

# Studia Gilsoniana

A JOURNAL IN CLASSICAL PHILOSOPHY

8:4 (2019)

ISSN 2300–0066 (print)

ISSN 2577–0314 (online)

DOI: 10.26385/SG (prefix)



Studia  
Gilsoniana

A JOURNAL IN CLASSICAL PHILOSOPHY



# Studia Gilsoniana

A JOURNAL IN CLASSICAL PHILOSOPHY

Volume 8, Issue 4  
(October–December 2019)

## **A Return to Pre-Modern Principles of Economic Science**

The Inaugural Issue of the “Aquinas School of  
Leadership School of Economics Special Series”

---

Guest Editors of the Issue: Peter A. Redpath,  
Marvin B. D. Peláez and Jason Morgan

INTERNATIONAL ÉTIENNE GILSON SOCIETY  
& THE POLISH SOCIETY OF THOMAS AQUINAS

# *Studia Gilsoniana*

---

**ISSN 2300-0066** (print)

**ISSN 2577-0314** (online)

**DOI 10.26385/SG** (prefix)

## ACADEMIC COUNCIL

Anthony AKINWALE, O.P. – *Dominican University, Ibadan, Nigeria*

Lorella CONGIUNTI – *Pontifical Urban University, Rome, Italy*

Włodzimierz DŁUBACZ – *John Paul II Catholic University of Lublin, Poland*

Adilson F. FEILER, S.J. – *University of the Sinos Valley, São Leopoldo, Brazil*

Urbano FERRER – *University of Murcia, Spain*

Silvana FILIPPI – *National University of Rosario, Argentina*

Peter FOTTA, O.P. – *Catholic University in Ruzomberok, Slovakia*

Rev. José Ángel GARCÍA CUADRADO – *University of Navarra, Pamplona, Spain*

Curtis L. HANCOCK – *Rockhurst Jesuit University, Kansas City, Mo., USA*

Juan José HERRERA, O.P. – *Saint Thomas Aquinas North University, Tucumán, Argentina*

John P. HITTINGER – *University of St. Thomas, Houston, Tex., USA*

Liboire KAGABO, O.P. – *University of Burundi, Bujumbura, Burundi*

George KARUVELIL, S.J. – *JDV–Pontifical Institute of Philosophy and Religion, Pune, India*

Henryk KIEREŚ – *John Paul II Catholic University of Lublin, Poland*

Renée KÖHLER-RYAN – *University of Notre Dame Australia, Sydney, Australia*

Enrique MARTÍNEZ – *Abat Oliba CEU University, Barcelona, Spain*

Vittorio POSSENTI – *Ca' Foscari University of Venice, Italy*

Peter A. REDPATH – *Aquinas School of Leadership, Cave Creek, Ariz., USA*

Joel C. SAGUT – *University of Santo Tomas, Manila, Philippines*

James V. SCHALL, S.J. – *Georgetown University, Washington D.C., USA*

Callum D. SCOTT – *University of South Africa, Pretoria, South Africa*

Peter L. P. SIMPSON – *City University of New York, N.Y., USA*

Rev. Jan SOCHONŃ – *Cardinal Stefan Wyszyński University in Warsaw, Poland*

William SWEET – *St. Francis Xavier University, Antigonish, NS, Canada*

Lourdes VELÁZQUEZ – *Panamerican University, Mexico City, Mexico*

Berthold WALD – *Theological Faculty of Paderborn, Germany*

## EDITORIAL BOARD

### *Editor-in-chief*

Fr. Paweł TARASIEWICZ – *Adler–Aquinas Institute, Colorado Springs, Colo., USA*

### *Associate Editors*

Fr. Tomasz DUMA – *John Paul II Catholic University of Lublin, Poland*

Jeremie SOLAK – *University of Mary, Bismarck, N. Dak., USA*

### *Linguistic Editors*

Stephen CHAMBERLAIN – *Rockhurst Jesuit University, Kansas City, Mo., USA*

Donald COLLINS – *University of Western Ontario, London, Canada*

Thierry-Dominique HUMBRECHT, O.P. – *J. Vrin's Equip Gilson, France*

Thaddeus J. KOZINSKI – *Wyoming Catholic College, Lander, Wyo., USA*

Artur MAMCARZ-PLISIECKI – *John Paul II Catholic University of Lublin, Poland*

Florian MICHEL – *Institut Pierre Renouvin, Paris, France*

Ángel Damián ROMÁN ORTIZ – *University of Murcia, Spain*

### *Contact*

Email Box: [ptarasiewicz@holypostles.edu](mailto:ptarasiewicz@holypostles.edu)

P.O. Box: Al. Raławickie 14/GG-037, 20-950 Lublin, Poland

## PUBLISHERS



International Étienne Gilson Society  
33 Prospect Hill Road  
Cromwell, Conn. 06416-2027  
USA



Polskie Towarzystwo Tomasza z Akwinu  
(The Polish Society of Thomas Aquinas)  
Katedra Metafizyki KUL (Department of Metaphysics)  
Al. Raławickie 14, 20-950 Lublin, Poland

The online edition is a reference version of the issue  
The issue is openly accessible at: [www.gilsonsociety.com](http://www.gilsonsociety.com)



## Table of Contents

### *A Return to Pre-Modern Principles of Economic Science*

EDITORS' INTRODUCTION .....	777
PATRICK S. J. CARMACK: Reforming the Primary Instrumental Cause of Increasing Income Inequality .....	789
RICARDO F. CRESPO: Aristotle's Principles for Modern Economic Science ...	819
THOMAS A. MICHAUD: Blasts from the Preclassical Past: Why Contemporary Economics Education Should Listen to Preclassical Thought .....	839
JASON MORGAN: Is the 'Human Action' in <i>Human Action</i> Human Action? Mises, Hayek, and Aristotle on 'Capitalism' and Human Flourishing .....	857
PETER A. REDPATH: Aristotle and Aquinas on the Virtue of Money as a Preservative of Justice in Business Affairs and States .....	885

### *Appendix*

JUDE P. DOUGHERTY: <i>The Great Delusion: Liberal Dreams and International Realities</i> by John J. Mearsheimer .....	893
JASON MORGAN: <i>Isonomia and the Origins of Philosophy</i> by Kōjin Karatani..	901
THE LIST OF REVIEWERS .....	915



# **A Return to Pre-Modern Principles of Economic Science**

---

Edited by Peter A. Redpath,  
Marvin B. D. Peláez and Jason Morgan



**Peter A. Redpath**  
**Marvin B. D. Peláez**  
**Jason Morgan**

## **A Return to Pre-Modern Principles of Economic Science: Editors' Introduction**

This edition of *Studia Gilsoniana* inaugurates submission of articles on economic science based upon pre-modern principles of philosophy/science. Today, many journals address the intersection of economics and philosophy. Their contributors include practicing economists, economic historians, economist-philosophers, philosopher-economists, and economic methodologists.<sup>1</sup>

Research in this interdisciplinary field began to appear in the 1970s and later took shape in the 1980s with the appearance of its specialized academic journals. Today, the intersection of economics and philosophy is a vibrant area of inquiry and research. Books and journal pages are replete with references to classical philosophers such as Plato

---

Peter A. Redpath — CEO, Aquinas School of Leadership, Cave Creek, Ariz., USA  
e-mail: peterredpath@aquinasschoolofleadership.com ▪ ORCID: no data

Marvin B. D. Peláez — Universitat Abat Oliba, Barcelona, Spain; Adler–Aquinas Institute,  
Colorado Springs, Colo., USA; e-mail: marvinpelaez119@gmail.com ▪ ORCID ID: no data

Jason Morgan — Reitaku University, Chiba, Japan  
e-mail: morgan.jason.michael@gmail.com ▪ ORCID: no data

<sup>1</sup> Uskali Mäki, a prominent economic methodologist, defines this field of economics as “a systematic articulated theory on the what and why of economics: what it is like and why it is the way it is . . . the methodologist provides the conceptual tools that help go beyond the mere practice know-how to a theoretical understanding to the foundations of the discipline,” in “Methodology and Economics: Complaints and Guidelines,” *Finnish Economic Papers* 3, no. 1 (Spring 1990): 77–84.

and Aristotle and their contributions to economic science. However, stronger connections need to be made related to the application of economic principles from the past to the present based upon enduring pre-modern principles of science. This is precisely what this inaugural issue celebrates.

### **St. Thomas Aquinas and the Scholastic Doctors of the 16<sup>th</sup> Century**

According to the renowned medieval philosopher and historian of philosophy Étienne Gilson, philosophy's history is as much part of philosophy as philosophical teachings. Since the social sciences were derived from philosophy, the history of the philosophy is, likewise, as much part of the social sciences; or, in the case of this Special Edition of this Journal, of economic science.

Economic historians have acknowledged the contributions from ancient and medieval philosophers on economic principles with varying degrees of emphasis. For example, Joseph Aloïs Schumpeter (a highly-respected economist, philosopher, and economic historian) had recognized St. Thomas Aquinas as the principal contributor of theological and philosophical thought during the classic period of Scholasticism.<sup>2</sup> According to Schumpeter, the thirteenth century “gave birth to Scholastic science as distinguished from theology and philosophy; it produced work that initiated and laid the foundations for further work, but it did not establish anything beyond starting points.”<sup>3</sup> Schumpeter may not have been aware that, prior to the twentieth century, no separation was generally made between philosophy and science, that both terms were

---

<sup>2</sup> Joseph A. Schumpeter, *History of Economic Analysis*, ed. Elizabeth Boody Schumpeter (Great Britain: Routledge Taylor & Francis Group, 2006), 83; available online—see the section *References* for details.

<sup>3</sup> *Ibid.*, 83–84.

used synonymously.<sup>4</sup> Nevertheless, he was aware that St. Thomas Aquinas's starting points on science were later developed by his students in subsequent centuries, especially during the sixteenth century.

Schumpeter singles out the enduring contributions of the Scholastic Doctors, many of whom were students and taught at the famous School of Salamanca in Spain.<sup>5</sup> Of their work on economics, Schumpeter says:

While the economic sociology of the scholastic doctors of this period was, in substance, not more than thirteenth-century doctrine worked out more fully, the 'pure' economics which they also handed down to those laical successors was, practically in its entirety, their own creation. It is within their systems of moral theology and law that economics gained definite if not separate existence, and it is they who come nearer than does any other group to having been the 'founders' of scientific economics. And not only that: it will appear, even, that the bases they laid for a serviceable and well-integrated body of analytic tools and propositions were sounder than was much subsequent work, in the sense that a considerable part of the economics of the later nineteenth century might have been developed from those bases more quickly and with less trouble than it actually cost to develop it, and that some of that subsequent work was therefore in the nature of a time- and labor-consuming detour.<sup>6</sup>

The laical successors to whom Schumpeter refers are the Protestant Scholastics of the seventeenth century.<sup>7</sup> Their influence reached into and beyond the eighteenth century, and Adam Smith was one of

---

<sup>4</sup> William A. Wallace, *From a Realist Point of View: Essays in Philosophy of Science* (New York: University Press of America, 2<sup>nd</sup> ed., 1983), 2; Peter A. Redpath, *A Not-So-Elementary Christian Metaphysics*, Vol. 1 (St. Louis, Mo.: En Route Books & Media, 2015), 13.

<sup>5</sup> Schumpeter, *History of Economic Analysis*, 91–92.

<sup>6</sup> *Ibid.*, 93. Because of the crucial significance it makes for work already done and yet to be done in this line of research, we have cited Schumpeter's whole quote.

<sup>7</sup> *Ibid.*, 112.

their beneficiaries. Despite the Scholastic influences on science, modern economic science emerged out of the Neo-classical tradition in the late 19<sup>th</sup> and early 20<sup>th</sup> centuries. The connection between Scholastic Doctors of the sixteenth century, the Protestant (or laical) Scholastics of the seventeenth century, and the nineteenth century contributors on economics science was lost: Neo-classical economists saw themselves developing a new social science. “Economic science” during this time became a product of its time because of its strong mathematical orientation and assumptions about the rational nature of human beings and our behavior in the marketplace.

In recent decades, economists have come to realize that modern economics can benefit from broader assumptions from other disciplines about the human person. In October 2017, for example, Professor Richard H. Thaler from the University of Chicago received the *Nobel Memorial Prize in Economic Science* for his work in behavioral economics, a discipline that seeks to incorporate more aspects of human psychology to increase the predictability of economic models.

### **Economic Science: Philosophy and Science Reunited**

While taking into account the complexities and boundaries of modern economic systems today, in continuing to develop and apply to modern times St. Thomas Aquinas’s philosophical principles related to economic science, like the Scholastic Doctors, we will now proceed to indicate the approximate place (locus) corresponding to several characteristics in classical philosophy, some of which has been explored by Gilson directly and some which have been explored by other scholars.

## The Pre-Modern Unity of Philosophy and Science

Starting with what we mean by the “pre-modern unity of philosophy and science,” in *The Unity of Philosophical Experience*, Gilson had observed that many histories of philosophy usually agree that “more than any other figure in the seventeenth century, Descartes marks the transition from the Middle Ages to the Modern world.”<sup>8</sup> Descartes was a watershed in the history of philosophical and economic thought. Considered in relation to Descartes, “pre-modern” is an important reference for future, pre-Cartesian, contributions of articles on economic science to this journal.

### St. Thomas Aquinas's Understanding of the Nature of a “Principle”

As previously mentioned, Schumpeter had astutely recognized that St. Thomas had provided *starting points* for his successor students to continue developing his work in economic science. According to Aquinas, all principles are starting points; and while this may seem apparent to modern-day philosophers and economists, the meaning of the term “principle” can be easily misunderstood, especially by economists when they claim that discussing and applying economic ideas of the past to the present is anachronistic. Perhaps they say this because, like many modern philosophers, they understand principles as *linguistic* or logical premises.<sup>9</sup> According to Peter A. Redpath, “they do this because they tend to reduce philosophy to a branch of the traditional *trivium*: grammar or logic.”<sup>10</sup> Contrarily, Redpath indicates that Aristotle and St.

---

<sup>8</sup> Étienne Gilson, *The Unity of Philosophical Experience* (San Francisco: Ignatius Press, 1999), 99.

<sup>9</sup> Redpath, *A Not-So-Elementary Christian Metaphysics*, Vol. 1, 157.

<sup>10</sup> *Ibid.*

Thomas understood a principle to be a starting point of being, becoming, or knowing.<sup>11</sup> Understood in this way, principles are not limited, or governed, by time. In a sense, they are timeless. Hence, economic principles derived from ancient and medieval philosophy can be applied to modern economics.

Uncertain is the extent to which Schumpeter knew the difference between “principle” being understood as a logical premise in the modern-day understanding as opposed to metaphysical being, becoming, and knowing; but he did indicate in a footnote how Aristotle and St. Thomas each defined “principle”: “the real difference is in the source of the starting points (*principia*) which, like other sciences, it takes for granted. Aristotle defined each science by its subject, but St. Thomas by the cognitive process (*ratio cognoscibilis*) which identifies a science.”<sup>12</sup>

To be precise, according to Redpath, St. Thomas thinks about the subject, or matter, of a science is that which a scientific habit chiefly considers, thinks, or talks, about: what a science chiefly studies or considers, the formal perspective under which we habitually think about the intelligible content of a science, or both.<sup>13</sup> A chief principle, or starting point, of economic science is business activity enacted through an exchange mechanism called a *market*, for the chief purpose (that is, the formal perspective or object) of acquiring wealth.<sup>14</sup>

---

<sup>11</sup> *Ibid.*

<sup>12</sup> Schumpeter, *History of Economic Analysis*, 79–80.

<sup>13</sup> Redpath, *A Not-So-Elementary Christian Metaphysics*, Vol. 1, 156–158. See, also, Peter A. Redpath *A Not-So-Elementary Christian Metaphysics*, Vol. 2 (St. Louis, Mo.: En Route Books & Media, 2016), 4–57.

<sup>14</sup> Aristotle defines wealth in two ways: (1) the things acquired needed to live for managing a household, “which by nature is a part of the management of a household, in so far as the art of household management must find either ready to hand, or provide such things necessary to life, and useful for the community of the family, or state, as can be stored. They are the elements of true riches; for the amount of property which is needed for a good life is not unlimited, although Solon in one of his poems says that *No bound*

## Economics within the Classification of Sciences

Our discussion now leads toward considering where economic science lies within the order of sciences in classical philosophical thought. This relationship is crucial to understand because an essential relationship exists between and among the sciences, each differentiated by their formal objects as related to different facultative habits of the human soul. In the classification of the sciences, philosophy/science can be considered as a generic whole, or as a species-part of the genus of philosophy/science (each species distinguished by its formal objects [subjects of consideration] essentially related to a human habit of interest). All specific sciences, moreover, “are architectonically-ordered. The lower sciences naturally subordinate their aims to that of a higher science.”<sup>15</sup>

Because of its rigorous application of mathematical models and analyses, some modern scholars in economics regard economic science to be the *Queen of the Social Sciences*. They tend to do this because, today, economic science pervades all other social sciences, tends to dominate them. As a result, some members of the field of contemporary economics sometimes tend to consider economic science to be the whole of social science, instead of a part in which it originated. Consequently, if they include principles from other social sciences (such as psychology, or even philosophy) into their economic calculations, such mathematical reductionists tend to relegate what some scholars consider to be

---

*to riches has been fixed for man.*” (*Politics*, Bk. 1, 8, 1256b 27–33), and (2) “[t]here is another variety of the art of acquisition which is commonly and rightly called the art of wealth-getting, and has in fact suggested the notion that riches and property have no limit.” (*Politics*, Bk. 1, 8, 1256b 40–43). This second definition is the typical modern-day understanding of wealth. For Aristotle’s *Politics*, see *The Basic Works of Aristotle*, ed. Richard McKeon (New York: Random House, 1941).

<sup>15</sup> Redpath, *A Not-So-Elementary Christian Metaphysics*, Vol. 1, 62.

“mainstream economics” to a subordinate status called “heterodox economics.”

But, if viewed as a very important part of the whole of philosophy and science classically and properly understood, their understanding is misguided. Economic science can continue to be based on and continue to develop on scientific principles, or starting points, discussed above. A case-in-point is how St. Thomas viewed the classification of the sciences and the place of economics as *a practical science* within this scheme.

Today, general agreement exists among the practitioners in the field that economic science involves management of scarce resources. The management aspect involves a “doing.” The transformation of raw materials into goods and services involves a “making.” The end of “doing” (use) and “making” (manufacturing) in economic activity is for the purpose, chief aim, of serving *some other* chief need. This, in essence, is what makes economic science a *practical science* as opposed to a *speculative*, or *theoretical*, science. Modern economic science, however, also has its theoretical aspects, expressed in mathematical symbols as taught in a graduate course in microeconomics. But St. Thomas indicates, using medicine as an example, that *medicine does have its theoretical aspects* because it must be informed by a higher science; but it is ultimately a practical science because its formal object (chief aim, or interest) is to heal people.<sup>16</sup>

This involves a “doing,” just like economic science involves a doing and making. Purely speculative or theoretical sciences, by contrast, do not have this characteristic because they are not tied to any tangible benefit other than simply knowing what something is. Theoretical

---

<sup>16</sup> St. Thomas Aquinas, *Commentary on the De Trinitate of Boethius*, Questions 5 and 6, trans. with intro. and notes by Armand A. Maurer (Toronto: Pontifical Institute of Mediaeval Studies, 4th ed., 1986), 21.

---

sciences, like theology or metaphysics, simply allow us to know and do not aim at doing anything beyond this contemplative act.

### Science as a Habit of the Human Person

When discussing the nature of a principle above, we already introduced the nature of science. To conclude our “Editors’ Introduction,” we return to what “science” means in a pre-modern understanding. According to James Weisheipl in his “Classification of the Sciences in Medieval Thought,” *scientia* “was used to designate a discerning, penetrating, intellectual grasp of a situation or of a given subject,” which required principles, or starting points. Redpath expands upon what this means. He indicates “that the subject of science is a dematerialized and abstractly considered substance . . . a real being of thought, judged, and talked about in relation to some real differences that activates a knowing faculty or habit.”<sup>17</sup> Philosophy/science is chiefly an intellectual *virtue*, a habit of the human soul, or better, chiefly the psychological habit of an individually-existing human person.

