

# Progressive Calvinism

Volume IV

1958

NEIGHBORLY LOVE AND RICARDO'S  
LAW OF ASSOCIATION

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- 19 Second paragraph should be numbered 3.
- 275 Fourth paragraph, last line, *amout* should be *about*.
- 340 First column, eleventh line from bottom, *reserved* should be *reversed*.

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## Fifty-One Words Of The World's Greatest Code Of Laws

(1) *Thou shalt have no other gods before Me;* (2) *nor make any graven image;* (3) *nor take the name of the Lord thy God in vain.* (4) *Remember the Sabbath day to keep it holy.* (5) *Honor thy father and mother.* (6) *Thou shalt not commit violence;* (7) *nor commit adultery;* (8) *nor steal;* (9) *nor lie;* (10) *nor covet.*

The ethics of PROGRESSIVE CALVINISM is based on this code alone together with its interpretation in the whole of Scripture to wit: (1) men are free to live their own lives; (2) except they may not injure each other by doing what is forbidden in the

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foregoing code; further, (3) if one man violates the code, that does not entitle others in retaliation to violate it, but evil must be resisted *by doing good*, and we must be forbearing and forgiving; further, (4) we must exercise charity; and finally (5) we must endeavor to help get other men's thinking straight on all matters but especially in regard to the gospel.

The foregoing rules are the *means* to attain certain *ends* or *objectives*, namely, (1) the glory of God; and (2) the mutual welfare of men, which are usually expressed by saying,

*Thou shalt love the Lord thy God above all,  
and thy neighbor as thyself.*

The difference in these two formulations of the great code known as the Ten Commandments is not a difference in contents, but the second formulation states *ends* and the first *means*.

It is essential to have those ends. However, to *talk* about the ends but to neglect to live according to the means is *self-deception* or *hypocrisy*. The temper of this age is to *emphasize* the ends but to *violate* the means at the critical and vital points. That is a reason why the Christian churches are rather feckless.

Much of what is said and written about love to God above all and to the neighbor as to the self is *paint on rotten wood*. Scripture says, *Faith without works is dead*, which is parallel to saying, *Talk* about the glory of God and the welfare of fellow men *without obedience* to the Commandments is meaningless. fn

## Looking Backward (1955-1957) And Forward (1958) In Progressive Calvinism

This issue is the first in the fourth year that PROGRESSIVE CALVINISM is being published.

We continue our program (1) of analyzing Biblical ethics versus Social Gospel ethics, and (2) of showing the relationship of those two different ethics to the true teachings in the sciences of human action. Our thesis is that Biblical ethics are in accord with the true teachings of the sciences of human action, and that Social Gospel ethics are not.

Expressing the same idea somewhat differently, we are analyzing the relationship of the ethics of Christianity to various kinds of *economic orders*, such as capitalism, interventionism, socialism, syndicalism, communism.

## I

Our standard in regard to Christian ethics is the teachings of the Hebrew-Christian Scriptures. We begin with Moses, and interpret the Decalogue he brought from Mt. Sinai in the light of the Sermon on the Mount by Christ. That gives a definition of Christian ethics, contrary to that of the Social Gospel. We are not our "brother's keeper" (to quote an expression inappropriately used by the first murderer) but are obligated to do only what is required by the Ten Commandments as stated in the first article in this issue. When "Christian" ethics, interpreted according to the Social Gospel, are extended further, they become sanctimonious and, in the judgment of thoughtful people, ridiculous. The first major effort of PROGRESSIVE CALVINISM has been to explain the Law of God simply, and to define what "brotherly love" is and what it is not. A major part of the issues in 1955 was devoted to that purpose.

## II

Secondly, we have called attention to a contradiction which has long confused the teachings of Christian ethics, namely, an erroneous idea based on the statement of the Apostle Paul in Romans 13:1, "The powers that be are ordained of God." Christians of many persuasions have used this text to justify obedience to a government that is evil generally or that is engaged in promoting a specific evil; such nonprotesting obedience makes the individual citizen co-responsible for public evils. Our ethics are not dual; we believe it is *always* preferable to obey God rather than men. We agree with the French priest and writer, Fenelon (1651-1715) concerning whom Lord Acton wrote:

[Fenelon] . . . learnt to refer the problem of government, like the conduct of private life, to the mere standard of morals, and extended further than anyone the plain but hazardous practice of deciding all things by the exclusive precepts of enlightened virtue. [*Essays On Freedom and Power*, The Free Press, Glencoe, Illinois, 1948, p. 253.]

We would describe our program in slightly different words, viz.: we, too, are engaging in the "hazardous practice of deciding all things by the exclusive precepts of the *Ten Commandments*," rightly interpreted. There is indeed a hazard in the Christian churches of single-mindedly following that rule.

### III

Thirdly, we attack another kind of contradiction in ethics, namely, one set of ethics for an individual and another set for a group. For example, *society* or a *union* are considered by many people (who seem to believe that they are promoting the Christian religion) to be authorized to apply various coercions which they would not think of permitting an individual to apply. Society engages with impunity and without reprimand by Christians in many gross evils.

### IV

Fourthly, we are individualists. We reject the unbelievably erroneous ideas of many men on what Individualism really is.

Men were not created for society; society is a creation by men for themselves individually. For us, "brotherly love" is no pious religious term to cover collective coercion and other ideas which in the sciences of human action are known as collectivism; but that is what many people apparently believe brotherly love is. Men should learn that they belong to one of two classifications—they are either Individualists or Collectivists. (There are some half-breed positions in between, but ultimately all men can and should be classified as one or the other.)

### V

Fifthly, we reject a naive view of creation and of the effect of the Fall of Adam on the material universe. We accept Moses's description of Adam that he was desperately poor and a stone-age man. We also accept that Adam first sinned in the form of denying private property rights. God said that Adam could harvest and eat the fruit of all the trees in the Garden of Eden, *except one*. This one tree was a symbol of the necessity of recognizing private property rights in a genuinely cooperative society (based

on true brotherly love). If Adam refused to acknowledge the validity of private property rights, but operated with no more morality than the beasts below him, that is, *appropriated anything he could get*, then obviously his (Adam's) "society" could not be better than the society of the beasts. Adam disobeyed.

