

FIRST PRINCIPLES IN MORALITY AND ECONOMICS

on which depend personal well-being and social health and harmony

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Which Of These Two Principles Is Christian?

"Everyone is really responsible
to all men for all men and
for everything."

— Dostoevski

"The primary and sole founda-
tion of virtue, or of the
proper conduct of life, is to
seek our own profit."

— Spinoza

Dostoevski and Spinoza disagree irreconcilably. One must be right and the other wrong.

Fëdor M. Dostoevski (1821-1881) was a Russian novelist, author of *Crime and Punishment* and *The Brothers Karamazov*. At the age of 28 he became involved in the communist plots of Petrocheffsky, and spent seven years in the salt mines in Siberia.

Baruch Spinoza (1632-1677) was a Jewish philosopher who lived in the Netherlands, grinding lenses and developing his own pantheistic thought.

Dostoevski's statement sounds noble and fraternal — a perfect definition of what is known to some Christians as *brotherly love*.

Spinoza's statement sounds selfish, unbrotherly and destructive. The number of moralists professing Christianity who will accept Dostoevski's propositions probably outnumber those who will accept Spinoza's propositions.

Whether a man accepts Christianity or not, if he is to have a social philosophy, he must accept either Dostoevski's principles or Spinoza's. A compromise between them may be attempted, but the issue is not really subject to compromise. We are our brothers' keepers, or we are not.

The idea of our being our brother's keeper comes from Cain, the first murderer — of his brother, Abel. When called to account, he brushed off the inquiry with the question, "Am I my brother's keeper?" If this source, circumstance and question constitute valid legislation on the basic relation between men — that they are indeed their brothers' keepers — then there is at least one dubious extension beyond Cain's own question which should be recognized. Cain asked, "Am I my brother's keeper?" He did not ask, "Am I my brothers' keeper?" He referred to only *one* other, his natural brother Abel. He spoke of a singular, not a plural, obligation. He questioned whether he was responsible for *one* other man, not *all* other men. The responsibility becomes more than human if each man is responsible for *all* other men.

An idea about brotherly love similar to Dostoevski's has been developed in recent times by Bishop Anders Nygren of Lund, Sweden. Nygren has defined brotherly love in Dostoevski's vein, and has used one of the Greek words for love, *agape*, which is alleged by Nygren to indicate, in Scripture, how unqualifiedly we should give our fellow men precedence over ourselves. Nygren's idea of love, *agape*, is probably the prevailing one in Christendom today; not in practice, of course, but in doctrine. Because the practice of the doctrine is an impossibility, even though there were no sin in the world, the doctrine is pure sanctimony.

But whether the reader be a Christian or an infidel, which principle does he himself prefer — that of Dostoevski or Spinoza? Let him face the issue squarely, without attempting to evade it.

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It cannot, in fact, be evaded. The kind of social structure men set up is determined by whether they accept the principles of Dostoevski or Spinoza. Before reading further, choose your own principle; act as Shakespeare has one of the suitor's for the hand of Portia (in the play, *The Merchant of Venice*), say: "Here choose I, *joy be the consequence.*"

* * *

Ultimately and primarily, the selection of either the idea of Dostoevski or Spinoza is an *intellectual* rather than a *moral* question.

CAN a man be responsible for *everything, for all men, and to all men?* Is that within a finite man's capability? If it is, each man can be held accountable. But if it is not, then it is ridiculous, as well as unjust, to hold each man accountable for everything, to all men, for all men.

To ask the question is to have the answer. Everybody knows that Dostoevski's propositions are *intellectually impossible* to any man. Dostoevski's propositions might apply to an omniscient God, but certainly not to the finite and feeble being known as man. What Dostoevski has formulated cannot be accepted as having any foundation whatever in Christianity, because Christianity teaches that man is not God, but a pitiable creature in many respects.

Spinoza's formulation of the basic law of ethics is closer to the truth than that of Dostoevski. The *basic* part, but not the whole of Christian ethics, is expressed in what Spinoza formulated: "The prime . . . foundation of virtue, or the proper conduct of life, is to seek our own profit." The hiatus marks indicate that we have left out the words "and sole"; that proposition is erroneous. But we have left Spinoza's main proposition stand, because it is the only realistic one. More comprehensively and accurately formulated it might read: "The prime and dominating (but not the whole) foundation of virtue, or the proper conduct of life, is to seek our own profit." Whereas Dostoevski is wholly wrong, Spinoza is mostly right.

For each man to "seek his own profit" is, more or less, within his intellectual capabilities, and consequently is a reasonable proposition.

A man's responsibilities for his fellows decline at least in proportion as his intellectual capabilities to understand the needs

of his fellows decline. That decline is precipitous. What fraction one man knows about all the needs of all the men is so small that for practical purposes it is nil. In everyday life men assume the responsibility only for one wife and for their minor children, especially the latter and then only in their minority.

In a *broad* sense, a man is not even "responsible" for his wife. No man is entitled to make *all* decisions for his wife. That is Dostoevski's proposition because, in the last analysis, making all the decisions for another, is what "responsible to all men for all men and for everything" means. What woman would be happy if her husband made *all* the decisions? In the closest bond existing in life Dostoevski's proposition will not work or will create acute unhappiness and discord.

Dostoevski's proposition is "immoral," and Spinoza's proposition is "moral." Dostoevski's proposition inescapably involves coercion of the choices of one man over another, or over those of his wife. Otherwise, his proposition is meaningless or at least hopelessly qualified.

In the Hebrew-Christian Scriptures, any compulsion of the choices of one man over another (except to restrain him from specified evils) is considered to be *coercion*. The Sixth Commandment reads, Thou shalt not kill, which obviously means, Thou shalt not coerce. *Therefore, any imposition of the choices of one man upon another man, and making the first man's choices overpower the latter's, is a violation of the Sixth Commandment.* The reformulation of the statement in the Sixth Commandment in positive form reads as follows, "Blessed are the meek, for they shall inherit the earth" (Matthew 5:5). Meekness (avoidance of coercion) in all matters, *except resistance to evil*, is the quintessence of Christian ethics.

Therefore, on the basis of the Hebrew-Christian Scriptures, *if a man is to avoid coercion*, he must limit himself as Spinoza declared, to the welfare of himself, or "to seek [his] own profit." Only then does he meet two requirements: (1) know what he is doing; and (2) avoid imposing his choices on his neighbor.

The foregoing, consisting in a man minding his own business rather than acting as a busybody interfering into the affairs of others, is the first principle of virtue, because what else is there

for a man to do, if he desists from trying to impose his choices on all his neighbors.

By his formulation Spinoza indeed covered two basic ideas: (1) by a man minding his own business he would *leave to his neighbor his own priceless freedom*, and (2) by "seeking his own profit" he would, as one phase of that, defend himself against evils his fellows might endeavor to inflict on him (as coercion, fraud and theft); but these ideas need supplementation. Spinoza over-reached himself when he declared that by minding his own business a man had fulfilled the whole requirement of virtue.