The pre-modern understanding of science is intimately tied to the human person who deliberates and struggles to discern the nature of things and the proximate causes of their behavior. This effort activates a “knowing faculty or habit,” which begins with wonder. How else can the human person scientifically discern the causes of the behavior things if he or she does not invest the time and effort to wonder about their causes?<sup>18</sup>

In this pre-modern understanding, economic science, likewise, studies the decisions of the human person in the marketplace. In trying to discern the best possible economic outcomes, he or she activates that

---

<sup>17</sup> Redpath, *A Not-So-Elementary Christian Metaphysics*, Vol. 1, 157.

<sup>18</sup> Peter A. Redpath, *The Moral Psychology of St. Thomas Aquinas: An Introduction to Ragamuffin Ethics* (St. Louis, Mo.: En Route Books & Media, 2017), 339–374.

*psychological* knowing faculty or habit. Hence, science, and, therefore, economic science, is chiefly a habit of the human soul: a psychological habit. Economic science is a species of “organizational psychology,” properly understood. This view of science is very different from how modern scientists and economists understand it. Today, science tends to be understood as a systematic logic. This is radically different from the way an ancient Greek like Socrates or Plato had understood science/philosophy. For them, in its highest form, metaphysics:

Philosophy uses no assumptions because it finds confirmation, not in a system or systematic logic, in an awareness of the first principles of considered in itself. It does not take its first principles from the conclusions of another higher science. Philosophy is the science that, with dialectic’s help, knows the first principles that all other sciences assume.<sup>19</sup>

Mainstream modern economic science predominately uses mathematical symbols for logical arguments to prove theories. The role of the human person in economic activity is taken as given, but tends to be abstractly removed from concrete scientific analysis.

We at the Aquinas School of Leadership School of Economics seek radically to change this disordered relationship. We hope you will join us in this effort!



**A Return to Pre-Modern Principles of Economic Science:  
Editors’ Introduction**

**SUMMARY**

This edition of *Studia Gilsoniana* inaugurates submission of articles on economic science based upon pre-modern principles of philosophy/science. Today, many journals

---

<sup>19</sup> Redpath, *A Not-So-Elementary Christian Metaphysics*, Vol. 1, 114–115.

address the intersection of economics and philosophy. Their contributors include practicing economists, economic historians, economist-philosophers, philosopher-economists, and economic methodologists. Research in this interdisciplinary field began to appear in the 1970s and later took shape in the 1980s with the appearance of its specialized academic journals. Today, the intersection of economics and philosophy is a vibrant area of inquiry and research. Books and journal pages are replete with references to classical philosophers such as Plato and Aristotle and their contributions to economic science. However, stronger connections need to be made related to the application of economic principles from the past to the present based upon enduring pre-modern principles of science. This is precisely what this inaugural issue celebrates.

#### KEYWORDS

economic science, pre-modernism, principle, philosophy, science, economics.

#### REFERENCES

- Aquinas, St. Thomas. *Commentary on the De Trinitate of Boethius*. Questions 5 and 6. Translated with introduction and notes by Armand A. Maurer. Toronto: Pontifical Institute of Mediaeval Studies, 4th edition, 1986.
- Aristotle. *Politics*. In *The Basic Works of Aristotle*, edited by Richard McKeon. New York: Random House, 1941. Twelfth Printing.
- Gilson, Étienne. *The Unity of Philosophical Experience*. San Francisco: Ignatius Press, 1999.
- Mäki, Uskali. "Methodology and Economics: Complaints and Guidelines." *Finnish Economic Papers* 3, no. 1 (Spring 1990): 77–84.
- Redpath, Peter A. *A Not-So-Elementary Christian Metaphysics*, Vol. 1. St. Louis, Mo.: En Route Books & Media, 2015.
- Redpath, Peter A. *A Not-So-Elementary Christian Metaphysics*, Vol. 2. St. Louis, Mo.: En Route Books & Media, 2016.
- Redpath, Peter A. *The Moral Psychology of St. Thomas Aquinas: An Introduction to Ragamuffin Ethics*. St. Louis, Mo.: En Route Books & Media, 2017.
- Schumpeter, Joseph A. *History of Economic Analysis*, edited by Elizabeth Boddy Schumpeter. Great Britain: Routledge Taylor & Francis Group, 2006. First published in 1954. Available online at: <http://www.urbanlab.org/articles/economics/Schumpeter%201954%20-%20history%20economic%20analysis.pdf>. Accessed Dec. 10, 2019.
- Wallace, William A. *From a Realist Point of View: Essays in Philosophy of Science*. New York: University Press of America, 2<sup>nd</sup> edition, 1983.



Patrick S. J. Carmack

## Reforming the Primary Instrumental Cause of Increasing Income Inequality

The worldwide phenomenon of increasing income disparities between the very rich and the vast majority of the population of the world is rapidly worsening. Unfortunately, the principal instrumental cause of that phenomenon is almost entirely unknown to the public, and hence the remedies commonly proposed will prove—as some have already—to be little more than band aids on the dying patient. We here present consideration of a more effective remedy to the problem as “the griefs and the anxieties of the men of this age, especially those who are poor or in any way afflicted, these are . . . the griefs and anxieties of the followers of Christ.”<sup>1</sup>

To return to the matter at hand: the level of income inequality in most Western nations and particularly in the U.S. has inevitably reached levels sufficient to awaken public interest in this consequence of fundamental economic injustice. Here are a few of the most salient statistics on the present state of concentration of the world’s \$280 trillion<sup>2</sup> in measurable, material wealth:

---

Patrick S. J. Carmack — Adler–Aquinas Institute, Colorado Springs, Colo., USA  
e-mail: pat2000ad@aol.com ▪ ORCID: no data

<sup>1</sup> *Gaudium et Spes*, Preface, 1, Pastoral Constitution on the Church in the Modern World, Promulgated by His Holiness, Pope Paul VI on Dec. 7, 1965; available online—see the section *References* for details.

<sup>2</sup> Credit Suisse, Nov. 14, 2017.



- The world's 8 richest billionaires own as much wealth as the 3.8 billion people who make up the poorest half of the world population (5 years ago the like figure was 85 billionaires).<sup>3</sup>

- The wealthiest 1% of the world population now owns over 50% of the world's wealth.<sup>4</sup>

- The wealthiest 10% now own 84% of the world's wealth.

- The poorest 64% of the world's population now own just 2% of global wealth.

- 80% of the world population live on under \$10 per day.

- 46% of the world population live on less than \$5.50 per day (3.4 billion people).<sup>5</sup>

- 192 million people are unemployed worldwide.<sup>6</sup>

- The world's 2,200 billionaires were worth \$9.1 trillion, up from \$7.6 trillion a year earlier.<sup>7</sup>

- 41 nations containing 567 million people are heavily indebted—a mere 8 people own more of the world's wealth than the entire GDP of those 41 nations.

For Pope Francis, “[T]he growth of equality . . . also calls for decisions, mechanisms and processes directed to a better distribution of wealth, the creation of sources of employment and an integral promotion of the poor which goes beyond a simple welfare mentality.”<sup>8</sup>

---

<sup>3</sup> According to Oxfam, 2018. The world's richest man, Jeff Bezos, the owner of Amazon, saw his fortune increase to \$112bn. Just 1% of his fortune is equivalent to the whole health budget for Ethiopia, a country of 105 million people.

<sup>4</sup> According to a Credit Suisse report, 2017.

<sup>5</sup> World Bank Press Release, Oct. 17, 2018.

<sup>6</sup> World Employment and Social Outlook: Trends 2018.

<sup>7</sup> According to Oxfam, 2018.

<sup>8</sup> Pope Francis, *A Message to the Executive Chairman of the World Economic Forum on the Occasion of the Annual Meeting at Davos-Klosters, Switzerland* (Vatican, Jan. 17, 2014); available online—see the section *References* for details.

But which “mechanisms and processes directed to a better distribution of wealth”? Contrary to much popular media opinion, the incredible concentration of the world’s wealth is not primarily the result of the Victorian virtues of being prudent, clean and sober, nor of talent, skill, economies of scale, the internet, more efficient production techniques, prices for oil or other commodities, computerized trading, or the globalization of business—except for one specific area of globalization, the globalization of a modern banking technique, specifically: fractional reserve banking (“FRB” herein). That is the most important *mechanism and process* in need of reform. The present FRB system is profoundly unjust and amounts to a “structure of sin,” as defined by St. John Paul II.<sup>9</sup>

FRB is a means of credit creation determined as a certain multiplier of an increase in a bank’s deposits. Since this is the crux of the problem, I will provide a brief explanation and history of it.

### **History of Fractional Reserve Banking (FRB)**

In the late Middle Ages (between the fourteenth and fifteenth centuries) the mercantile and entrepreneurial classes in regions such as Tuscany, Lombardy and Flanders began to be more involved in international trade. Cash or specie (usually gold or silver coin) began to be de-

---

<sup>9</sup> John Paul II, *Sollicitudo Rei Socialis* (Rome 1987), 36: “In this consists the difference between sociopolitical analysis and formal reference to ‘sin’ and the ‘structures of sin’. According to this latter viewpoint, there enter in the will of the Triune God, his plan for humanity, his justice and his mercy. The God who is rich in mercy, the Redeemer of man, the Lord and giver of life, requires from people clear cut attitudes which express themselves also in actions or omissions toward one’s neighbor. We have here a reference to the ‘second tablet’ of the Ten Commandments (cf. Ex 20:12–17; Dt 5:16–21). Not to observe these is to offend God and hurt one’s neighbor, and to introduce into the world influences and obstacles which go far beyond the actions and brief life span of an individual. This also involves interference in the process of the development of peoples, the delay or slowness of which must be judged also in this light.” Available online—see the section *References* for details.

posited with them as payment for goods being purchased from merchants in distant places. Delivery of the goods could take months or even years. In the interim, the merchants with whom the payment had been deposited would either send promissory notes to their agents in the distant place, or collect enough of such funds to justify the expense involved in the physical transfer of the payment. Usually this was handled by the exchange of notes in payment for goods travelling in both directions, from various merchants, which would cancel out in time, without the risk involved in the transport of specie.

The temptation for the merchants with that specie on hand was to lend the money deposited with them out at interest in the interim. Once sufficient sums were deposited with the merchants by several depositors, such loans could be extended indefinitely as not all depositors were likely to require the sums simultaneously. Of course, there was a risk that if sufficient depositors (or their distant creditors) required their funds at the same time that the fraud would be exposed as the merchant would not have enough cash or specie on hand to repay their deposits.

St. Thomas Aquinas had accurately predicted the results of such an increase in trade involvement:

If the citizens themselves devote their life to matters of trade, the way will be opened to many vices. Since the foremost tendency of tradesmen is to make money, greed is awakened in the hearts of the citizens through the pursuit of trade. The result is that everything in the city will become venal; good faith will be destroyed and the way opened to all kinds of trickery; each one will work only for his own profit, despising the public good; the cultivation of virtue will fail since honor, virtue's reward, will be bestowed upon the rich. Thus, in such a city, civic life will necessarily be corrupted.<sup>10</sup>

---

<sup>10</sup> St. Thomas Aquinas, *On Kingship* II, 3, trans. G. B. Phelan, I. Th. Eschmann (Pontifical Institute of Mediaeval Studies, 1949), 76–77.

Few could reasonably doubt that this result is on full display in modern society.

Medieval goldsmiths engaged in a similar practice whereby gold or specie left on deposit with them for safekeeping in their secure vault, as evidenced by a written receipt, was soon being transferred simply by transferring the receipt (like a bearer bond) rather than by the tedious process of going to the goldsmith each time to retrieve the gold then redeposit it and receive a new receipt in the name of the new owner. Goldsmiths' receipts thus became a paper money, substituting for the gold being held in reserve by the goldsmith. Like the medieval merchants, the goldsmiths soon realized they could loan out some of the gold they were holding for others, at interest, since it was unlikely all the depositors of the gold would demand it at the same time—though that risk was there too. Later they realized they could simply loan out receipts (since these were already circulating as money with few coming in to claim any physical gold), and thus they could actually have more receipts in circulation than gold on hand. In both historic examples cited, more receipts (paper money) were being circulated than specie or gold in reserve (in the vault)—hence the name “fractional reserves” (as opposed to *full reserve* or *100% reserve*), meaning only a fraction of the receipts in circulation had adequate gold or specie backing.

These receipts soon took on a role very much like that played by modern checks—orders to transfer funds. Modern banks engage in a virtually identical practice when they make more loans than they have cash on hand or in reserve. The principal difference is that modern banks retain far less in reserves (often only 2–3% in reserve) than the originators of the practice, who often retained 33–40% or even more. As in medieval times with respect to gold, very few people today actually go to the bank to receive cash. This trend has been greatly exacer-

bated by the fact that checks, credit cards, and debit cards have almost entirely taken the place of cash.

The practice earlier was considered variously as fraud, embezzlement, theft, a form of counterfeiting and/or usury. “Roman law recognized that bankers were often tempted to use deposits for themselves. To penalize these actions, they would be not only charged with theft, but had to pay interest *so that, in fear of these penalties, men will cease to make evil, foolish and perverse use of deposits.*”<sup>11</sup> However, as St. Thomas had predicted in the quotation cited above, when greed flourishes the way is “opened to all kinds of trickery; each one will work only for his own profit, despising the public good; the cultivation of virtue will fail since honor, virtue’s reward, will be bestowed upon the rich. Thus, in such a city, civic life will necessarily be corrupted.” Over time, at the urging of the goldsmiths, some of whom had developed into wealthy and influential “bankers,” with much bribery involved to change banking laws and regulations, what was once considered illegal became law. Despite often fierce opposition by those who knew what evils it would entail, FRB was legalized in nation after nation.

The first nation to embrace the FRB scheme by legalizing it for a national central bank was Sweden when it chartered Johan Palmstruch’s privately owned *Stockholms Banco* in 1657. When it collapsed as a result of issuing more notes than reserves (i.e., FRB) and was unable to honor them when too many depositors wanted them at once, Palmstruch was condemned to death, but later received clemency from the king. England was next when, after the “Glorious Revolution” overthrew the legitimate Stuarts, the Bank of England—also a privately owned bank—was chartered in 1694.<sup>12</sup> Nation after nation has followed suit,

---

<sup>11</sup> *Fractional reserve banking*, a Wiki-article available online—see the section *References* for details. And also Jesús Huerta de Soto, *Money, Bank Credit, and Economic Cycles*, trans. Melinda A. Stroup (Auburn: Ludwig von Mises Institute, 2006), 32.

<sup>12</sup> The Bank of England was nationalized in 1946.

legalizing what had been recognized as a fraud engaged in for personal gain and subject to the death penalty in some nations. Today, virtually every nation on earth has legalized FRB.

The subsequent creation of central banks allowed for: centralized coordination of FRB by banks; establishment of limits to their fractional reserve lending, thus keeping the greedier bankers from overstepping and thereby exposing the whole extent of the scheme; created legalized banking cartels by requiring banks to be chartered by the government, thus restricting entry; requiring banks to accept the national currency being created by the central banks or member banks and none other. In the United States the central bank is named the Federal Reserve System. Despite numerous failed attempts at passage and the dire warnings of those few who understood the cunningly complicated scheme, it was finally adopted into law in 1913.

Virtually every nation has imposed some minimum on the percentage of reserves banks must retain—"required reserve ratio" (RRR). In the U.S. it is only 10%, and less for smaller banks, but the ratio varies widely from country to country (e.g., Lebanon 30%, China 20%, Switzerland 2.5%; these RRRs are changed now and then). Most banking laws allow numerous exceptions to the RRR (the U.K., Canada, New Zealand, Australia and Sweden have no reserve requirements), so that in practice most banks typically retain little in reserve. They can do this without much concern over bank "runs" (too many depositors demanding their money at once) for four reasons: (1) almost all nations now have fiat currencies and so only back their money with more fiat money; (2) the central banks can rush large sums of paper money (or transfer electronic deposits) to any bank that needs it; (3) governments guarantee most deposits with taxpayers' money; (4) the checks of member banks are generally accepted at all other member banks (with exceptions). FRB was further globalized in 1988, when the Bank for International Settlements imposed the "Basil I" regulations on banks world-

wide. After that, minimum capital requirements (such as 3 to 8%) have become the principal means of limiting the leverage ratio of loans to this form of reserves, increasingly replacing the use of RRRs.

Thus the spread and cartelization of FRB, when privately-owned as most banks are, created a banking plutocracy in nearly every nation, grown much richer with each generation. Access to bank loans by this plutocracy, directly and indirectly, has gradually resulted in the categorization (i.e., monopolization) and banker control of industry after industry—including the mass media (and hence influence over politics). This practice is kept largely hidden through nominee and corporate stock ownership and overlapping Board memberships. The underlying reality is that a few major banks (and hence their principal stockholders) control virtually every major corporation in the world, directly, or indirectly through critical loan control and/or Board membership or economic control and influence over Board members.

The vast sums of profit reaped by this money creation (“seigniorage,” the “right of the lord” to mint money) only go into the Treasury Department of the nation involved if the central bank is government-owned and creates the money supply in the nation. That is not the case in any major Western nation. Instead, in the typical case, when a government runs a budget deficit (as nearly all do nearly every year) it borrows the needed funds by issuing government bonds (government I.O.U.s/promises to repay), paying interest to the bond purchaser/holder.

To give an illustration, let us use the example of the U.S. which ran over a trillion dollar (\$1T) budget deficit each year from 2009–2019. If, in a given year, the United States government needed to borrow \$1T (as expenditures exceeded tax and other revenues that year by \$1T), the U.S. Treasury issued and *sold* government bonds in the amount of \$1T, paying a certain rate of interest to the purchasers as their incentive to buy the bonds. However, draining that vast sum from

the capital markets—from capital available in the U.S. and elsewhere—would seriously reduce capital available for all other economic activity and would drive interest rates up dramatically, thus seriously harming the economy. To prevent that, the central bank—Federal Reserve (“Fed”)—would simultaneously *purchase* \$100 billion in U.S. government bonds from bond holders in open market purchases. Why sell \$1T in bonds from the U.S. Treasury Department and simultaneously have the Fed buy \$100B of outstanding bonds back? Because of how FRB works, as explained next.

When the Fed purchases \$100B in bonds it pays for them with electronic deposits made to the accounts of the bond sellers’ banks. This “money” is simply created *ex nihilo* by the Fed. It thus increases the money supply by \$100B. But since the government borrowed \$1T, there is still a need for another \$900B in the economy for it to balance out. Because banking law in the U.S. only requires that banks retain 10% of loans in reserve, the banks receiving the \$100B in new deposits may collectively loan out 90% of that \$100B, or \$90B, retaining \$10B in reserve.

But this is the more or less hidden reality of the process which explains why the Fed only purchased \$100B: the \$90B the banks loan out in the first round of loans after the initial \$100B in *ex nihilo* deposits inevitably gets (almost entirely) re-deposited in banks by those who borrowed the money or those whom they paid. The banks thus soon have a new round of deposits of \$90B. They may then loan 90% (\$81B) of that total, retaining 10% (\$9B) in reserve. At this point, the Fed has created \$100B in new money, the seigniorage benefit of which the government received, and the banks have collectively loaned out \$171B at interest (the benefit of the seigniorage the banks received by extension). Next, as the \$81B in new loans gets re-deposited in other banks, of that \$81B in new deposits the banks retain \$8B as reserves and loan out the other \$73B at interest. This process continues, with re-deposits and new

loans and 10% reserves retained each time until the total reaches \$900B in loans and \$100B in reserves.

This is all made possible by the fact that the RRR is not 100% but only 10%, and because the resulting multiplier effect of repeated re-deposits and more loans leverages the difference to create a chain reaction of reduplicated seigniorage. The privately-owned banks thus ultimately have the benefit of \$900B in new loans made at interest, and the government of only \$100B (10%), but the net effect is that \$1T total new money has been put into the economy to balance the effect of government borrowing. Thus, privately-owned banks have benefitted nine (9) times as much for their stockholders as the government has for the public. This is all thanks to the Federal Reserve Act of 1913, which effectively transferred the benefits of sovereign *seigniorage* to them. (Due to the time this process takes to play out, and the occasional lack of loan demand or qualified borrowers, the process described above rarely reaches full monetary expansion and is normally somewhat less.)