We cannot accept, however, the idea that Adam's sin changed the natural laws of creation. The sun shone no hotter nor colder (in our opinion) after Adam fell than before. We are, therefore, supralapsarian Calvinists, and find it difficult to accept the infralapsarian view of creation. (See PROGRESSIVE CALVINISM, May 1957, pp. 147ff., and September 1957, pp. 266ff.; also October 1957, pp. 289ff.)

## VI

Sixthly, we are *traditional* Calvinists. Our ideas in regard to man's relationship to creation and to other men are essentially the same as the Puritans'. What Max Weber wrote about early Calvinists in his book *The Protestant Ethic And The Spirit Of Capitalism* is entirely applicable to PROGRESSIVE CALVINISM. Traditional Calvinist ethics and our ethics differ completely from the ethics of the Social Gospel.

## VII

Seventhly, we are interested in the two great charges which Socialism and those of like thought make against Capitalism, to wit, (1) that Capitalism inescapably suffers from business depressions, and (2) that Capitalism is unjust. We have not found anything in Calvinist literature which *logically* answers these two charges. Apparently, post-Marxian Calvinism (that is, Calvinism in the latest hundred years) is intellectually unable to find an answer to these two grave criticisms against capitalism made by the socialists and fellow travelers. But what system of ethics can be expected to survive if it must admit that it has no answer to the charge that it is *unjust*? However, what Calvinism seems unable to answer in regard to Capitalism the secular science of economics does answer.

## VIII

Eighthly, modern "Christianity" has a big superstructure piled high on the essential teachings of Scripture. This superstructure consists of vague, abstract and unnecessary ideas, for

example, *welfare* as more than the law of God; *brotherly love* as more than the Commandments; *common grace* as something necessary beyond providence and the rational order; *sphere sovereignty* as a required neutralizer of excessive governmental authority.

If we were living in a medieval society, or if we were modern philosophers, we would describe that hindrous superstructure of abstract thought as *conceptual realism*. Medieval conceptual realism received its death blow in the fourteenth century at the hands of a Franciscan friar, known as William of Occam. In a sense, Occam introduced the modern age, the age of individualism, of particulars, of specific things, of modern science. We apply Occam's method of critique to the superfluous superstructure which some present-day Calvinists have built on the teachings of Scripture. We hold strictly to the teachings of Scripture and are happy when they are kept simple and fundamental.

## IX

Ninthly, we place an overshadowing value on *liberty*. We are in the great *English Calvinist* tradition. We quote from Lord Acton's *Essays on Freedom and Power*, pp. 11 and 12, our italics):

It was in the Puritan phase, before the restoration of the Stuarts, that theology, blending with politics, effected a fundamental change. The essentially English reformation of the seventeenth century was less a struggle between churches than between sects, often subdivided by questions of discipline and self-regulation rather than by dogma. The sectaries cherished no purpose or prospect of prevailing over the nations; and they were concerned with the individual more than with the congregation, with conventicles, not with State churches. Their view was narrowed, but their sight was sharpened. *It appeared to them that governments and institutions are made to pass away, like things of earth, whilst souls are immortal; that there is no more proportion between liberty and power than between eternity and time; that, therefore, the sphere of enforced command ought to be restricted within fixed limits, and that which had been done by authority, and outward discipline, and organised violence, should be at-*

tempted by division of power, and committed to the intellect and the conscience of free men. Thus was exchanged the dominion of will over will for the dominion of reason over reason. The true apostles of toleration are not those who sought protection for their own beliefs, or who had none to protect; but men to whom, irrespective of their cause, it was a political, a moral, and a theological dogma, a question of conscience involving both religion and policy.

The insistent emphasis in PROGRESSIVE CALVINISM on liberty has a "religious motive" which we describe as Calvinist, but which is really universal with true Christianity, and which is held by a great Catholic as Lord Acton, whom we have just quoted, as well as by others who understand and genuinely accept the ethics of the Hebrew-Christian religion. In orthodox Calvinist circles today there are only a few voices insistently raised in favor of liberty. There are many who accept the basic premises of tyranny; the theme song of these brethren is "love," with love defined in the sense of the Social Gospel; that definition makes "love" the foundation for tyranny.

## X

Tenthly, PROGRESSIVE CALVINISM is different from other publications in that it earnestly attempts what is unusual in modern orthodox Calvinism, to wit, a reconciliation of ancient Biblical ethics with the modern *Social Sciences*, or as we have learned to call them and as they should be called, the modern *Sciences of Human Action*.

The queen of the Sciences of Human Action is economics. Economics is the comprehensive, unifying science in its group. The great practical issues of the day are being fought out in the basic concepts in the field of economics. That being the case, it would be expected that in every theological seminary and in every pulpit, when the subject under discussion was *practical ethics*, there would be evidence of thorough study of what economics teaches. Astonishingly, economics is a practically unknown science to moralists, evangelists, theologians and teachers of religion. Their thought is saturated with the *words* of Scripture to which

they have added the popular economics of the daily papers and supplemented it with that kind of shortsightedness which consists in attention to *immediate* rather than ultimate economic — and ethical — consequences. A distinguishing characteristic of economics is that it is the science of *long-range consequences*; one of its special purposes is to probe beyond surface effects. It tenaciously pursues the chain of cause and effect from the first splash to the last ripple. True ethics must have the same characteristic; it too must teach not short-term consequences, nor even remote consequences, but ultimate consequences. Special attention should, therefore, be given by ethical teachers to economics, but regrettably that is not the situation.

In a sense, the attempt to which we are addressing ourselves is unique. Many ethical teachers are still trying to reconcile ancient and medieval philosophy with Biblical ethics and with complex modern practical problems. It is threshing over old straw. There are others trying to harmonize Biblical data with the findings of the modern *natural sciences*. But these attempts are different from those of PROGRESSIVE CALVINISM. We are not interested in abstract philosophy, nor have we knowledge in the natural sciences. Instead we concern ourselves with (1) the sciences of *human action* which are necessarily vitally related to the (2) declarations in Scripture on what *should be* the actions of men, that is, their ethics and morality.