Hebrew-Christian ethics have supplied the necessary supplements. Those important supplements are:

1. The need for a man to show *forbearance*, if a neighbor violates the ethical law against him;

2. The necessity of *charity*; a distinctly *limited* responsibility, and obviously distinguished from being "responsible to all men for all men for everything." There is a deep abyss between Hebrew-Christian charity and Dostoevski's totalitarianism.

3. The requirement to *teach the gospel*—the whole counsel of God—so that a neighbor's thinking and conduct is helped to be as right as possible for life and death, and for this life and a life to come.

These ideas do not qualify, but supplement, what Spinoza wrote. Neither forbearance, nor charity, nor teaching the gospel is *coercion* over another; certainly they are not when conducted according to Biblical requirements of being meek and gentle. And, in a broad sense, these three supplements are conducive to the "profit" of any man that practices them. They may not be *immediately* profitable, but they are "as bread cast upon the waters which will return after many days."

That Spinoza's rule is the main aspect of the scriptural one is also evident from the "summary" of the ethical part of the Law of Moses which had taken on a positive form by New Testament times, and which reads, Thou shalt love thy neighbor *as thyself*. Self-love is clearly the scriptural standard. Self-love cannot be exercised except a man possess his own freedom; in parallel manner, a neighbor cannot manifest his self-love unless he has his own freedom; consequently, all substitution of the choices of one man

over another without the latter's genuine concurrence is coercion, and violates the great Law of Moses.

That we agree substantially with Spinoza in this matter does not imply that we agree with Spinoza on any other part of his thought; assuredly, not in regard to his pantheism.

Dostoevski has completely bastardized the requirements of morality between man and man. Spinoza has impaired the full requirements of morality between man and man. The ethics of neither compares favorably with the incomparable ethics of the Hebrew-Christian religion.

Do We "Need A Vast Expansion Of Social Security"?

Leon Keyserling some years ago was chairman of the President's Council of Economic Advisors. He has been an influential person and continues to be. He is now president of the Conference on Economic Progress.

Keyserling in a recent issue of *Business Progress*, published by the Americans for Democratic Action, writes as follows:

"We need a vast expansion of social security . . ."

Contrarily, in this publication the view is taken (1) that existing social security is an unfortunate institution, (2) that it should not be increased but decreased, (3) that a "vast expansion of social security" will be injurious to everybody, and (4) that 100% social security would be eventually synonymous with a return to primeval poverty. See the preceding issue, and the following information in this one.

Men Want Security And Prosperity; What Is The Real Origin Of Security And Prosperity?

Last month we showed that Old Age Social Security is not really *security*, when the funds currently being collected from employees and employers are invested in government bonds.

That idea will be surprising to people who consider government bonds to be the finest and safest investment in the world. The United States government systematically urges upon its citizens the purchase of government bonds. Banks are glad to sell them. Many companies promote or at least cooperate in pay-deduction plans, by which employees regularly make payments on

the purchase of government bonds. On all sides the purchase of government bonds is recommended.

Nevertheless, as was analyzed last month, it would be calamitous, if *all* the "savings" of citizens were "invested" in government bonds. If that were done for 50 or 100 years, the economy of the United States would become like the economic condition today of China, India and Africa. We would become primitively poor, in the *real* sense of the term.

But that idea needs considerably more explanation in order to be understood and accepted. It will be helpful to that end to define further two critical terms, (1) *capital* and (2) *funded* security. We have already mentioned briefly what *funded* means; and we have also already defined *capital* in a *general* sense, and *capital* in a *social* sense, but not in a *private* sense.

We also printed the simple but profound and basic idea, quoted from a speech of Ludwig von Mises, that prosperity depends (not on governments, etc., but) on the amount of *capital per capita*. Mises's thesis, which he is right in emphasizing at all times, is that real prosperity depends on how much *capital* there exists to assist the production of each person in a country. He alleges, undoubtedly correctly, that the prosperity of the people of the United States is founded on the fact that there is an enormous amount of productive equipment behind each worker; that that is why we are prosperous as a nation; and that, conversely, because the people of no other nation have so much capital behind each worker, *therefore*, their prosperity is proportionately lower. Failure to recognize this fundamental truth (emphasized by Mises more than by any other economist) is the reason why damaging fallacies are widely held. Indeed, the basic fallacy to which we refer, it should be admitted, is held by any reader of the foregoing who believes the statement made earlier to be absurd, to wit, that United States Old Age Pensions are not really *social security*. Who smiles and rejects that statement is, unfortunately, not sufficiently sceptical and is deceived, because "Things are not what they seem." United States Old Age Pensions are *private* security but not *social* security.

The problem is worthy of further analysis. Mises's statement is that the prosperity of a people depends on the amount of *capital per capita*. Of this ratio, the number of people is not ambiguous, but can for all practical purposes be determined ac-

curately enough. But the situation is different with the concept *capital*. That term is ambiguous and its proper meaning is sharply disputed. Mises' formula takes on full meaning only when *capital* is understood as it should be.

We ourselves, in the previous issue, may have contributed to confusion by quoting from Böhm-Bawerk. In the February issue, pages 50-51, we quoted his definition of *social capital*. Readers may remember that the last item in Böhm-Bawerk's list of what constitutes social capital is *money*.

Now *money* is, in this country at the present time, pieces of paper, as much as bonds are pieces of paper. Shall we then add money (pieces of paper) into the definition of *capital* before we divide by the number of people to get the *capital per capita*? If so, will the capital be twice as high if, say, the money supply is enormously increased, but nothing else is increased, that is, if *real capital* is not increased?

All who use the words of the formula, *capital per capita*, find themselves faced with the need for a definition of *capital*. Some of them may think that the *capital per capita* is not increasing in the United States. Nevertheless, prosperity *seems* to be becoming more and more prevalent. Here is a serious apparent contradiction.

In fact, all *conservatives* are faced with a profound problem. They are under present circumstances prophets of future disaster. But few people listen to them. Men generally believe the lamentations of conservatives to be spurious and even ridiculous. How, they say to themselves, can these prophets of future trouble be right, when on all sides prosperity is increasing; "*we never had it so good*"! The issue obviously depends on whether capital per capita *is increasing or is decreasing*, and on whether it will or will not continue to do so.

The subject being discussed is, therefore, an elusive and confusing one. At least two requirements are necessary if the analysis is not to end in confusion and lack of cogency: (1) *capital* must be defined correctly for the purpose of the reasoning; and (2) it must be determinable whether *capital*, as purposely defined, is in fact increasing or decreasing per capita. Neither of these tasks is an easy one.

But of one thing, some may say, there need be no doubt

whatever: if *capital per capita* is increasing, the feelings of the public about their prosperity are an accurate reflection of the facts.

