

# FIRST PRINCIPLES IN MORALITY AND ECONOMICS

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

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## **Economics, As An Ally Of Morality**

Whereas *morality* is the primary *objective* of this publication, *economics* is its specially selected *method* to obtain a new insight into morality.

Via the route of economics, this publication comes to conclusions which are harmonious with ancient, revealed principles of morality.

Principles of morality, far-sighted judgment, and the findings of the science of economics are identical. (We are not referring to pseudo-economics.)

Economic society has always been complex, but especially now. When economics is enlisted to help understand present-day society, then ancient principles of morality will be found to be as salutary as at any time in the past.

## The Cultural Mandate

Adam, it is alleged by some theists, was given a *cultural mandate*, namely, to "subdue" the earth, and to have "*dominion*" over everything in it. The earth and the things in it became, as this cultural mandate is incorrectly interpreted, the purpose of man's existence *in this dispensation*. According to that interpretation, man must serve creation, rather than creation serve man. This is a notion which appears nonsensical.

A pantheist, with a mystical idea of the unity of the universe, might believe in such a cultural mandate in honor of that mystical unity; but a theist, *no*.

Rightly or wrongly, when the issue is between man and universe (not between man and God), we consider the universe to have been created *for man*, not man for the universe.

The cultural mandate as usually understood confuses goals. Certainly, the earth was to be "subdued" and ruled over by men but *for their own welfare*, not in order to serve a mystical mandate.

The cultural mandate is a lower goal than altruism. In the case of altruism men must serve other men, but under the cultural mandate men must serve the possibilities inherent in the world around us, with everything in it, dead or alive. Of three choices, the cultural mandate is lowest; next, altruism; the highest is individualism, correctly understood.

## Individualism versus Altruism

The proposition advanced in this issue and the next is that "selfishness" is not a mechanism by which society is blown apart, but by which it is, in fact, cemented together. This may sound paradoxical, but it is not.

By "selfishness" is meant self-preservation and self-welfare. These are motives which are legitimate and virtuous. (Some motives, those to harm others, are sinful.) But the principal perpetration of evil consists primarily in the use of *illegitimate means* (coercion, theft and falsehood) in order thereby to promote self-

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preservation and self-welfare. The fertility of the human mind to sin, under those categories, is phenomenal.

The foregoing definition of sin is radically more restrictive than the prevailing one in Christian churches.

The pursuit of self-preservation and self-welfare is associated with the name, *Individualism*. In FIRST PRINCIPLES, individualism is openly and systematically espoused. In the Christian church *individualism* is generally considered to be deficient, and either not Christianity, or at best only a low form of Christianity.

The antonym which is the opposite to the pursuit of self-preservation and self-welfare is *Altruism*, the doctrine that you must devote yourself to others rather than to yourself. This is the prevalent doctrine in Christian churches.

Our thesis is that individualism, *correctly understood*, binds men together, whereas altruism, even when not sanctimony and arrogance (which it often unwittingly is), will blow society apart, and will be a bane to men.

But considerable explaining will be necessary before this is understood and accepted. The road to understanding in this case is the road of economics, via the *subjective theory of value* and the concept of *marginal utility*, both developed by the neoclassicists in economics, especially the so-called Austrians. These two ideas appear to be seldom, if ever, understood in religious or philosophical circles.

## Recapitulation Of The Contents Of The February Issue And Introduction To This Issue

In the February issue an interpretation, as kindly as it could possibly be, was given of the social gospel.

That "gospel" appears to have turned out to be less gratifying to some of the social gossellers themselves than they had expected.

\* \* \*

One of the most talented social gossellers, Reinhold Niebuhr, in recent years has disclaimed responsibility for what he had written in earlier years on this subject; and in an essay published in 1959, in a book in honor of Paul Tillich, he (Niebuhr) makes it clear that for him the program of Marxian socialism is no longer his authentic hope for the social gospel, or an earthly Kingdom of God.

There are *two* aspects of that fact that are worth noting:

(1) Niebuhr indicates that the social gospel's program is essentially a program based on Marxian socialism; this is an acknowledgment that should help correct those who have refused to concede that they borrowed the substance of their social gospel from socialism, and that they merely baptized it with the name of "gospel" and "Christianity"; and

(2) When the man at the apex of the social gospel hierarchy of intellectuals shifts his position, then that phenomenon should be evaluated as one with potentially major consequences.

But the information in the February issue was accompanied by a warning that, although Niebuhr has put a question mark behind Marxian socialism being the proper "content" of the social gospel, *he has not found a genuine alternative*. He has not been able to discover an alternative that genuinely satisfies him. He has become a "trimmer," compromising between doctrinaire socialism and a semi-capitalistic alternative. He has not yet discovered, we believe, those social, political and economic *principles* which the situation requires.

\* \* \*

Further, in the February issue the cause of this half-way and compromising position of Niebuhr was ascribed to a defect in his education, almost certainly a "chance" factor, namely, a lack of knowledge of economics. Chance plays a part in what every man learns. In this respect fortune has not been kind to Niebuhr.

Further, attention was called to the "frame of reference" that fundamentally affects the relations of men to men, namely, *the relation of men to things* (or more accurately, to *economic goods*). In their dealings with each other men do not live in an infinite world, but in a very finite world, and so the finiteness of the supply of economic goods is of primary importance.

When a thing is needed and scarce, it is, in economic terminology, an *economic good*, as well as a thing. The relation of men to men is then *determined* in part by the relation of men to those things that are called economic goods — that is, things that are both *needed* and *scarce*.

There need be no fear of dispute, by the social gossellers nor among others, about the relation of men to mere *things*, that is, objects which are neither wanted nor scarce. The controversy,

by common sense and by definition, is necessarily limited to what is needed and is scarce, that is, to *economic goods*.

When the social gossellers take offense concerning the *scarcity* of goods, they are rebelling against the kind of world in which we live. They are resenting the *created* cosmology.

The world, from the beginning, was finite. The "cosmology" taught in the creation story in the Hebrew-Christian Scriptures emphasizes that there was and would continue to be a *welfare-shortage*. The command given to Adam was to go to work and "dress the trees" in the Garden. If the trees were "perfect," in the sense that *nothing* needed to be done to them and that they would yield an adequate supply without cultivation, it would have been unnecessary to instruct Adam to go to work. The welfare-shortage is creational; it does not essentially derive from the Fall, although the Fall aggravated it.

When Adam rejected a *cooperative*, or *contract* society (by indicating he would not observe the ownership rights of others, in this case symbolized by the ownership which God explicitly retained in the fruit of the Tree of the Knowledge of Good and Evil), he suffered a causal penalty — to wit, work would be more burdensome than it otherwise would be; because in a genuine *contract society* the *quantity* of capital and of economic goods would have been greater than it could be, and turned out to be, in a *coercive* society.

The choice presented to Adam was whether he would live up to his natural endowments which were far greater than those given to the beasts, and whether he would substitute a cooperative society for a tooth-and-claw society — a contract society in place of a bestial society. He failed.