In this field of *human action* we are not reworking the ideas of Socrates, Plato, Aristotle, Lucretius, Augustine, Thomas Aquinas, Martin Luther, John Calvin or some old "authority." We approach the problems from a twentieth-century viewpoint, and from what is known in that century about the economics of our modern complex social and economic structure.

We encounter no difficulties in reconciling ancient Biblical morality with modern economics. If we see aright, the two — Biblical morality and sound modern economics — teach the same thing.

\* \* \*

In the year ahead we plan to work over various economic problems, such as unemployment. We shall develop the idea that some unemployment is desirable; further, that the kind of unem-

ployment which is unfortunate is the result of *sins*; or if you wish to speak of the latter in non-Biblical terms, the result of bad logic and bad economics.

Further, we propose to write a *Platform* of proposed action, that is, a political, economic and social platform which is consistent with the ethics of Christianity.

We plan also to examine further the prevalent ideas about "love." Our analysis will be critical.

In addition we hope to consider various forms of irrationalism which are being recommended to Christians as being a new, higher and truly modern Christianity. The irrationalism of Karl Marx is widely accepted by the Social Gospellers and by some organizations which have the approval of orthodox Calvinist churches.

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In PROGRESSIVE CALVINISM we (1) are against sanctimonious brotherly love; (2) believe in *always* obeying God rather than a government following an evil course; (3) hold to a single set of ethics rather than a dual set; (4) are not collectivists but individualists; (5) reject a naive view of creation and the post-Fall world; (6) are traditional Calvinists, indeed "throwbacks" to seventeenth-century Calvinism; (7) are interested to show what Calvinism's answer should be to the two charges by Socialism against a Biblical (private property) economic order, namely, that a Biblical economic order results in business depressions and is unjust; (8) are against big, vague, unnecessary superstructures of thought added to what Scripture teaches, but which superstructures can be brushed away by the same method as ended medieval thought; (9) are overwhelmingly for freedom and against tyranny; and finally (10) we solitarily pursue our way to reconcile Biblical ethics and modern economics.

\* \* \*

PROGRESSIVE CALVINISM is issued monthly. The subscription price is \$2.00 a year, payable in advance. Subscriptions run from January through December. Readers ought, however, to read first the three volumes for 1955, 1956 and 1957; paperbound copies are available for \$2.00 for each year. For \$8.00 you get three books and twelve separate issues in 1958.

PROGRESSIVE CALVINISM covers a field that no other publication covers; we harmonize Biblical ethics and modern secular economics. fn

## Everybody Is Unhappy About Unemployment

Presently (December 1957) business activity is declining. This follows a period of very high activity during the past spring and summer. Lower business activity means less employment.

### Unhappiness In The Management

Imagine yourself a businessman with a good business which you have managed well. Last spring and summer you could not fill your orders on time. You were expanding your plant, buying more equipment, enlarging your inventories, extending more credit to your customers, and borrowing money heavily at the bank. What else could you do? Hold back and let competition take away your customers? Of course, you were hiring new employes at that time.

But now it is different. The backlog of orders is declining and practically gone. Customers are cancelling orders or specifying later deliveries. The inventory is too big because production has not been "cut back" fast enough. The bank which loaned you money is nervous and wants a reduction in its loan. You are sorry you enlarged your plant. But worst of all, you hired people six months ago whom you can no longer use. If you keep them, the business may be bankrupted, and nobody will continue to have a job, not even employes who have been there twenty-five years or more. You are chagrined that you were not able to foresee developments; a few months ago you were talking expansion; now you must retrench. You feel you will "lose face" as a business man. People will laugh at you as being chuckleheaded. You ask the question: *how far* will the "recession" go? Is there reasonable ground for hope that business will soon *recover*? *That* is your hope.

After you have surveyed the whole situation you conclude that business has already become so bad that some steps must be taken *now* or future trouble will be so great that it is not manageable. Necessity, not inclination, requires that decision.

### Unhappiness Among The Employes

Young Jones is in the employ of your company; he has a wife and children; he has a house with a mortgage and a car bought on instalment payments. But the production planning department is not sending many orders to Jones's department. There is (every man in the department can see it) less work coming in; eventually somebody or a lot of men must be "laid off."

What an anxiety for Jones! How long will the lay-off last? Where get another job?

Mrs. Jones learns of her husband's anxieties. She, too, worries whether he will be laid off and if so, for how long? Day by day, the prospects get worse, and day by day the Joneses begin to restrict their expenditures. She buys less at the grocery store, the department store, everywhere. The retailers in turn buy less; less orders flow back to the manufacturers, and that means less work and more unemployment.

### The Fear Of Unemployment

Unemployment! The idea frightens everybody; and well it may. The specter of unemployment terrifies men to such an extent that they are willing to consider abandoning their liberty and embracing socialism and tyranny in the hallucinatory hope of escaping *unemployment*.

In this issue we shall give attention to the relationship between unemployment and a national evil consisting in the issuance of more fiduciary media. (In regard to *fiduciary media* see the November, 1957 issue, pages 337ff. Fiduciary media is money "created" under law but not covered by gold. Business cycles, booms and depressions, and the thing that goes with it — unemployment in depressions — are caused by varying the quantity of fiduciary media.)  
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## Kinds Of Unemployment

The term *unemployment* is a general term which has many meanings and as such will contribute to mental confusion unless

it is specifically defined.\*

We shall consider five kinds of "unemployment," to wit,

1. Unemployables;
2. Voluntary unemployment;
3. Frictional unemployment;
4. Cyclical unemployment; and
5. Chronic unemployment.

### 1. Unemployables

Every society has individuals who because of physical, mental or moral traits are not employable. It costs more to keep them at work than can be obtained for the products they make. It is improper to consider such people as part of the potential work force, and it is against the public interest to endeavor to enlist them in the work force. The unemployables are a burden on society, and are a charitable, moral and disciplinary problem.

The unemployables, not very great in number, are not considered further in this analysis.

### 2. Voluntary Unemployment

In a loose sense of the term unemployed persons are *voluntarily* unemployed. If employable, a man can, if adjustable (that is, if he prefers work to idleness regardless of his comfort, prestige and personal ideas of remuneration) presumably always find work *at a price*; maybe not instantaneously but within a moderate period of time. According to our premise, he *can* produce something. Potentially, his services have value. If then he is willing to do anything which is available, he will be employed fairly soon.