Due to the 10% RRR the government cannot simply create \$1T and spend it, as that would result in \$1T being deposited in banks which would cause hyper-inflation due to the multiplier effect—up to \$10T in new money would eventually be created on that \$1T monetary base. Of course, that could be avoided by first changing the law to require 100% reserve banking. Nevertheless, whenever economists propose that the government itself simply create the money (as Abraham Lincoln did in 1863 when he ordered that U.S. Notes be issued by the U.S. Treasury), to silence their critics the banks invariably reply that for the government to create all new money would cause hyper-inflation, which indeed it would due to the multiplier effect—without a change in the RRR to 100%.

What is important to bear in mind is that the banks (the great bulk of the money described above is deposited into a handful of major banks) have benefitted from government deficit spending of \$1T by

being enabled to create and loan out \$900B at interest once the process of fractional reserve lending reaches its maximum extent. This and this alone is the *primary* cause of the concentration of wealth worldwide. At a rate of even 1% average interest, that \$900B, from just one year, would generate \$9B in interest each and every year to these privately-owned banks, much of it distributed directly to the owners in dividends and the rest used as retained earnings to increase bank capital so that even more can be earned the next year, and so on. This explains why banks can make vast profits even when the rest of the economy is doing very poorly. For example, the combined *net* profit at just the six largest U.S. banks jumped to \$74B in the middle of the Great Recession (2013), even after the same banks allocated \$18B to deal with penalties and fines for the laws they broke and for cheating investors.<sup>13</sup>

There is yet another warning in all of this. Due to credit worthiness criteria being currently more stringent and governments pressuring banks (while paying interest on excess reserves) to “sterilize” much of the new money created during the Great Recession in order to avoid hyper-inflation, major banks temporarily have large excess sums on reserve with central banks such as the Fed.<sup>14</sup> This has the effect of sidelining that money out of the economy, temporarily removing it from the re-deposit, re-loan scenario described above. In effect, the Fed is borrowing the money *back* from the banks to remove it from the capital markets, and paying interest to the banks to do so. As interest rates rise,

---

<sup>13</sup> See Jesse Hamilton, “U.S. Banks Had Second-Best Earnings Ever in 2012, FDIC Says,” *Bloomberg* (Feb. 26, 2013); available online—see the section *References* for details. And also Jesse Hamilton, “U.S. Banks Posted Record Profits in Second Quarter, FDIC Says,” *Bloomberg* (Sept. 2, 2015); available online—see the section *References* for details.

<sup>14</sup> By October 2013 the excess reserves at the Federal Reserve had exceeded \$2.3 trillion meaning in excess of the 10% RRR. Federal Reserve Bank of St. Louis (March 20, 2013), “Series: WRESBAL, Reserve Balances with Federal Reserve Banks,” *FRED Economic Data System. The 10 Biggest Banks in the World, Investopedia* (April 23, 2017).

the governments will either have to pay more and more interest to keep those sums sterilized, or the banks will withdraw the funds from the Fed's balance sheets and begin to loan them, thus increasing the money supply and, eventually, inflation.

### **Concentration of Wealth**

The world's top 10 banks (all privately owned) have assets of over \$25T.<sup>15</sup> The bulk of this money was simply created *ex nihilo* by the banks as loans, but loans having only a fraction of the loan amount deposited in reserves. The banks simply write checks as loans, with little or no deposits to back them up. Stockholder equity in these corporations is approximately 10%, or \$2.5T, a figure which doesn't include prior annual dividend payments to the stockholders. This is the *primary* cause of the increasing concentration of wealth world-wide. Indeed, given how this FRB mechanism and process are designed, it could not be otherwise. Further, due to FRB, the wealth thereby concentrated in banks is used to categorize (i.e., monopolize or cartelize) various other sectors of the economy, exacerbating the baneful effects of FRB. It is this byproduct of FRB which accounts for many of the non-financial sector billionaires. Nothing compares to the scale of wealth concentration FRB results in. No other corporations have values close to those large bank asset totals. The three largest non-bank companies—Apple, Amazon and Microsoft—have total stock value (valued at many times annual earnings) of just over \$1T; no others come close (e.g., Alibaba \$350B, Facebook \$138B, Google \$102B, General Motors c. \$140B). More importantly, banks can lend their assets out, at interest, giving banks the enormous economic (and hence political) leverage and influence.

---

<sup>15</sup> Kevin B. Johnston, "The 10 Biggest Banks in the World," *Investopedia* (Nov. 21, 2019); available online—see the section *References* for details.

As the foregoing numbers make clear, the primary instrumental cause of wealth concentration and the gradual impoverishment of the masses worldwide is FRB. We are not here considering the issue of usury as it was traditionally understood: earning interest on loans. Here we have a new order or structure of injustice, which involves the coopting by private corporations (banking cartels) over the last 300 years, but especially over the last 100 years, of the previously sovereign right to create money, for their private advantage and to the disadvantage of all other economic sectors, in a system designed to conceal what is happening from all but the most astute politicians and economists, and *then* charging interest on that money. The temptation to create more and more money, which debases and devalues all existing money (such as savings), is what has led to over 90% of the inflation and reduction in purchasing power of nearly all national currencies in the last 100 years and the tendency of politicians to overspend tax revenue and borrow more every year, since the subsequent inflationary effects of these practices are delayed and obscured, thereby attenuating the political consequences of profligacy.

### **The Usurpation of *Seigniorage* vs. Usury**

The morality of charging interest on loans considering various extrinsic “titles” (such as risk of loss, delay, related expenses, lost alternative profits, etc.)<sup>16</sup> in modern circumstances eventually muddied the waters about the continued validity of medieval prohibitions against usury with respect to such charges, and may reasonably be debated, and should be. However, the transfer of the benefits of money creation—*seigniorage*—from the public benefit to private gain has no similar ambiguity

---

<sup>16</sup> Brief summary of extrinsic titles: <http://branemrys.blogspot.com/2009/07/usury-and-titles-to-interest.html>.

nor justification. It is inherently unjust<sup>17</sup> and results in an increasing concentration of wealth in fewer and fewer hands and increase in the poverty of more and more billions of people. In this instance, a return to the pre-modern prohibition of money-creation by private persons is not only justified, but is necessary to restore equity to the economic order. The notion of equity (or fairness) as being at the heart of justice is rooted in our common human nature, and more deeply considered, in the equality of persons in the Blessed Trinity. It is therefore iniquitous to arrange matters in the economic order in a way that implicitly violates the higher truth of the equal respect due to persons of the same, equal nature and being.

### **Regarding Economic Systems and FRB Capitalism**

Depending on the definition of *capitalism* chosen (there are many), if FRB is included within it as a valid or permissible part of it, then it renders *capitalism* a deeply flawed economic system, inherently unstable<sup>18</sup> and unjust, which in the long-term inevitably results in the concentration of wealth in fewer and fewer hands—the exact opposite of the “better distribution of wealth” encouraged by Pope Francis, and

---

<sup>17</sup> Pius XI, *Quadragesimo Anno* (Rome 1931), 114: “For such sovereignty belongs in reality not to owners but to the public authority. . . . For certain kinds of property, it is rightly contended, ought to be reserved to the State since they carry with them a dominating power so great that cannot without danger to the general welfare be entrusted to private individuals.” Available online—see the section *References* for details.

<sup>18</sup> Milton Friedman, *A Program for Monetary Stability* (New York: Fordham University Press, 1959), 66: “Our present fractional reserve banking system has two major defects. First, it involves extensive governmental intervention into lending and investing activities that should preferably be left to the free market. Second, decisions by holders of money about the form in which they want to hold money and by banks about the structure of their assets tend to affect the amount available to lend. This has often been referred to as the ‘inherent instability’ of a fractional reserve system.” The book proposed fractional reserve banking should be abolished and replaced with full reserve banking.

therefore an economic system worthy of severe criticism and in need of fundamental reform.<sup>19</sup>

However, if by *capitalism* is meant a free and fair market economy, then we cannot consider the present economic system in most of the world (including the U.S.) as truly capitalism, as it is neither free nor fair, but is in fact thoroughly rigged by laws which establish bank cartels for most money creation by privately-owned banks. The banks are thereby inequitably privileged over and thus inequitably tilted against *all* other sectors of the economy. One cannot defend any economic system that contains such an unjust and ultimately self-destructive element as FRB, regardless of the name.

On the other hand, all definitions of capitalism recognize the right to private property, and when used synonymously with a “free market economy,” as it generally is in common usage, then such *capitalism* represents an ideal economy, not fully achieved in the U.S. or elsewhere, except in a few historical cases outside the scope of this paper. It is precisely the equivocal use of the term *capitalism* that unites bankers engaged in FRB with many Distributionists, free-marketeers, libertarians and Christian economists, unaware of the injustice of FRB embedded in the present economic system of the West and most of the rest of the world. Those aware of this distinction tend to prefer the use of the term *free* or *open market economy* or *free enterprise economy*, rather than *capitalism*—however, this important distinction is not common in the popular discourse about economics or politics. In any case, *capitalism*, in this latter sense, is *fundamentally* just and would preclude FRB, and hence to attain this ideal from our present capitalist system would require the abolition of FRB. Such a notion of *capitalism*, which is both free and fair, we entirely support.

---

<sup>19</sup> Cf. also Pius XI, *Quadragesimo Anno*, 50: “Is it not deplorable that the right of private property defended by the Church should so often have been used as a weapon to defraud the workingman of his just salary and his social rights?”

The foregoing distinctions regarding capitalism (simply put as either good or deeply flawed) are supported by various Papal documents. For example:

- In *Rerum Novarum* (1891), Pope Leo XIII condemned *unrestricted* capitalism.<sup>20</sup>

- In *Quadragesimo Anno* (1931), Pope Pius XI wrote:

[I]t is evident that . . . [capitalism] is not to be condemned in itself. And surely it is not of its own nature vicious. . . . For certain kinds of property, it is rightly contended, ought to be reserved to the State since they carry with them a dominating power so great that cannot without danger to the general welfare be entrusted to private individuals. . . . This dictatorship is being most forcibly exercised by those who, since they hold the money and completely control it, control credit also and rule the lending of money. Hence they regulate the flow, so to speak, of the life-blood whereby the entire economic system lives, and have so firmly in their grasp the soul, as it were, of economic life that no one can breathe against their will.<sup>21</sup>

- In *Populorum Progressio* (1967), St. Paul VI taught: “This unbridled liberalism paves the way for a particular type of tyranny, rightly condemned by Our predecessor Pius XI, for it results in the *international imperialism of money*.”<sup>22</sup>

- In *Sollicitudo Rei Socialis* (1987), St. John Paul II affirmed:

[T]he tension between East and West is . . . in itself an opposition between . . . two concepts of the development of individuals and peoples both concepts being imperfect and in need of radical correction. . . . This is one of the reasons why the Church’s social

---

<sup>20</sup> See Leo XIII, *Rerum Novarum* (Rome 1891); available online—see the section *References* for details.

<sup>21</sup> Pius XI, *Quadragesimo Anno*, 101, 114, and 106.

<sup>22</sup> Paul VI, *Populorum Progressio* (Rome 1967), 26; available online—see the section *References* for details.

doctrine adopts a critical attitude towards both liberal capitalism and Marxist collectivism.<sup>23</sup>

- In *Christifideles Laici* (1988), St. John Paul II points to a good example for us to ponder. He states we should “keep a watchful eye on this our world, with its problems and values, its unrest and hopes . . . a world whose economic . . . affairs pose problems and grave difficulties.”<sup>24</sup> This violates personal dignity and “cries out in vengeance to God.”<sup>25</sup> So the Holy Father bids us even to denounce as evil “collectivity, institutions, structures and systems”<sup>26</sup> but with a Christian spirit. His watchful eye found that “maximum vigilance must be exercised by everyone in the face of the phenomenon of the concentration of power and technology . . . worsening the condition of entire peoples . . .”<sup>27</sup>

- The Pontifical Council for Justice and Peace’s *Towards Reforming the International Financial and Monetary Systems in the Context of Global Public Authority* (2011): “Since the 1990s, we have seen that money and credit instruments worldwide have grown more rapidly than the accumulation of wealth in the economy, even adjusting for inflation.”<sup>28</sup>

- In his Apostolic Exhortation *Evangelii Gaudium* (2013), Pope Francis added his voice:

The need to resolve the structural causes of poverty cannot be delayed. . . . One cause of this situation is found in our relationship with money . . . [t]he worldwide crisis affecting finance and the

---

<sup>23</sup> John Paul II, *Sollicitudo Rei Socialis*, 21.

<sup>24</sup> John Paul II, *Christifideles Laici* (Rome 1988), 3; available online—see the section *References* for details.

<sup>25</sup> *Ibid.*, 37.

<sup>26</sup> *Ibid.*

<sup>27</sup> *Ibid.*, 38.

<sup>28</sup> Pontifical Council for Justice and Peace, *Towards Reforming the International Financial and Monetary Systems in the Context of Global Public Authority* (2011), 1; available online—see the section *References* for details.

economy lays bare their imbalances . . . We can no longer trust in the unseen forces and the invisible hand of the market . . . justice requires more than economic growth . . . it requires decisions, programmes, mechanisms and processes specifically geared to better distribution of income . . . It is vital that government leaders and financial leaders take heed . . . There are other weak and defenceless beings who are frequently at the mercy of economic interests . . . [M]ore than a few sporadic acts of generosity. It presumes the creation of a new mindset which thinks in terms of community and the priority of the life of all over the appropriation of goods by a few.<sup>29</sup>

### **Socialism**

Virtually all definitions of socialism include large-scale restrictions on the natural right to ownership of private property. These restrictions range all the way to State ownership of all property: that is, communism, which is socialism’s natural terminus. This is easily established by the numerous historical examples of socialism we can now view in the past, from the “International Socialism” of Stalin in the Soviet Union, to the “National Socialism” of Hitler in Germany, to the two systems in Mao’s one China (providing a clear contrast between the success of capitalist Hong Kong with socialist mainland China). Many other failed socialist states merely confirm the same point, such as Castro’s Cuba, Pol Pot’s Cambodia, Kim’s North Korea, Maduro’s Venezuela, and on and on. It is remarkable that besides the economic catastrophe socialism inflicted on every one of these nations—even though the degree of socialism varied considerably among them—each one also spawned dictatorial regimes to take the private property of individuals by force, often resulting in mass murder the scale of which

---

<sup>29</sup> Francis, *Evangelii Gaudium* (Rome 2013), 202, 55, 204, 205, 215, 188; available online—see the section *References* for details.

beggars the imagination. Well over 100 million civilians were killed by socialists and their partisans in the first three above-named nations alone.

Given this, and given that natural rights are naturally defended, it is no wonder that men of good will have always been against such evils. The popes, too, have stood firm against socialism and communism. Some relevant Papal quotations follow:

[Leo XIII:] Lured, in fine, by the greed of present goods, which is ‘the root of all evils, which some coveting have erred from the faith’ (1 Tim. 6:10), they [socialists] assail the right of property sanctioned by natural law; and by a scheme of horrible wickedness, while they seem desirous of caring for the needs and satisfying the desires of all men, they strive to seize and hold in common whatever has been acquired either by title of lawful inheritance, or by labor of brain and hands, or by thrift in one’s mode of life.<sup>30</sup>

[Pius IX:] Our Venerable Predecessor, Pius IX, of holy memory, as early as 1846 pronounced a solemn condemnation, which he confirmed in the words of the Syllabus directed against *that infamous doctrine of so-called Communism which is absolutely contrary to the natural law itself, and if once adopted would utterly destroy the rights, property and possessions of all men, and even society itself.*<sup>31</sup>

### **Moderated Socialism**

The plain historical fact of socialism, the greed and murder it brings in its train, have led some to seek other varieties of socialism which have kept the name “socialism,” but are said to be more moder-

---

<sup>30</sup> Leo XIII, *Quod Apostolici Muneris* (Rome 1878), 1; available online—see the section *References* for details.

<sup>31</sup> Pius XI, *Divini Redemptoris* (Rome 1937), 4; available online—see the section *References* for details.

ate, thus obtaining the putative benefits of socialism without inviting the horrors listed above. As Pius XI pointed out, such a so-called moderate socialism

not only professes the rejection of violence but modifies and tempers to some degree, if it does not reject entirely, the class struggle and the abolition of private ownership. One might say that, terrified by its own principles and by the conclusions drawn therefrom by Communism, Socialism inclines toward and in a certain measure approaches the truths which Christian tradition has always held sacred; for it cannot be denied that its demands at times come very near those that Christian reformers of society justly insist upon.<sup>32</sup>

Something seemingly akin to the free market economy mentioned above, is the *Third Way* position developed in response to overuse of State intervention in economics, but rejecting *laissez-faire* capitalism. The *Third Way* rejects the traditional conception of socialism, i.e., ethical doctrine and centrism. Many have sought to combine the two. For example, a “social justice” which emphasizes “commitment to balanced budgets, providing equal opportunity which is combined with an emphasis on personal responsibility, the decentralisation of government power to the lowest level possible, encouragement and promotion of public-private partnerships,” labour supply, and human development.<sup>33</sup>

In current political terms, some view the *Third Way* as represented in the U.S. by self-avowed Socialist Bernie Sanders. Yet American socialists have criticized Sanders, arguing that he is not really a socialist because he aims to reform capitalism rather than to replace it

---

<sup>32</sup> Pius XI, *Quadragesimo Anno*, 113.

<sup>33</sup> Cf. *Third Way*, a Wiki-article available online—see the section *References* for details.

with an entirely different socialist system.<sup>34</sup> Sanders' recent pronouncements do not show signs of such timidity. For instance, after the 2017 general election in the U.K., Sanders wrote in *The New York Times* that “the British elections should be a lesson for the Democratic Party” and urged the Democrats to stop holding on to an “overly cautious, centrist ideology,” arguing that “momentum shifted to Labour after it released a very progressive manifesto that generated much enthusiasm among young people and workers.”<sup>35</sup>

Without delving more deeply into the numerous, nuanced versions of moderated socialism, suffice it to quote at some length here the words of Pope Pius XI on moderated socialism:

But what if Socialism has really been so tempered and modified as to the class struggle and private ownership that there is in it no longer anything to be censured on these points? Has it thereby renounced its contradictory nature to the Christian religion? This is the question that holds many minds in suspense. We make this pronouncement: Whether considered as a doctrine, or an historical fact, or a movement, Socialism, if it remains truly Socialism, even after it has yielded to truth and justice on the points which we have mentioned, cannot be reconciled with the teachings of the Catholic Church because its concept of society itself is utterly foreign to Christian truth. . . .

For if the class struggle abstains from enmities and mutual hatred, it gradually changes into an honest discussion of differences founded on a desire for justice, and if this is not that blessed social peace which we all seek, it can and ought to be the point of departure from which to move forward to the mutual cooperation of the Industries and Professions. So also the war declared on private ownership, more and more abated, is being so restricted that

---

<sup>34</sup> Patricia Murphy, “Real Socialists Think Bernie’s a Sellout,” *The Daily Beast* (13 October 2015); available online—see the section *References* for details.

<sup>35</sup> Bernie Sanders, “How Democrats Can Stop Losing Elections,” *The New York Times* (June 13, 2017); available online—see the section *References* for details.

now, finally, not the possession itself of the means of production is attacked but rather a kind of sovereignty over society which ownership has, contrary to all right, seized and usurped. For such sovereignty belongs in reality not to owners but to the public authority. If the foregoing happens, it can come even to the point that imperceptibly these ideas of the more moderate socialism will no longer differ from the desires and demands of those who are striving to remold human society on the basis of Christian principles.

Such just demands and desire have nothing in them now which is inconsistent with Christian truth, and much less are they special to Socialism. Those who work solely toward such ends have, therefore, no reason to become socialists.

Yet let no one think that all the socialist groups or factions that are not communist have, without exception, recovered their senses to this extent either in fact or in name. For the most part they do not reject the class struggle or the abolition of ownership, but only in some degree modify them. Now if these false principles are modified and to some extent erased from the program, the question arises, or rather is raised without warrant by some, whether the principles of Christian truth cannot perhaps be also modified to some degree and be tempered so as to meet Socialism half-way and, as it were, by a middle course, come to agreement with it. There are some allured by the foolish hope that socialists in this way will be drawn to us. A vain hope! . . .