A critic may dispute even that; he may say *capital per capita* may be increasing and the people may still feel less prosperous because they are accumulating capital faster than it throws off production of *consumption* goods. Or, vice versa, he may say, *capital per capita* may be decreasing now, but prosperity may appear to be currently but temporarily higher because people are *consuming* past accumulations of capital; we are, he may say, *living well*, like a squandering son coming into his inheritance, but we shall suddenly wake up and discover we are genuinely poor. In other words, the question arises: is the *current rate of consumption of consumption goods* a good measure of real and permanent prosperity, and does it evidence capital accumulation or decumulation? Obviously, we are beset on all sides with genuine difficulties when we try to state categorically that capital per capita is increasing or decreasing.

Finally, the illusion may be created that the abstract idea of capital per capita is the *ultimate* determinant of prosperity. If so, is the moral teaching of Scripture irrelevant? Nowhere does Scripture teach lucidly that prosperity depends on *capital per capita*; instead, it teaches that prosperity is determined by obeying the Law of God. Is there then a conflict, and irrelevancy, between morality and economics? We believe not. The reason is that the accumulation of *capital per capita* depends on certain *moral* conditions. And so morality is more fundamental than economics — unless the two are ultimately largely identifiable, which happens to be the case.

Maybe the number is relatively few who accept *capital per capita* as the key to prosperity. Maybe still fewer have a clear concept of what is meant by *capital* in the formula, *capital per capita*; and, finally, maybe still fewer know not only the foregoing two, but also that ultimately prosperity and security depend on what is known as morality, as formulated in a specific case as follows: "This book of the law shall not depart out of thy mouth, but thou shalt meditate thereon day and night, that thou mayest observe to do according to all that is written therein: for *then* thou shalt make thy way *prosperous*, and then thou shalt have *good success*" (Joshua 1:8).

The Only Sense In Which Paper Money Is Social Capital

The question, Is paper money capital, sounds academic and everybody will be disposed to answer, *yes*. We do, too.

Readers of the February issue will remember that we quoted Böhm-Bawerk's definition of *social capital*, and that Böhm-Bawerk includes money as an item in social capital (see page 51).

On the other hand, *money* in the United States is presently in the form of mere pieces of paper. We disparaged the idea that more *pieces of paper* would make a people more prosperous or give security. If the quantity of money was greatly increased by running the printing presses faster, and by increasing the denominations of the bills (printing ten-dollar bills rather than one-dollar bills), we as a people and as individuals would not be more prosperous or more secure. In fact, we would be just the contrary. *Money*, as capital, is therefore worthy of some special attention.

Böhm-Bawerk included in his social capital not only factories and warehouses, but also the facilities to transfer goods from factories to warehouses, and all other means which *facilitated exchange*, and by facilitating exchange also increased production and well-being. The argument is unobjectionable. Then Böhm-Bawerk extended the argument to include money. Money, he said (and he was undoubtedly correct), greatly facilitates exchange and by so doing increases production and well-being. Therefore, he concluded, money must be included in capital. Money, correctly understood in this connection, is valuable to society and promotes its productivity.

To include the existing stock of money in the concept of capital, because that stock of money greatly facilitates exchange, is unobjectionable; but to conclude further that the greater the quantity of money, the greater would be the prosperity, is a fallacy. If money is legitimately part of social capital — and it is — it does *not follow*, in the case of money, that social capital is increased by the addition of even one paper dollar to the money supply. When the quantity of real goods is increased — factories, tools, warehouses, etc. — then the well-being of the community is being promoted; but if the quantity of money is increased, the well-being of the community is not being promoted.

That idea may not be readily accepted. The present financial structure of the United States is based on the mistaken and injurious idea that the quantity of the currency, for (1) seasonal, (2) cyclical, and (3) long-term growth purposes, should be varied up and down by the deliberate judgment of certain fallible and ordinary mortals, although able enough as men go, namely, the members of the Federal Reserve Board. This is part of the quicksand under the American (and, for that matter, the world's) economic structure, constantly disturbing prosperity, confusing the calculations of citizens, and constituting the sure basis for eventual uncontrollable, devastating inflationism, probably involving political as well as economic upheaval, and maybe delivering the world to communism — a jump which, if made, will be from the frying pan into the fire.

The beguiling and insidious form in which this principle is presented is that it be (1) only in *modest quantities* and (2) for price-stabilizing purposes. In terms of morality this idea would be re-formulated as follows: (1) sin only a little and retreat before there are consequences, and (2) sin for a good purpose. But it is ancient moral doctrine that every sin, no matter how small, carries a proportionate penalty. It is self-deception in finance as in other matters to believe that you can without consequences sin only a little, and can retreat early enough and successfully to avoid consequences.

When it is admitted that money is capital, it should not be concluded that more money means that there is more capital. This second idea (maybe it sounds paradoxical) does *not* follow from the first. It is outside the scope of this analysis to digress into the intricacies of money, an admittedly difficult subject. This discussion had the limited purpose of calling attention to the "special case" of paper money as a category of capital in Böhm-Bawerk's definition of social capital.

The case of a metallic currency (gold or silver) is not different in principle, as far as such metals function as currency. They do have, however, a contributing independent value, namely, uses for ornament or for fabrication. In *that* sense, increasing the quantity of gold increases prosperity. But contrarily *increasing* the quantity of gold for *monetary* purposes does not contribute to prosper-

ity. The old quantity would have served as well (assuming flexible prices for commodities).

If, then, it is desired to measure the *capital per capita* in order to conclude whether prosperity and security are being promoted by an increase in *capital per capita*, it is necessary, in order to avoid self-deception, to note carefully whether the amount of *paper money* — which is part of social capital — has been increased or decreased and how much.

The foregoing must suffice for the present; the subject is a complex one, and it does not fit our presentation to go into details here.

Bohm-Bawerk's Definition Of Private Or Acquisitive Capital

Whereas economists frequently think, for their special purposes, in terms of *social capital*, the average man almost always thinks in terms of *private* or *acquisitive* capital only. In popular thought, if a man "has capital" the idea is that he has wealth, and that it is *his*, and in that sense that it is *private*. Further, he can use his capital to acquire what he wants and so it enables him to be acquisitive. Such is the derivation of the words, private or acquisitive capital.

To distinguish most easily between social and private capital, we shall begin once again with social capital and then go on to private capital.

Böhm-Bawerk's definition of social capital, which we quoted last month (February issue, p. 50f.), did not include:

1. The raw forces of nature, including land, minerals, oil, timber, etc.; nor
2. Labor, or men themselves; nor
3. Consumers' goods — as food, clothing, houses — which are *already in the possession of consumers*.

What does that leave in Böhm-Bawerk's definition of social capital:

1. Firstly, *things produced by man*, as contrasted to things created by God.
2. Secondly, such things *only when used for further production*.

Böhm-Bawerk somewhere condenses his definition of social capital into the compact phrase: "*the produced means of production.*"

That exactly is what points (1) and (2) cover.

