporary affluent societies that we consume for the sake of consumption. We do shopping for the sake of shopping, we eat for the sake of eating etc. Consumption itself, in its various forms, becomes the object of our desire, that is, we behave as if consumption would be the basic goal of our life.

It is probably not a completely new phenomenon in human history. The novelty consists in the increasing prevalence and importance of this phenomenon. Consumer societies reflect a shift in what is central to and valuable in consumption.²

Well, how can this feature of modern societies be interpreted by the Polanyian notion of moral inversion? Before turning to this question, we should define moral inversion.

2. Definitions

Polanyi has some scattered passages giving succinct definitions of moral inversion. They suggest different versions of the concept.

[i] We may describe this as a process of moral inversion. The morally inverted person has not merely performed a philosophic substitution of moral aims by material purposes, but is acting with a purely materialistic framework of purposes. (LL 106)

Circa ten years later he writes:

[ii] [T]here is a progression ... which transforms Messianic violence from a means to an end into an aim in itself. Such is the final position reached by moral passions in their modern embodiments, whether in personal nihilism or in totalitarian violence. I call this transformation a process of moral inversion. (KB 14)

[iii] Robespierre's terror had justified itself by its noble aspirations ... This is moral inversion: a condition in which high moral purpose operates only as a hidden force of an openly declared inhumanity. (KB16)

[iv] He [the revolutionary] gives effect to his immanent morality by his manifest immorality. (KB 44)

Elsewhere, but also in the context of moral inversion, Polanyi explains “the relation between the immanent and the manifest being the same as between a purpose and its fulfilment, except that the connection is here either supernatural or otherwise left undefined” (PK 229) With this explanation, the last one (iv) defines moral inversion as goodwill resulting in bad deed with a special connection between them yet to be unfolded.

Complementing these definitions, Polanyi discusses historical examples of moral inversion showing implicitly what he means by this term (LL 93-110, PK 227-235, KB 3-23).⁴ From these examples it becomes clear that, firstly, the morally praiseworthy aspiration results in a reprehensible act not because of some bad luck or ignorance, but rather because of certain world-views. He discusses naturalistic reductionism in general—and Marxism as its peculiar form in particular—that are especially prone to generate moral inversion. Secondly, moral motivation does not aim explicitly at the immoral action in these paradigm exemplars according to Polanyi. On the contrary, for example, Bolshevik revolutionaries explicitly denied the existence of morality and *a fortiori* its efficacy in the production of action. For them, morality is nothing but the rhetorical manifestation of class interest. The obliteration of the bourgeois is, in fact, neither bad nor good—indeed no moral evaluation is possible at all; it is simply the realisation of historical necessity. They considered themselves just doing what historical necessity dictated them to do. The more bourgeois are killed, the sooner the desirable historical state sets in. This is the point where moral aspiration can be localised. Bolshevik revolutionaries implicitly—and, in fact, *inconsistently*—highly appreciate morally the historical outcome and passionately fight for it. The moral passion is at the general level, at the level of the historical development leading to particular evil deeds via a general vision of society and history. Sometimes they even admit that brute force is inhuman (though not immoral). However, it is very expedient in the hands of historical ne-

cessity. A Stalinist is inconsistent: he explicitly denies the realm of morality on the basis of the doctrine of historical materialism while supporting historical materialism by virtue of its Messianic promise of an egalitarian and just future.³

Prima facie, the four definitions (quoted from different works) and the historical examples do not seem to make up a single consistent notion of moral inversion but I leave the analysis of this problem at the Polanyi philology. Using bits and pieces of Polanyi's ideas I construct two notions of moral inversion.

(1) Moral inversion is a process when extrinsic values become intrinsic moral values.

(2) Moral inversion is a process when value-free things become—covertly and in a roundabout way—vested with values. Thereby, morally neutral things become the object of moral passion.

I shall show that consumerism involves both processes.