Because of the fact that goods are produced more efficiently by a suitable division of labor than by the scattered efforts of individuals, socialists infer that economic activity, only the material ends of which enter into their thinking, ought of necessity to be carried on socially. Because of this necessity, they hold that men are obliged, with respect to the producing of goods, to surrender and subject themselves entirely to society. Indeed, possession of the greatest possible supply of things that serve the advantages of this life is considered of such great importance that the higher goods of man, liberty not excepted, must take a secondary place and even be sacrificed to the demands of the most efficient pro-

duction of goods [underlining added]. This damage to human dignity, undergone in the “socialized” process of production, will be easily offset, they say, by the abundance of socially produced goods which will pour out in profusion to individuals to be used freely at their pleasure for comforts and cultural development. Society, therefore, as Socialism conceives it, can on the one hand neither exist nor be thought of without an obviously excessive use of force; on the other hand, it fosters a liberty no less false, since there is no place in it for true social authority, which rests not on temporal and material advantages but descends from God alone, the Creator and last end of all things.

If Socialism, like all errors, contains some truth (which, moreover, the Supreme Pontiffs have never denied), it is based nevertheless on a theory of human society peculiar to itself and irreconcilable with true Christianity. Religious socialism, Christian socialism, are contradictory terms; no one can be at the same time a good Catholic and a *true* socialist.<sup>36</sup>

There is much more to be said about the *insurmountable* difficulties and dangers with implementing any form of socialism, and the inevitable disastrous consequences, however moderated to distance itself from more complete versions of socialism and communism it may be. We will let the history of the socialist regimes speak to that for the historically educated reader and turn now to what is specifically needed to reform *capitalism* as it is found in the West, and now virtually worldwide.

---

<sup>36</sup> Pius XI, *Quadragesimo Anno*, 117, 114, 115, 116, 119–120. Popes thereafter have continuously reaffirmed these teachings. See, for example, John XXIII, *Mater et Magistra* (Rome 1961), 34; Paul VI, *Octogesima Adveniens* (Vatican 1971), 31; Benedict XVI, *Deus Caritas Est* (Rome 2005), 28; John Paul II, *Centesimus Annus* (Rome 1991), 13.

## Specific Solutions

In 2012 researchers at the IMF discovered that fractional reserve banking is inherently unstable and is the primary cause of both national and private debt (*ergo* the concentration of wealth). They wrote:

At the height of the Great Depression [1929–39] a number of leading U.S. economists advanced a proposal for monetary reform that became known as the Chicago Plan. It envisaged the separation of the monetary and credit functions of the banking system, by requiring 100% reserve backing for deposits. Irving Fisher (1936) claimed the following advantages for this plan: (1) Much better control of a major source of business cycle fluctuations, sudden increases and contractions of bank credit and of the supply of bank-created money. (2) Complete elimination of bank runs. (3) Dramatic reduction of the (net) public debt. (4) Dramatic reduction of private debt, as money creation no longer requires simultaneous debt creation. We study these claims by embedding a comprehensive and carefully calibrated model of the banking system in a DSGE model of the U.S. economy. We find support for all four of Fisher's claims. Furthermore, output gains approach 10 percent, and steady state inflation can drop to zero without posing problems for the conduct of monetary policy.<sup>37</sup>

The IMF authors noted that all four of the benefits of the Plan foreseen by Fisher were supported by their research, as well as increased output gains and no inflation.<sup>38</sup> Although such a reform could be accomplished very easily, the IMF has done nothing to support this much needed reform. The fundamental reform is simply to require banks to have \$1 on deposit for every \$1 they loan. This is called *full reserve* or

---

<sup>37</sup> IMF Working Paper, *The Chicago Plan Revisited*, prepared by Jaromir Benes and Michael Kumhof, Research Department, authorized for distribution by Douglas Laxton (August 2012), 1; available online—see the section *References* for details.

<sup>38</sup> *Ibid.*

100% reserve banking, and would replace FRB, adding the 7<sup>th</sup> benefit listed below. This reform would have to be implemented gradually over a period of 1 or 2 years with the purchase of government bonds by governments (with new government-issued money) to provide the capital and deposits necessary to enable banks gradually to achieve the 100% deposit requirement (100% RRR). The benefits are noteworthy, supported by the IMF research, and earlier, by Milton Friedman:<sup>39</sup>

- Better Control/Reduction of Business Cycle Fluctuations (the Boom/Bust Cycles).
- Elimination of Bank Runs.
- Dramatic Reduction or Elimination of National Debt.
- Dramatic Reduction of Private Debt.
- National Output Gains of 10%.
- Inflation Reduced to Zero.
- Elimination of the Concentration of Wealth due to Fractional Reserve Banking.

## **Conclusion**

Genuine reform of capitalism into a free market economy is possible, and does not advocate that the State nationalize the banking system—which is really another form of socialism (and a dangerous violation of the principle of subsidiary)—rather, authentic reform requires that private individuals and privately owned corporations (i.e., private banks) not arrogate to themselves and for their personal gain any exclusive or semi-exclusive right to create money (and that laws be reformed accordingly), which is a grave injustice and the root instrumental cause of the worldwide concentration of wealth in fewer and fewer private

---

<sup>39</sup> See Friedman, *A Program for Monetary Stability*.

hands<sup>40</sup> (most of the recent wealth concentration has gone not even to the top 1%, but to the top .1%, especially, but not exclusively, to those in banking and finance). Pope Francis challenged economic leaders including many bankers assembled in Davos in 2014 to put their wealth at the service of humanity instead of leaving most of the world's population in poverty and insecurity. Pope Francis was exactly correct in calling for the need to resolve the structural causes of poverty and for mechanisms and processes to be directed to a better distribution of wealth. The principal structural cause of poverty is FRB. Unfortunately, all economists and bankers of the last two generations have been raised with this profoundly unjust structure of sin, and even if they are among the relatively few who fully understand its implications and inevitable consequences, they take it for granted that it is moral and not subject to reform. As Upton Sinclair sagely noted, it is difficult to get a man to understand something when his salary depends on his not understanding it.

Likewise, many Catholic moralists take it for granted that because it is now privileged legally it is moral, and must be the result of free exchange in a free market (or those more poorly informed assume it is a form of usury, which is an incorrect assumption or only partially true in its least significant part). But here again, the Magisterium (cited above) has it correct: over the last 300 years unseen forces with irresist-

---

<sup>40</sup> Caveat: while reducing private bank money creation is a good thing in itself—absent safeguards the Chicago Plan *per se* would increase State control over the economy, and it does not abolish fiat money which would be more subject to political control (and monetary expansion) under the Chicago Plan. As noted in the draft *Monetary Reform Act* and by Dr. Friedman, remedies to those two deficiencies would be that either monetary growth must be regulated by a Constitutional or legislative change establishing either a zero (i.e., stable supply—no change) or a low fixed rate of annual growth (such as 3%), or, fiat money should be replaced with a commodity-based money such as gold (and/or silver or whatever the free market develops as money), to prevent the government from debasing the currency. Promoting those additional safeguarding elements would also be huge improvements over the current system.

ible power—the power of the creation and control of money—have introduced influences and obstacles to development which go far beyond the actions and brief life span of an individual, vitiating a free and fair market economy and corrupting the political/legal system to achieve this present unjust banking mechanism, worldwide, which is rapidly concentrating all wealth in a very few hands, impoverishing the vast majority of humanity “whose anguish is our anguish.”



### **Reforming the Primary Instrumental Cause of Increasing Income Inequality**

#### SUMMARY

It is undisputed that fewer and fewer people own and control more and more of the total material wealth of the world, and conversely, that more and more people—the vast majority of mankind—own and control less and less of it, which situation is rapidly worsening. This paper identifies and examines the primary instrumental cause (i.e., preexisting from human avarice) for that phenomenon, which we argue is the usurpation of the sovereign right of money creation, known as *seigniorage* (from the Old French *seigneurage*, “right of the lord to mint money”). This usurpation has been accomplished by a cunning and complex banking technique known as *fractional reserve banking*, which enables banks to make loans based on the fraudulent representation that they possess sufficient reserves to back the loans (described in detail in the article). Originally considered criminal, and its practitioners even subject to the death penalty, over the last three centuries by hook or by crook fractional reserve banking has been legalized in nearly all the nations of the world, to the benefit of bankers and the harm of all other economic sectors and the public.

The article then examines the deleterious effects of fractional reserve banking on capitalism, and how its extirpation may be accomplished, thereby reforming capitalism—“which is not of its nature vicious”—into a more just economic system. Finally we note how socialism—in any of its various stripes—is radically contrary to the private ownership of material goods necessary for proper human liberty, and rooted as it is in the purely materialistic notion that man should be subject to the State or society in order to to maximize production, *cannot* be acceptably reformed. Economics is not necessarily a zero sum game: even when vitiated by fractional reserve banking capitalism will result in greater total wealth, but shared more and more unequally, whereas socialism inevitably results in less total wealth, recalling Winston Churchill’s apt observation

that: “The inherent vice of capitalism is the unequal sharing of the blessings. The inherent virtue of socialism is the equal sharing of the miseries.”

#### KEYWORDS

economic inequality, fractional reserve banking, full reserve banking, *seigniorage*, capitalism, socialism, free market economics, economic reform.

#### REFERENCES

- Aquinas, Thomas. *On Kingship*. Translated by G. B. Phelan & I. Th. Eschmann. Pontifical Institute of Mediaeval Studies, 1949.
- Benedict XVI. *Deus Caritas Est*. Rome 2005. Available online at: [http://www.vatican.va/content/benedict-xvi/en/encyclicals/documents/hf\\_ben-xvi\\_enc\\_20051225\\_deus-caritas-est.html](http://www.vatican.va/content/benedict-xvi/en/encyclicals/documents/hf_ben-xvi_enc_20051225_deus-caritas-est.html). Accessed Aug. 20, 2019.
- Fractional reserve banking*. A Wiki-article available online at: [https://wiki.mises.org/wiki/Fractional\\_reserve\\_banking](https://wiki.mises.org/wiki/Fractional_reserve_banking). Accessed Aug. 20, 2019.
- Francis. *A Message to the Executive Chairman of the World Economic Forum on the Occasion of the Annual Meeting at Davos-Klosters, Switzerland*. Vatican, Jan. 17, 2014. Available online at: [http://www.vatican.va/content/francesco/en/messages/pont-messages/2014/documents/papa-francesco\\_20140117\\_messaggio-wef-davos.html](http://www.vatican.va/content/francesco/en/messages/pont-messages/2014/documents/papa-francesco_20140117_messaggio-wef-davos.html). Accessed Aug. 20, 2019.
- Francis. *Evangelii Gaudium*. Rome 2013. Available online at: [http://www.vatican.va/content/francesco/en/apost\\_exhortations/documents/papa-francesco\\_esortazione-ap\\_20131124\\_evangelii-gaudium.html](http://www.vatican.va/content/francesco/en/apost_exhortations/documents/papa-francesco_esortazione-ap_20131124_evangelii-gaudium.html). Accessed Aug. 20, 2019.
- Friedman, Milton. *A Program for Monetary Stability*. New York: Fordham University Press, 1959.
- Gaudium et Spes*. Pastoral Constitution on the Church in the Modern World. Promulgated by His Holiness, Pope Paul VI on Dec. 7, 1965. Available online at: [http://www.vatican.va/archive/hist\\_councils/ii\\_vatican\\_council/documents/vat-ii\\_const\\_19651207\\_gaudium-et-spes\\_en.html](http://www.vatican.va/archive/hist_councils/ii_vatican_council/documents/vat-ii_const_19651207_gaudium-et-spes_en.html). Accessed Aug. 20, 2019.
- Hamilton, Jesse. “U.S. Banks Had Second-Best Earnings Ever in 2012, FDIC Says.” *Bloomberg* (Feb. 26, 2013). Available online at: <https://www.bloomberg.com/news/articles/2013-02-26/u-s-banks-report-second-best-earnings-ever-in-2012-fdic-says>. Accessed Aug. 20, 2019.
- Hamilton, Jesse. “U.S. Banks Posted Record Profits in Second Quarter, FDIC Says.” *Bloomberg* (Sept. 2, 2015). Available online at: <https://www.bloomberg.com/news/articles/2015-09-02/u-s-banks-posted-record-profits-in-second-quarter-fdic-says>. Accessed Aug. 20, 2019.
- Huerta de Soto, Jesús. *Money, Bank Credit, and Economic Cycles*. Translated by Melinda A. Stroup. Auburn: Ludwig von Mises Institute, 2006.
- IMF Working Paper. *The Chicago Plan Revisited*. Prepared by Jaromir Benes and Michael Kumhof. Research Department. Authorized for distribution by Douglas Laxton. August 2012. Available online at:

- <http://www.imf.org/external/pubs/ft/wp/2012/wp12202.pdf>. Accessed Aug. 20, 2019.
- John XXIII. *Mater et Magistra*. Rome 1961. Available online at: [http://www.vatican.va/content/john-xxiii/en/encyclicals/documents/hf\\_j-xxiii\\_enc\\_15051961\\_mater.html](http://www.vatican.va/content/john-xxiii/en/encyclicals/documents/hf_j-xxiii_enc_15051961_mater.html). Accessed Aug. 20, 2019.
- John Paul II. *Centesimus Annus*. Rome 1991. Available online at: [http://www.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf\\_jp-ii\\_enc\\_01051991\\_centesimus-annus.html](http://www.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf_jp-ii_enc_01051991_centesimus-annus.html). Accessed Aug. 20, 2019.
- John Paul II. *Christifideles Laici*. Rome 1988. Available online at: [http://www.vatican.va/content/john-paul-ii/en/apost\\_exhortations/documents/hf\\_jp-ii\\_exh\\_30121988\\_christifideles-laici.html](http://www.vatican.va/content/john-paul-ii/en/apost_exhortations/documents/hf_jp-ii_exh_30121988_christifideles-laici.html). Accessed Aug. 20, 2019.
- John Paul II. *Sollicitudo Rei Socialis*. Rome 1987. Available online at: [http://www.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf\\_jp-ii\\_enc\\_30121987\\_sollicitudo-rei-socialis.html](http://www.vatican.va/content/john-paul-ii/en/encyclicals/documents/hf_jp-ii_enc_30121987_sollicitudo-rei-socialis.html). Accessed Aug. 20, 2019.
- Johnston, Kevin B. “The 10 Biggest Banks in the World.” *Investopedia* (Nov. 21, 2019). Available online at: <https://www.investopedia.com/articles/investing/122315/worlds-top-10-banks-jpm-wfc.asp>. Accessed Aug. 20, 2019.
- Leo XIII. *Quod Apostolici Muneris*. Rome 1878. Available online at: [http://www.vatican.va/content/leo-xiii/en/encyclicals/documents/hf\\_l-xiii\\_enc\\_28121878\\_quod-apostolici-muneris.html](http://www.vatican.va/content/leo-xiii/en/encyclicals/documents/hf_l-xiii_enc_28121878_quod-apostolici-muneris.html). Accessed Aug. 20, 2019.
- Leo XIII. *Rerum Novarum*. Rome 1891. Available online at: [http://www.vatican.va/content/leo-xiii/en/encyclicals/documents/hf\\_l-xiii\\_enc\\_15051891\\_rerum-novarum.html](http://www.vatican.va/content/leo-xiii/en/encyclicals/documents/hf_l-xiii_enc_15051891_rerum-novarum.html). Accessed Aug. 20, 2019.
- Murphy, Patricia. “Real Socialists Think Bernie’s a Sellout.” *The Daily Beast* (Oct. 13, 2015). Available online at: <https://www.thedailybeast.com/real-socialists-think-bernies-a-sellout>. Accessed Aug. 20, 2019.
- Paul VI. *Octogesima Adveniens*. Vatican 1971. Available online at: [http://www.vatican.va/content/paul-vi/en/apost\\_letters/documents/hf\\_p-vi\\_apl\\_19710514\\_octogesima-adveniens.html](http://www.vatican.va/content/paul-vi/en/apost_letters/documents/hf_p-vi_apl_19710514_octogesima-adveniens.html). Accessed Aug. 20, 2019.
- Paul VI. *Populorum Progressio*. Rome 1967. Available online at: [http://www.vatican.va/content/paul-vi/en/encyclicals/documents/hf\\_p-vi\\_enc\\_26031967\\_populorum.html](http://www.vatican.va/content/paul-vi/en/encyclicals/documents/hf_p-vi_enc_26031967_populorum.html). Accessed Aug. 20, 2019.
- Pius XI. *Divini Redemptoris*. Rome 1937. Available online at: [http://www.vatican.va/content/pius-xi/en/encyclicals/documents/hf\\_p-xi\\_enc\\_19370319\\_divini-redemptoris.html](http://www.vatican.va/content/pius-xi/en/encyclicals/documents/hf_p-xi_enc_19370319_divini-redemptoris.html). Accessed Aug. 20, 2019.
- Pius XI. *Quadragesimo Anno*. Rome 1931. Available online at: [http://www.vatican.va/content/pius-xi/en/encyclicals/documents/hf\\_p-xi\\_enc\\_19310515\\_quadragesimo-anno.html](http://www.vatican.va/content/pius-xi/en/encyclicals/documents/hf_p-xi_enc_19310515_quadragesimo-anno.html). Accessed Aug. 20, 2019.
- Pontifical Council for Justice and Peace. *Towards Reforming the International Financial and Monetary Systems in the Context of Global Public Authority* (2011). Available online at: [http://www.vatican.va/roman\\_curia/pontifical\\_councils/justpeace/documents/rc\\_pc\\_justpeace\\_doc\\_20111024\\_not\\_a\\_en.html](http://www.vatican.va/roman_curia/pontifical_councils/justpeace/documents/rc_pc_justpeace_doc_20111024_not_a_en.html). Accessed Aug. 20, 2019.

Sanders, Bernie. "How Democrats Can Stop Losing Elections." *The New York Times* (June 13, 2017). Available online at:

<https://www.nytimes.com/2017/06/13/opinion/bernie-sanders-how-democrats-can-stop-losing-elections.html>. Accessed Aug. 20, 2019.

*Third Way*. A Wiki-article available online at:

[https://en.wikipedia.org/wiki/Third\\_Way](https://en.wikipedia.org/wiki/Third_Way). Accessed Aug. 20, 2019.

Ricardo F. Crespo

## Aristotle’s Principles for Modern Economic Science

In a special journal issue dedicated to the principles that pre-modern philosophy can contribute to modern economics, I cannot but think of Aristotle’s insights on economic reality and knowledge. This is because I have extensively worked on Aristotle’s economic thinking.<sup>1</sup> My interest in Aristotle’s ideas on economic life has not stemmed from a kind of archaeological curiosity but from the quest for perennial notions that may shed light on contemporary economics. When I first studied economics I had a feeling that something was wrong about it: all remains at a strong theoretical level—usually expressed in sophisticated models—that have a remote relation with the actual economy.

---

Ricardo F. Crespo — IAE Universidad Austral and CONICET, Argentina  
e-mail: rcrespo@iae.edu.ar • ORCID: no data

<sup>1</sup> See Ricardo F. Crespo’s: “The Ontology of the ‘Economic’: an Aristotelian Analysis,” *Cambridge Journal of Economics* 30, no. 5 (2006): 767–781; “The Economic According to Aristotle: Ethical, Political and Epistemological Implications,” *Foundations of Science* 13, no. 3–4 (2008): 281–294; “Aristotle’s Science of Economics,” in *Christian Morality and Market Economies: Theological and Philosophical Perspectives*, ed. Samuel Gregg and Ian Harper (Cheltenham, UK: Edward Elgar, 2008), 13–24; “Aristotle,” in *Elgar Handbook of Economics and Ethics*, ed. Irene van Staveren and Jan Peil (Cheltenham and Northampton 2009), 14–20; “Aristotle on the Economy,” *Philosophia* 70 (2010): 39–68; *Philosophy of the Economy: An Aristotelian Approach* (Dordrecht: Springer, 2013); *A Re-Assessment of Aristotle’s Economic Thought* (London: Routledge, 2014); “Society, Markets and Virtues: An Aristotelian Analysis,” in *Handbook of Virtue Ethics in Business and Management*, ed. Alejo Sison, Gregory Beabout and Ignacio Ferrero (London: Springer, 2017), 1323–1329.