Here is Böhm-Bawerk's definition of *private* capital or *acquisitive* capital; he uses the two terms interchangeably:

We can conclude by setting down that *private* capital comprises the following:

1. All goods that constitute social capital; and
2. Those *consumption goods* which are not being used by their owner, but are employed by him for the acquisition of other goods through some form of exchange (sale, renting out, loan). Examples are such goods as apartment houses, lending libraries, means of subsistence advanced to their workers by entrepreneurs, and more of the sort. Many economists include here certain rights and relations such as patents, customer relationships, legal claims. Naturally, I reject them at this point on principle, and for the same reasons as apply to my refusal to create for them an independent category of capital.

The first idea that is obvious is that private capital, as defined by Böhm-Bawerk, is broader than social capital, simply because it includes social capital *plus* "consumption goods . . . used . . . for the acquisition of other goods through some form of exchange."

Böhm-Bawerk devotes many pages to determining what is to be included in capital and what is to be excluded. The subject is a much disputed one in economics by economists. We cannot here go into detail, because the question is beyond our scope.

But in any event it is desirable to ask a question: When Mises refers to *capital per capita* as determining prosperity, what should capital be taken to mean in this connection, *social capital* or *private capital*? Is the ratio for determining *capital per capita*, and thereby

measuring prosperity, $\frac{\text{social capital}}{\text{number of people}}$ or $\frac{\text{private capital}}{\text{number of people}}$?

The problem, in fact, becomes more complex the more one thinks about it. Land and natural resources, for example, were excluded from the definition of social and acquisitive capital. The characteristics of land differ so much from the "produced means of production" that it is not valid in most chains of reasoning to lump them together. But in this case we are endeavoring (1) to

measure production per capita, as a measure of *prosperity*; and (2) the amount of intermediate goods as a measure of the real *security* behind the present expectations of pensioners in the future. Maybe the idea, *capital per capita* requires its own special definition of *capital*.

Mises' Definition Of Capital

Mises himself resolutely rejects the distinctions made by other economists between social capital and private capital. He writes that the basic concepts pertain to what is *capital* and what is *income* (*Human Action*, Yale University Press, 1949):

[For Mises the] whole complex of goods destined for [use in] acquisition . . . evaluated in money terms is capital . . . [and] is the starting point of economic calculation. The immediate end . . . is to increase or . . . preserve the capital. That amount which can be consumed within a definite period without lowering the capital is called income. If consumption exceeds the income available, the difference is called capital consumption. If the income available is greater than the amount consumed, the difference is called saving. (P. 261f.)

. . . Capital is the sum of the money equivalent of all assets minus the sum of the money equivalent of all liabilities as dedicated at a definite date to the conduct of the operations of a definite business unit. It does not matter in what these assets may consist, whether they are pieces of land, buildings, equipment, tools, goods of any kind and order, claims, receivables, cash, or whatever. (P. 262.)

Mises is an exponent of the famous Austrian school of economics. That school was in a sense theoretical, but a major part of its achievement was Occamish in character, accomplishing a thorough discrediting of vague and incorrectly defined ideas. Mises out-does all his predecessors and contemporaries in simplifying the old ideas and giving them a radically different setting. He has done that also in the foregoing quotations. He breaks, for his purposes, with his predecessor, Böhm-Bawerk, and much more so with others, and shifts to the customary accounting approach. The effect of this is that his definition is closer to that of what the average man would consider capital, than is otherwise

the case. For example, departing completely from his predecessor Böhm-Bawerk, Mises includes land in his definition of capital.

But serious difficulties remain, of which Mises is obviously fully aware. On page 261 he wrote: "Among the main tasks of economic calculation are those of establishing the magnitudes of income, saving, and capital consumption." These are formidable tasks.

It will have been noted that Mises began his definition of capital as "a sum of money equivalent . . ." But, as he comments elsewhere, the unit of measurement, *money*, is subject to changes, especially during inflationism, which makes measurement of "the magnitudes of income, saving and capital consumption" most difficult.

Who *knows*, then, whether *capital per capita* is increasing or decreasing — whether there is *saving* or *capital consumption* going on at the present time, in the United States, and in other geographical areas in the world? Apparently nobody does; everybody appears to be guessing. Many conservatives say capital is being consumed here and throughout the world; other conservatives disagree. Mr. John Public, in the United States, also apparently disagrees; men make the statement to each other in the vein: "We never had it so good."

Maybe in regard to what changes are taking place in *capital per capita* we should be cautious and grope for our conclusion like a blind man exploring with his white cane.

But if it is not possible to say positively what the net trend is in regard to *capital per capita*, it can be affirmed with complete assurance that, if all money savings were siphoned off into government bonds in a social security system, then *capital per capita* would decrease. Indefinitely increasing our present so-called social security will be catastrophic in its ultimate consequences.

There Are More "Unfunded" Private Pension Plans Than Many Are Aware

Whatever may be the method for simplifying thinking on capital accumulation (saving) or capital decumulation (consumption), it will be dangerous to assume that acquiring private capital is identical with real *funding* of pensions.

There are three types of pension plans worth considering:

(1) the obviously unfunded plans; (2) the apparently funded but the not really funded plans; and (3) the really funded plans.

(1) The first consists in a plan where there is nothing behind the promise to pay the future pensions than the continued financial strength and existence of the company. No *fund* of assets is being set aside, independent of the company's life and prosperity.

(2) The second, the "apparently funded but not really funded" private pension plan consists in there being funds set aside to pay future pensions, but those funds are invested in bonds issued by a spendthrift who is not accumulating *capital* with the funds turned over to him. Really, from a *social* viewpoint, a private pension plan, invested in U.S. government bonds, is not funded in *real* assets. From a narrow *private* viewpoint, the plan is funded; from a broad *social* viewpoint, it is not funded.

(3) Finally, there is the genuinely funded private pension plan. The managers of such a pension fund have seen to it that the funds have gone into the construction of *real* capital in Böhm-Bawerk's sense.

Curiously, the labor unions have in some cases insisted that private pension plans, which they can influence, operate according to the second pattern, namely, own government bonds, thereby favoring a pension scheme which is only "apparently funded but not really funded."

The High Evaluation Placed On Social Capital By Communism

It is a mistake to think that the concept of private capital is important, but that the concept of social capital is not important. Communist and socialist theorists know full well the importance of social capital for the prosperity of a socialist or a communist state. It is interesting to observe how they think.

They begin with the idea that for their society (1) social capital comes first, and (2) that the comfort and well-being of the citizens comes last.

If there is no significant private ownership permitted, as hardly exists in a communist state, then the workers themselves will be not be disposed to accumulate capital. Therefore, a communist state has a perfectly natural tendency toward poverty; men will either not work hard because it is not for themselves or their

immediate family; or, if they work hard, they will wish to consume their whole produce before the state takes away from them what they have produced by their *extra* effort.