But men are seldom so adjustable as that. They often prefer temporary unemployment to employment immediately available which they consider unattractive. A man may be qualified as an orchestra director and he may long have had such employment.

\*The same was true in regard to the term *money*; it is not possible to understand the problems of money, if *money* is not analyzed according to types; we have shown in the November 1957 issue that it is necessary to distinguish between three kinds of money, namely, gold, gold certificates and fiduciary media; there are additional subdivisions of money which should also be taken into account in detailed analyses.

Right now there may be no work as an orchestra director. He may be a talented violin player and can get employment as such in a bar, but that may be unacceptable to him either because he refuses employment which he considers beneath his dignity and remuneration ideas, or because he believes such temporary employment will injure his reputation and make him lose future employment opportunities as orchestra director when they become available. This reasoning and this attitude may or may not be self-advantageous.

People who do not adjust well are often not realists in the sense of appraising themselves correctly, that is modestly rather than egotistically. Men who over-value themselves are likely to be frequently or even permanently unemployed. They demand too much consideration and want too much money.

Some people seem to be unfortunate in their inability to find employment. But the fault is not lack of opportunity but themselves. They expect society to give them employment exactly of a kind they want. The idea, then, that every man is *entitled* to a job is an unsound idea. Who is to decide what the job is to be? If society assigns a man to a job which he is obligated to accept, then the man is subjected to tyranny. If, however, a man has liberty to select what he wants, but refuses every job offered, then he is not *entitled* to a job, for the simple reason that if he can force society to give him what *he* wants then he tyrannizes over society. The idea, therefore, that a man has an inalienable claim to a job is false.

Nor is society obligated to give every man an opportunity. A man must create his own job in society by proffering something in the form of acceptable production for which others will *voluntarily* remunerate him at mutually accepted terms. To *coerce* support for yourself from society is a violation of the Sixth Commandment, which forbids coercion.

It should be realized that *society* is a general term. It does not refer to a mass of people who as a group must give a man employment; in practice in a free society it means that some one individual or a limited group of individuals will give a man em-

ployment. He or they must be able to expect to get value received for value paid to him; if not, why should they be obligated to take a loss on employing him. The important point to remember is that there are many more persons *voluntarily unemployed* than it appears.

Anyone *voluntarily* unemployed helps himself in the public eye if he can create the impression that he is *involuntarily* unemployed. In proportion as he can give the impression to others that he is involuntarily unemployed, he may hope that he can make a plausible claim on public assistance. From time immemorial the rule has been: he who will not work shall not eat. Some people then are careful not to say, "we will not work"; but they make demands and set terms to employment which get down to this, "we will not work *at what is available*; it is beneath us or not to our liking."

People who take that attitude are entirely within their rights. But others are also entirely within their rights if they refuse to support such individuals. The burden of voluntary unemployment should be assumed by the persons themselves who are voluntarily unemployed. Under that circumstance no one should have the right to compel them to work. But it is genuinely contrary to the public interest voluntarily to support unemployed people at the public expense (that is, out of tax money).

### 3. Frictional Unemployment

Society is either static or dynamic. A static society may appear good from the viewpoint of security and safety, but it also means that that society cannot better itself. Frictional unemployment is an inescapable consequence of having a dynamic society, a society which can improve.

Let us consider various kinds of frictional unemployment.

1. Assume a man is a farmer, but he does not like to farm. He wants to be a tool and die maker in a factory. If a society is genuinely static, it forbids the man to move off the farm in response to his own inclination. Static societies are always tyrannies. But assume that a free and dynamic society exists. Our young farmer then moves to the city. He starts walking the

streets, calling at the employment offices of factories to see if he can get a job of the kind that he wants. He is *unemployed*. He no longer has a job on the farm and he does not yet have a job as a tool and die maker. Such situations are described as *frictional* unemployment. The word *friction* obviously comes from the idea of change or shift from one job to another.

2. A man may also be unemployed in a frictional sense because his employer can no longer employ him. If a business is seriously mismanaged, anyone so unfortunate as to be working for such an employer will soon be out of a job. In a sense, a person should always hope to work for a *competent* employer; then he will not suffer unemployment because of another man's incompetence. Society, be it said, cannot afford to suffer the cost of supporting incompetent businessmen. Those men do not know how to muster material and labor efficiently, and consequently they should not continue to perform that function. They are wasters. The quicker they go out of business, the better. There are also voluntary reasons why employers wish to discontinue a business.

3. There is a third kind of frictional unemployment which results from neither the inclination of the employe or the incompetence or wishes of the employer, but from changing circumstances. If a man has a business manufacturing buggies, but people no longer want buggies but automobiles, then the willingness to work or the competence of the manager of the buggy factory has little to do with the situation. The buggy business will have to be discontinued for the simple reason that people no longer want buggies. The owner will probably lose a large part of his investment; the employes will become unemployed. The "friction" between buggies and automobiles has resulted in frictional unemployment.

4. There is a fourth cause of frictional unemployment, namely, human limitations. All production is for the future. All forecasting of the future is fallible. All men make mistakes. It is a question of how much. Only the best "forecasters" among business men survive; the rest fail. But the best make *many* errors. Consequently, here production is too high, and elsewhere it is too low; and then vice versa. Inevitably, therefore, there is frictional unemployment for that reason. To this should be added

the fact that unforeseeable and unpredictable events make the best of plans go awry — cyclones, drouths, earthquakes, etc.

From the foregoing it is evident that some frictional unemployment is voluntary and some is "involuntary." Nobody can really argue against the deliberately voluntary frictional unemployment. Each individual is personally responsible for that himself. To work for an incompetent employer is a misfortune, but in a free society anybody has a right to set up in business and employ somebody else. Actual testing is the only way to discover who is a competent businessman. Futhermore, nobody will seriously advance the idea that just because people have bought buggies for hundreds of years they ought to continue to buy buggies when they really want automobiles. Scarce materials and scarce labor should not go into buggies which are no longer wanted.