The utopias, which have been fabricated in the minds of men who lack a clear sense of reality, have always involved disregard of the reality of a universal *welfareshortage*. The classic modern example of utopianism is socialism. Its main appeal is its promise of *boundless* welfare. It denies the universality of the welfare-shortage in all time and in every place. Socialism reveals itself to be nonsensical when it expects that the shortage of *economic goods* will end when the *ownership* of goods will end. The fact is that the shortage of economic goods *always* becomes worse when there is no acknowledgment or protection of the right of ownership.

The unrealistic utopianism of socialism — that the welfare-shortage of goods would come to an end with the ending of ownership of goods — that fantastic lack of realism has also been close to the heart of the social gospel (as Niebuhr has now conceded).

Finally, it was declared in the February issue that the best source from which to obtain a realistic knowledge of the economic cosmology of the world is from the neoclassical school in economics. This school consists of William Stanley Jevons, an Englishman; Carl Menger, Friedrich von Wieser, Eugen von Böhm-Bawerk, Ludwig von Mises, Friedrich von Hayek — all Austrians; Carl Wicksell, a Swede; Frank A. Fetter of Princeton, an American; and, naturally, many others.

In the February issue we mentioned the Austrians only, because they did the most complete and best work; they were associated in a "school of thought," and so fertilized each other. Furthermore, when their books are read in the right sequence — Menger's, Wieser's, Böhm-Bawerk's, Mises's — they are not difficult reading (although otherwise they are).

Menger's principal work, on which all the others built, is easy reading. In the February issue, in regard to Menger, we quoted the late Professor Joseph A. Schumpeter: "Menger belongs to those who have demolished the existing structure of a science [economics] and put it on *entirely new foundations*" (*Ten Great Economists*, p. 83, Oxford University Press, New York, 1951). The italics in the quotation are ours. The social gospellers have not discovered this Mengerian economic revolution, probably because they found it difficult to read the German text.

Economic thought in America has been only insignificantly influenced by the Austrian neoclassical school. American text books do reveal some knowledge of *final utility* or *marginal utility* as a controlling principle in the relation of men to goods, and those books give it a brief description, but the summarizations fail to do justice to the basic ideas. Abbreviating too much or elaborating too much has the same effect; it reduces the force and clarity of the presentation. That observation is applicable to the summaries, in the English language, of the ideas of the Austrian neoclassical school — the *abbreviations* have weakened the presentations so that they are inadequate.

Americans are poor linguists. The Austrians wrote in the German language. What has long been needed are English translations of the final works of the Great Austrians. The following list *and dates* show how recently it is that English translations have become available.

Carl Menger: *Principles Of Economics*, The Free Press, Glencoe, Illinois, 1950, 320 pages, \$6. (Of these 320 pages, 40 pages are an "Introduction" by Frank H. Knight, which should be read only *after* the book itself has been read.)

Eugen von Böhm-Bawerk, *Capital And Interest* (three volumes), Libertarian Press, South Holland, Illinois, 1959, \$25.

*History and Critique of Interest Theories*, 512 pages

*Positive Theory of Capital*, 480 pages

*Further Essays on Capital and Interest*, 256 pages

Friedrich von Wieser, *Natural Value*, Kelley and Millman, Inc., 1956, 243 pages, \$7.50. (This is a reprint.)

Ludwig von Mises, *Human Action*, 1949, 881 pages, \$12.50; *The Theory of Money and Credit*, new enlarged edition, 482 pages, 1953, \$5; and *Socialism*, new enlarged edition with an Epilogue, 1951, 592 pages, \$5. (All Yale University Press.)

It is only in the latest ten years that these books have become available to Americans in their own language; they will create a "revolution" in economic thought in this country, but it is too early to expect it now.

The foregoing assertions may be unimpressive, but only as long as the books in the foregoing list have not been read, pondered, and applied. If the social gossellers would do that, then they would discover that there is an effective way to establish their yearned-for Kingdom of God, on this Earth, in the present life of men. Or, if only a few of their leaders with the influence of a Reinhold Niebuhr, would become economists — not in the obsolete classical sense, but in the neoclassical sense — then a yeast would begin to work which would give a rebirth to the social gospel program of an earthly Kingdom of God.

This ideal of liberty is fully realized when every individual is absolutely free to seek his own interest or follow his own inclination in every possible way which is pleasing to himself and not harmful to the rest of society.

*Thomas Nixen Carver*

## The Attack On Private Property By Those Who Profess The Old-Fashioned Gospel

It would be an error to say or imply that it is the social gossellers *only* who are tainted with the basic ideas of socialism. Christians who are otherwise orthodox, and who strongly attest to their own orthodoxy, take views not essentially different from the ethical views (which are socialistic) of the social gossellers. It will be well to consider an example.

In Canada there are two professed *Christian* labor organizations. One has the name of *Christian Labor Association of Canada*; the other, *Christian Trade Unions of Canada*. In this article we are referring to the latter. Its official organ is *The Voice*, and the editor is F. P. Fuykschot, a Canadian born in the Netherlands, and holding those ideas about the organization of society (and the position of property and labor in it) which are held by some in that land.

If Fuykschot wrote the unsigned lead article in the February-March 1960 issue of *The Voice*, it is obvious that he does not consider the right to private property as *basic* to a human society, nor that private property is an *essential* feature of the Christian religion. The following is quoted from the article mentioned:

Does the Bible choose between communal and private property?

Many Christian scholars in our time and generation as well as in past centuries have answered this question in the affirmative. They state that private property is the system chosen by God for mankind. Some say that communal property was in effect before man fell in sin. But the sin of man made communal property impossible, so now private property is required. Other theologians have another opinion and state that private property has always been the only possibility. Again others consider themselves unable to take a stand in this matter at all.

*After having studied the matter we are on the side of those who say that the Bible does not make a choice at all in the question of private or communal property.* [Our italics]

We believe that private property is a gift of God. Those who believe that will be more concerned about how to spend it in such a way that God's approval may rest on it, than about how to increase it. And everyone who has private property, however little, may search his own life and heart thoroughly to find out whether the Lord gave it to him or whether he acquired it by means which are detestable before God.

We also feel that it is beyond doubt not God's aim that private property be piled up by a few while 90% of



the world's population is stripped even from the necessities of life. The prophets of the Old Testament are very definite in this opinion. They condemn the accumulation of riches just for the sake of piling up wealth: "For they know not to do right, saith the Lord, who store up violence and robbery in their palaces." (Amos 3:10).

Likewise the opinion of many Christians that the right of having property and how to use it, is unassailable, is wrong. That was the opinion of the old Romans. They claimed that the use of their wealth was their own and nobody else's business. This opinion is still widely spread in our generation. Every infringement of this right, even by a Government, is condemned by them. They consider this right as a mere *material* right. The proprietor only may dispose of his goods. Many Christians add that a man is responsible for his property and the use of it before God only. That sounds good but nowhere does the Bible teach us that the Lord is concerned or interested in the wealth of a man. He is concerned about the heart of man that it is right before Him.

The Bible approaches the right of private property in a different way. In the Bible every word about property and wealth is permeated by a spirit of compassion for the poor. Property has the aim to serve God and the neighbour. The Bible does not emphasize the *right* of the owner, and the *obligations* of the poor, as we often do. To the contrary. Nowhere clearer than in the Mosaical law (Lev. 25) the owners are charged with *obligations* and the *rights of the poor* are stressed. On what ground? On the ground: "For he is your brother." That is the significance of *stewardship*.