To insure the production of social capital (and so avoid complete destitution) the communists develop what are called Five-Year Plans. These plans have one purpose: the development of *social* capital, especially in the so-called heavy industries, which will produce heavy machinery and/or permit military production. The Five-Year Plans determine what is to get priority of production. A certain amount of materials and supplies and a certain number of people—adequate for the Five-Year Plan, that is, for the production of *social* capital—are set aside ahead of all else. If that means hardship, because so little is left over for comfortable living, no great weight is given to that.

The expression by the National Socialist government of Hitler was "guns, not butter." A more comprehensive way to express the same idea is to say: "*production of social capital, not consumer's goods.*"

Socialist-communist countries are indeed concerned about *capital*. A major purpose in their accumulation of social capital is to have a large war potential—to attack others or defend themselves.

In advanced socialist-communist societies, as distinguished from primitive societies, there is a strong tendency for the formation of capital to be the quintessence of their state program, and it has an ominous aspect. Not for nothing is most of the world afraid presently of Russian "might." Russian might consists not only in men but also in *social* capital; it is that which makes Russia formidable.

Is Social Security "Just" Or "Social"?

On January 1, 1959 the tax called social security, which previously had been at the rate of 2¼% of the employee's pay (for the employee and for the employer each) on the first \$4,200 of annual wages, was increased to 2½% on the first \$4,800. The social security per person increased, on the above-mentioned dollar amounts, from \$189 to \$240 per year, or 26%.

The Man Who Gets Too Little

If a person begins work at twenty years of age, and works until he is 65, that is, if he works for 45 years under the new

rates, he will have put into the fund \$10,800. At compound interest rates at 4%, the \$10,800 will have increased to approximately \$30,000. He can begin to collect for himself and his wife at age 65 at \$174 a month or \$2,088 a year. For him to recover his \$30,000, allowing for interest of 4% on the unpaid balance, will require that both he and his wife live more than 21 years after retirement. Obviously he is likely to have paid in more than he will take out. The "inequity" comes from the fact that the contributions have been over a long period of 45 years.

But it is also possible to collect social security after having paid in for as little as four years. In fact, sound policy on the part of everybody should consist in putting in the least and taking out the most. Anyone who does not do that is naive.

The Man Who Gets Too Much

A few years ago the farmers were put under social security. The law required that a farmer had to make contributions for at least four years before he could get social security. In the case of a farmer 61 years old he would put in a maximum of \$807. In the first year after qualifying he would receive for himself and his wife, \$142 a month, or \$1,704 a year, more than twice what he put in altogether. Farmers close to 65 years of age, being astute people, decided that the thing to do was to stay on the farm for another four years, pay the social security and then collect during the rest of the years of their lives. It is the best "investment" they ever made!

An acquaintance of the writer two years ago moved from one country town to another, and consequently had a house for sale. But the bottom had dropped out of the market for houses. Upon inquiry the reason given was that farmers were not retiring to live in town as they ordinarily would, because they were staying on their farms and farming in a nominal way for four years in order to qualify for social security. The people of this country wished the farmers to have social security. The farmers, that is, the *old* farmers were undoubtedly glad to have it, because they were required to put in very little and they could take out much. It may be different in the case of young farmers. They can, over a period of time, put in the \$30,000 previously quoted (after accumulation at compound interest). They, in contrast to the old, will find social security unprofitable.

We know of the case of a man who is self-employed and he has paid social security in one year only. He is now 61 years old. Although he has been losing money in his business, it is possible that he could have a net earned income at least in three of the remaining four years before he is 65 years of age. He will then have to pay social security for those three years. But having done that, he can collect social security for as long as he and his wife live after 65 years of age. The people of the United States wish this self-employed person to receive social security. Why should he not endeavor to qualify? It will be highly profitable for him to do so. He may put in a total of about \$909 and he might easily collect thirty times as much.

We know of another case of a widow in her sixties with only a limited income, hardly earning enough to qualify for social security deductions. She was a part-time employee. Her employer, realizing what social security would mean to her, induced her to increase her hours of work, collected the social security from her and paid it to the social security administration, and just before she was 65 she qualified to collect social security. She had put in less than \$600, and has already collected many times that amount.

The word *social* in social security is clearly a misnomer if by the word is meant that the system is sensible and fair *between contributors and participants*. If the system is clearly understood, it is obvious that it is one of the smoothest ways for the old to rob the young that has yet been devised, unintentionally, of course; or more accurately said, it is one of the smoothest ways of favoring the short-time contributors at the expense of the long-time contributors.

Edmund Burke, On A Certain Type Of Mind

It is undoubtedly true, though it may seem paradoxical; but in general, those who are habitually employed in finding and displaying faults, are unqualified for the work of reformation: because their minds are not only unfurnished with patterns of the fair and good, but by habit they come to take no delight in the contemplation of those things. By hating vices too much, they come to love men too little. (Page 241.) —Edmund Burke, *Reflections on the Revolution in France* (Gateway Edition, dist. by Henry Regnery Company, Chicago, 1955)

The Fallacy In The Attack Of The World Council Of Churches On "Laissez-Faire" Capitalism

(An example of the logical error of Ignoratio Elenchi)

The Resolution In Favor Of Socialism

In August 1948 leaders of the Federal Council of Churches met in Amsterdam, The Netherlands, to organize the World Council of Churches. At that meeting, communism and *laissez-faire* capitalism were condemned *equally*. The decision reads as follows:

". . . the Christian churches should reject the ideologies of both communism and *laissez-faire* capitalism."

In the excellent book, *The Powers That Be* by Edmund A. Opitz (Foundation for Social Research, Los Angeles, California, 1956), the further comment is made: "At a press conference, John C. Bennett, who chaired the commission which produced this statement, said that the middle way between capitalism and communism which the report had in mind was something like the regime being worked out at the time by the Labor Party in Great Britain" (page 47). That government was socialist in character.

The *final* resolution has been quoted in the foregoing; a different resolution had been proposed earlier. The original resolution read so that communism and capitalism generally (without restricting capitalism by the word, *laissez-faire*) were condemned equally. An American business man, influential in the Federal Council, flew to Amsterdam and persuaded those who were maneuvering the resolution through the meeting to change the wording so that the condemnation fell only on *laissez-faire* capitalism, not on *capitalism* generally. That a business man should make such a dubious "distinction" — between capitalism and *laissez-faire* capitalism — is evidence of confusion and/or concession.

What Does Laissez-faire Mean?

In simplest English, the meaning for the French expression, *laissez faire*, is *free*. What the World Council condemned then was *free* capitalism. By changing from condemning capitalism generally to condemning free capitalism only, the Council exonerated unfree capitalism from its critique. What might this *unfree*

capitalism be which the World Council was persuaded not to condemn; and what might this free capitalism, or *laissez-faire* capitalism be that it did condemn?