Moral inversion is defined by (1) and (2) as a process⁵ (as in (i) and (ii)) but it could be construed also as a state, as the end-state of this process. The process-interpretation is motivated by two reasons. Firstly, because it gives a more accurate description of what is actually happening in consumer societies. They are in transition making a value shift that has not been completed. The problem I wish to diagnose lies precisely in this shift. Secondly, the process interpretation shows clearly that the shift is taking place within the value-system of a particular person, of a particular community. A value that is extrinsic in somebody's value-system at one time becomes intrinsic for the same person's value-system on another occasion. It is not that a certain person's value-system proves to be deformed from the point of view of another person's system.

As to the definition (1) and (2), intrinsic values are those that are good in and of themselves. While extrinsic values are those that are good as means to an end. (Intrinsic values are sometimes called end values, and extrinsic values instru-

mental values.) The goodness of extrinsic values is derivative on some intrinsic values. The latter is the source of the goodness of the former and explains it. What is intrinsically good is non-derivatively good; it is good for its *own* sake, it is “just” good. What is extrinsically good that is good for the sake of something else that is good and to which it is related in some way. Intrinsic values have priority and sit on the top of this value-hierarchy.

It is not easy to tell intrinsic values from extrinsic ones. This divide has its meaning only in a larger context, only within a tradition. A value-system is valid and has its intrinsic-extrinsic division only within a form of life—so to speak—that is, within a world-view, a set of practices, a social and technological environment etc.. Probably, there is no *objective*, timeless difference between them, but only relative to these factors. However, the values and their division into intrinsic and extrinsic ones are definite and clear enough within particular cultural etc. circumstances.

It should be noted that the end of the process of moral inversion is not simply an evil action or an evil decision. It is rather an upside down or a perverted system of values within which good and evil deeds are re-evaluated. However, this upside down system of values is turned upside down not simply because a villain, an evil person opts for bad things instead of good ones and puts those bad things on the top of his hierarchy of values. It would be just a vicious decision or a wicked person, and both can be tackled alongside immoral actions and persons. A deviant individual may adopt perverted views about values, but it is of lesser importance from our point of view. The moral inversion of an individual could hardly explain a social phenomenon like consumerism if it remained isolated. Only universal values shared by a community can have explanatory relevance in this respect. So a value system in this paper is a value system of a community, and it can be turned upside down by the change of the moral *views* and *practices* of a community.

Another premise I need to develop my argument is that moral values are motivational factors. According to Polanyi, human beings have special factors—moral passions—motivating their action. Moral passions drive our actions to realise universal values, norms and truths.

Now, armed with the structure of moral values and the general definition of moral inversion, we can apply them to consumption.

3. Moral inversion 1: Extrinsic value becomes intrinsic

As it was discussed in the first section, consumption used to be mostly an instrumental value serving for the satisfaction of needs but nowadays it turns to be an intrinsic value in the practice of consumer societies. This shift itself is the first type of moral inversion. The increasing prevalence of consumption for its own sake is a process reversing the order of intrinsic and extrinsic values.

This shift reveals itself in our behaviour when we behave as if consumption were the basic goal of our life, but consumption is still considered as an instrumental value when it is *consciously reflected upon*. It becomes clear when we use a questioning test to determine its place in our value-system. For instance we may ask ourselves: “Is it good to buy things?” “Yes, sure it is.” Why is it so? In general you would not answer: “Just it is”. Rather you might answer like this: “To buy things is good because they can satisfy your needs.” “Why is it good to satisfy needs?” “Because you can stay healthy, live a good life etc. etc.”

It is easy to imagine another dialogue: “Is it good to buy things.” “Sure, it is.” “Why is it so?” “Because we can use them in various ways.”

The difference between the two dialogues reflects the difference between different ethical stances but in both cases, buying things is good for the sake of something else, for the sake of other values. This suggests that consumption is not considered as an intrinsic value.

So the value of consumption is changing. Consumption has become an intrinsic value in the practice of consumer societies and it is still considered as an instrumental value. As if our consciously accepted values were more conservative representing older forms of life than the values we pursue in our contemporary daily practice.

The process of moral inversion of this first kind involves an inconsistency. Namely, we *behave* as if consumption were an intrinsic value, but we *think* that it is not. So the principles underlying our actions are inconsistent with our explicit value-system. In other words, the value attributed to consumption *explicitly* is different from the value represented by our practice *implicitly*.