It would be worthwhile to investigate how this stewardship is treated or rather mistreated in actual economic life. Capital goods and money are used to build up big companies, men are hired at the lowest possible rate because capital must produce profit. As soon as business is slack the employees are dismissed and left at the mercy of the government and the community. This kind of "Stewardship" is indeed wide apart from what the Bible teaches us. In Israel such an attitude of owners is most strongly condemned. Social legislation had the object in Israel to make strong stipulations for the use and disposal of private property in the name of mercy and compassion to the poor.

In the light of the Holy Scriptures our actual society falls terribly short from the meaning of God about private property.

Now if the Bible does not choose between communal and private property, between the right of the community and of the individual what is the intent of God? Wouldn't it be that both the individual and the community have their respective rights?

Private property is a necessity for the life of every man. This does not mean that wealth in the modern sense of the word, is required. It is the Christian's prayer: "give me neither poverty nor riches; feed me with food convenient for me: lest I be full, and deny Thee, and say, Who is the Lord? or lest I be poor, and steal, and take

the name of my God in Vain." (Prov. 30:8, 9) Here the significance of private property is brought back to its right dimensions. It is also true, however, that the dignity of man calls for a sphere of freedom and that pre-supposes property of some kind: food, raiment, housing. The expression we all know, that the world should be made free of want, has a Christian foundation, although it seems hard to realize that condition.

Here we touch on the needs of whole communities. How fortunate that God did not choose for private property but also cares for communities. The life of the individual has its needs, but also the life of communities. Apparently God is aiming at *harmony* between the individual needs and the needs of the communities. Sin has disturbed harmony but Jesus Christ, the Mediator between God and man, has fulfilled all the conditions to restore this harmony. We, men, have to seek this harmony again in human relations, especially in economic life.

There is hardly a realm of life where human relations are so much in turmoil than is the case in economic life. And there is hardly a problem more closely related to property and capital requirements than in the economic and social realm. The growth of communistic influence as a consequence of the neglect of the need of community is perhaps the most strong evidence that something was wrong in society. Even in the so-called free world there is evidence of the need of harmony in the relations. The number of work stoppages, the hard feelings between employers and employees, are indications that we need a new orientation in the matter of communal and individual property from a Christian point of view. That point of view can only be the law, proclaimed by Christ in Matt. 22:37-40: Love God and thy neighbour as thyself.

Exactly that is the goal of the Christian labour movement: to reform society according to the law of love.

A better and scriptural understanding of the right role of private property in human life is required to change the disposition of leaders and followers. We Christians have become so accustomed to an economic system which ignores completely God's law that we think it is essential to keep it unchanged.

Social life in industry has been in a state of development ever since social legislation and the organization of workers and employers began. During this development various principles and forces have been gaining ground. We are in a struggle to find the right meaning of, and the right direction between freedom and restriction of, freedom, between the personality of man and the community, between private and communal property.

It is a struggle for the soul of man, of employer and employee, and as our guide we have Holy Scriptures.

We don't know where this will end but we go in faith, like Abraham, who went his way in obedience, not knowing whither he went.

The Bible, the writer says, takes no position on private property. If so, how can there be a commandment against theft?

*Theft* involves the ideas of *rightful* ownership and *wrongful* ownership. What other meaning can be implied by the word, theft?

\* \* \*

He considers "property a *gift* of God" (our italics). No theist will question God's providence and rule over all, but are we to ignore the consequences from one man's industry and thrift, and another man's idleness and self-indulgence? When men talk of the "gifts" of God, that *generality* may become meaningless. There are intermediary, direct, human causes which are "the causes that count." It is well to keep them in mind, or else there will be little commonsense left.

\* \* \*

Further, the article quoted indicates that communal action may supersede the rights of individuals in regard to property. What is behind that idea is probably the same immoral idea that Niebuhr had the clarity and candor to put into words at one time (when he believed them, although maybe not now), to wit, that *men collectively may do morally what it would be immoral for men to do individually*. Only when men restrict their claim to the right to do collectively what they have the right to do individually is there an obviously defensible principle underlying collective conduct.

\* \* \*

The reference by the writer in *The Voice* to Chapter 25 in the Old Testament book of Leviticus fails to convince. That the Mosaic legislation there promulgated provided for return of particular plots of land to the original owners or their descendants is perfectly clear. But that system did not last, probably because it was not workable or successful. What was legislated in Leviticus 25 is of no significance today for practical purposes, and will remain that way.

Leviticus 25 provides that every 50th year — the Jubilee year — land would be restored to the man who had a claim to it on the basis of family membership or inheritance. Leviticus 25:10-13 reads:

"And ye shall hallow the fiftieth year, and proclaim liberty throughout the land unto all the inhabitants thereof: it shall be a jubilee unto you; and ye shall return every man unto his possession, and ye shall return every man unto his family. A Jubilee shall that fiftieth year be unto you: ye shall not sow, neither reap that which groweth of itself in it, nor gather the grapes in it of the undressed vines.

For it is a jubilee; it shall be holy unto you: ye shall eat the increase thereof out of the field. In this year of jubilee ye shall return every man unto his possession."

Suppose that one year *before* the jubilee year you acquired a farm from a man indebted to you. In the negotiation with him at that time, what would you estimate the farm to be worth? Obviously, no more than *one year's* net income, because you would not be permitted to keep the farm more than one year. You would certainly not credit him with the full value of the farm as you would if you might keep it permanently.

If, on the other hand, you obtained the farm from him, in settlement of a debt to you, in the first year *after* the jubilee year, you would credit the debtor in that settlement with a valuation on the farm equal to the income for 49 years (less the discount for time). How the Israelites made their calculations under this jubilee year legislation was: they did not price farms on the basis of ownership under fee simple titles but as being "leaseholds," and their prices varied depending on the length of the time the "leasehold" had yet to run.

There is a rather certain judgment to be made of this jubilee year arrangement, and that is that Moses made a mistake. Imagine that in every fiftieth year nobody farmed in the United States!

Moses himself fully realized what he was doing and that the value of land under this legislation would be priced at its unexpired leasehold value up to the jubilee year. He says in verses 15-16:

"According to the number of years after the jubilee thou shalt buy of thy neighbor, and according unto the number of years of the crops he shall sell unto thee. According to the multitude of the years thou shalt increase the price thereof, and according to the fewness of the number of the crops doth he sell unto thee."

What did Moses *instruct*? He told the Israelites to price farm lands "according to the multitude of the years" and "according to the fewness of the years." There was, therefore, *no real redistribution* of wealth involved in the arrangement associated with the jubilee year. The writer of the article in *The Voice* is, therefore, in error if he thinks that the legislation in Leviticus 25 is ideal legislation, or practical legislation, or legislation resulting in significant redistribution of wealth.

\* \* \*

The writer of the article in *The Voice* expresses his ill-will to the rich. They should not have much when others have little. This is a problem which may be considered at another time, but it should be noted here that either all people who have private property are wrong-doers because of that, or else some are wrong-doers and others are not. That some people may be possessors of property which they have obtained *improperly* (whether little or much, is not significant in this case) is not to be disputed. If it can be proved that they obtained their property *improperly*, then legal procedures should be instituted against them and *they should be dispossessed*. This is a problem that should be correctable under the present law.