The *unfree capitalism* which was favored (or at least not condemned) was a "capitalism" thoroughly regulated by government under some alleged but vague principles of *righteousness* or *public welfare*. (See our Volume III, pp. 302ff.) Consumers generally and buyers, under this unfree "capitalism," are not free to buy and consume as their own interests direct them. Producers and sellers are not free to produce and sell as their own interests prompt them. But it is a misnomer to call this capitalism. It is instead a system of control known as interventionism; the government *intervenes* in economic matters and regulates by legislation, boards, commissions, decrees. The nominal title to capital remains private, but the *real* control lies with the state. The World Council, then, assumed that there are two kinds of capitalism, namely, *free capitalism* and *interventionist capitalism*. Free capitalism was condemned, but interventionist capitalism was, if not approved, at least not condemned.

Types Of Economic Systems

There is, however, really only one type of true capitalism. The essential characteristic of that capitalism is freedom (although that certainly does not mean *unlimited* freedom). Interventionist capitalism is of a different *genre* than capitalism proper, and so interventionist capitalism is not properly a subdivision of capitalism. The categories of economic systems should not be, for example,

1. Communism
2. Socialism
3. Capitalism
 - (a) regulated capitalism
 - (b) *laissez-faire* capitalism

but should be:

1. Communism
2. Socialism
3. Interventionism (allegedly regulated capitalism)
4. Capitalism (*laissez-faire* only)

There are, of course, other categories of economic systems, as syndicalism, anarchism, etc. The foregoing classification is de-

signed to distinguish between interventionism and capitalism, with the intent of showing both terms in the right perspective.

Returning now to the original quotation from the World Council of Churches in Amsterdam, it is obvious that the World Council condemned communism and capitalism, leaving uncondemned either socialism or interventionism. It will be well to indicate the major differences between communism and socialism. Under both communism and socialism the ownership of capital is to be by the state; but under communism the means to accomplish and retain public ownership is considered to be properly attained even though the means be violent; but in socialism the means to accomplish and retain public ownership are to be by legislation and without brutal violence. The four classifications in our list have the following meanings:

1. Communism (ownership of capital by state, by violence if necessary)
2. Socialism (ownership of capital by state, without violence)
3. Interventionism (nominally private "ownership" (title) of capital, but the use by owners is to be regulated)
4. Capitalism (private ownership of capital, but the use to be free in certain respects; this is laissez-faire capitalism)

The Council condemned the two implied *extremes* — communism on one side, and laissez-faire capitalism on the other. The two in-between categories, socialism and interventionism, were not condemned. In other words "public ownership without violence" and "private ownership under regulation" were not explicitly censured. But as the supplementary remarks of Dr. Bennett (quoted earlier) indicated, what those who put the resolution through had in mind was "something like the regime being worked out at the time by the Labor Party in Great Britain," that is, they really had in mind as their ideal, socialism. In short, the formulators of the resolution were, indirectly, getting the delegates to express approval of socialism.

Ultimately, in the abstract, there are only two systems of government, the coercive and the noncoercive. The coercive are the communist, socialist and interventionist types. They *coerce* beyond the prevention of evil. They make it compulsory to do what

they esteem to be good (and curiously, in the process, violate the principles they profess). The noncoercive are the *laissez-faire* capitalist types, who *limit their coercion* to the resistance of specified evils. But, in practice, the systems tend to merge into each other. There is no pure capitalism anywhere nor will there be pure communism anywhere either. There are varying "degrees" of communism, socialism, interventionism, capitalism, and other systems.

It appears justifiable to infer that communism and *laissez-faire* capitalism were *equally* condemned by the World Council. At least it gave no indication which it regarded as being worse. The owner of an American clothing store, operating as a practicing capitalist, was condemned as much as Stalin was condemned as a practicing communist. Stalin will probably go down in history as as monstrous a butcher and tyrant as has ever lived. An equal condemnation appears to have been passed upon a typical American business man, in the daily conduct of his business. The communists throughout the world undoubtedly were encouraged by being placed on a par with capitalists by the World Council. They can tell restive satellite people that if they wish to return to capitalism they will then have nothing better than they have now, because the World Council of Churches has condemned capitalism as much as communism.

What follows is a defense of *laissez-faire* capitalism (not so-called interventionist capitalism, or more correctly interventionism). In this defense we propose to take the following steps: (1) quote from Arthur Schopenhauer about attacking something which is not being defended; this is the case of setting up a "straw man" and then knocking him down; (2) show how that fallacy is generally applied by the critics of *laissez-faire* capitalism; and (3) finally, quote as good a summary as is known to us, regarding what the origin of *laissez-faire* is and what it really means.

Schopenhauer On Attacking A Fictitious Issue

Schopenhauer in an essay entitled, *The Art of Controversy*, begins his analysis of various kinds of fallacies by citing three examples of what are known as *ignoratio elenchi*, which refers to an "argument that appears to refute an opponent while actually disproving something not advanced by him" (Oxford Concise Dictionary); in other words, an *ignoratio elenchi* is to allow oneself

to lose an argument because your opponent sets up a "straw man" — a proposition different from what you yourself are advancing — and then knocking down his "straw man", in order to create the impression that he has knocked down your real proposition. As a case in point, an almost universally used argument against laissez-faire capitalism is that it is amoral — without morality; ruthless; rugged individualism; hard-hearted selfishness; in short, not a capitalism free in any *restricted* sense at all, but a capitalism unlimitedly free and practically anarchic, a capitalism living by tooth and claw like a beast in a jungle.

If *capitalism* is such a system, then it is condemned just by definition alone. Who would wish to defend it? But the idea is a caricature.

Schopenhauer *begins* his sardonic thesis on how to win arguments, by fair means or foul, by warning to be wary of three types of *ignoratio elenchi*, to wit: (1) extension; (2) homonymy; and (3) confusing general and specific proposition. Schopenhauer, by giving this attention *first of all* to fallacies of *ignoratio elenchi*, indicates that the fallacy involved is a common and dangerous one.

In the case of the attack on laissez-faire capitalism, there is a fallacy of *extension*. This is what Schopenhauer has to say about this strategem in dishonest argumentation:

The *Extension*. This consists in carrying your opponent's proposition beyond its natural limits; in giving it as general a signification and as wide a sense as possible, so as to exaggerate it; and, on the other hand, in giving your own proposition as restricted a sense and as narrow limits as you can, because the more general a statement becomes, the more numerous are the objections to which it is open. [Your own] defense [should] consist in an accurate statement of the point or essential question at issue.

Example 1. I asserted that the English were supreme in drama. My opponent attempted to give an instance to the contrary, and replied that it was a well-known fact that in music, and consequently in opera, [the English had done] nothing at all. I repelled the attack by reminding him that music was not included in dramatic art, which covered tragedy and comedy alone. This he knew

very well. What he had done was to try to generalise my proposition, so that it would apply to all theatrical representations, and, consequently, to opera and then to music, in order to make certain of defeating me.