This inconsistency is often (though not always) reflected in the difference between the advertising of goods and the most paradigmatic places of their selling, shopping malls. Ads and shopping malls often represent the two sides of this inconsistency. Advertising (TV commercials, full colour ads in magazines etc.) is to associate values to the product. Commercials help us to “rationalize” the purchasing of the product in terms of higher values. For instance, by buying and using a certain razor, I will be well groomed and attractive. As opposed to this the structure and the interior of a plaza and the presentation of the products on the points of sale are to make buying itself desirable, fun, and fascinating personal experience. Ads serve our needs for justification of the acquisition of the product in terms of higher values. Shopping malls serve our indulgence in shopping itself without bringing up other values to justify it, without pointing outside of shopping itself. Many phenomenological analyses have pointed out that shopping centres are designed to pamper us in a hedonistic way, to make us enjoy the shopping itself. (See, e.g., Baudrillard 1998) Shopping is in the focus and it is celebrated. The product in its packing serves as property on a stage set by the interior and the infrastructure of the plaza and decorated by the point of sale presentations. Everything

is there to create the ambience for the pleasurable *shopping experience*.

4. Moral inversion 2: Non-values become values

Now it is clear, how consumerism brings about moral inversion by replacing intrinsic values by extrinsic ones when consumption (and *mutatis mutandis* production) is elevated to the intrinsic level in the hierarchy of values.

But what about the second, closely related form of inversion when value-free things become, covertly and in a roundabout way, vested with values? How can this happen?

The second form of inversion follows from two intimately related factors: (1) a reductionist-naturalistic view of human action and society eliminating morality and values, and (2) the irrepressible moral aspiration of man.

Let me summarise their role in moral inversion briefly.

In our modern age, according to Polanyi, knowledge is supposed to be objective untainted by contingent and subjective elements like moral values and passions. We want to free our knowledge from any possible distortion including our own subjective influence. Curiously enough, it is this *passionate* objectivism that rejects anything that is not objective including passion itself. This passionate objectivism rests on two interrelated mistakes: it misconstrues both knowledge and moral values. Human knowledge cannot be objective in this sense, and therefore objective knowledge is unattainable. (Polanyi's theory of knowing is to prove this thesis.) Though on closer scrutiny, objective knowledge is impossible, nevertheless naturalised sciences are believed to deliver this kind of knowledge. Naturalised theories are conceived of as objective descriptions of facts and the working of the world. This naturalistic scientific picture of the world dominates our everyday thinking.

Obviously, this naturalistic world-view has no room for moral values. Moral values are supposed to be reducible to physical, biological and economical properties, and can be

accounted for by naturalised theories. E.g. we think it is good to have a family, but there is no morality or moral value here. We are simply selected by evolution to transmit our genes in families. It is neither good nor bad; indeed it has no value at all. Just like the law of gravitation and its instances have no moral values. Similarly, economic liberty is only to serve the economic interest of the ruling elite. It is only part of the causal factors that are instrumental in maintaining the economic power of the elite. References to values are at best emotional outbreaks, rhetorical devices (that again can be naturalistically explained) betraying manipulative interest or, at best, sheer ignorance. It is suggested that ethics can be completely dissolved in socio-biology and economics. (Needless to say, Polanyi would deny the possibility of this sort of reduction.)

From the point of view of our moral conduct, the problem with this reductionist naturalism eliminating values is not that it is wrong—i.e., it is not true⁶—but rather that it leads to moral inversion.

Human beings are moral beings. We have moral passions and they govern our actions. According to Polanyi, this is essential to human beings. Therefore these moral passions find their object even if our world-view tells us that there are no such morally valuable objects. Our essential moral aspirations invest *tacitly* those allegedly natural objects with values, and we *tacitly* treat them like old fashioned values. This practice, that is smuggling morality back in a roundabout way, falsifies naturalistic reductionism on the one hand, and generates moral inversion, on the other.