The frictional unemployment which has been described cannot properly be presented as a terrifying type of unemployment. Certainly, the farmer takes a risk when moving from the farm to the city. Certainly a man takes a risk when he selects as an employer a man who may turn out to be an unsuccessful businessman. And changes in demand can throw new and old employes out of work. But in all these cases the presumption is that a man can get some other work. If buggies are no longer produced, those who produce buggies will have an opportunity to get a job in a factory producing automobiles. The man who quits the employ of an unsuccessful employer can probably get a job by going to the competitor who is taking business away from the unsuccessful employer. A farmer who moved from the country to the city undoubtedly assumed that he would be better off and make more money as a tool and die maker than as a farmer; if he had estimated the prospects differently he would probably have stayed on the farm; furthermore, if he was wrong in that estimation, the tool and die maker whom he displaced may move to the farm and be happy to have the larger farm income which will become available to him.

In short, frictional unemployment although unpleasant and even painful in specific cases is a necessary circumstance in a free society.

#### 4. Cyclical Unemployment

The situation is different in the case of unemployment resulting from the business cycle. The business cycle is that phenomenon afflicting modern capitalism which consists of alternating booms and depressions — super-good business at one time and distressing lack of business at another time. In terms of employment this means at one time more jobs than men and at another time more men than jobs.

The sad thing about unemployment resulting from the business cycle is that when a man gets thrown out of work for cyclical reasons he is almost sure to have great difficulty getting other employment. At the same time that his employer is compelled to cut back production other employers are under the same compulsion. Whereas frictional unemployment seldom makes men hopeless, but is instead often based upon ambition and optimism, cyclical unemployment to the contrary is a disheartening phenomenon.

In the November and December issues in 1957 we have explained that the cause of booms and depressions (cyclical variations in business) consists in variations in the quantity of fiduciary media which are injected into or taken out of the money supply of a society. It will be helpful to describe again briefly the character of fiduciary media and the consequences of varying the quantity.

If a man wishes to buy something, he can give something in barter for it, or he can pay with money. Ordinarily he buys by paying with money. That money is either (1) his own or (2) it is borrowed. Using *his own* money will never cause a great boom or a depression. But the use of borrowed money *can* cause a boom (and its consequence, a depression), *depending on the character of the borrowed money.*

The borrowed money may be somebody else's *savings*. Peterson wants to borrow \$1,000. Black has saved \$1,000 and put it in a bank. Peterson goes to the bank and it loans him the \$1,000 that Black had saved. This will not cause a boom because the extra buying done by Peterson by means of the \$1,000 is offset by the reduction in buying by Black; and vice versa when payment

is made, because then Black spends or re-loans as much as Peterson reduces his buying. From society's total viewpoint buying and selling are unaffected by the Black loan to Peterson via the bank. The bank was merely a broker between Peterson and Black.

But it is different if Peterson goes to the bank but the bank has no \$1,000 saved by Black or anyone, which it can loan to Peterson. If the bank nevertheless loans \$1,000 by "manufacturing" \$1,000, then \$1,000 of *disturbing buying power* enters the market. Everybody else is spending their own money or transferred money as in the case just explained, but Peterson enters the market with an *extra*, artificially-created \$1,000. What happens? Business suddenly *seems* to be better. There *seems* to be more demand. Prices rise. Business *booms*. Why? Solely, because \$1,000 of manufactured money has come into the situation. This kind of money is known as *fiduciary media*. We take the term and the whole idea from Ludwig von Mises's *Theory of Money and Credit* (Yale University Press, 1953).

Three things can now happen:

1. The banks may continue indefinitely to "manufacture" more and more thousands of dollars (money), and the boom will roll merrily along. Prices will go higher and higher. Business will *temporarily* continue to expand because businessmen will be thinking that utopia has arrived. But eventually people will discover what is going on. They will say to themselves, *money* will not do us any real good. There is too much of it and more is coming. Prices are going to go higher and higher. Let us always get rid of our money *as soon as we get it* by immediately buying something. It is better to own *things* than *money*. This is the psychology in a runaway boom which will end (always) in complete business collapse, and impoverishment for many people. It may take some time to go over the precipice on this, but continually putting out more fiduciary media can have no other effect than economic destruction. History proves it. Eventually the policy of uncontrollably putting out fiduciary media *must* stop.

2. The banks can follow another policy. They may put out a quantity of fiduciary media and then they may call a halt. They may say, "No more." This halt may come on the initiative

of the bankers, but more likely it is the result of "the law." Banking is the most-regulated business in the United States. In that sense it is the most socialized, or socialistic, business in the United States. Moves by bankers to expand fiduciary media or to contract it are really nothing more than a normal man's response to what "the law" permits and/or requires. Now the law in the United States says that a banker may expand fiduciary media up to a certain point — but beyond that it is made expensive for him to do so and eventually he must stop. What happens then?

First, the *extra or surplus* buying power is removed. Suddenly, the fictitious excess demand to which business has become accustomed disappears. Big plans by businessmen for expansion prove to be too big. They say to themselves: "We must revise our program downward." Unemployment begins. Prices begin to decline generally. The decline snowballs and then there is a business contraction.

Usually, the process goes much further. After the contraction has begun the eventual cumulative effects are such that bankers not only stop putting out more fiduciary media but they feel required to *reduce what is already outstanding*. The money they loaned does not look safe to them anymore. They say to borrowers: "Pay up." You cannot blame the bankers. Everything looks dark now instead of rosy.

Let us now return to Peterson, our borrower of \$1,000. Suppose he did not borrow from the bank the savings of Black, but that fiduciary media was manufactured by the bank, according to the law of the land for which we are all responsible. What happens? First there is that pleasant but fatal boom resulting from Peterson spending money that did not exist before. But that cannot last unless money continues to be *added* to the money supply. Suppose then that the bank stops issuing more fiduciary media.