But what about property owners, small or large, who obtained their property *honestly*? According to the writer in *The Voice*, their claim to ownership is as much subject to dispossession as the dishonest holders. "Society" is authorized, so the argument goes, to take it away from them, in part or in total, because no title to any property is good when questioned by the "community." That argument is essentially socialistic. The social gospel goes no further than the writer in *The Voice*.

\* \* \*

The writer also appeals to Proverbs 30:8-9: "Give me neither poverty nor riches . . ." He then says that modest living and approximate equality are all we should want; we do not need "wealth in the modern sense."

But we all *want* it. The rich want *more*; the poor *clamor* for it; the peoples in poor nations *demand* it. The prayer for mere subsistence hardly "rings true" today in the United States. There is no Christian labor union anywhere in the world whose policy is to be reconciled with the prayer in Proverbs 30:8-9. The demand is always, *more*. (The chapter from which the quotation is taken has other difficult passages in it; the chapter is poetical in structure, and allowance must be made for that.)

\* \* \*

Having first questioned whether the Bible sanctions private property, the writer later alleges that "private property is a necessity for the life of every man"; it is not possible to reconcile that with what he wrote earlier that "the Bible does not make a choice at all in the question of private or communal property." If the

latter quotation is true, why does he base any argument on Scripture, which does not speak definitely on the subject. Why not then set Scripture aside on economic questions.

Finally, the writer in *The Voice* strikes an empirical or trial-and-error note. We have not, he indicates, for modern times found the answer yet "in the matter of communal and individual property from a Christian viewpoint." We need a "new orientation." This yet-to-be-discovered principle comes rather late. Thirty-five hundred years after Moses, and yet no *principles* on private property, that is, no basic principles yet which are good on that subject for all time!

What has he written? This: (1) the Bible does not take a position; (2) the Bible does take a position; (3) the right position is yet to be discovered empirically.

This material is proof how orthodox, old-fashioned-gospel men are confused on economic questions. They have not studied economics, or if they have thought that they have studied in that field, they have studied pseudo-economics.

## Unions Which Claim To Be Christian Differ Between Themselves

As previously indicated, there are two labor unions in Canada which claim the title of Christian. In the previous article a quotation from the official organ of The Christian Trade Unions of Canada, *The Voice*, was presented. In the same issue there is an article against the rival Christian labor union, The Christian Labor Association of Canada. The article follows:

The Christian Labour Association of Canada: (not to be confused with the Christian Trade Unions of Canada) is it a *labour union* or is it an *employers' association*?

From a two-paged pamphlet published by the Christian Labour Association of Canada, 440 Chatham St., Brantford, Ontario, entitled: *Hands meet at the Cross*, I quote this passage: "Employees should *not* place their collective power over against the economic property control of the employer." This is obviously a positive stand which definitely aligns itself with management but which is expressed in a negative assertion.

This attitude of negativism which clearly brands the CLAC, is an indication of their basic moral irresponsibility to society. It marks out a regressive trend which can reach its logical conclusion in a social order which existed during the close of the 18th century. It places supreme controlling power in the hands of the capitalist who then becomes the sole master of the house. The individuality of the working man then becomes lost in a system in which

he is nothing more or less than a chattel in the hands of the employer.

This whole attitude rather than exalting Christian principles as are taught in the Bible completely negates the whole character of love which Jesus established in His life and attitude towards man.

It is time the leaders of the CLAC set about reforming their own stand rather than thinking about reformation in the field of labour legislation. Then they would be welcomed to the rank and file of the Christian Trade Unions of Canada which takes its positive stand on Christian principles.

Bill Graham.

This article says: Any union which does not oppose an employer as an antagonist gives evidence of a "basic moral irresponsibility to society"; and such failure to oppose an employer as an adversary "negates the whole character of love which Jesus established in His life and attitude towards man." Unless you oppose your employer vigorously — resist him — you are not following the message of Jesus regarding love.

FIRST PRINCIPLES believes this pugnacious and bellicose attitude of individuals in the Christian Trade Unions of Canada stems from a misunderstanding of the Hebrew-Christian Scriptures, and also a lack of understanding of the economic structure and functioning of society. Employes are not enemies of the employer; nor are employers enemies of the employe.

## Economics, The Science To Make "Selfishness" Efficient

Economics works on the problem of showing the best way to allocate the economic goods which are in short supply.

Every effort to get the most for the least is promoting self-welfare. Every effort to spend money wisely is a manner of seeking self-welfare. Every effort of a businessman to endeavor to be more efficient — to eliminate unnecessary work, to use time-studies, to sell more but to reduce costs — is the pursuit of self-welfare. These are the problems with which economics concerns itself. And so, if it is assumed that the promotion of self-welfare is bad — a missing of the high mark we should attain, namely, altruism — then economics is the science of showing how to sin most efficiently.

A friend is the president of a large business. He is also the clerk of the Session in a Presbyterian church. (The Session of a Presbyterian church is its ruling body.)

In ordinary conversation, this friend manifested astonishment and disappointment when he discovered that I considered selfishness a natural phenomena — and *not* sinful. He admonished me that selfishness should not be permitted to enter into my plans. This took place in the morning.

In the afternoon we attended a directors' meeting. He was chairman. In the meeting three hours were devoted to self-welfare — to increase sales, reduce costs, increase profits. The motivation to increase sales was selfish — to make the company more successful. The motivation to reduce costs was selfish — so that prices could be lowered and more volume in units could be obtained. The motivation to increase profits was equally selfish — to have the means to expand the business, to retain his position as president, and increase dividends to members of his family who are large stockholders. Here was a businessman endeavoring to be efficient, to accomplish the most for the least, and he considered that to be a virtue, and a benefaction to all his fellows.

In the morning this businessman, in the abstract, was preaching that concern for self-welfare was wrong. In the afternoon he was earnestly working at nothing else than self-welfare (of a wholly legitimate kind).

There is often a peculiar dualism — inconsistency — in people's ideas. In church they talk one way. In business they talk another way. Actually, they act as they talk in business, and they do not act as they talk in church, which is something for which to be thankful.

The world is full of split personalities — people who talk about the unattractiveness of promoting self-welfare, but who act basically on that principle — and wisely so.

\* \* \*

But, some social gospeller may say, it is not the efficient conduct of men in regard to things to which we object, but there is a later phase in the operation which we condemn. Men work in an organism, namely, in the markets of society, in order to increase production, obviously for purposes of self-welfare. That is all right. But the "trouble" comes later. The "distribution" to each participant of his share in the proceeds of the joint effort may not be — in fact, is not — equitable. Injustice in the rewards — that is the phase of the situation to which we object.



That is a radical shift. Now altruism as a principle has been relinquished, and the pursuit of self-welfare is tacitly approved, by this change of front.

Now, on what must the evidence of injustice be based? Can it properly be anything else than that in the division of the proceeds of joint effort there has been either coercion, falsehood or theft? If there has been injustice, all that needs to be proved is that one or more of these sins has been perpetrated.

The social gospel is not willing to leave unaltered the distribution of proceeds resulting from relying on the principles of meekness, honesty, and truthfulness. It demands something else beyond that. No, not voluntary charity. Even after that is added, "justice" will not have been attained, according to the social gospel.