As a result of these factors, the second kind of moral inversion emerges in consumer society. Consumption is given a naturalistic psychological, sociological and economical description. People are consumers—we are told—and they need the kind of consumption contemporary societies provide for them. This is an *objective fact* about human beings; it is their *objective*, value-free *description*. Consumption is neither praiseworthy nor blameworthy. It is just a property of

social individuals like mass is a property of physical bodies. But moral passion finds its way to assign moral values to consumption (and production) so construed. We behave as if consumption would be the basic goal of our life. This behaviour manifests, *by itself*, the value of consumption, and we also attribute further values to consumption and production when giving explicit justification for our behaviour. (Thereby we also give it ideological support.) For example, we say our consumption is good because it gives jobs and welfare to other people. Why are jobs and affluence good for them? Because they enable those people to consume. Consumer society will prevail in the globe and bring happiness for all. (Note that this justification is structurally similar to the one that was given by revolutionaries for the brutality of communism by means of historical materialism. See below.) The value-free consumption becomes vested with values in our behaviour and in the justification of our behaviour.

This second form of moral inversion also involves an inconsistency. We *describe* our behaviour, our consumption naturalistically as if there were no value in it; while we *behave* as if consumption were the best thing in the world. Our *theories* of our behaviour and the *principles* of our behaviour are inconsistent.

5. The perils of inconsistencies

It would be an oversimplification to identify the problem of these inconsistencies with hypocrisy: we do not practice what we preach. It is part of the problem but there is more to it than that. Hypocrisy is a moral problem by itself and, as a form of self-deception, it can also be a factor bringing about the two inconsistencies. The inconsistencies can spring from collective self-deception and/or gross misunderstanding of the world. Whatever their source might be—and this is my point—living by these inconsistencies is morally unacceptable because they make conclusive moral judgments about our principles and actions impossible.

The first inconsistency will always make it possible for us to find justification for our consumption in higher order values no matter what forms it takes and no matter to what extent we do it. In order to justify our consumption, we only have to find an important value and show that our consumption is in the service of that value. And indeed this is what we often do when we are confronted with, for example, our wasteful consumption. It is good to buy a new washing machine instead of having the old one fixed because it gives job to many, because the new one provides more functions and better output, because it is technologically more up to date (appealing to the value of technological development) etc. In fact, we buy a new washing machine because buying is a more convenient and pleasurable form of consumption than finding a mechanic and having him repair the washing machine. Consequently, we prefer buying a new washing machine to purchasing the service of a mechanic. In this case, it is the form of consumption that determines what we consume and not vice versa. None the less the justification runs on the other way round: we justify the form of consumption by the values of the object of consumption in a utilitarian way, as if consumption played the role of an instrumental value in the decision though, in fact, it functioned as an intrinsic value.

Due to the second inconsistency, we can always repudiate any moral criticism in a nihilist fashion, by rejecting morality altogether. For example, when blamed for excessive consumption we can decline responsibility and moral judgment saying that it is the system: market economy works like this. There is nobody to be blamed here; there is no room for moral judgment at all. If critic would like to extend his criticism of excessive individual consumption to the criticism of the economic system, then, with a twist, we may add that this economic system brought wealth and prosperity to so many people that have never been experienced in history before. The more we consume, the greater prosperity will come. This reasoning is analogical to the double-hearted justification presented by the revolutionary. On the one

hand, there is no room for values, for moral judgment on the level of individual action because we are just part of, and determined by the economic system. On the other hand, the system is praiseworthy because of its moral values. The system is defended on moral ground while any possible moral ground is denied of the criticism of individual actions. So it is deeply immoral to ignore and to live together with any of these inconsistencies for they make us able to evade even just moral criticism. Indeed, as the examples have showed it, we often take advantage of these strategies in everyday life in a reprehensible way.

However, there are also naturalistic reasons why inconsistencies are dangerous. Naturalistic psychological theories, namely, Freudism and the theory of cognitive dissonance, bear out that enduring inconsistency is destructive to personality and harmful to our health.

So ignoring and living together with these inconsistencies, probably, would not work in the long run; rather we should resolve them. In principle, there are many ways to do so, and we use some of them in consumer societies.