Then, I studied philosophy in a Department with a solid Aristotelian orientation and often found in his teachings useful intuitions about contemporary themes. This is why, when I decided that I would specialize in the philosophy of economics, I started by analyzing Aristotle's economic thoughts. As a consequence of this, this paper will not add more fundamental ideas than those introduced in the previous works, but will present them in another way, trying to extract principles that could illuminate today's economic science.

Modern philosophy has ignored or changed fundamental concepts of classical metaphysics and ethics. As Étienne Gilson notes, for moderns, "metaphysics and ethics had to be either ignored or, at least, replaced by new positive sciences; in either case, they would be eliminated."<sup>2</sup> On metaphysical grounds, for Kant, intellectual intuition does not penetrate the nature of things; reason has not an intuitive but a "constructivist" role, constructive of the object of knowledge through *a priori* categories and judgments. On the practical field, a rational ethics has been replaced by emotivist theories. Final causes, human virtues, and practical reason have disappeared from philosophy, or their meanings have been substantially reformed. As Gilson and Thomas Langan state:

He [Kant] limited speculative philosophy by simply beheading it . . . . By similarly depriving ethics of any objective foundations beyond the postulates of moral consciousness, Kant initiated an age of moral faith during which, from Kant to Nietzsche, ethical truth progressively lost its motives of credibility.<sup>3</sup>

Contemporary economics has naturally derived from Modern philosophy and is a good example of the practical consequences of it: mod-

---

<sup>2</sup> Étienne Gilson, *The Unity of Philosophical Experience* (New York: Charles Scribner's Sons, 1950), 276.

<sup>3</sup> Étienne Gilson and Thomas Langan, *A History of Philosophy. Modern Philosophy. Descartes to Kant* (New York: Random House, 1963), xi.

els construct fictional realities in which there are dependent and independent variables that determine each other but do not cause phenomena; science does not deal with ends that are considered as given; the work of virtues has been replaced by supposed automatic processes within an institutional framework; practical reason has been eliminated and a maximizing instrumental reason has instead been applied. What is wrong in current economic theory comes from its underlying modern philosophical ideas. This is why the way to rightly reform contemporary economics is to rebuild it, grounding it on the basis of classical philosophical principles.

A first step in this article will be to describe Aristotle's thoughts about the economy. Then, I will propose the mentioned principles. These will be three: 1) *Economics should be a classical practical or moral science*, 2) *Economics should not look for an unlimited wealth, but for the wealth necessary for the good life*, and 3) *Economics should be aimed at the common good*.

### **Aristotle on the Economy**

The Aristotelian main loci for the concerned topic are *Politics*, I, 3–13 and *Nicomachean Ethics*, specially V, 5. Aristotle distinguishes two central related concepts concerning the economy: *oikonomikê* and *chrematistikê*. In the first two chapters of *Politics*, I, he introduces *oikonomikê* (the use of wealth, i.e., the economic), together with its relation to *chrematistikê* (the provision, production or acquisition of wealth). In chapters 5–7, he deals with slavery, a part of *oikonomikê*. His study on *oikonomikê*, *chrematistikê* and money starts in chapter 8 and ends with chapter 10, followed by chapter 11's look at *chrematistikê* from a practical point of view. The focus of chapters 12 and 13 is on the house owners' paternal and marital relations and slavery.

In *Nicomachean Ethics*, I, 1, Aristotle explains that every task and inquiry has an end and that the end of *oikonomikê* is wealth.<sup>4</sup> Then in *NE*, I, 2 he refers to *oikonomikê* as a capacity and practical science subordinated to politics, which indicates its end: the end of wealth has to be subordinated to the end of politics, which is the good for man. In *NE*, IV, 1 and 2, Aristotle deals with virtues associated with wealth: liberality and magnificence. In *NE*, V, on justice, he devotes chapter 5 to justice in exchange. Continnence (*NE*, VII) and prudence (*NE*, VI) are also necessary for limiting the desire of wealth.

*Politics*, I, deals with the household. It distinguishes three parts of it: the slaves, freemen<sup>5</sup> and the properties. The last are needed, “because it is impossible to live well, or indeed to live at all, unless the necessary conditions are present.”<sup>6</sup> In chapter 8, Aristotle analyzes the art of acquiring property—chrematistics, which he considers as a subordinated part of *oikonomikê*, as the former provides the latter with the things that it uses. *Oikonomikê* uses the things that chrematistics provides.<sup>7</sup> He concluded:

Of the art of acquisition then there is one kind which by nature [*kata physin*] is a part of the management of the household [*oikonomikês*], in so far as the art of household management must either find ready to hand, or itself provide, such things necessary to life, and useful for the community of the family or state [*poleôs*], as can be stored. They are the elements of true riches.<sup>8</sup>

This last sentence is relevant because it introduces another possibility. True riches, he continued, are instruments for the good life and are not

---

<sup>4</sup> Aristotle, *Nicomachean Ethics*, I, 1, 1094a 9, trans. Sir David Ross (London and New York: Oxford University Press, 1954). Hereafter cited as *NE*.

<sup>5</sup> I.e., δούλων καὶ ἐλευθέρων (*doulôn kai eleutherôn*). Aristotle, *Politics*, I, 3, 1253b 4, in *The Politics of Aristotle*, ed. and trans. Ernest Barker (Oxford: Oxford University Press, 1958). Hereafter cited as *Pol*.

<sup>6</sup> *Ibid.*, 4, 1253b 24–25.

<sup>7</sup> See *ibid.*, 8, 1256a 11–13.

<sup>8</sup> *Ibid.*, 8, 1256b 27–31.

unlimited, “for the instruments of any art are never unlimited.”<sup>9</sup> This is chrematistics by nature.<sup>10</sup> Actually, in chapter 9 Aristotle speaks about another form of chrematistics, with no limits to wealth and properties and he criticizes this second form of it.<sup>11</sup> This sketchy description opens the possibility of analyzing what principles Aristotle could provide to modern economics.

## Aristotle's Economic Principles

### *A Moral Field*

For ancient Greeks, obviously including Aristotle, economic reality was not a separate reality, but was immersed in the social and political tasks. As defined by Aristotle, man is a political animal, and all human activities are conditioned by or subsumed under political goals, which are moral goals. Therefore, as Werner Jaeger explains, “[p]oliteia means not only the constitution of the state but the entire life of the state . . . *politeia* covers the entire content of private and public life: economics, morals, culture and education.”<sup>12</sup> Here is Ernest Barker's thought on this:

The *polis* included everything; and in the same way the theory of the *polis* included studies to which we should now give a separate existence—in particular the theory of economics. . . . There is much writing on “economics” in the fourth century. . . . Such economic theory, subordinated as it is to political theory, which in turn is subordinated to (or, perhaps one should rather say, is the crown of) ethics, admits of no isolation of the economic motive, and of no abstraction of economic facts as a separate branch of inquiry. It is a theory of the ways in which households and cit-

---

<sup>9</sup> *Ibid.*, 8, 1256b 35.

<sup>10</sup> I.e., κατὰ φύσιν (*kata physin*). *Ibid.*, 8, 1256b 38.

<sup>11</sup> *Ibid.*, 9, 1257a 1.

<sup>12</sup> Werner Jaeger, *Paideia: The Ideal of Greek Culture* (Oxford: B. Blackwell, 1946), 410.

ies can properly use the means at their disposal for the better living of a good life. Wealth, on this basis, is a means to a moral end.<sup>13</sup>

According to this conception, the economy was subordinated to politics and was considered as a means to acquire the goods needed to live a virtuous life for human fulfilment (*eudaimonia*). As mentioned above, Aristotle thinks that “it is impossible to live well (*eû zên*), or indeed to live at all, unless the necessary conditions are present.”<sup>14</sup> When Aristotle speaks about “life at all” he is referring to what is achieved at home (*oikos*). When he talks about “liv[ing] well” he is referring to what is attainable in the *polis*, and this is in fact the end of the civil community.

From the previous considerations we may extract the first principle: *Economics should be a classical practical or moral science.*

Modern economics, instead, was born in the context of an annulling of classical practical reason. Adam Smith considers political economy as a branch of politics, but in the context of a different conception of it. He was an intimate friend of David Hume. It is well known that for Hume, “Reason is and ought only to be the slave of passions and can never pretend to any other office than to serve and obey them.”<sup>15</sup> Passion determines the ends, and the role of reason is to look for the means to achieve them. That is, the role of reason is rendered merely instrumental. On Hume’s conception, reason has nothing to do with the search for, and decision on, ends. Practical reason has been replaced by desires, and reason has seen its role reduced to the merely instrumental.

This position resonates with Smith. For Smith, reason intervenes in the induction of moral rules, but the content of good or evil is known by a moral sentiment. In *The Theory of Moral Sentiments*, he asserts,

<sup>13</sup> Ernest Barker, “Introduction,” in *The Politics of Aristotle*, ed. and trans. Ernest Barker (Oxford: Oxford University Press, 1958), lv–lvi.

<sup>14</sup> *Pol.*, I, 4, 1253b 24–25.

<sup>15</sup> David Hume, *A Treatise of Human Nature*, II, iii, 3, ed. L. A. Selby-Bigge (Oxford: Oxford University Press, 1968), 415.

it is altogether absurd and unintelligible to suppose that our first or most basic perceptions of right and wrong can be derived from reason, even in the particular cases on the basis of which we form general moral rules. These first perceptions can't be an object of reason; they must be matters of immediate sense and feeling. (That holds true for all experiences on which any general rules are based.) We form the general rules of morality by finding in a vast variety of instances that one tenor of conduct constantly pleases in a certain way and that another constantly displeases. But reason can't make any particular object either agreeable or disagreeable to the mind for its own sake. Reason can show that this object is a means to getting something else that is naturally either pleasing or displeasing, and in this way reason can make it either agreeable or disagreeable for the sake of something else. But nothing can be agreeable or disagreeable for its own sake unless it is made to be so by immediate sense and feeling. So if virtue in each particular case necessarily pleases for its own sake, and if vice equally certainly displeases the mind, then what reconciles us to virtue and alienates us from vice can't be reason; it has to be immediate sense and feeling.<sup>16</sup>

This paragraph clearly shows the reduction of the role of reason to an instrumental purpose. This ethics of sentiments is at the root of the modern economic conception of an essential element of it: preferences. Economic preferences, which are the ends of economic actions, are treated as substantially subjective. They comprise all kinds of not scrutinized goals or ends put under an undifferentiated concept of preference or utility. Economics takes them as given and considers it not legitimate to reason about them: a role assigned to ethics, while economics is a "positive" science. This is the historical process by which economics has stopped being a moral science. The only aim of modern economics is to determine the best use of means in order to attain the maximum possible level of undefined preferences.

---

<sup>16</sup> Adam Smith, *The Theory of Moral Sentiments*, VII, III, II, The Glasgow Edition of the Works of Adam Smith (Indianapolis: Liberty Fund, 1984).

The modern reduction of reason to instrumental reason has been highly influential in the social sciences, and especially in economics. In fact, I repeat that modern economics is no more than an application to real life of the ideas of philosophers such as Hume and his tradition. Raymond Boudon very well describes the situation:

In general terms, the equation that assimilates rationality and instrumental rationality is so influential that social sciences' most literature on rationality almost exclusively deals with instrumental rationality. . . . At most, they recognize that rationality can also take the form of an exigency of coherence or transitivity of objectives or preferences. But they avoid applying this category to the contents of preferences or objectives.<sup>17</sup>

Modern thinking has tended to reduce reason to an instrumental role, and this view has influenced the social sciences, running alongside and consistently with the proclamation of the value-free ideal as a requirement for true science: this has been one of the main principles of modern economics.

Lionel Robbins, who coined what is today the most used definition of economics, distinguishes “economics,” the economic value-free science, and “political economy,” a “branch of intellectual activity” which is not science and which includes value judgments.<sup>18</sup> For him,<sup>19</sup> “welfare economics” (a Twentieth-century form of normative economics) includes values judgments: he consequently dismisses it as not a science. Robbins concludes that ethics has no place in economics. John Maynard Keynes disagrees with him: “As against Robbins, economics is essentially a moral science and not a natural science. That is to say, it

---

<sup>17</sup> Raymond Boudon, “Théorie du choix rationnel, théorie de la rationalité limitée ou individualisme méthodologique: que choisir?,” *Journal des Economistes et des Etudes Humaines* 14, no. 1 (2004): 57.

<sup>18</sup> Lionel C. Robbins, “Economics and Political Economy,” *American Economic Review* 71, no. 2 (1981): 9.

<sup>19</sup> See *ibid.*, 1–10.

employs introspection and judgments of value.”<sup>20</sup> However, Keynes’ position has not prevailed.

### *The Limited Character of Wealth*

The idea of limited means appears in several passages of Aristotle’s corpus. For example, in *Politics*, VII, he stated, “external goods have a limit, like any other instrument, and all things useful are of such a nature that where there is too much of them they must either do harm, or at any rate be of no use.”<sup>21</sup> I introduce the second Aristotelian principle: *Economics should not look for an unlimited wealth, but for the wealth necessary for a good life.*

According to Aristotle, the second kind of chrematistic has no limits (*peras*), it is not natural (*ou physei*), unnecessary,<sup>22</sup> and makes an improper use of objects.<sup>23</sup> This last characteristic paves the way to considering two possible uses for objects as well as the role of money. Take a look at this passage by Aristotle, taking into account that, when he mentions chrematistics (using this or other names—for example “the art of getting wealth”), he refers to this second kind of chrematistics:

Of everything which we possess there are two uses: both belong to the thing as such, but not in the same manner, for one is the proper, and the other the improper or secondary use of it. For example, a shoe is used for wear, and is used for exchange; both are uses of the shoe. He who gives a shoe in exchange for money or food to him who wants one, does indeed use the shoe as a shoe, but this is not its proper or primary purpose, for a shoe is not made to be an object of barter. The same may be said of all possessions, for the art of exchange extends to all of them, and it

---

<sup>20</sup> Letter to Roy Harrod, 4 July 1938, in John Maynard Keynes, *The General Theory and After: Part II. Defence and Development*, The Collected Writings of John Maynard Keynes, Vol. XIV (London: MacMillan, 1973), 297.

<sup>21</sup> *Pol.*, VII, 1, 1323b 7–9.

<sup>22</sup> *Ibid.*, I, 9, 1258a 15.

<sup>23</sup> *Ibid.*, 9, 1257a 5–10.

arises at first from what is natural, from the circumstance that some have too little, others too much. Hence we may infer that retail trade is not a natural part of the art of getting wealth; had it so been so, men would have ceased to exchange when they had enough. . . . This sort of barter [retail trade] is not part of the wealth-getting art and is not contrary to nature, but is needed for the satisfaction of men's natural wants.<sup>24</sup>

That is, Aristotle was not against commerce in general, but only when it goes beyond satisfying human needs, as this entails a use of objects not according to their nature. This often happens when money is involved. Aristotle first introduced the use of money by explaining how it originated: as a practical way of exchanging things that were “intrinsically useful and easily applicable to the purposes of life”<sup>25</sup>—first weighing or sizing them, and then putting a stamp “to mark the[ir] value.”<sup>26</sup> Aristotle did not object to this use of money, but to using it to produce unnecessary, unlimited wealth: “when the use of coin had once been discovered, out of the barter of necessary articles arose the other art of wealth-getting.”<sup>27</sup>

In other words, money is actually, though not necessarily, closely connected to the second kind of chrematistics: “it is thought to be concerned with coin; for coin is the unit of exchange and the measure of limit of it. And there is no bound to the riches which spring from this art of wealth-getting.”<sup>28</sup> Aristotle noted that, in the arts, there is no limit to the end, “for they aim at accomplishing their ends to the uttermost,”<sup>29</sup> but there is a limit to the means. What happens is that the second chrematistics takes money as an end and not just as a means, as the first

---

<sup>24</sup> *Ibid.*, 9, 1257a 6–18 and 28–30.

<sup>25</sup> *Ibid.*, 9, 1257a 38.

<sup>26</sup> *Ibid.*, 9, 1257a 40.

<sup>27</sup> *Ibid.*, 9, 1257b 1–3.

<sup>28</sup> *Ibid.*, 9, 1257b 22–24.

<sup>29</sup> *Ibid.*, 9, 1257b 28.

chrematistics and *oikonomikê* do. The source of this confusion is that all three have money as an instrument.<sup>30</sup> Delving more deeply,

some persons are led to believe that getting wealth is the object of household management, and the whole idea of their lives is that they ought either to increase their money without limits, or at any rate not to lose it. The origin of this disposition in men is that they are intent upon living only, and not upon living well; and, as their desires are unlimited, they also desire that the means of gratifying them should be without limit.<sup>31</sup>

The focus of Aristotle's criticism is not an intrinsic evil in money but its wrongful use. When wealth is sought unlimitedly, it is for the sake of a rudimentary life, not of the good life, "for the amount of property which is needed for a good life is not unlimited."<sup>32</sup> A life hinging only on desires is the life of an irrational animal. Moreover, this second, "justly censured"<sup>33</sup> kind of chrematistics infects other behaviors, as unlimited desire leads to an unnatural use of things:

using each and every capacity in a way not consonant with its nature. The proper function of courage, for example, is not to produce money but to give confidence. The same is true of military and medical ability: neither has the function of producing money: the one has the function of producing victory, and the other that of producing health. But those of whom we are speaking turn all such capacities into forms of the art of acquisition, as though to

---

<sup>30</sup> *Ibid.*, 9, 1257b 35.

<sup>31</sup> *Ibid.*, 9, 1257b 37–1258a 4. This unlimited desire is called *concupiscentia* by Aquinas: "[Q]uia homines student ad vivendum qualitercumque, non autem ad vivendum bene, quod est vivere secundum virtutem. Si enim intenderet vivere secundum virtutem, essent contenti his quae sufficiunt ad sustentationem naturae: sed quia praetermisso hoc studio, student ad vivendum unusquisque secundum suam voluntatem implere: et quia concupiscentia hominum tendit in infinitum; ideo in infinitum desiderant ea per quae possint satisfacere suae concupiscentiae" (Thomas Aquinas, *In Libros Politicorum Aristotelis Expositio*, VIII, 126 [Torino: Marietti, 1951]).

<sup>32</sup> *Pol.*, I, 8, 1256b 31.

<sup>33</sup> *Ibid.*, 10, 1258a 41.

make money were the one aim and everything else must contribute to that aim.<sup>34</sup>

This sounds really current. The medicine to cure unlimited appetite is virtue—more specifically, temperance. Based on these teachings, in chapter 10, Aristotle condemns usury, “which makes a gain out of money itself, and not from the natural object of it.”<sup>35</sup> Aristotle’s contemporary economy did not provide sufficient evidence for an understanding of the moral arguments that justify interest. He also pointed out that the second kind of chrematistics fosters the creation of monopolies.<sup>36</sup>

In modern economics there is no criterion to determine a limit in preferences. This is why another essential characteristic of economic phenomena according to modern economics is scarcity. If wants are unlimited, scarcity exists in every conceivable situation. In such a case of limitlessness, optimal performance or maximizing will always be insufficient because desires will never be fulfilled. This occurs when the human person allows himself to be ruled only by desires, which can be unlimited, instead of covering his necessities, which are always limited. The “*ethos* of the unlimited” transforms means into ends. Thinkers such as Max Weber and Karl Marx saw it as such. Both interpret the capitalist phenomenon in this way. According to Weber’s diagnosis, modern rationalization brought along with it the domination of ends by their means; while Marx believed that alienation had brought about the human person’s domination by merchandise.<sup>37</sup> However, the economic law of marginal decreasing utility implicitly recognizes the limited char-

---

<sup>34</sup> *Ibid.*, 9, 1258a 6–14.

<sup>35</sup> *Ibid.*, 10, 1258b 3–4.

<sup>36</sup> *Ibid.*, 11, 1259a 21ff.