*Maybe if the process by which economic goods are "distributed" to various people is thoroughly explained, then the ideas of the social gossellers will be modified in the direction of realism.*

## Neither God Nor Man Arbitrarily Legislated Ownership Of Property

It is alleged by Marxian socialists, and accepted by many social gossellers and orthodox Christians, that ownership of property is a mere legal creation, an arbitrary act of men. The institution of private property, according to this doctrine, is not "in the nature of things" but a *human* institution, an evil one at that, and it is asserted that men *can* and *should* change it.

It can also be argued, as by the writer in *The Voice*, quoted earlier, that God did not legislate ownership of property either.

An atheist might argue that the God of the Christians was as *arbitrary* about legislating to authorize ownership of property as men are (allegedly) arbitrary in legislating to authorize ownership of property. Such legislation by God in favor of ownership of property would appear to be equally capricious as the same act by men. The idea might be that He could as well have legislated differently.

And so, whether the origin of ownership of property is the law of man or of God, the institution of the ownership of property *could be done away with*.

A better view, it is believed, is that ownership of property really rests *in the nature of Creation*, and antedates *legislation* by

God or men in favor of ownership of property. Under this view God was simply consistent with Himself when He legislated ownership of property, because He had previously created circumstances which required ownership of property, if activity under those circumstances was to work harmoniously and advantageously. Under this view, ownership of property is genuinely "in the nature of things."

On this subject we quote extensively from Menger's *Principles of Economics* (*op. cit.*, pages 96-98).

... if the requirements of a society for a good are larger than its available quantity), it is impossible, in accordance with what was said earlier, for the respective needs of all individuals composing the society to be completely satisfied. On the contrary, nothing is more certain than that the needs of some members of this society will be satisfied either not at all or, at any rate, only in an incomplete fashion. Here human self-interest finds an incentive to make itself felt, and where the available quantity does not suffice for all, every individual will attempt to secure his own requirements as completely as possible to the exclusion of others.

In this struggle, the various individuals will attain very different degrees of success. But whatever the manner in which goods subject to this quantitative relationship are divided, the requirements of some members of the society will not be met at all, or will be met only incompletely. These persons will therefore have interests opposed to those of the present possessors with respect to each portion of the available quantity of goods. But with this opposition of interest, it becomes necessary for society to protect the various individuals in the possession of goods subject to this relationship against all possible acts of force. In this way, then, we arrive at the economic origin of our present legal order, and especially of the so-called *protection of ownership*, the basis of property.

Thus human economy and property have a joint economic origin since both have, as the ultimate reason for their existence, the fact that goods exist whose available quantities are smaller than the requirements of men. Property, therefore, like human economy, is not an arbitrary invention but rather the only practically possible solution of the problem that is, in the nature of things, imposed upon us by the disparity between requirements for, and available quantities of, all economic goods.

As a result, it is impossible to abolish the institution of property without removing the causes that of necessity bring it about—that is, without simultaneously increasing the available quantities of all economic goods to such an extent that the requirements of all members of society can be met completely, or without reducing the needs of men far enough to make the available goods suffice for the complete satisfaction of their needs. Without establishing such an

equilibrium between requirements and available amounts, a new social order could indeed ensure that the available quantities of economic goods would be used for the satisfaction of the needs of different persons than at present. But by such a redistribution it could never surmount the fact that there would be persons whose requirements for economic goods would either not be met at all, or met only incompletely, and against whose potential acts of force, the possessors of economic goods would have to be protected. Property, in this sense, is therefore inseparable from human economy in its social form, and all plans of social reform can reasonably be directed only toward an appropriate distribution of economic goods but never to the abolition of the institution of property itself.

The foregoing reasoning is simple but cogent. There will be a great gain in realistic thinking if the full force of the argument is understood, to wit, *that ownership of property is in the nature of things*. Such ownership *cannot* be eliminated. All that can be done is the ownership can be redistributed — taken from one and given to another — *but not abolished*.

All moral problems associated with ownership of property pertain only to who is the *rightful* owner, not to the institution itself.

## How The Economic Concept Of A "Good" Is An Einsteinian "Frame Of Reference" For Ethical Problems

Any system of ethics which begins with the problem of the relationship of men to men, and neglects the *prior* problem of the relationship of men to *economic goods*, lacks an adequate frame of reference. Such a system of ethics is afloat in a fog of unreality and abstract theory.

In 1881 the Austrian economist, Eugen von Böhm-Bawerk wrote an article with the title, *Rechte und Verhältnisse*, which can be translated (and elaborated) into an American title, *The Economic Significance of Legal Rights and Contractual Relationships*. For his purpose, at that time, it was important for Böhm-Bawerk to define accurately what he meant by a "good." He is distinguishing between a *good* and a *thing*; an *economic good* is a sub-class under *good*.

What follows is a translation of part of what he wrote in Chapter I of the work just mentioned:

I shall set down the following as the attributes necessary to goods-quality, that is to say, the qualities which are required if a thing is to merit definition as a good for an economizing

human individual. These qualities, be it noted, must be present simultaneously.

1. There must be a human *need* which the thing can serve. If there is no purpose to be achieved, there can be no means to the end; if there is no want, there can be no good.

2. The thing must be *objectively adapted* to bring about, directly or indirectly, the satisfaction of the want. Herein lies the criterion of goods-quality which most prominently attracts attention and which the layman frequently considers to be the only essential criterion. This may also be expressed by saying that a thing must possess properties which are, for man, *useful properties*. Bread must possess nutritiveness; steel must have hardness; glass must possess resistivity and transparency; ink must exhibit adhesion and color-fastness. These things must possess these qualities if they are to serve man's wants in the way of nutriment, shelter and the other respects in which his experience dictates that he relies on the things mentioned.

3. Man must *recognize and be aware of* this adaptability of the respective thing to the satisfaction of human wants. A "usefulness" that is unknown to man is of no use to him. Before man discovered its medicinal qualities, the bark of the cinchona was to him a useless thing — it was not a "good." Even though man's knowledge be no more than theoretical or fragmentary, all that is required is that his knowledge be empirically adequate. Medicines were goods from that moment on in which it was known as to the why and the wherefore of their effect upon the human organism.

4. Man must not only *be aware of* the capacity of the objectively useful thing for the satisfaction of his wants; he must also *have the power to utilize* that capacity. There must be no absence of what I should like to term "knowledge of use" or of "usability." It is, for instance, quite possible that a person may be quite conversant with the usefulness of a book or, say, a microscope. But for anyone lacking the technical knowledge of how to make use of them, both would be as completely unable to qualify as "goods" as was the bow of Odysseus for the suitors, none of whom had the strength necessary to bend it.

5. Finally, it is necessary that the thing in question be disposable or available for us. We must possess the *power of disposal* over it if we are really to command its power to satisfy our wants. Any means to our ends which we are unable to put to actual use because, let us say, of spatial considerations or because we lack the necessary power of disposal, is actually of no use to us and has no significance either for our well-being or for our economy. Gold mines on the moon, exceedingly attractive building lots situated on undiscovered South Sea islands, or a house and lot belonging to someone else are *for me* not goods.