To see how the *first* inconsistency can be resolved, let us take the following dialogue. "Is it good to do shopping?" "Sure, it is." "Why is it so?" "It is fun." I venture that this is a quite common way to derive the value of consumption from the value of pleasure. But consumption is still only an instrumental value—it is good because it gives us pleasure—and, thus, the first inconsistency remains unaffected. To resolve it, we can inflate the value of consumption *and identify consumption with pleasure*. Therefore we either deny the value of other forms of pleasure *or* we assimilate all other forms of pleasure into consumption, thereby, transforming consumption into a hedonistic intrinsic value. This latter is a conspicuous tendency of our days. We tend to reconceptualize *as consumption* all sorts of activities that we valued earlier separately. It is more and more common to talk about the consumption of art products, media consumption, *customers* of higher education, *hiring* consultants and experts, *buy-*

ing research etc. This parlance betrays that we subsume all sources of joy and values under consumption. We elevate the value of consumption to the level of intrinsic values and we relegate to the level of extrinsic values those activities which had intrinsic value before. This would resolve the first inconsistency by adjusting our thinking to our behaviour.

Resolving the first inconsistency this way entails even in a Hedonistic view that we have to relinquish some forms of pleasure. So we seem to run into another inconsistency: we are hedonist, and yet we deprive ourselves of various forms of pleasure in order to retain only one, consumption.

We are no better off if we try to follow naturalistic reductionism in trying to resolve the *second* type of inconsistency. The theoretically consistent solution following from the contemporary naturalistic world-view is that we should give up moral values altogether and put up with nihilism. Its price is high: we should change the *principles* of our behaviour to restore its consistency with our theories concerning our behaviour. We should change our practice and ourselves fundamentally to eradicate all moral aspiration in our actions. I cannot imagine how this fundamentally new way of life would look like, but I see no *prima facie* reason why it would be impossible to breed and raise a new type of man without moral aspirations.⁷ (The idea of a new type of man—the communist man—is not new at all.) Certainly, this would resolve the second inconsistency but only at the cost of another inconsistency, namely the inconsistency between *claiming* the naturalistic reduction of values and *relying on* those values in discovering and justifying the very claim itself and in designing the new man. I should admit, however, that this strategy, if possible, would resolve the inconsistency in the long run, when the last old fashioned man dies out. Thank God, or rather thanks to the almighty retailer, consumer society does not work this way in practice. Consumerism today relies on values heavily because they sell. However, it is a theoretically possible and consistent solution of the second inconsistency.

6. Contemporary critiques of consumption

To dispel some possible misunderstandings and to clarify further details, I would like to conclude this paper by contrasting my criticism with other well-known ones. The new form of consumption (and production) peculiar to consumer societies has been fiercely discussed for quite a while. Schudson identifies five different types of criticism raised against consumerism and the types of rejoinders to these critiques.⁸ The Puritan critique objects that people overvalue material goods and the pleasure caused by them whereas spiritual values are neglected. This objection is rejected on the grounds that people do attach spiritual values to products and consumers who create a rich network of cultural values by consumer goods as is obvious from advertising. (Just as razors are linked with personal charm, a motorbike is the symbol of freedom and the value of motorbikes partly derives from the value of freedom it can give us.) The Quaker critique reprehends consumerism for its wasteful use of products, for its going beyond real needs. We consume more than is necessary. Contrary to this, the apologist of consumerism points out that “real needs” are socially defined and it cannot be dictated to consumers. Moreover it would not be wise or even morally acceptable either to restrict consumption because consumption generates production that means job and prosperity for people, and eventually this process is the way out of poverty and cultural deprivation. The Republican critique points out that people’s orientation towards goods instead of other people has detrimental effects on public life. Against this, partisans emphasise that consumption brings about new social relations and gives us personal identity in a mass society. We distinguish ourselves from others by the particular pattern of our consumption. Marxists raise the objection to consumerism that the benefits of consumption rest on the exploitation in the production side, and the overall balance can only be negative. Finally, the aristocratic criticism attacks the ugliness of the products and the despicable aesthetic standards of mass culture in gener-

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