<sup>37</sup> See Karl Löwith, *Max Weber and Karl Marx* (London: George Allen & Unwin, 1982), 48 and 76.

acter of desires. But in fact, economists think as if desires were unbounded.<sup>38</sup>

I do not want to maintain that scarcity is nonexistent. The reality of limitations is an evident anthropological feature. The issue of scarcity has been a matter of reflection for many thinkers. It was, for example, excellently expressed by Robert Malthus. Malthus' theodicy (understood as an explication of scarcity) considers need and scarcity to be instruments that shape the human mind. Albino Barrera,<sup>39</sup> commenting on Malthus, argued in both philosophical and theological terms, that God created the world with sufficient matter to cover the needs of all of humanity; but that this sufficiency is conditional on the human person's work to avoid various types of limitations. Thus, in seeking human fulfillment, the economic dimension cannot be ignored. The material sufficiency provided by God is conditional. Human action, therefore, is a secondary cause of fulfillment. God desires a state of material sufficiency for the human person, not of scarcity (as in Malthus). However, reaching this state depends on human conduct. The human person is obliged to undertake economic activity, to the extent that it is necessary in order to obtain what he needs. The economy looks for the satisfaction of our needs and desires but, first, it has to efficiently use the disposable means to achieve this aim and, second, the desires have to be limited.

For Aristotle, self-sufficiency is a goal of the house, and of the tribe, and it reaches "the height of full self-sufficiency"<sup>40</sup> in the polis. He sees this as not only an economic concept, but a characteristic and condition of the good life. This achievement is not automatic, it implies working for it, but it is possible because needs are limited. As Robert L.

---

<sup>38</sup> See Mary Hirschfeld, *Aquinas and the Market. Toward a Humane Economy* (Cambridge, Mass.: Harvard University Press, 2018), Chapter 2.

<sup>39</sup> Albino Barrera, *God and the Evil of Scarcity* (Notre Dame, Ind.: University of Notre Dame Press, 2005), *passim*.

<sup>40</sup> *Pol.*, I, 2, 1252b 29.

Gallagher puts it, “the concept of self-sufficiency is based on the fact that the necessary needs of a human being are by nature finite and determined, for otherwise self-sufficiency would not be possible.”<sup>41</sup> In contemporary economics, which holds a conception of end as unlimited, scarcity will never be surpassed. We should try to avoid falling in this *ethos* because it is psychologically sickening. In contrast, in the Aristotelian conception, in which the end is the good life and the means are finite, scarcity is surpassed by work, reciprocity and exchange, and this is mostly and best achieved in the polis. This conclusion opens the topic of the next section and its related principle.

### *Economics and the Common Good*

I come back to *Nicomachean Ethics*, I, 2: economics should be subordinated to politics and the aim of politics is the good of all men. Aristotle states:

Since then it [politics] makes use of the other practical sciences, and since it further ordains what men are to do and from what to refrain, its end must include the ends of the others, and must be the proper good of man. For though this good is the same for the individual and the state, yet the good of the state seems a grander and more perfect thing both to attain and to secure; and glad as one would be to do this service for a single individual, to do it for a people and for a number of states is nobler and more divine. This then is the aim of the present inquiry, which is a sort of political inquiry.<sup>42</sup>

From the previous considerations I extract a third principle: *Economics should be aimed at the common good.*

However, what is the specific content of the common good? In *NE*, I, 7, Aristotle introduces the “*ergon* argument” (an argument based

---

<sup>41</sup> Robert L. Gallagher, *Aristotle's Critique of Political Economy* (Abingdon and New York: Routledge, 2018), 18.

<sup>42</sup> *NE*, I, 2, 1094b 1–10.

on the function of man to determine which good or goods constitute *eudaimonia*). He complains that: “Presumably, however, to say that happiness [*eudaimonia*] is the chief good seems a platitude, and a clearer account of what it is is still desired.”<sup>43</sup> He is aware of the need for a more explicit definition of the goods that one must look for and of *eudaimonia*. Throughout a reading of the *Nicomachean Ethics* and *Politics*, we can extract more specific goals that contribute to the common good:

1. The best political system is an egalitarian regime, “a general system of liberty based on equality;”<sup>44</sup> thus, government should concern itself with maintaining a certain equality, but not through confiscatory measures; “the magistrate . . . is the guardian of justice, and, if of justice, then of equality also.”<sup>45</sup>

2. Specifically, the government should not distribute funds directly to citizens, with the exception of funds that contribute to job creation; I think that it is warranted to quote this long paragraph:

[T]he policy nowadays followed by demagogues should be avoided. It is their habit to distribute any surplus among the people; and the people, in the act of taking, ask for the same again. To help the poor in this way is to fill a leaky jar . . . Yet it is the duty of a genuine democrat to see to it that the masses are not excessively poor. Poverty is the cause of the defects of democracy. That is the reason why measures should be taken to ensure a permanent level of prosperity. This is in the interest of all the classes, including the prosperous themselves . . . The ideal method of distribution, if a sufficient fund can be accumulated, is to make such grants sufficient for the purchase of a plot of land: failing that, they should be large enough to start men in commerce or agriculture. Notables who are men of feeling and good sense may also undertake the duty of helping the poor to find occupa-

---

<sup>43</sup> *Ibid.*, I, 7, 1097b 22–24.

<sup>44</sup> *Pol.*, VI, 2, 1317b 16–17.

<sup>45</sup> *NE*, V, 6, 1134b 1.

tions—each taking charge of a group, and each giving a grant to enable the members of his group to make a start.<sup>46</sup>

3. Hence, the government should also concern itself with avoiding unemployment and promoting business and exchange.

4. In extreme cases, the government should provide food.<sup>47</sup>

5. The government should also concern itself with the health of the population, ensuring the necessary conditions for good health (as good water and unpolluted air).<sup>48</sup>

6. Education, whether public or private, should be yet another major concern for the government. To this aim, it must create adequate institutions and furnish the necessary funding.<sup>49</sup>

7. The government should make good laws and provide adequate court laws and funding to that purpose.<sup>50</sup>

These are only some more specific goals, but still fairly general. However, I consider that they can orient the work of economics.

For Aristotle, *oikonomikê* is fully targeted at the achievement of a good life or *eudaimonia*. It is a necessary means to achieve it, but it is not *eudaimonia* itself. Society should not be a market subject to competition, but rather, a community of cooperating human beings. Aristotle offers a proposal, summarized in the previous list, in which politics serves the appropriate good of all men and economics is in harmony with it. I believe this could serve as a source of inspiration for current political scientists and economists.

---

<sup>46</sup> *Pol.*, VI, 5, 1320a 30–1320b 9.

<sup>47</sup> *Ibid.*, VII, 10, 1130a 2.

<sup>48</sup> *Ibid.*, VII, 10, 1330b 10–14.

<sup>49</sup> See, for example, *Pol.*, V, 9, 1310a 12–18, *NE*, X, 9, 1180b 7–12; *Pol.*, VII, 17 and VIII, 3.

<sup>50</sup> For example, *Pol.*, IV, 14.

## Conclusion

Modern economics takes ends as given. The Aristotelian notion of the economy and economics only makes sense if it aims to ends: to live and to live well. This perspective confers an intrinsic ethical character to Aristotle's notion of the economic realm. Both in the domestic sphere and society, economic resources should be oriented to the achievement of those ends. This can be done with the assistance of virtues which help human beings to overcome their tendencies to endlessly desire the means. It all can only be obtained within the boundaries of the *polis*, which is the community where human fulfillment may be achieved, according to Aristotle. In sum, three principles extracted from Aristotle's thoughts on the economic life and science can illuminate modern economics: it should be a moral science, looking for a limited amount of wealth, that necessary for achieving a good life, aiming at the common good.



### Aristotle's Principles for Modern Economic Science

#### SUMMARY

This paper is an attempt to illuminate today's economic science with the light of Aristotle's philosophy of economics. The author first describes Aristotle's thoughts about the economy. Then, he distinguishes and discusses three Aristotelian principles: (a) economics should be a classical practical or moral science, (b) economics should not look for an unlimited wealth, but for the wealth necessary for the good life, and (c) economics should be aimed at the common good.

#### KEYWORDS

Aristotle, economics, chrematistics, economic science, wealth, moral science, good life, common good.

#### REFERENCES

Aquinas, Thomas. *In Libros Politicorum Aristotelis Expositio*. Torino: Marietti, 1951.

- Aristotle. *Nicomachean Ethics*. Translated by Sir David Ross. London and New York: Oxford University Press, 1954.
- Aristotle. *Politics*. In *The Politics of Aristotle*, edited and translated by Ernest Barker. Oxford: Oxford University Press, 1958.
- Barker, Ernest. "Introduction." In *The Politics of Aristotle*, edited and translated by Ernest Barker, xi–lxxvi. Oxford: Oxford University Press.
- Barrera, Albino. *God and the Evil of Scarcity*. Notre Dame, Ind.: University of Notre Dame Press, 2005.
- Boudon, Raymond. "Théorie du choix rationnel, théorie de la rationalité limitée ou individualisme méthodologique: que choisir?" *Journal des Economistes et des Etudes Humaines* 14, no. 1 (2004): 45–62.
- Crespo, Ricardo F. *A Re-Assessment of Aristotle's Economic Thought*. London: Routledge, 2014.
- Crespo, Ricardo F. "Aristotle." In *Elgar Handbook of Economics and Ethics*, edited by Irene van Staveren and Jan Peil, 14–20. Cheltenham and Northampton 2009.
- Crespo, Ricardo F. "Aristotle on the Economy." *Philosophia* 70 (2010): 39–68.
- Crespo, Ricardo F. "Aristotle's Science of Economics." In *Christian Morality and Market Economies: Theological and Philosophical Perspectives*, edited by Samuel Gregg and Ian Harper, 13–24. Cheltenham, UK: Edward Elgar, 2008.
- Crespo, Ricardo F. *Philosophy of the Economy: An Aristotelian Approach*. Dordrecht: Springer, 2013.
- Crespo, Ricardo F. "Society, Markets and Virtues: An Aristotelian Analysis." In *Handbook of Virtue Ethics in Business and Management*, edited by Alejo Sison, Gregory Beabout and Ignacio Ferrero, 1323–1329. London: Springer, 2017.
- Crespo, Ricardo F. "The Economic According to Aristotle: Ethical, Political and Epistemological Implications." *Foundations of Science* 13, no. 3–4 (2008): 281–294.
- Crespo, Ricardo F. "The Ontology of the 'Economic': an Aristotelian Analysis." *Cambridge Journal of Economics* 30, no. 5 (2006): 767–781.
- Gallagher, Robert L. *Aristotle's Critique of Political Economy*. Abingdon and New York: Routledge, 2018.
- Gilson, Étienne, and Thomas Langan. *A History of Philosophy. Modern Philosophy. Descartes to Kant*. New York: Random House, 1963.
- Gilson, Étienne. *The Unity of Philosophical Experience*. New York: Charles Scribner's Sons, 1950.
- Hirschfeld, Mary. *Aquinas and the Market. Toward a Humane Economy*. Cambridge, Mass.: Harvard University Press, 2018.
- Hume, David. *A Treatise of Human Nature*. Edited by L. A. Selby-Bigge. Oxford: Oxford University Press, 1968.
- Jaeger, Werner. *Paideia: The Ideal of Greek Culture*. Oxford: B. Blackwell, 1946.
- Keynes, John Maynard. Letter to Roy Harrod, 4 July 1938. In John Maynard Keynes. *The General Theory and After: Part II. Defence and Development*. The Collected Writings of John Maynard Keynes. Vol. XIV. London: MacMillan, 1973.
- Löwith, Karl. *Max Weber and Karl Marx*. London: George Allen & Unwin, 1982.
- Robbins, Lionel C. "Economics and Political Economy." *American Economic Review* 71, no. 2 (1981): 1–10.

Smith, Adam. *The Theory of Moral Sentiments*. The Glasgow Edition of the Works of Adam Smith. Indianapolis: Liberty Fund, 1984.



Thomas A. Michaud

## Blasts from the Preclassical Past: Why Contemporary Economics Education Should Listen to Preclassical Thought\*

It is beyond dispute that support for socialism is growing in the USA, especially among the millennial generation.<sup>1</sup> Among many poll results, a late 2017 YouGov poll reported that 44% of millennials would prefer to live in a socialist country.<sup>2</sup> An August 2018 Gallup Poll found that 51% of respondents aged 18 to 29 have positive feelings about socialism, compared to just 45% for capitalism. The poll further showed that the support for capitalism plunged 12 percentage points in

---

Thomas A. Michaud — School of Professional Studies, West Liberty University, W.V., USA  
e-mail: tmichaud@westliberty.edu • ORCID: no data

\* In the field of economics, Preclassical Thought is identified as spanning the historical periods from Antiquity to 1771. 1776 marks the beginning of the period of Classical Economic Thought since Adam Smith’s *Wealth of Nations* was published that year. Also in the economics field, “Preclassical” is the standard spelling for the period. See Harry Landreth and David Colander, *History of Economic Thought*, Third Edition (Boston: Houghton Mifflin, 1994); hereafter cited as: *HET*.

<sup>1</sup> The exact dates which bracket the millennial generation are somewhat fluid and debatable, however, those born between 1982–2004 are common benchmarks. These dates were stipulated by William Strauss and Neil Howe. See Kurt Cagle, “Rethinking Millennials and Generations Beyond” (Aug. 22, 2018); available online—see the section *References* for details. The age range of millennials is, then, from 15–37. Since this range overlaps with what is called GenZ, 1995–2015, ages 4–24, this paper includes GenZ within the millennial generation.

<sup>2</sup> Reported by Nate, “Communism is Gaining Ground: The Rise of Socialism in America Comes in Generational Waves,” *The Christian Journal* (Feb. 22, 2018); available online—see the section *References* for details.

only two years.<sup>3</sup> Why is there such a growing millennial enthrallment with the dirigisme of socialism and such disdain for a capitalist free-market economy?

There are a number of possible reasons for this trend. One is that for more than the past 20 years there has been a distinct socialist progressive bias in millennials' education that begins in high school and continues through college.<sup>4</sup> Another, perhaps more profound reason is that millennials are fixated on social economic moral issues and believe that in socialism, it is the government's duty to legislate economic justice and fairness. Capitalism creates the injustice and unfairness, so socialist dirigisme must rectify the immorality capitalism has wrought.

The millennials' moral stance against capitalism tends to be in-dominatable, thereby, as fostered through their schooling, they are under- or simply un-educated in market-based economics. Their moral claims, moreover, bespeak a hapless confusion buttressed by an absolutist righteous indignation that market economies are the agents of moral turpitude. As an anecdotal sign of such confusion and indignation, I have many times in my courses on business/organizational ethics encountered millennials who adamantly proclaim that the federal government has a moral obligation to raise the minimum wage to \$15.00 per hour because it is a much needed act of charity. Discussions concerning actual consequences of the raise are dismissed. They simply ignore facts that a \$15 minimum wage has already led to wage workers having their hours severely cut or being terminated so that a business can mitigate its labor expenses and stay in business.<sup>5</sup> It is apparent that the millen-

---

<sup>3</sup> Reported in *Investor's Business Daily* (Aug. 24, 2018); available online—see the section *References* for details.

<sup>4</sup> See Charlie Kirk, "Liberal Bias Starts with High School Economics Textbooks," *Breitbart* (Apr. 26, 2012); available online—see the section *References* for details.

<sup>5</sup> See Jack Kelly, "The Unintended Consequences of Raising Minimum Wage to \$15;" available online—see the section *References* for details. Other detrimental effects of the \$15 minimum wage are indicated in the Congressional Budget Office Report released

nial mentality is willing to accept serious economic collateral damage as long as their “high-ground” morality is actualized.

Given the growth of socialism and millennials’ bias against market economics, the field of economics faces daunting challenges particularly in education. These challenges emerge because orthodox economics, dominated as it is by logical positivism, has excluded normative, moral, analysis as unscientific speculation. Consequently, economics educators are alienated from addressing the socialist moral claims of their millennial students, and their science becomes irrelevant to what most concerns the millennials. Preclassical economics, however, was marked by a robust, principled normative orientation and there is much that contemporary economics educators could learn from Preclassical thought in order to meet effectively the socialist moral challenges.

By explicating some Preclassical principles and perspectives germane to contesting socialist moral claims, this paper will offer a foundation for economics education to become relevant. It argues that economics education can communicate a “moral conscience” and can expose socialist moral claims as misguided and ill-formed. This exposition will proceed through the following topics: 1) the normative limitations of economics; 2) the morality of private property; 3) the morality of the just price; 4) Michael Novak’s Preclassical approach to business corporations; and 5) entrepreneurship and the morality of new wealth creation. A final section will prescribe some possible directions for integrating a moral conscience into economics education.

### **The Normative Limitations of Economics**

At least since the early twentieth century, logical positivism has been the methodological orientation of economics such that positivism

---

July 2019 entitled, “The Effects on Employment and Family Income of Increasing the Federal Minimum Wage;” available online—see the section *References* for details.

is accepted as orthodoxy in most areas of economics, including economics education. Positive economics studies the mechanisms that govern economic activity, developing theories which can be empirically tested: verified or falsified. With its emphasis on empirical testing, normative discussions that range into the philosophically speculative and unverifiable were purged from economic science. For instance, it is rare that an introductory college-level economics textbook includes any substantive treatment of normative issues.<sup>6</sup>

Positive economics' focus on the forces governing economic activity deals with the problem of relative scarcity that arises because individuals consume more goods and services than are available. Individual wants exceed the resources that could satisfy them, so there must be social mechanisms for allocating limited resources. Positive economic theory maintains that the free market is the primary allocation mechanism. The reality of scarcity, however, requires that some wants are unmet, which engenders issues of equity, justice and fairness: the proverbial "haves vs. the have-nots."<sup>7</sup>

Normative issues, then, are embedded in the problem of scarcity. Nevertheless, modern economics focuses exclusively on how the self-regulating marketplace serves to mediate the problems of scarcity. The irony here is that with the rise of socialism, which supports government control of resource allocation, the self-regulating, free market is actually more and more rejected. The very subject of its study, the free marketplace, is what positive economics would lose if it continues to ignore normative claims and lets socialism continue to grow. In short, if there

---

<sup>6</sup> See *HET*, 11. Regarding the dominance of positivism in economics, *HET* states, "According to most economic textbooks, the reigning methodology in economics is still logical positivism . . ." (*ibid.*, 15).

<sup>7</sup> The description of positive economics and the problem of scarcity is largely based on *HET*, 1–3.

aren't free, self-regulating markets, then economics, according to its current orthodoxy, has nothing to study.

From the perspective of positive economics, the Preclassical thinkers were unable to grasp the central importance of the self-regulating marketplace. In Ancient and Medieval times, markets had not reached the stage of development which could yield socially efficient resource allocation. There were limited-participation markets which could not protect consumers by the law of large numbers and rigorous competition.<sup>8</sup> Consequently, Preclassical thinkers became involved in normative issues to offer consumer protection, to propose moral norms that would contribute to the quality and justice of life.<sup>9</sup>

The normative Preclassical orientation did not engage in broad abstractions. For Preclassicals, the marketplace, for example, was an actual physical space and not an artificial conceptual construct. The marketplace was where real people traded, bought and sold goods and services with other people. The normative effort was to provide moral prescriptions for virtuous, honest and just marketplace commerce.<sup>10</sup> It is this morally realistic orientation of Preclassical thought that can most effectively benefit today's economics education. The Preclassical approach to many fundamental moral issues which occupy the millennial socialists can be expressed in a concrete, down-to-earth fashion which can better educate them in the morality of free-market economics.

### **The Morality of Private Property**

The first principle of capitalist economics is the respect for and protection of private property. Though this claim may appear to be an

---

<sup>8</sup> See Robert Eklund and Robert Herbert, *A History of Economic Theory and Method*, Fourth Edition (New York: McGraw Hill, 1997), 28; hereafter cited as: *HETM*.

<sup>9</sup> See *HET*, 25.

<sup>10</sup> See *ibid.*, 25–26.

overstatement since it might seem that social freedom, liberty, is more fundamental than private property, such is not the case. It is possible even in an autocratic communist state to have capitalist markets, although the extent and growth of those markets may indeed be restricted by government control. Nonetheless, as long as there are buyers and sellers engaged in commerce, albeit limited, private property is a necessary condition. Liberty is, in fact, a necessary condition for wealth generation and economic growth. Liberty enables commerce, based on private property, to develop and thrive as free-market economies.<sup>11</sup>

A typical claim of millennial socialists is that private property is basically immoral in that it is the source of greedy selfishness which leads to the “haves” exploiting the “have-nots.” As a result, the socialists aver that communal ownership of property is what is truly moral. Although this normative issue is most often neglected by positive economics, some Preclassical thinkers showed clearly and persuasively that private property is truly what is right and moral.