A review of the foregoing "conditions precedent" to goods-quality reveals that these conditions are inherent less in the things themselves than in the economic subjects for whom they are or are not goods. The existence of want, the awareness of usefulness and of "usability" are matters which are completely subjective, and availability and dis-

possibility are partly so (in that they exist or do not exist, according to the situation of the economic *subject*). The possession of useful qualities is the sole purely objective requirement to be fulfilled by the thing itself. That circumstance leads us to two observations regarding the nature of goods.

The first of these — and it is something that has long been recognized — is that the goods-quality of a thing is never a purely objective matter, a quality inherent in the thing, such as the quality of being "wooden" or "iron," but that goods-quality depends on a *relationship* which must exist between the thing, on the one hand and an economic subject on the other hand. Furthermore, it may be true that the economic subject must possess completely peculiar individual qualifications.

The second of these observations — likewise something that has long been recognized — is that goods-quality can be caused and destroyed by the mere presence or absence of subjective relationships without the occurrence of any objective change whatsoever in the thing under consideration.

A further conclusion must be set down here — and this is one that is rather rarely emphasized though it is just as illuminating. That is that every good *can be a good only for those definite economic subjects* with respect to whom every one of the subjective economic "conditions precedent" is fulfilled. Only for those persons who feel or experience the particular want to the satisfaction of which a given thing is adapted; only those persons who are aware of the thing's adaptability; only those who possess the knowledge or skill necessary to use the given thing; and, finally, only those persons who possess the actual power of disposal over the thing — only for these persons is the given thing a good. But for all persons lacking the want, the required knowledge or the skill or awareness of the usability or the power or disposal (i.e., access to its availability) — for all such persons, the thing is *merely a thing*, not a good. Strictly speaking, then, one should never speak simply of goods as such, but always only of *goods for X or for Y or Z, or other specific economic subjects*. Hence determination of the goods-quality of a thing or the assignment of reasons for its possession of goods-quality will vary according to the degree to which the person making such determination or assigning such reasons succeeds in adopting the point of view of one or another economic subject. The most important difference that here comes into play is the difference between the *individual economic subject's point of view and the economic community's point of view*. The individual can recognize as goods only those things which are suitable for the satisfaction of the wants of that particular individual. And that is a circumstance which markedly restricts the area of things that are economic goods for the individual. On the other hand, the economic community's point of view embraces that of the sum total of all the natural economic subjects comprising the community (or nation) and treats them all as a single unified or collective economic subject. Since a community or a nation is not actually a natural entity and really consists of the totality of its members, it reacts, not as an entity, but as a collection of individual members. The community ap-

pears as an *active* economic subject to the extent that any one of its members is active; it appears as a *passive* subject to the extent that a member performs as a passive subject. With reference to the community-as-a-whole, therefore, all those things are goods which occupy the position of an economic good with reference to any single member of the community. That circumstance very considerably expands the area that lies open for a community's totality of goods as compared with the individual's.

If, in consequence, the totality of goods in an economic community is different from and larger than the totality of economic goods of a single individual, it does not by any means follow that, as a matter of economic principle, the things that are goods for the community are *different in kind* from those that are goods for the individual. It cannot, for instance, be said that certain categories of things are to be regarded as goods for one, but not for the other. It is, on the contrary, most patent that the great preponderance of those means to well-being which a community utilizes for the satisfaction of its wants must coincide exactly with the sum total of those things which constitute goods for the individual members of the community. There is a difference between goods from the point of view of the economizing individual only if one considers merely the point of view of a *single definite individual*, but not if one considers successively the viewpoint of all the individual members. Even then, whatever difference there may be is not a difference in kind, but only a *difference in volume*.

Finally, it may be said that both ordinary usage and the economist's technical language make only tacit reference to a whole community or a whole nation as being an economic subject. When it does so, as when it mentions, "production of goods," "distribution of goods," "turnover of goods," it does so without the addition of any qualifying phrase which specifies any definite economic subject. This sort of use of the term "goods" is not to be regarded as a reduction of the goods-concept to objective terms (it would merit condemnation, if it were), but must be considered a perfectly legitimate ellipsis which tacitly assumes that the listener will supply, as the economic subject involved, that totality of that nation which the speaker has in mind. However, it is always a fact (and it is important for the solution of our problem not to lose sight of this fact) that every goods-quality takes for granted the existence of a definite economic subject in whose favor the goods-quality may be invoked. Just as every good must be good "for something," so also it must be a good "for somebody."

Exact determination of the specific criteria which must characterize the concept of an economic good will at the same time furnish us with the identifying particulars which will differentiate between the characteristics that warrant the use of the term "good" in ordinary language usage and those which warrant the use of the term "good" in the strictly economic sense. The former includes things which are, to be sure, "good" but not "good means to an end." The first of these consists of "goods" which are desired, not as means to an end, *but as an end in themselves*. Pre-eminent among such things are ethical, religious and many other

kinds of "spiritual goods," such as virtue, happiness, contentment, peace of mind, and the like. The other group of goods which must be barred from inclusion in the concept of economic goods consists of those things that are termed "good" by *metaphorical speech usage*. Even at the colloquial level, our language abounds in figures of speech which attribute the quality of a good or of a means to well-being to things which are, by their very nature, incapable of functioning as a good and which can be clothed with the power so to function only by virtue of, let us say, personification or other metaphorical usage. [Note: by the term *goods in a metaphorical sense*, Böhm-Bawerk refers to legal rights and contractual relationships with which we are here not interested.]

The foregoing "specifications" of a good are simple and readily acknowledged to be determinative; in fact, they are so simple that their fundamental importance is likely to be unappreciated.

These "specifications" have the following consequences for ethical problems:

1. They are the *cause* of many ethical problems. It is the limited supply of goods which lies at the root of most of the controversies between men. If you obliterate the concept and reality of "goods," you have thereby removed the bulk of the ethical problems of the world, except those related to sex.

2. The motivation which men have to get "*goods*" is the most active factor stimulating the actions of men. If there were no "goods" to be got, then as just explained, men would be inert — for all practical purposes, equivalent to the dead.

3. The existence of "*goods-qualities*" is independent of sin. It is a creational phenomena, not a moral phenomena. The cosmos and men were *created* that way. They did not become that way by any Fall of Adam.

4. *Morals* enter the picture not at the "*goods-character*" point, but at the point where *improper means are adopted* by men in order to acquire "goods." Immorality enters only when coercion, fraud and theft are employed in order to affect the "*distribution*" between men of the "*goods*" which exist.

5. *Altruism* is defined in the dictionary as "devotion to the interest of others." The social gospel makes altruism a requisite to virtue and to brotherly love. The science of economics begins at a different point, namely, the individual's own needs, his own wants relative to "goods." Böhm-Bawerk explicitly states that

goods are not goods to him, except in the sense they are "for me."

For example, modernistic surrealist paintings might be regarded as valueless by Mr. *K*. He will put forth no effort to obtain them, nor will he disburse any funds to buy a single surrealist painting. For *him* surrealist paintings are "valueless." But for Mr. *L* they may be esteemed to be of great value. What is *K* to do? Impose his "values" on *L*, and say, "You must not place value on surrealist paintings, and I (or we) shall forbid anyone to make any more surrealist paintings?" Or is *L* authorized to say, "My values are for me to decide. It is of no concern of yours that my values differ from yours. You strive to obtain what has value for you, and I shall strive to obtain what has value for me. Mind your own business." Or, may *L* impose his values on *K*, and say: "You will have to work in order to buy surrealist pictures whether you wish to or not, and the purchase of surrealist pictures is going to displace something that you want more. My values are to be imposed on you, and not yours on me." What does all this mean? This: *values* must essentially be personal, individual, subjective, each man's own. This is what was meant by the neoclassicists when they described their idea, as the *subjective theory of value*.