The "Extension" In The Charges Against Laissez-Faire Capitalism

Laissez-faire capitalism, that is, *free* capitalism, is defamed by extending the word *free* to mean *outlaw*, in the sense of one who habitually defies and breaks a supposed moral law; or as an institution which claims a freedom to which it is not properly entitled and which, if it has that freedom, will surely abuse it.

Now capitalism cannot properly be accused of systematically breaking the statutory law of the land. If so, why is it not regularly prosecuted in the Courts? The fact that relatively few cases are begun against business by the government is good proof that capitalism is not conducting itself as an outlaw. Capitalism, to the writer's knowledge, has never claimed for itself being above the law or outside the law, or independent of the law.

Whoever then wishes to initiate an attack on laissez-faire capitalism should visit the Prosecuting Attorneys in the United States and should show them that individual businesses are violating the laws and are *claiming a freedom that the law does not presently allow*, and that court action should be begun against them. We do not know of a single delegate among the American clergymen at the meeting in Amsterdam who has ever brought a specific, actionable charge against a specific capitalist enterprise in the United States. But they condemn *laissez-faire* in the same breath that they condemn bloody communism.

Wherein does laissez-faire admit that it should not be free?

It seeks and asks no freedom to commit violence, coercion, theft or fraud. It admits it should be subject to the Sixth, Eighth and Ninth Commandments in the Mosaic Decalogue: (6) Thou shalt not coerce (or more narrowly, *kill*); (8) Thou shalt not steal; and (9) Thou shalt not lie. And further, it admits that it should be subject to specific legislation which defines and implements these basic laws against coercion, theft and fraud.

But in what does laissez-faire capitalism plead for freedom? Laissez-faire capitalism is founded historically on the principle that, beyond coercion, theft and fraud, it should be genuinely free.

It, therefore, says this: if *laissez faire* is to be *righteous*, then righteousness should not be defined more exactly than Moses defined righteousness, namely, more exactly than the three rules for action just quoted.

But if *righteousness* means something more holy than the laws of Moses, then two questions arise: (1) *specifically* what more is required; (2) and how enforce it in a practical sense.

Careful reflection will reveal that the additional claims against *laissez-faire* capitalism primarily consist in implying that *prices arrived at by the interplay of the interests of free buyers and free sellers are not "just" or "righteous."* For example there may be a big wheat crop. Supply presses onto the market. Prices decline. The price after the decline may be considered to be "not just" or "unrighteous"; by the seller of course, not the buyer. Or the case may be of another kind. There may be a great demand for a new product, of which the supply is limited for the time being. Prices rise. Then that high price is considered to be "not just" and to be "unrighteous"; by the buyer, of course, not the seller.

The widely accepted phrase to explain price changes is *supply and demand*. The idea under *laissez-faire* capitalism is to let those two influences or forces determine prices. The objection to *laissez faire* in this respect is formulated in this manner: somebody is to be authorized to interfere with the determination of prices ordinarily effected by means of supply and demand. Those somebodies are individuals designated by the state. A bureaucrat, therefore, is to determine prices (1) on the basis of his subjective judgment of what righteousness is (a righteousness, of course, beyond non-coercion, fraud and theft), or (2) on the basis of popular pressures.

In regard to such bureaucratic "righteousness" it may be affirmed that nobody has ever been given special insight, not even by the Holy Spirit of God, regarding what a *righteous* price is, beyond its basic, historical Biblical definition, (noncoercion, safety of property, truthfulness). Beyond that, *righteousness*, as an alleged standard, is pure subjectivity without merit. If in doubt, let any man define this higher righteousness in a manner that can be applied practically! It has never yet been done.

What is a righteous price in a besieged city? As the siege progresses, supplies become scant. Prices skyrocket. What is the

purpose, or the logic of the famine prices? Food must be conserved; and the way to conserve it is to make it costly. By making food costly, waste is reduced and consumption restricted. Thereby the availability of supply is lengthened. The price will go no higher than the evaluation by the citizens of how great the need is to conserve foodstuffs.

Suppose a "righteous" (?) man is appointed to determine the price, and that he has a warm heart for the people in the city. He decides, in order to make it easy for them, to keep the price of foodstuffs low. Then waste continues and consumption is not restricted — stretched out. But suddenly the supply is completely gone, and the city must be surrendered. What is proof of *righteousness* in this case? There is no such proof. All that was done was that the judgment of one bureaucrat was substituted for the collective judgment of all the citizen-consumers in the beleaguered city. That is all that "price-control" beyond the control of "supply and demand" can mean. A question of *righteousness*? No, a question whether *one* man has special guidance, a vision or charisma from the Holy Spirit of God!, or whether the aggregative judgment of all men is better. *Laissez faire* says: the aggregative judgment of all is better than the pretended god-like judgment of one man.

Righteousness is not the word to describe the judgment of the bureaucrat; the correct words for the situation are *arrogance* and *impudence*; no man has such god-like judgment as to know what righteousness is beyond the Law of Moses.

Certainly, there is some *coercion* involved. But the word, coercion, must be defined in this case. There are two kinds of coercion: coercion *by men*, and coercion *by circumstances*. The Law of Moses legislates only against coercion by men. It does not legislate against coercion by circumstances. Moses, acknowledging the coercion by circumstances, declared explicitly "in toil thou shalt eat of [the fruit of the earth] all the days of thy life" (Genesis 5:17b). Economic circumstances coerce everybody; and always will. For a moralist to set out to accomplish a program to free men from the coercion of economic circumstances is for him to arrogate to himself to be a better and successor god to the Creator of the heavens and the earth, Who did not liberate finite men from the conditions of a finite world.

The only righteousness that the Hebrew-Christian literature has taught systematically is that coercion by men is evil, but that coercion by circumstances is inevitable.

The determination of prices by a bureaucrat is in essence a rebellion against the character of creation and the Creator who made it. Submission to the laws of *supply and demand*, which means humble admission that we are not gods, is the principle accepted by *laissez faire*.

Having defined what the freedom is that *laissez faire* seeks, and what the freedom is that it does not seek, we can now see clearly how the opponents of *laissez faire* have blackened the name of *laissez-faire* by an *ignoratio elenchi*, an *extension* of the meaning of the word, *free*. Instead of describing *laissez faire* as only legitimate and wise freedom in economic matters, it has implied that a *laissez faire* type of freedom is a claim for unlimited freedom, an outlawish freedom, an exploitive freedom, whereas as a matter of fact the theory of *laissez faire* submits to the restraint of avoiding coercion, fraud and theft.

That has been the *theory or principle*. Of course, there have been many violations of the rule against coercion, fraud and theft by capitalists. But those are processable under criminal law, and the sins against the Decalogue do not require, for their restraint, that there be abrogation of liberty, and the substitution of the judgment of one man for that of everybody aggregatively.

We ask: What is wrong with *laissez faire* when it holds to the principle of (1) obeying the Law of Moses, and (2) accepting the fact that there is economic pressure in this finite world, because there always has been, is now, and always will be a *welfareshortage* in the world, as already quoted from Genesis 5:17b? We can see nothing wrong. But when someone sets up a vague allegedly higher principle of morality his position is sanctimonious.