Thomas Aquinas offered solid, practical arguments in defense of private property.<sup>12</sup> Aquinas indicated that private property engenders good stewardship because individuals take more trouble to care for something that is their sole responsibility than what is held in common. With communal ownership, individuals shirk the work and leave the responsibility to someone else. As an illustration of this point, Andrew Spencer observes that:

In the 1980s, the Soviets were buying American grain, though the USSR had as much arable land dedicated to grain production

---

<sup>11</sup> For further development of these points about private property and liberty, see the section below, “Entrepreneurship and the Morality of New Wealth Creation.”

<sup>12</sup> The following discussion of Aquinas’s position on private property closely follows: Andrew Spencer, “Five Insights About Private Property from Aquinas,” *Institute for Faith, Work and Economics* (Sept. 10, 2013); available online—see the section *References* for details. Spencer’s insights are based on: Thomas Aquinas, *Summa Theologica* II–II, q. 66, a. 1–2.

as the United States. Farmers who had once owned their own farms and built wealth through their efforts were now deprived of the work of their lands because any profit from their hard work was granted to the collective. If the Soviet farmers had owned the land and the produce from it, their productivity levels would most likely have increased.<sup>13</sup>

Aquinas further asserts that private ownership supports order in society and helps maintain peace in communities. This is so because human affairs are more efficiently organized if individuals have their own responsibility to discharge; while if everybody had to care for everything, there would be confusion and chaos. Peace among individuals is, moreover, more likely when each has his or her own belongings and decides on their use. With communal property, quarrels and discontent often arise because no one is sure who has or can have use of the property or why they can have the use.<sup>14</sup>

Beyond Aquinas other Preclassical thinkers offered trenchant insights on the morality of private property. Such Scholastics as San Bernardino of Siena (1380-1444) and Sant'Antonino of Florence (1389-1459) supported private property because of the efficiency it affords to society and its benefits to the common welfare of a community as compared to communalism. They realized that communal societies would be plagued by inefficiency, face insuperable managerial difficulties and

---

<sup>13</sup> Spencer, "Five Insights About Private Property from Aquinas," #2.

<sup>14</sup> Aquinas does not maintain that private property is an inviolable right. With his theological ethics, he does believe that those things that we can and should own are ultimately owned communally in that as God's stewards, we hold them in trust for God, so we can use our resources for His glory (see *ibid.*, #5). For instance, in an extreme case, if someone had a water supply he did not want to sell or give to others while his area was stricken with a devastating drought, it would be acceptable for Aquinas if people came together and appropriated from the water-owner the water they needed to survive. Nevertheless, Aquinas's defenses of private property do offer foundational arguments that can contest socialist morality claims except perhaps in some extreme situations.

suffer from perennial anarchy.<sup>15</sup> A number of the sixteenth and seventeenth century Scholastics of the School of Salamanca affirmed the morality of private property. A prime example was the Jesuit Luis de Molina (1535-1601) who believed, like Aquinas, that when property is held in common, it will not be taken care of and people will fight to possess it. Communal property does not really advance the common good because when property is not owned by individuals, the strong people in the group will take advantage of the weak by monopolizing and consuming the most resources. Molina also recognized that common ownership of property would guarantee the end of liberality and charity since people would not have their own resources to give.<sup>16</sup>

The socialist contention that private property is fundamentally and intrinsically immoral can be contested by educators by applying some of the normative propositions of the Preclassicals. Private, as opposed to communal, property is morally sound and not necessarily a source of selfish greed because it engenders: better care for resources, individual responsibility for work, more efficient order and organization in society, greater social stability and peace, and opportunities for individuals' liberality and charitable giving. To be sure, with private property there might be greedy misers without a virtuous moral conscience who exploit others for selfish gain. Still, in contrast to communalism, private property does indeed best serve the overall economic welfare and common good of society, and thereby, it is morally superior to communalism.

---

<sup>15</sup> Chris Fleming, David Rigamer and Walter Block, "The Jesuits: From Markets to Marxism; From Property Protection to Social Progressivism," *Romanian Economic and Business Review* 7, no. 2 (Summer 2012): 7–22. This rendition of San Bernardino's and Sant'Antonino's views is based on page 17 of this article.

<sup>16</sup> Lew Rockwell, "The True Founders of Economics: The School of Salamanca," *Mises Institute Canada* (May 1, 2018); available online—see the section *References* for details.

## The Morality of the Just Price

Positive economics identifies the Preclassical occupation with the normative issue of just price as a “vague and imprecise idea unsuited to an operational theory of a purely scientific nature.” Positivists maintain that the market price is simply the “objective result of impersonal forces.”<sup>17</sup> Regardless of the positivists’ position, millennial socialists insist that the federal government regulation of prices must be done to counter the immoral exploitative business practices. And, although, the positivists dismiss normative analyses, there is much that economics educators could glean from the Preclassicals in order to support a market-based norm of the just price.

In very basic and realistic terms, which economic educators could employ to enlighten socialist millennials, the Medieval Scholastics offered a morally sound version of market-driven just price which rejected government price-fixing. The esteemed commentator on the works of Aquinas, Cardinal Cajetan (1468-1534), maintained that for Aquinas and himself the just price is the price, which at a given time, a seller can obtain from buyers, assuming common knowledge and no fraud or coercion.<sup>18</sup> Cajetan’s proposition morally qualifies the price, establishing it as just because it presumes that: 1) the buyer and seller have common knowledge of the market price; 2) there are no hidden problems with what is being purchased (no fraud); 3) what is being sold is what the seller purports it to be (again, no fraud); and 4) the buyer or seller is not being forced to buy or sell at the price (no coercion, such as due to price-fixing or a monopoly).

---

<sup>17</sup> *HETM*, 27–28.

<sup>18</sup> Murray N. Rothbard, “New Light on the Prehistory of the Austrian School,” *Mises Institute: Mises Daily Articles* (Nov. 11, 2006); available online—see the section *References* for details. This passage is Rothbard’s rendition of an interpretation of Cajetan from Raymond de Roover, “The Concept of the Just Price: Theory and Economic Policy,” *Journal of Economic History* 18 (December 1958): 422–423.

Murray Rothbard further clarified the morality of the Medieval just price by referencing David Herlihy's observations. Rothbard notes that in the Italian city states of the twelfth and thirteenth centuries, the market price, the "common estimate" of buyers and sellers, was considered just because it was true and real, "if it was established or utilized without deceit or fraud."<sup>19</sup> Rothbard cites a probative passage from Herlihy in this regard: For the Scholastics, the just price of an object is its "true value as determined by one of two ways: for objects that were unique, by honest negotiation between seller and purchaser; for staple commodities by the consensus of the market place established in the absence of fraud or conspiracy."<sup>20</sup>

The Medieval Scholastics' approach to the just price issue emphatically specified normative qualifications that must be operative. To be just, market commerce must be free from fraud (deceit, dishonesty) and coercion (monopolies and conspiracy). Some Scholastics believed that a just price must also be free from government price control, which for them was a type of coercive price fixing, and thereby, immoral. For instance, Molina and Martin de Azpilcueta Navarro (1493-1576) believed that price controls are unnecessary in times of plenty and ineffective or positively harmful in times of scarcity.<sup>21</sup> In other words, if the supply of the object is abundant, then seller competition will determine a just market price. If the supply is scarce, and the government was to set a price like what it was when supply was abundant, then sellers might

---

<sup>19</sup> Rothbard, "New Light on the Prehistory of the Austrian School." Rothbard references an interpretation from David Herlihy, "The Concept of the Just Price: Discussion," *Journal of Economic History* 18 (December 1958): 437.

<sup>20</sup> Rothbard, "New Light on the Prehistory of the Austrian School." Rothbard once again references Herlihy's article.

<sup>21</sup> *Ibid.* Rothbard's description of the views of Molina and Azpilcueta is based on the abovementioned de Roover article, "The Concept of the Just Price: Theory and Economic Policy."

discontinue selling the object, since they would not be able to profit from it given what they had to pay for it.

Contrary to socialists' complaints, it is possible to achieve a just price in free markets without price fixing. Impersonal objective forces, like competition, are certainly significant factors, but as the Preclassicals taught, such impersonal forces are not all that is necessary. The personal moral consciences of buyers and sellers are also an important factor so that commerce is not adulterated by fraud, deceit, conspiracy, monopolies and price fixing of any sort. These immoralities can and should be regulated by civil and criminal law, as they are today in most developed free market economies, so that just prices can be ensured and consumers protected.

### **Michael Novak's Preclassical Approach to Business Corporations**

With his well-formed and prodigious intellectual background in Scholastic philosophy and theology, the contemporary thinker, Michael Novak (1933-2017), approached economics as if he were a Medieval Scholastic himself. He undertook a normative evaluation of many of the issues that rile millennial socialists. One of the most fundamental was the claim that business corporations are generally immoral, motivated by selfish greed and obsessively worried only about fattening the "bottom line." Corporations must be, the socialists insist, heavily regulated or even fully controlled by the government. In a landmark article, "Public Arguments: Seven Plus Seven – The Responsibilities of Business Corporations,"<sup>22</sup> Novak refutes the socialists' accusations. In plain, understandable language he offers a reasoned evaluation of corpora-

---

<sup>22</sup> Published in *Crisis Magazine* (July 1, 1994); available online—see the section *References* for details. The following discussion paraphrases and interprets Novak's article.

tions, from which economics educators can learn an accurate and effective moral defense of corporations.

Novak's article identifies seven corporate responsibilities, but detailing just the first and second ones should impart a solid foundation for corporate morality. Novak introduces his corporate responsibilities by explaining that contrary to socialist claims, a business corporation is not "morally naked" unless it is dressed in government regulations and control. He argues that there are moral responsibilities that are inherent to business itself. These are responsibilities that are not imposed from without, but are intrinsic to becoming a successful business in a free, democratic society.

The primary responsibility is to satisfy customers with goods and services of real value. It is self-evident that unless its customers are served to their satisfaction, no business can survive. The second responsibility is to make a reasonable return on investors' funding. Although critics often charge that enriching the investors by exploiting the customers is primary for avaricious corporations, Novak explains that unless customers are truly satisfied, investors will not receive any reasonable returns on their investments.

The other five responsibilities that Novak delineates reinforce the inherent morality of businesses that can become successful only by putting the customer first. In order to remain successful in an economy, businesses must endeavor to: create new wealth and jobs, enable upward economic mobility and fairly reward hard work, promote invention and ingenuity, and diversify the economy. When businesses fulfill their inherent responsibilities for success, they not only satisfy customers, but contribute to the health and growth of the economy which, of course, morally serves the common good of society. As many of the Medieval Scholastics recognized in their era, no socialist dirigisme can accomplish what successful free-market businesses can do to engender moral economic outcomes.

## **Entrepreneurship and the Morality of New Wealth Creation**

In regard to his third responsibility of business, to create new wealth, Novak poses a key question: If businesses do not create new wealth, then who can? Novak's question exposes the socialists' fundamental misunderstanding of wealth creation and a basic reason why socialist economies are doomed to failure. New wealth creation is absolutely vital for the health and growth of an economy. Without new wealth for research and development, for charitable donations, for job creation, and for improving standards of living, the economy falters, stagnates, and ultimately collapses. No government, no matter how just and fair it claims to be, can directly create new wealth, since it merely redistributes wealth collected in taxes, fees, fines, etc.

Where the socialists go wrong with their understanding of new wealth creation is with their failure to grasp that the government cannot directly create new wealth. The government can indirectly contribute to new wealth creation, but its indirect contributions are also funded by collected revenue, which is the only source of financial capital the government has. Socialists argue that, for instance, government funded infrastructure (such as roads, bridges, and their maintenance) and public education (at all levels) are contributions to new wealth creation. But, again, it is ultimately the taxpayers who are the funding source for such government contributions. Through its legislative policies, its agencies, its projects, and enforcement of regulations, government contributions to new wealth creation are ineluctably indirect, and often tenuously so because a government "contribution" can become more of an inhibitor than a facilitator of new wealth creation such as with excessive taxation, irresponsible government largesse, and burdensome, even job-killing, regulations.

Still, it is important to acknowledge that the government's indirect contributions when operating efficiently and effectively can and do enable new wealth creation. Nevertheless, the very best contribution the government can make in a free-market economy is to protect and serve the liberty of its citizens. Private property is the foundational principle of a capitalist economy, but liberty is a necessary condition for growing the economy. The freedom for an individual or for a business corporation to initiate new ways of commerce, new types of goods and services, are the opportunities that create new wealth and foster economic growth.

The Medieval Scholastic, San Bernardino of Siena, apparently sensed the limitations for economic growth when a tax-revenue government is in control. He extolled the rare qualities and virtues of successful entrepreneurs with their contributions to advancing the economy. Entrepreneurial ability includes attention to detail, diligence, knowledge of the market, and the willingness to assume and capacity to calculate risks, with profit on invested capital justifiable for the risk and effort of the entrepreneur. In addition, to be successful the entrepreneur must have a moral character so that the conduct of business is rational and orderly, by acting with integrity and promptly settling all accounts.<sup>23</sup>

San Bernardino clearly realized that entrepreneurs: 1) are freely acting private sector agents whose new wealth creation is vital for economic health and growth; 2) are exceptional people with uncommon abilities; 3) and they are successful only if they act with a moral conscience. These are some important lessons that economics educators

---

<sup>23</sup> This discussion of San Bernardino on entrepreneurship is based on Rothbard, "New Light on the Prehistory of the Austrian School." Rothbard's views interpret de Roover's article, "The Concept of the just Price: Theory and Economic Policy," and de Roover's booklet, *San Bernardino of Siena and Sant'Antonino of Florence: Two Great Economic Thinkers of the Middle Ages* (Boston: Kress Library of Business and Economics, 1967).

---

can learn from San Bernardino which can effectively challenge the socialists' anti-capitalist biases.

### **Concluding Remarks: Pedagogical Prescriptions**

If academic economics in secondary and higher education persists with its positivist orthodoxy, it runs the risk of becoming practically irrelevant. Millennials' demands for economic moral justice will continue to push them toward socialist dirigisme as the panacea for correcting the inherent injustice of capitalist free-market economics. Economics' proclaimed scientific aversion to engaging normative issues of justice generate an ever-strengthening inertia which propels millennials to reject free-markets. Free-markets, however, are the very object of study upon which economics pedagogy and the science itself are based. So, in order to save itself, economic education must develop and teach its moral foundations in ways that can dispel the millennial inertia toward socialism.

The normative propositions of the Preclassicals should be integrated into economics pedagogy as prescriptions, as moral first principles of capitalist economics. As Preclassical thinkers and perspectives maintained, the morality of private property, the morality of the just price, the inherent moral responsibilities of successful businesses, and the morality of new wealth creation and entrepreneurial enterprise are foundations of capitalism. These normative first principles do indeed establish the moral conscience, the justice, of capitalism which much better serves the common good of a society than socialist dirigisme.



## **Blasts from the Preclassical Past: Why Contemporary Economics Education Should Listen to Preclassical Thought**

### SUMMARY

Contemporary economics is dominated by logical positivism, a methodology that emphasizes empirical validation of theories but excludes normative evaluation. Preclassical economics was premised on normative analysis. With the growing socialist movement in the USA, especially among the millennials, who are fixated on moral issues of justice and equality, positive economics is alienated from addressing the normative challenges of socialism. There are, however, basic normative principles from Preclassical thought which can be used to contest socialist moral claims, particularly in economics education.

### KEYWORDS

economics, millennials, economics education, business ethics, private property, just price, Michael Novak, preclassical economics, business corporation, entrepreneurship, wealth creation.

### REFERENCES

- Cagle, Kurt. "Rethinking Millennials and Generations Beyond" (August 22, 2018). Available online at: <https://www.forbes.com/sites/cognitiveworld/2018/08/22/rethinking-millennials-and-generations-beyond/>. Accessed Oct. 5, 2019.
- Congressional Budget Office, "The Effects on Employment and Family Income of Increasing the Federal Minimum Wage" (July 2019). Available online at: <https://www.cbo.gov/publication/55410>. Accessed Oct. 5, 2019.
- Eklund, Robert and Robert Herbert. *A History of Economic Theory and Method*. Fourth Edition. New York: McGraw Hill, 1997.
- Fleming, Chris, David Rigamer and Walter Block. "The Jesuits: From Markets to Marxism; From Property Protection to Social Progressivism." *Romanian Economic and Business Review* 7, no. 2 (Summer 2012): 7–22.
- Investor's Business Daily* (August 24, 2018). Available online at: <https://www.investors.com/editorials/millennials-socialism/>. Accessed Oct. 5, 2019.
- Kelly, Jack. "The Unintended Consequences of Raising Minimum Wage to \$15," *Forbes* (July 10, 2019). Available online at: <https://www.forbes.com/sites/jackkelly/2019/07/10/the-unintended-consequences-of-the-15-minimum-wage/#b19ffee4a7c>. Accessed Oct. 5, 2019.
- Kirk, Charlie. "The Liberal Bias Starts in High School Economics Textbooks" (April 26, 2012). Available online at: <https://www.breitbart.com/politics/2012/04/26/liberal-bias-starts-in-high-school-economics/>. Accessed Oct. 5, 2019.
- Landreth, Harry and David Colander. *History of Economic Thought*, Third Edition. Boston: Houghton Mifflin, 1994.

- 
- Nate. "Communism is Gaining Ground: The Rise of Socialism in America Comes in Generational Waves." *The Christian Journal* (February 22, 2018). Available online at: <https://christianjournal.net/turning-point/academia/communism-is-gaining-ground-the-rise-of-socialism-in-america-comes-in-generational-waves/>. Accessed Oct. 5, 2019.
- Novak, Michael. "Public Arguments: Seven Plus Seven – The Responsibilities of Business Corporations." *Crisis Magazine* (July 1, 1994). Available online at: <https://www.crisismagazine.com/1994/public-arguments-seven-plus-seven-the-responsibilities-of-business-corporations>. Accessed Oct. 5, 2019.
- Rockwell, Lew. "The True Founders of Economics: The School of Salamanca." *Mises Institute Canada* (May 1, 2018). Available online at: <https://austrian.economicblogs.org/mises-canada/2018/rockwell-founders-economics-school-salamanca/>. Accessed Oct. 5, 2019.
- Rothband, Murray N. "New Light on the Prehistory of the Austrian School." *Mises Institute: Mises Daily Articles* (November 10, 2006). Available online at: <https://mises.org/library/new-light-prehistory-austrian-school>. Accessed Oct. 5, 2019.
- Spencer, Andrew. "Five Insights About Private Property from Aquinas." *Institute for Faith, Works and Economics* (September 10, 2013). Available online at: <https://tifwe.org/five-insights-about-private-property-from-aquinas/>. Accessed Oct. 5, 2019.



Jason Morgan

**Is the ‘Human Action’ in  
*Human Action* Human Action?  
Mises, Hayek, and Aristotle on  
‘Capitalism’ and Human Flourishing**

The Austrian School—generally understood as a loose grouping of economists, philosophers, and historians who emphasize the primacy of individual autonomy in economies and societies—has long been the target of criticism from across the political spectrum. For example, socialists, communists, and other collectivists often denounce Austrians as “neo-liberalist” reactionaries who reject the anti-individualism which forms the basis of socialism and communism. At the same time, Austrians have long been persecuted by fascists and other statists as anathema to the late “enlightenment” substitution of state or party power for individual initiative. The Austrian School has also often been criticized by Distributists and some other (Catholic) traditionalists, who oppose capitalism *in se* on the grounds that capitalism is antithetical to human societies. Some Distributists have even denounced Austrian economics as a “heresy” and a “cult” which distorts, when not downright overriding, the words of not only the Gospel but also of the Salamanca School scholars whose mantle the Austrians claim to have inherited.