A man has only two courses: he will pursue his own values and permit others to pursue theirs which may be wholly different; or else he will impose his own values on others, and/or others will impose their values on him. The first is liberty; the second is tyranny. There is no middle position on this. Men may not know that, but then they are insufficiently analytical because they have never spelled out for themselves what Böhm-Bawerk spelled out in the quotation earlier in this article.

What is needed by religious leaders is an understanding regarding (1) what *things* are; (2) what *goods* are; (3) what is the source of *value*; (4) what is meant by the *subjective theory of value*; (5) how individualism is causally connected with liberty; and (6) how there is no relationship possible between the science of economics and the discipline of ethics except on the basis of the subjective theory of value. If the social gospel is religion, and if economics is a science, then there is no real relationship possible between that religion and that science except by agreement on the subjective theory of value.

This doctrine of *goods* does not exclude spiritual, aesthetical,



intellectual nor any other value. The *values* in economics cover every value of any man, material or immaterial. Neither do the economic ideas of *good* and *value* exclude specific manifestations of altruism, charitableness, forbearance, mercy, or neighborly assistance.

## An Analysis To Show Who Gets The "Profit" From New Automation Machines

For purposes of clarity there will be two sections to this article. The first section will answer the question, *What is Automation?*; and the second will answer the question, *Who Benefits from Automation?*

*Automation* can not be adequately understood, from an economic viewpoint, except in a proper historical perspective. That explains the inclusion of some background material which follows:

### A. What Is Automation?

An *automation machine* is a type of machine, presently relatively new, which performs automatically certain work which previously had required the direct labor of a man, or men, because the *variety* of the operations was too complicated for any then-available machine to perform.

To show where *automation* machines fit into the sequence of the factors which have improved the standard of living of mankind a sketchy summary is given of what has happened over the centuries.

1. First men were wandering berry and nut pickers, hunters and fishers; they did not labor to produce products, but only to garner what "nature" provided without man "cultivating" nature. This is the poorest and most precarious way to obtain the means for living.

2. Next, men became primitive "cultivators." They no longer "wandered." They had a fixed abode. They ploughed, planted, weeded, harvested. A primitive agricultural society came into existence. There were a few tools. Production was for the individual family. There was no "exchange." What was produced was not marketed but was consumed on the same farm. There was little division of labor except within the family. This was better than wandering berry and nut picking, without a roof over one's head, and without granaries in which to store products out-of-season.

But this was still penurious living, except by contrast with what preceded.

3. The self-sustaining family eventually gave way to an exchange economy. People began to "specialize"; when they "specialized" they produced more of what they produced than they themselves could consume; others did the same. By "specializing" they became more productive — efficient. There was more product "to go around." Each man traded his surplus for the surplus of other specialists. Money was developed to facilitate the exchange. Local "markets" developed. This was another notch higher than a "family" economy and, being better, superseded it more and more. However, "markets" were not distant, but local fairs and exchanges.

4. Next, merchants, in a real sense of the term, developed. They bought and sold in *distant* markets and were in the business of transporting that in which they dealt. These big merchants were primarily wholesalers. They were the men who went to India for spices and silks. They crossed seas in boats, and deserts in caravans. They enlarged economic "specialization" in the world. They enriched the world by making available to one climate and economy what only another climate and economy could produce. They developed credit facilities. Many merchants eventually became bankers. These merchandising-wholesaling-transporting-banking activities increased the standard of living, compared to what had previously existed. The merchant princes became what the name implies (princes in culture and wealth) because of their great services. Relative to the preceding ages, this type of economy yielded a high standard of living; relative to the present age, it was low.

5. Next, a great change occurred in *production* techniques. *Power* equipment was invented — steam engines, gas engines, electric motors. The heaviest labor could now be performed by industrial power. Steam, gas and electricity substituted for human and animal brawn. Of course, specialization increased apace. Exchanges multiplied. Markets broadened. Prosperity bounced upward. This was the Industrial Revolution; more dramatic than any of the preceding economies. Because this Industrial Revolution was so beneficial to the poor (not injurious as the pseudo-historians teach), the population increased spectacularly.

6. Then *mass* production became an outgrowth of industrial production. Business men learned of the advantages of "tooling up" in order to obtain lower costs. The first step was to standardize parts, make dies, jigs and fixtures so that a machine would almost automatically stamp or carve out the part wanted. The idea was similar to what printing did for writing. It long took more time to set type than to write in the first instance. But once the type was set, thousands of copies could be quickly run off on printing presses. "Tooling up" is equivalent to type setting in a print shop. Although it took time and money to "tool up," once a factory had been "tooled" to produce a product, it could turn that product out fast and cheaply, just as printing presses could cheaply make many copies once the type was set. Of course, this whole concept also required mass markets. Thousands had to be willing to buy the refrigerators and automobiles and the like, if the high initial expense of "tooling up" was to be justified. *Total* costs were sheared down drastically by "tooling up" and by "mass production."

7. The next wave carrying productivity forward and increasing prosperity, namely, *industrial engineering*, consisted in the effort to reduce costs by "time and motion" studies, "efficiency engineering," improved plant layouts. This development was a corollary to mass production. Saving  $\frac{1}{4}c$  per piece sounds very insignificant, but it accumulates into large sums, if the number of units totals millions, as it often does.

8. Another big surge in public welfare resulted from the discovery what organized, *systematic research*, by adequately trained research men, could do. The purpose, no matter how long distance and theoretical it might seem, was always to obtain a better or a new product for less cost. That formula is a formula which promotes human welfare, by deeds, not mere words.

9. Most recently a new "idea" has been discovered to promote the common welfare still more, namely, *automation*. The *assembly* operation (once the parts had been made by mass production and highly tooled methods) was not equally "tooled up" or mechanized. Much costly labor was still necessary to put the parts together, to do the assembly work. Indeed, much was done to reduce assembly costs by means of moving belts, hoisting equipment and similar devices, but there were no comprehensive machines

to do the whole or important segments of the assembly job. *Assembly* was a persistent stronghold of individual labor. Then smart engineers hit upon the idea of *transfer machines*. The word is descriptive, the machines transferred parts so that the parts were processed and/or assembled automatically. The operation of transfer machines is what is meant by *automation*. Automation is the latest step in the endless progress which is being made to reduce costs, and thereby make people more prosperous.

\* \* \*

Let us assume a sub-assembly for an automobile; say a *connecting rod*. Connecting rods are that part of a gas engine which connects the several pistons of an engine with the main crank shaft. Let us assume that a connecting rod consists of ten parts, such as a small shaft, three or four sets of bolts and nuts, etc. One way to put them together is by hand labor. Another way is to have a transfer machine with ten hoppers. Each hopper is kept filled with one of the parts. Each hopper is vibrated to move out parts, in the right position. Sooner or later every part moves out in just the right way onto a belt, chain or conveyor of some kind.