The community's planning, in the meanwhile, unfortunately has been based on the assumption that the bank would put out more and more fiduciary media. Now that assumption proves wrong and all businessmen begin, of necessity, to retreat. Then some get into financial trouble. The banks become alarmed. They demand that Peterson and others who have fiduciary media obli-

gations pay up. He can do so only by sharply reducing his expenditures and buying. We now have the depression. Why? Because if the extra \$1,000 in buying power caused the boom (which it did) then the paying off of the \$1,000 now *prevents Peterson from doing even normal buying*. When Peterson (and others) do that, retailers cannot sell so much, nor manufacturers manufacture so much, nor employers keep on the payroll the same number of employes as before.

We have then an evil unemployment situation. Men are thrown out of work wholesale. And there are no other jobs available except under conditions which temporarily dislocate business further.

Such is cyclical unemployment, one of the great evils of modern society. This evil, however, is solely the result of a past *sin* (using a moral term) or a past *fallacy* (using a logical term). The sin is fraud and theft. The fallacy is that fiduciary media is a good thing from an economic standpoint, that you can make people prosperous by pieces of paper (fiduciary media money).

Scripture forecasts with calm assurance, Your sins will find you out. In cyclical unemployment our sins find us out.

The future consequences of cases of cyclical unemployment will be disastrous. Because Christians do not raise their voices at all against fiduciary media, they do not warn people about the penalty, cyclical unemployment; and because people are not warned about that they will in the days of their future disillusionment turn in despair from liberty to tyranny, from capitalism to communism, and from individualism to collectivism.

Christianity has no good future under tyranny, communism and collectivism. Christianity has tolerated and, in a sense, abetted a colossal sin, fiduciary media, for a century or two. In the days of ancient Israel and Judah sins were perpetrated for centuries despite periodic warnings and spasms of penalties. But it took five centuries for the cup finally to run over. The end came slowly, but eventually inevitably. If so-called Christians will not testify against fiduciary media, it may take much less than five centuries for Western capitalism and liberty to go under.

There are several false explanations given for the business cycle. These explanations always appear plausible. One explana-

tion of the business cycle is that there is *overproduction*. In this case the word overproduction needs to be defined. What is meant by the term? General overproduction? Or only overproduction in specific commodities?

In previous issues of PROGRESSIVE CALVINISM we have reiterated that the idea of Moses in regard to a universal welfareshortage realistically discredited the idea of any *general* overproduction. *General* overproduction is an impossibility. It is possible that too many shirts are produced, but then it can be proved that the surplus material and labor that went into the shirts should have gone into something else of which there still is a shortage. There must still be a shortage of some other commodities and services, or otherwise we do have general overproduction. Everybody by common sense knows there is no *general* overproduction; who is unable to think of something that he or she does not yet want? The proportion among goods produced may be wrong, but that is not *general* overproduction. For overproduction of one item there must be underproduction of another.

Another false explanation of the business cycle is *underconsumption*. In contrast to the overproduction theory, the underconsumption theory assumes that there is a lack of effective demand. Demand is looked at in terms of *money*. It is assumed that if there is not enough demand it is because there are not enough dollar bills in circulation. The underconsumption theory of the business cycle is a popular theory in present-day society. The underconsumption can supposedly be corrected, according to much modern thinking, by creating more money. Fiduciary media constitute the vehicle by which more money is put into circulation.

Behind this theory there is a serious fallacy. This theory mistakes a mirage for reality. The welfare of the United States is not doubled by doubling the quantity of money. Pieces of printed paper do not give *real income*. The only thing that certainly results from more money being in circulation is higher prices. If money doubled in the United States, prices would increase greatly and maybe double, but the printing of more paper does not result in more houses or factories or automobiles; the quantities of those things would be the same; the only difference would be that the price would be higher.

In short, cyclical unemployment is an inevitable consequence of the fact that putting out fiduciary media is not only legalized in the United States, but is considered to be a great blessing with beneficial results. To legalize a sin does not change its character of being sinful, and to perform the sin with hopefulness and enthusiasm merely makes the bad effect of the sin greater.

## 5. Chronic Unemployment

Cyclical unemployment is bad but chronic unemployment is worse. Under cyclical unemployment a man is employed part of the time and unemployed the rest of the time, but in chronic unemployment some men cannot get a job at all. They are permanently unemployed. That is what the word *chronic* means.

The principal causes of chronic unemployment are "violence" or the threat of violence as manifested in the laws of the land and the policies of the labor unions.

When a government passes a law requiring that minimum wages be paid, it has adopted a position which can result in chronic unemployment. When a man is relatively incompetent and can earn only 75 cents an hour and is employable at not more than that wage, if the law says that nobody may be employed for less than a dollar an hour, then the minimum wage law has put that man out of work. The higher wages are fixed in minimum wage laws, the more surely those laws will put out of work a larger and larger segment of the population.

There is no economic justification for minimum wage laws. They do not help society in any comprehensive way whatever. If the minimum wage is set below the economic wage, then the law is inoperative; wages are higher than the minimum anyway. If, however, the law sets the wages higher than the economic wage, the employers will refuse to hire a man for more than he is worth because they will lose money on him. Consequently chronic unemployment will result.

In addition to laws prescribing uneconomic minimum wages there is also the chronic unemployment which results from union coercion (by means of closed shops and strikes, restriction of the number of apprentices, etc.). They force wages above the natural,

economic market level which means that employment in that particular activity will be reduced.

The circumstances in the United States are such that if there were not an attempted "remedy," there would today be serious chronic unemployment in the United States, because of the policy of the unions. That pseudo remedy which is being employed is inflationism. Because unions force wages above the economic level in this country and because that would cause *chronic* unemployment, a supposed solution has been found, namely, to put out more and more fiduciary media which in turn makes the prices go higher and higher. Because prices go higher and higher, from the steady issuance of fiduciary media, the employers can thereby absorb the uneconomic wage that was forced upon them, and so chronic unemployment has temporarily been escaped.

But the minute that inflationism is stopped in the United States chronic unemployment will come down upon the nation like a ton of bricks.

Have you ever heard of intimidation and violence on the part of unions in order to force their demands on employers and the public generally? Have you ever heard of industry-wide strikes? These strikes *are manifestations of violence* or what amounts to practically the same thing, *the threat of violence*. Nevertheless, in orthodox churches the violence and the threat of violence of the labor unions is seldom condemned. We have previously quoted from the *Grand Rapids Press*, in the July, 1955 issue of PROGRESSIVE CALVINISM, page 179, as follows: "Rev. . . . said the basic issue was whether or not the closed shop was sin. He said that this had not been proven from Scripture." This proposition gets down to the simple idea that coercion and the threat of violence is not sin. The sole purpose of the closed shop is to make violence and the threat of violence legal and consequently more effective.