When men under a capitalist system, in which there is freedom, use that freedom to coerce, steal and lie, should those violations not be vigorously punished in the courts of law, and should not the matter rest there? Or should freedom generally be annulled not in the interest of applying the Law of Moses against evil men, but in the interest of trying to frustrate economic realities and eliminating a *welfareshortage*, which will actually be *aggravated by any measure interfering with free prices?*

The "straw man" set up by opponents of *laissez faire* is that *laissez faire* means lawless and unrighteous capitalism. On that *assumption* they condemn *laissez faire*. But that is not what *laissez-faire* capitalism is.

**Edwin Cannan's Quotation
On Laissez-Faire**

Edwin Cannan, the late distinguished economist of Great Britain, in his book, *A Review of Economic Theory* (P. S. King and Son, Limited, London, Westminster, 1929, p. 25ff.) has this to say about *laissez-faire*, together with a quotation by him from de Gournay's "*Éloge de Gournay*" in *Oeuvres de Turgot*, ed. Daire, Vol. 1, p. 288:

Restrictions and regulations had hampered internal commerce in France much more than in England, and protests had long been made. Turgot says, "In all ages the desire of commerce in all nations has been embodied in these two words: liberty and security (*protection*), but especially liberty. We know the saying of M. Le Gendre to M. Colbert: *laissez-nous faire*." The phrase, shortened to *laissez-faire*, has been incorporated into the English language because even the full form of it is incapable of terse translation: the literalist's suggestion, "Let us do," is quite unacceptable: "let us be" or "let us alone" suggests inactivity; and "let us get on with our business in our own way," which gives the sense very well, is too long and flat.

Men and women and children have always protested against interference with their activities, and we can well imagine that some equivalent of "*laissez-nous faire*" was frequently heard in the family circle of Adam. The specialisation and popularisation of the maxim [*laissez-faire*] is attributed to Vincent de Gournay, a merchant who lived from 1712 to 1759. He was not an author of any importance, but he exercised considerable influence over subsequent thought by conversations with the economic writers of his time, especially Turgot, who, perhaps idealising him a little, says in a passage which gives a good idea of the state of things prevailing when de Gournay was made an intendant [provincial administrator] of commerce in 1751:

"He [de Gournay] was astonished to find that a citizen could neither make nor sell anything without having bought the right to do so by getting at great expense his admission into a corporation . . . He thought that a worker who had made a piece of cloth had added something real to the aggregate riches of the State, and that if this cloth was inferior to some other cloth, there would be found among the multitude of consumers someone whom this very inferiority would suit better than a more costly perfection. He was very far from believing that this piece of cloth in default of complying with certain regulations should be cut every four yards and the unfortunate man who made it condemned to pay a fine sufficient to reduce a whole family to beggary. . . . He did not think it desirable that manufacture of a piece of cloth should involve a plea and a tiresome discussion to ascertain whether it conformed to a long and often obscure regulation, nor that this discussion should take place between a manufacturer who could not read and an inspector who could not manufacture. . . .

"Nor had he imagined that in a kingdom where the order of succession was only established by custom, and where the application of the death penalty for several crimes is still left to the discretion of the courts, the Government would have condescended to regulate by express laws the length and breadth of each piece of cloth, and the number of threads of which it must be composed, and to consecrate with the seal of the legislature four quarto volumes full of these important details; and also to pass innumerable statutes dictated by the spirit of monopoly, of which the whole object is to discourage industry, to concentrate commerce in a small number of hands by the multiplication of formalities and expenses, by the requirement of apprenticeships and journeymanships of ten years for trades which can be learnt in ten days, by the exclusion of those who are not sons of masters, of those who are born outside certain limits, by the prohibition of the employment of women in textile manufactures, etc., etc.

"He had not imagined that in a kingdom subject to one and the same prince, all the towns would regard each other as enemies, would arrogate to themselves the right of preventing Frenchmen called foreigners from working inside their boundary, of opposing the sale and free passage of the commodities of a neighbouring province, and of thus fighting, for the sake of a trifling interest, the general interest of the State, etc., etc.

"He was no less astonished to see the Government occupy itself with regulating the price of each commodity, proscribing one kind of industry in order by that to make another flourish; putting particular hindrances in the way of the sale of the provisions which are most necessary for life; prohibiting the accumulation of stores of a thing of which the harvest varies every year while its consumption is always much the same; prohibiting the export of a thing subject to extreme depressions of price, and fancying that it ensured abundance of corn by making the condition of the cultivator more uncertain and unhappy than that of all other citizens, etc."

He knew, Turgot adds, that some of these abuses had once prevailed over a great part of Europe, and that "vestiges of them still remained in England," but he knew also that for the last hundred years "all enlightened persons, whether in Holland or in England, regarded them as the remains of Gothic barbarism and of the feebleness of all governments, which had neither known the importance of public liberty nor how to protect that liberty from the attacks made by the spirit of monopoly and personal interest."

So, as another of de Gournay's admirers, Du Pont de Nemours, tells us, he decided that commerce should "never be ransomed or regimented": he adopted "this maxim, *Laissez faire et laissez passer*," "Let people do what they want, and let them and their goods go where they please."

Of course, this "let people do what they want" refers to economic decisions *within the laws of morality* (no coercion, fraud or falsehood), but unhindered by bureaucratic interference.

In Turgot's time damaging intervention in business by the government was known as *mercantilism*. Today it is known as *interventionism*, as defined earlier in this article.

What the World Council of Churches decided in 1948 is that, if there is to be capitalism, then it should be of a type known as *mercantilism*, that is, detailed government regulation. The Indus-

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trial Revolution, based on *laissez faire*, burst loose from the restrictionism of mercantilism, which had involved such a high death rate of children that the population was practically stationary. Under the new *laissez-faire* system conditions immediately improved so drastically that the death rate of children decreased greatly. The *first* consequence of their survival was that they had to go to work early, under adverse conditions; the price of their surviving was that they had to go to work very young; that was *inevitable*; only an outright miracle of God could have prevented that *in the transition period*, and such a miracle would have been contrary-to-purpose. But the *eventual* consequence of *laissez faire* was a steadily rising standard of living.

The World Council of Churches wishes to return to the old mercantilist system, or according to Dr. Bennett, to something even worse, namely, socialism.

Can that hurt the wealthy nations? Of course it will, but the transition down hill will be as slow maybe as the transition was up hill from mercantilism to present-day Western world prosperity.

But there are people today who will be conspicuously damaged — literally cursed — by antagonism to *laissez faire* and preference for interventionism or socialism. Those people are the teeming millions of the backward nations — backward because they have never really accepted *laissez faire*, but instead have accepted unwisely interventionism or socialism, destructive programs uncondemned by the World Council of Churches.

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