Let us say that the first operation required to assemble a connecting rod is to slip a bolt through a hole in the bar which is the shank of a connecting rod. By constant vibration and movement the bar and the bolt move to a position, known as position "1" where the bolt automatically slips into the shank hole. Then the two parts move on to position "2", where there is a nut waiting to be automatically screwed onto the bolt; and so on — on and on — until finally the completed sub-assembly — a connecting rod ready to be installed in an engine — vibrates off the end of the transfer machine into a container.

All that the machine needs is a few attendants to keep the hoppers full and to watch the automatic controls on the machine. Three or four men with the help of the transfer machine do the work, say, of 20 men.

### B. Who Benefits From Automation?

The transfer machine is physical capital. It did not accidentally come into existence. It had to be designed and engineered. Somebody had to provide the money to buy the material and employ the labor to put the machine together. All this had to be

done in the hope that the machine would work, and that assembly of gas engine connecting rods could be done more cheaply by using the machine than without using it. The figures used in the following illustration are arbitrary.

Let us assume that the XYZ Motor Company employs 20 men to assemble the connecting rods needed for the motors going into their automobiles. Let us say that the average cost per year per man in salary and other labor costs is \$6,000. The total cost per year to assemble the rods produced is 20 times \$6,000 or \$120,000.

Let us assume next that Henry Foote, an obscure inventor, either saves enough money so that he can take a couple of years off to design and build a machine that costs him \$60,000 or that he borrows the money from friends or bankers who themselves have "saved" so that physical capital can be formed, rather than that they consumed the \$60,000.

Let us assume that this machine when ready, with four men in attendance, can produce the connecting rods that the XYZ Motor Company needs. Further, let us assume that the machine will need \$10,000 a year for repairs, and that at the end of three years it is worn out, that is, that the machine depreciates \$20,000 a year, and is then good only for scrap. What does it now cost to produce the connecting rods?

Labor, 4 men at \$6,000	=	\$24,000
Repairs on transfer machine	=	10,000
Depreciation per year	=	20,000
		<hr/>
		\$54,000

This cost is \$54,000. That compares with the old cost of \$120,000. The saving is spectacular, \$120,000 minus \$54,000, or \$66,000.

Who gets the \$66,000 saving? *How* will it be distributed? Who should get it? Those are some of the critical questions pertaining to capitalism, and those are the critical questions pertaining to justice. And those, too, are the ethical questions, concerning which philosophers, moralists and ethical teachers concern themselves.

Let us first list everybody who could get all or part of this \$66,000. They are:

1. The inventor, *as inventor*.

2. The inventor, *as capitalist*, the man who saved \$60,000, which was used to make the machine.

3. Capitalists, who loaned the \$60,000 to the inventor, if he lacked some or all of the \$60,000 himself.

4. The mechanics who made the parts of the machine and who helped assemble it.

5. The suppliers of the raw material.

6. The XYZ Motor Company who buys the machine to assemble connecting rods.

7. The employes of the XYZ Motor Company who will operate the machine.

8. The customers of the XYZ Motor Company who will buy the company's automobiles.

9. The government who will collect more taxes.

Here are nine classes of potential claimants. All may be shouting "injustice" unless they get all or part of this \$66,000.

Progress, in the form of lowering the cost of goods wanted by customers, itself creates problems with which ethical teachers, social philosophers, capitalists, workers — indeed *everybody* — concerns himself.

How this \$66,000 should be divided can, it is believed, be explained to everybody's satisfaction *provided they do not dissent from the Law of God*, expressed in the ancient Mosaic Code which forbids coercion, fraud and theft.

1. *The Government's "Take."* The income tax collected by the Federal government of the United States from corporations is 52% of profits. If a *corporation* has by a transfer machine saved \$66,000 in its costs, then the government will get 52% of it, or \$34,320. That leaves \$31,680 for the corporation. In addition, there may be a state corporation income tax of 3% to 5% on the original \$66,000, which will bring the remainder left for the corporation below \$30,000. If individuals are involved rather than corporations, then their tax rate will depend on their total personal income. In any event, the government will get a substantial part of this basic, new saving accomplished by means of a newly invented transfer machine and automation.

That the government gets some of this makes some people unhappy, but the reasonableness of that attitude depends on what the government does with what it collects. Considering the chaotic

and dangerous character of the political situation in the world today (which the United States by its follies has done a great deal to create), it will be disastrous for the United States to be *weak* in self-defense. For any nation which is as rich as this country is, it is the acme of folly to fail to be impregnable strong.

If the government collects more than half, or in any event a large percentage of the *saving* from a new invention; and if the government spends what it collects wisely — something for which all citizens *as citizens and voters* have responsibility; then *the first benefit of the brilliance, courage and maybe self-sacrifice of the inventor*, either as inventor or capitalist (saver), has already been distributed extensively — *maybe more than half* — to the public.

(Where the ultimate incidence (impact or burden) of this tax falls is beyond the scope of this analysis. It is admitted by this writer that the burden does not primarily fall on the inventor, because the sale price of the automation machine will be increased to cover the tax, more or less. To trace that incidence here would be an unwarranted digression.)

2. *The XYZ Motor Company.* Let us assume that the inventor organized his own little company and offers to assemble connecting rods on his own transfer machine set up in his garage, his basement, or a shed built for it. What price can this little fellow get from the big motor company? The range within which the price will fall will have to be between \$120,000 as a maximum and \$54,000 as a minimum. The XYZ Motor Company will not pay \$120,000 because then it will undoubtedly keep its 120 men employed. The inventor will not sell for \$54,000, because then there is no profit in it for himself.

It is important to note that both parties approach this problem from their own viewpoint, which is determined by their own estimate of their self-welfare.

Consider what the problems are if the XYZ Motor Company is to be altruistic in this case. Altruistic to whom? to their 20 employes? or to the inventor? Here is one of the overlooked abysses of false logic. People think that altruism is always between themselves and *one* other party. The fact is that the choice they make is usually three-cornered or multi-cornered — themselves or two others, or maybe a 100 others depending how extensive competition is.

Ethical teachers often fail to get down to cases. Imagine one of them transformed into the president of the XYZ Motor Company. What will he decide on the basis of the lofty principle of altruism? Will it be for the twenty men he presently employs? If so, he hurts somebody else in exact proportion — namely, the consumers of automobiles, that is, Mr. John Public. Why? Because if the cost of automobiles can be reduced, then the price can (and certainly will under competition) be reduced. Here is still another party or parties — the consumers — deeply affected by the problem. To be altruistic to the 20 men presently employed and to retain the high cost is to be un-altruistic to consumers. The businessman has not chosen *for himself* as much as he has chosen *between others*.

There will be some who have already decided that between the lone inventor and the 20 men, the twenty (because they are more numerous) should be protected; the XYZ Motor Company man making the decision, they declare, must decide on the basis of the number of people involved. But on that principle the 20 men doing the hand assembly must not be given consideration because the 1,000,000 automobile buyers will have a better claim, if *numbers of claimants* is to be the principle.

What does *altruism* turn out to be then when it is the principle allegedly employed to settle this problem morally? It turns out to be a principleless principle. It pretends that it is workable, just and brotherly, but it is a "principle" which gives no answer; it is worthless "guide." Talk; logomachy.

(To be continued.)

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