God, as we have written before, does not come down through the clouds of heaven and speak with a voice or strike with an arm *directly* against violence or any other sin. The consequences of the sin show up in the ordinary sequence of cause and effect. What happens in the sequence is this:

1. The violence or the threat of violence puts wages above the economic level of a free and uncoerced market;

2. This will cause chronic unemployment; but

3. It is thought to be possible to frustrate cause and effect by putting out fiduciary media; that raises prices, which enables the employers to absorb the higher wage cost and so there is no chronic unemployment after all; chronic unemployment under this scheme of things is escapable only at the cost of continued inflationism; but

4. This method of frustrating the Biblical idea (that your sins will find you out eventually) fails because the only way to keep prices rising is to put out more and more fiduciary media; and so

5. Later, the dollar or whatever the monetary media is becomes valueless, the economy collapses and finally

6. Mr. Average Citizen, who does not understand the economics of what is going on, turns to socialism because it promises a utopia; or turns to a man as Hitler because he promises to regulate everything according to a master plan and end further inflationism.

It is regrettable that the leaders of Christian churches think that they can tolerate disobedience to the Commandments of God, but nevertheless that the penalty for that can be escaped. Their argument is essentially that coercion "has not been proven from Scripture to be sin." This position is merely a flagrant nullification of the Sixth Commandment.

## 6. Two Schools of Thought

There are two schools of thought in orthodox Christian churches in regard to the organization of society. One school of thought is based strictly upon the Commandments of God. It does not equivocate about that. It understands that the Sixth Commandment forbids coercion and violence. It does not believe that legalizing violence, justifies violence or nullifies the requirements of the Commandments of God.

The other school of thought has many other standards for judging how to organize society, such standards as "righteous-

ness," "brotherly love" and the "welfare of society." Under those high sounding terms violence and theft are permitted. There is not a word said against the theft consisting of putting out fiduciary media, thereby eventually causing cyclical unemployment, nor is there much said about violence consisting in the closed shop and union intimidation which inevitably will cause chronic unemployment unless it is neutralized by inflationism which consists in putting out steadily increasing quantities of fiduciary media, that is, more theft.

We come then to this summary:

1. Voluntary unemployment is a man's own affair. Let him have his liberty. But he should not expect society to support him in idleness.

2. Frictional unemployment is a mixed phenomenon, largely good, partly unfortunate, but never disastrous.

3. Cyclical unemployment is a great evil caused by the sin of fraud and theft.

4. Chronic unemployment is a still greater evil caused by coercion and violence, both legal and illegal. fn

## **Can Employment Be Steady?**

Changes in employment in an industry depend on many factors:

1. Volume of sales;
2. Inventory accumulation and decumulation;
3. Profits.

Volume of sales in turn depends on many factors, the seasons, population growth, new models or styles, inventory increases or decreases, and profits.

If, for example, profits are increasing greatly, the management of a business will think in terms of expansion — more factories, more equipment, more employes. Vice versa, if profits are decreasing, the management of a business will think in terms of contracting the business — fewer factories, less equipment, less

employees. The relation between profits and employment is not invariably parallel, but there will be a strong tendency for increased profitability in a business to result in increased employment.

An important question of fact arises: does profitability vary much, or is profitability stable? The answer is that profitability is extraordinarily unstable — inevitably and fortunately.

To illustrate that fact we take a typical compilation of figures — earnings reported in the November 4, 1957, *Wall Street Journal*, page 12. We have rearranged this table of figures into two columns instead of one, and we have left out the noncomparable figures for the steel companies. We have placed the industries making gains in the left column and those suffering losses in the right column. Further, we have ranked the industries in a descending order — highest gains or losses first, and the lowest gains or losses last.

In the third quarter (July, August and September) of 1957, thirteen industries showed increases in profits and twelve showed decreases. Let us consider the decreases first.

### EARNINGS IN VARIOUS INDUSTRIES, THIRD QUARTER, 1957 VS. 1956

INCREASES		DECREASES	
Companies	% Increase	Companies	% Decrease
20 Autos & Equipment	40.5	5 Floor Coverings	29.7
12 Railway Equipment	34.0	18 Metals and Mining	26.1
11 Tobacco Companies	26.4	16 Textiles	26.1
16 Drug Manufacturers	25.6	6 Airlines	20.6
9 Radio & Television	22.3	5 Office Equipment	18.3
11 Electrical Equipment	20.8	17 Pulp & Paper Products	18.3
5 Farm Equipment	12.1	19 Tools & Machinery	12.6
34 Utilities	10.9	51 Railroads	10.1
22 Chemicals	9.2	5 Printing & Publishing	8.2
7 Rubber & Rubber Goods	7.3	14 Department Stores	3.8
18 Food Products	5.8	20 Building Materials	2.7
9 Aircraft Makers	3.3	8 Finance Companies	2.7
19 Petroleum Products	.5		

Five companies in the Floor Covering business suffered a 29.7% (in round figures, 30%) decline in their profits. One can be sure that the companies producing floor coverings were not expanding employment, but decreasing it. Similarly eighteen companies in Metals and Mining suffered a 26.1% decrease in earnings; certainly, the mining companies were not increasing employment. Similarly, with other companies in our right-hand column.

The figures shown are not for individual companies but for several companies in each industry. The smallest groups contain five companies; the largest 51 companies. Undoubtedly, the variations in profitability for individual companies are much larger than the group totals. For example, it is certain that several of the Floor Covering companies suffered an individual decrease of more than 30%.

But we have considered only half of the statistics in our table. Let us look at the left hand column showing the increases in profits. Those increases will make the managers of those businesses optimistic and expansion-minded. On this side of the table there are large increases: Autos and Equipment, 40%; Railway Equipment, 34%; Tobacco, 26%; etc.

One proposition is obvious; these increases in earnings and the probable increases in employment can be accomplished only by hiring people already unemployed, or people currently being released by industries whose markets are declining — Floor Coverings, Metals and Mining, Textiles, etc.

What is the alternative to this *free* labor market, in which employers and employes take their chances, and in which there are unpredictable up and down waves in activities in companies and industries — one up and another down? The alternative to this situation is: (1) production of unwanted products; (2) lack of urgently wanted products; and (3) as a consequence a generally lower standard of living. If in the industries listed in our table there is to be no decrease in employment in Floor Coverings, Metals and Mining, etc., then there is also to be no increase (possible) in the production of Automobiles, Railway Equipment, Tobacco, and other items.

What do you want? A flexible, expanding economy, with employment "hazardous" because of the ups and downs of business; or a petrified, static economy with employment guaranteed in declining industries and employes unavailable for expanding industries? The first means a prosperous and developing but "insecure" society; the second means a nonprogressive, and eventually impoverished society but one which some people would describe as "secure" and which some people may even favor.

IN PROGRESSIVE CALVINISM we believe wholeheartedly in a flexible society, one that is "insecure," and in which no industry is protected and no employment guaranteed. There is, indeed, a hardship for all from business being unsafe, and there is a hardship from unemployment varying by industries, but those conditions are preferable to business being static, protected, constantly getting poorer.

The kind of situation that we have described pertains to *frictional* unemployment. Employment opportunities decline in some industries but expand in others. The unemployment that exists is not cyclical or chronic. fn

## An Erroneous Approach To Trying To Eliminate Frictional Unemployment

The United States  
On V-J Day

The day of the armistice with Japan in 1945, known as V-J Day, brought to an end active hostilities in the greatest war in modern times, World War II. The next day was celebrated as a holiday throughout the United States.

One of the companies in this country in the so-called "heavy industries" had been working exclusively for several years on government orders for military equipment.

The president of this company, having spent his long life in nothing but work, did not know what to do on this spontaneous holiday and decided to go to the plant.

When he got there he learned that the teletype was "ticking away" with messages from Washington. These messages, he

learned, were cancellations. He "amused" himself all day reading and tabulating those teletype messages.

This is what he afterwards reported: "When I went home that night our Company did not have a dollar's worth of business on its books. Every unfilled order that we had on our books had been cancelled."

In a sense, there was no reason to open the plant the next morning or to keep a single employe on the payroll. The company had completely lost its one and only customer, the government. Nevertheless, production was immediately converted to civilian production for which there was an enormous pent-up demand.

### **England After V-J Day**

Six weeks later that president, his executive vice-president and the writer were in England to visit two English affiliates. One of these was in southern England, and the other up north in the iron and steel country around Sheffield. We visited the southern plant first. The president of that company took us through his plant to see the layout, equipment, and production.

As we entered the plant we three Americans came to a dead stop. Before us, moving steadily from operating station to operating station, was a long assembly line of small armored vehicles, good only for war purposes.

"Why" we all three asked in one breath, "are you producing those?" We added that on the day following V-J Day every military order that we had in the United States had been cancelled.

The president of the British company answered: "We are continuing production of these armored vehicles on government orders so that we avoid unemployment in this . . . area." Of course, by "unemployment" he meant *frictional* unemployment.

"But," we said, "those armored vehicles are not needed any more. It is a waste of material and labor to produce them."

"Oh," he answered, "the military police will be able to use them in occupied countries."

We told him that the surplus of these vehicles on hand at the date of the armistice would be more than sufficient, which was certainly true.

But we lost the argument. The British, who were under the hypnotism of socialist ideas, thought that all unemployment should be avoided at all cost. If necessary, produce what is not wanted!

\* \* \*

A week later we were up north in the Sheffield area to negotiate with our other affiliate. We wanted this affiliate to increase its production of our civilian products greatly at once. The president of the company sadly shook his head.

"It cannot be done," he said, "because we have a shortage of steel and of labor in England. Too bad, but it is impossible."

Then we thought of our affiliate in southern England, manufacturing unneeded armored military vehicles in order to maintain "employment." We also thought about all the steel that was being fabricated there into armored vehicles not needed now that the war was over.

\* \* \*

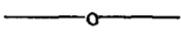
Whoever the man was in the United States government who decided on V-J Day to cancel all war orders was a wise man. He freed United States production at once for conversion to civilian production. The change-over from military to civilian production was accomplished easily and smoothly. The *unemployment* involved was *frictional unemployment* which is *on the whole* a blessing.

Whoever the man was in the British government who decided on V-J Day not to cancel all war orders was an unwise man. He was confusing the dangerous types of unemployment, namely, *cyclical* unemployment and *chronic* unemployment with *frictional* unemployment. That man, too, did not take into account the *universal welfareshortage* which Moses proclaimed; he did not realize that there is no raw material nor labor that can be wasted without penalty — ever. There is *always* a shortage of materials and labor. Waste it in one location, as in the southern part of England, and there will be a shortage in the northern part of England. All waste is evil.

No wise man in his private decisions is foolish enough to waste material and labor; why should it then be a sound policy for society or a government.

John Maynard Keynes, the influential British economist, declared that it was necessary to avoid unemployment *at all costs*. He even proposed, in order to avoid unemployment, that men be put to work digging unnecessary holes and filling them up again. He had developed a complex and wholly erroneous theory that unemployment was a sure consequence of the natural forces in a capitalist society. Keynes was stubbornly in favor of those monetary policies which inescapably bring on *cyclical* unemployment, and those labor policies which inescapably bring on *chronic* unemployment. More of this later. Furthermore, his followers indiscriminatingly accepted and applied his phobias against unemployment even to cases of *frictional* unemployment.

Keynes's ideas are widely taught, or at least not resisted, in orthodox Christian colleges. fn



From the 1958 calendar of *Spiritual Mobilization* we quote the following:

We have staked the whole future of American civilization, not upon the power of government, far from it. We have staked the future of all of our political institutions upon the capacity of mankind for self-government: upon the capacity of each and all of us to govern ourselves, to control ourselves, to sustain ourselves according to the Ten Commandments of God.

James Madison

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It is only by the friction of ideas that wisdom can be born. fn

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