---

Jason Morgan — Reitaku University, Chiba, Japan  
e-mail: morgan.jason.michael@gmail.com • ORCID: no data

But while the Austrian School has been subjected to intense scrutiny and critique from so many quarters, I offer here the perhaps novel argument that it has not been nearly criticized enough by capitalists. “Capitalism”—an anachronistic and pejorative appellation, to be sure<sup>1</sup>—I understand as that general tendency of the human race to make improvements in the general welfare by leveraging the enormous potential of commerce, industry, and ingenuity in favor of human flourishing. Capitalism benefits the whole human person, and is fully compatible with the human being as created in the image and likeness of God.<sup>2</sup> However, the Austrian School tends first to reduce the human person to *homo economicus*, a radical denaturing that needlessly limits the applicability of the full panoply of capitalism’s ontological and epistemological boons. Capitalism and people are both much greater than even Austrians tend to admit. Far better to eschew abstractions and embrace the totality of both “capitalism” and the human person as mutually created for one another.

To show how it might be possible to amend the Austrian position in order to more fully extend the blessings of capitalism to humanity, I will consider here whether the ideas advocated by the Austrians comport with ancient philosophy, particularly on the subject of the human person.<sup>3</sup> In this paper, I use the seminal works of perhaps the two most

---

<sup>1</sup> See, e.g., Deirdre N. McCloskey, *Bourgeois Equality: How Ideas, Not Capital or Institutions, Enriched the World* (Chicago and London: University of Chicago Press, 2016), as well as the other two volumes of McCloskey’s triptych in praise of the bourgeoisie, i.e., *The Bourgeois Virtues: Ethics for an Age of Commerce* (2006) and *Bourgeois Dignity: Why Economics Can’t Explain the Modern World* (2010).

<sup>2</sup> Genesis 1:27.

<sup>3</sup> Cf., e.g., Barry Smith, “Aristotle, Menger, Mises: An Essay in the Metaphysics of Economics,” *History of Political Economy*, Annual Supplement to vol. 22 (1990): 263–288; *Austrian Economics: Historical and Philosophical Background*, ed. Wolfgang Grassl and Barry Smith (Kent: Croom Helm, 1986); Roderick T. Long, “Realism and Abstraction in Economics: Aristotle and Mises versus Friedman,” *The Quarterly Journal of Austrian Economics* 9, no. 3 (Fall 2006): 3–23; David Gordon, *An Austro-Libertarian View: Essays by David Gordon*, vol. I: *Economics, Philosophy, Law*

prominent Austrian School thinkers—Ludwig von Mises and Friedrich von Hayek—to compare the philosophical underpinnings of Austrian School economics with the philosophy of Aristotle. Specifically, I investigate the question of human action: Who are people, and why and how do they act? Do Mises and Hayek present Aristotelian answers to these questions? And is Mises' and Hayek's anthropology even sufficient to support the economic and political-social theories for which it forms the basis? Is there some way in which a more robust understanding of man would allow for a more plentiful human society?

### **Ludwig von Mises**

The virtual face of Austrian economics, Ludwig von Mises (1881-1973) was active in economics in Austria in the 1920s and 30s, leading the minority charge against the rise of socialism and central state planning before eventually fleeing the National Socialists in 1940 and emigrating to the United States. Mises' life in America was much more obscure than the one he had led in Europe. However, he attracted to his circle the brilliant polymath Murray Rothbard (1926-1995), who in turn brought in the key thinkers who would later promote Mises' work to a new generation of Americans and, eventually, to the world. Today, the Ludwig von Mises Institute in Auburn, Alabama, founded by Rothbard, Llewellyn Rockwell, and Burton Blumert in 1982, serves as the international headquarters of Misesian thought, and a home for libertarian inquiry in a wide variety of fields.

---

(Auburn, Ala.: Mises Institute, 2017); Justin Ptak, "The Prehistory of Modern Economic Thought: Aristotle in Austrian Theory" (Mises Institute 2009), available online—see the section *References* for details; and Michael Oliva Córdoba, "On the Philosophy and Logic of Human Action: A Neo-Austrian Contribution to the Methodology of the Social Sciences" (University of Hamburg 2017), available online—see the section *References* for details. Cf. also Martin Rhonheimer, *The Perspective of the Acting Person: Essays in the Renewal of Thomistic Moral Philosophy* (Washington, D.C.: The Catholic University of America Press, 2008).

Austrian luminary Friedrich von Hayek (1899-1992), for his part, was born in Austria-Hungary but moved to London in 1931 and soon became a leader of anti-fascist, anti-socialist, anti-collectivist thought in the West. He won the Nobel Prize for Economics in 1974 (along with Gunnar Myrdal) for “pioneering work in the theory of money and economic fluctuations and . . . penetrating analysis of the interdependence of economic, social and institutional phenomena.”<sup>4</sup>

Mises and Hayek are especially important because their works apply Austrian thought across a broad spectrum of fields—from economics, of course, to law, business, social justice, constitutionalism, and beyond.

Austrian economics grew out of a seemingly insoluble problem which had plagued economics throughout the nineteenth century: prices. Economists could not figure out why some things cost more than other things, and why prices fluctuated depending on circumstances. Many economists, most notably Karl Marx and his followers—but also earlier economists such as Adam Smith (1723-1790) and David Ricardo (1772-1823)—tried to see value as a function of labor input into goods. According to this labor theory of value, laid out by Marx in, for example, *Capital*, prices were indexes of work done, and capitalism an unjust appropriation of laborers’ work by exploitative owners of the means (tools, plant, equipment, and so forth) by which laborers’ work was translated into goods and thence into money, or capital. But Austrian School co-founders Eugen Böhm von Bawerk (1851-1914) and Carl Menger (1840-1921) intuited that prices were not magically infused into objects by labor, and were also not indexes of transcendental value, but were, instead, functions of choices made by particular people in particular circumstances. Later liberal economists applied these insights in focusing

---

<sup>4</sup> The Nobel Prize: Friedrich von Hayek, available at: [https://www.nobelprize.org/nobel\\_prizes/economic-sciences/laureates/1974/hayek-facts.html](https://www.nobelprize.org/nobel_prizes/economic-sciences/laureates/1974/hayek-facts.html).

on how individual people acted within a market, and how the choices made by individuals moved out through the wider economy as a whole.

For the Austrians, then, economics is the aggregate of individual human action. Indeed, human action was so fundamental to Austrian economics that Ludwig von Mises titled his magnum opus on Austrian economics just that: *Human Action*. This seminal volume might be said to be the foundational text of Austrian economics. Almost every other Austrian text before it in some way leads up to it, while almost every other Austrian text which followed it in some way engages with it. In investigating human action, Mises was trying to understand the building blocks of economies, and also to clarify the subject of economics. But is Mises' "human action" *human* action? How well does it fit man as we find him in the world, and how much does it admit of man's ultimate destiny? How well, in other words, does *Human Action* set the theoretical stage for capitalism's beneficent intervention in human societies, freeing man from drudgery and helping him move toward his higher calling?

At the beginning of *Human Action*, Mises sets forth, as might be expected, what he means by "human action":

Human action is purposeful behavior. Or we may say: Action is will put into operation and transformed into an agency, is aiming and ends and goals, is the ego's meaningful response to stimuli and to the conditions of its environment, is a person's conscious adjustment to the state of the universe that determines his life.<sup>5</sup>

Is this a new definition of "human action," or a very old one? At first blush, it might seem as though Mises defines "human action" in a way similar to Aristotle, who wrote, at the very beginning of the *Nicomachean Ethics*:

---

<sup>5</sup> Ludwig von Mises, *Human Action: A Treatise on Economics* (Chicago: Contemporary Books, 1963), 11.

Every art and every inquiry, and similarly every action and pursuit, is thought to aim at some good; and for this reason the good has been rightly declared to be that at which all things aim.<sup>6</sup>

If Misesian action is “aiming and ends and goals,” does it not envision the same telos as Aristotle’s “good . . . at which all things aim”?

While this may seem to be so, just two paragraphs after the definition given above, Mises veers in a decidedly un-Aristotelian direction:

The field of our science is human action, not the psychological events which result in an action. It is precisely this which distinguishes the general theory of human action, praxeology, from psychology. The theme of psychology is the internal events that result or can result in a definite action. The theme of praxeology is action as such.<sup>7</sup>

Mises thus at first equates human action with “aims and ends and goals,” it is true, but the broader context of this phrase betrays Mises’ heavily restricted teleology. For Mises, human action need have no telos beyond “conscious adjustment to the state of the universe.” Indeed, the state of the universe “determines his [i.e., man’s] life”—action is “will . . . transformed into an agency,” and “the ego’s meaningful response to stimuli and to the conditions of its environment.” Praxeology is thus essentially a reduction of the human person to the practical intellect, choosing among practical objects.<sup>8</sup> Beyond this, Mises refuses to inquire into human nature or the true needs and ends of the human person.

---

<sup>6</sup> Aristotle, *Nicomachean Ethics*, I, ch. 1, in *The Basic Works of Aristotle*, trans. and ed. Richard McKeon (New York: Random House, 1941), 935.

<sup>7</sup> Mises, *Human Action*, 11–12.

<sup>8</sup> On the practical intellect and practical objects, see St. Thomas Aquinas, *Summa Theologiae*, I, q. 79: “On the Intellectual Powers.” See also, e.g., John E. Naus, *The Nature of the Practical Intellect According to Saint Thomas Aquinas* (Roma: Libreria Editrice dell’Iniversità Gregoriana, 1959).

This prescinding from ultimate aims—this stunted sub-teleology—stands in stark contrast to Aristotle’s view as presented in the *Nicomachean Ethics*:

Our present inquiry does not aim, as others do, at study; for the purpose of our examination is not to know what virtue is [Aristotle had earlier said that the pursuit of virtue and happiness was the end of all human action], but to become good, since otherwise the inquiry would be of no benefit to us. Hence we must examine the right way to act, since, as we have said, the actions also control the character of the states we acquire.<sup>9</sup>

For Aristotle, Misesian “human action” would not really have been human action at all. Instead, Aristotle would have seen “human action” as a rejection of the human, of that which makes action human and which makes the actor a human being. This is because Aristotle knew that human beings did not simply act, as though they could choose without choosing human goods and move without moving toward some human end. Instead, Aristotle saw people as being inevitably moral actors, either pursuing virtue daily and growing incrementally in wisdom and temperance (and, ultimately, happiness), or else becoming increasingly unvirtuous and unhappy due to choices made in defiance of the natural ends of human life. The Misesian portrait of “human action” would have been unintelligible to Aristotle. In the *Nicomachean Ethics*, action is not neutral, and cannot be. Man not only acts, he must also act *rightly*. There is no escaping the moral consequences of what we do.

All the same, Mises seems to have understood that his theory of human action would fall apart without some kind of telos. So, Mises devised one, or rather incorporated one from European legend. Mises called his placeholder telos “Cockaigne,” the imaginary state in which

---

<sup>9</sup> *Nicomachean Ethics*, II, ch. 2, trans. Terence Irwin, in C. D. C. Reeve and Patrick Lee Miller, *Introductory Readings in Ancient Greek and Roman Philosophy* (Indianapolis: Hackett Publishing, 2015), 318.

every human desire is gratified without any labor required. Cockaigne is a fairyland of perpetually sated physical appetites and desires. While this state is of course unattainable, Mises posits that every human action in the market works toward Cockaigne, or the satisfaction of at least some desire, in some way.<sup>10</sup> With this eternally-receding mirage as makeshift telos, Mises sets up an evolutionist-hedonist definition for the humanity of human action. The capacity for at least advancing toward this ataraxic bliss in the neverland of Cockaigne gives form to human action and also stands as a substitute telos.

But Mises goes further than just this formalist exposition. For Mises, the being who could not act, or could not act such as to satisfy the definition Mises gives for human action, was not fully human:

[Man] is not only *homo sapiens*, but no less *homo agens*. Beings of human descent who either from birth or from acquired defects are unchangeably unfit for any action (in the strict sense of the term and not merely in the legal sense) are practically not human. Although the statutes and biology consider them to be men, they lack the essential feature of humanity. The newborn child too is not an acting being. It has not yet gone the whole way from conception to the full development of its human qualities. But at the end of this evolution it becomes an acting being.<sup>11</sup>

Apart from the obvious and grave problems of human dignity which would follow from stripping untold numbers of helpless human beings of their de facto humanity, this implied evolutionary view of humanity is highly problematic for Mises' theory of human action. Mises' Cockaigne quasi-telos and subsequent denial of full humanity to anyone incapable of attaining to it not only militates against a robust, Aristotelian understanding of action, it also undermines the very humanity of the

---

<sup>10</sup> Cf. Mises, *Human Action*, 13–14. See also *ibid.*, 15: “Epicurean ataraxia is that state of perfect happiness and contentment at which all human activity aims without ever wholly attaining it.”

<sup>11</sup> *Ibid.*, 14.

agent. Mises' "human action" thus appears to be tautological. Humans act in response to stimuli and for unreachable ends, but anyone unable to take part in the Sisyphean pursuit of ataraxia/Cockaigne is disqualified from being human in the first place.

The crucial decoupling of actor from telos takes place precisely when Mises deviates from the Aristotelian understanding of "happiness." This decoupling is effected with no small degree of subtlety. As he puts it, Mises sees "no valid objection" to defining "human action as the striving for happiness."<sup>12</sup> But having "no valid objection" to defining the human telos as happiness is not the same as defining it as such. For Aristotle, happiness is not an optional definition of the human telos—it is what makes man man in the first place. Without positively affirming that this is precisely what makes man who he is, it is impossible to understand who human beings are or what they do.

Perhaps aware that unreachable ataraxia is an insufficient substitute for the Aristotelian telos of happiness, and perhaps also in order to eliminate any objective transcendentals which might complicate his theory of the individually autonomous agent, Mises denies happiness both as a shared goal of humanity and as an objectively identifiable individual human state. Happiness instead gets whittled down to desire, a simple and more immediate element which fits in much more readily with Mises' liberalist interpretation of the human person.<sup>13</sup>

The ultimate goal of human action is always the satisfaction of the acting man's desire. There is no standard of greater or lesser satisfaction other than individual judgments of value, different for various people and for the same people at various times. What makes a man feel uneasy and less uneasy is established by him from the standard of his own will and judgment, from his

---

<sup>12</sup> *Ibid.*, 15.

<sup>13</sup> On this reading, Mises' theory seems to be a restatement and explication of G. E. Moore's naturalistic fallacy, making use of Moore's open questions argument in an attempt to destabilize the good. See, e.g., *Principia Ethica* (1903).

personal and subjective valuation. Nobody is in a position to decree what should make a fellow man happier.<sup>14</sup>

By making happiness a subjective category and collapsing it down to desire, Mises attempts to forestall argument about ends in order to focus on means. The individual thus acts, but for reasons that are either admittedly figments of the imagination, or else unintelligible to anyone but the agent.

Mises' human action would seem to be trapped in a Lockean/Kantian state of incommunicative frustration. And yet, this radical individualism bordering on solipsism does not impinge on the functioning of the market economy, Mises argues. Indeed, Mises makes the merely *acting* human—acting for what ends nobody knows or can know—the centerpiece of economic activity. Some men, Mises points out:

desire nothing else than the satisfaction of their appetites for sexual intercourse, food, drinks, fine homes, and other material things. But other men care more for the satisfactions commonly called 'higher' and 'ideal'. . . . There are people for whom the ultimate goal of the earthly pilgrimage is the preparation for a life of bliss. There are other people who do not believe in the teachings of any religion and do not allow their actions to be influenced by them. Praxeology is indifferent to the ultimate goals of action. Its findings are valid for all kinds of action irrespective of the ends aimed at. It is a science of means, not of ends. It applies the term happiness in a purely formal sense. In the praxeological terminology the proposition: man's unique aim is to attain happiness, is tautological. It does not imply any statement about the state of affairs from which man expects happiness.<sup>15</sup>

For Mises and other liberals, all choices are equally valid. There is no standard by which to determine if one choice is any better or worse than another. It follows that happiness under any liberal theory could never

---

<sup>14</sup> Mises, *Human Action*, 14.

<sup>15</sup> *Ibid.*, 14–15.

be applied in any other than “a purely formal sense.” True, Mises allows, most men have an “appetite for food and warmth [which] is common to men and other animals.” However, it “is neither more nor less rational or irrational” to choose “fidelity to [one’s] religious, philosophical, and political convictions or the freedom and flowering of [one’s] nation” than to strive after “life, health, and wealth.”<sup>16</sup> Once conceived of as mere choice operating without telos, it is inevitable that all of human action be unintelligible in terms of hierarchies or standards. Radical relativism and individualism are the bases upon which the liberal agent moves through the world and interacts with others similarly divorced from ultimate ends.

To be fair, Mises posited this subjectivism mainly as a way to counter the odd price-objectivism of earlier economists, who had tried to discover the formulae of prices in intrinsic and yet invisible quanta which influenced exchanges in ways mystical to human inquiry. By removing these considerations from economics and substituting price investigations with the mere assumption of action (that is, by shifting economics from the object to the subject), Mises did, as he said, achieve a certain level of objectivity by the apparently paradoxical introduction of subjectivism:

The teachings of praxeology and economics are valid for every human action without regard to its underlying motives, causes, and goals. The ultimate judgments of value and the ultimate ends of human action are given for any kind of scientific inquiry; they are not open to any further analysis. Praxeology deals with the ways and means chosen for the attainment of such ultimate ends. Its object is means, not ends. In this sense we speak of the subjectivism of the general science of human action. It takes the ultimate ends chosen by acting man as data, it is entirely neutral with regard to them, and it refrains from passing any value judgments. The only standard which it applies is whether or not the

---

<sup>16</sup> *Ibid.*, 19.

means chosen are fit for the attainment of the ends aimed at. If Eudaemonism says happiness, if Utilitarianism and economics say utility, we must interpret these terms in a subjectivistic way as that which acting man aims at because it is desirable in his eyes. It is in this formalism that the progress of the modern meaning of Eudaemonism, Hedonism, and Utilitarianism consists as opposed to the older . . . objectivistic theory of values as expounded by classical political economy. At the same time it is in this subjectivism that the objectivity of our science lies. Because it is subjectivistic and takes the value judgments of acting man as ultimate data not open to any further critical examination, it is itself above all strife of parties and factions, it is indifferent to the conflicts of all schools of dogmatism and ethical doctrines, it is free from valuations and preconceived ideas and judgments, it is universally valid and plainly human.<sup>17</sup>

In other words, praxeology, in Mises' estimation, was largely a tactical maneuver, an attempt to make man intelligible as a datum of scientific investigation.

However, Mises' subjectivism is not *only* tactical. It might be objected that Mises needed to effectively eliminate any telos (by rendering it unreachable, as with Cockaigne or ataraxia) in order to stave off Marxist and other neo-Hegelian claims about class struggle, the eventual overthrow of the bourgeoisie, or suchlike outworkings of the "spirit of history." But Mises goes beyond what seems necessary to do the work of denying the neo-Hegelians their materialist telos. Indeed, in *Human Action* Mises comes out not only against ends and objectives, but also against metaphysics, denying both organizational wholes and causes working within systems. Misesian "human action" reduces man's interior motivation to a relativistic swirl of impulses and desires, all of which are equally valid and none of which lie open to "value judgments." Beyond these, though, it is only the man who sees causes

---

<sup>17</sup> *Ibid.*, 21–22.

and effects, who is equipped to act in the economic sense. (No cause and no effect would be a world of chaos, Mises allows, which would obviate not only human choosing and acting, but also their meaning.<sup>18</sup>) Mises even goes so far as to say that “the problem of the study and analysis of other people’s action is in no way connected with the problem of the existence of a *soul* or of an *immortal soul*.”<sup>19</sup>

It is curious why Mises would feel the need to touch upon the question of the soul when he has already established, for his purposes, that human action, in his view, renders the interior man not only opaque, but effectively inconsequential to the man known to the world only by his actions. (This opacity Mises calls “plainly human” subjective-objectivity.) Mises further asserts that man cannot act *unless* he has some way of influencing causes. Mises closes the door on metaphysical considerations, and then attempts to turn liberal, radically subjective *homo economicus* into a kind of metaphysics in his own right:

The archetype of causality research was: where and how must I interfere in order to divert the course of events from the way it would go in the absence of my interference in a direction which better suits my wishes? In this sense man raises the question: who or what is at the bottom of things? He searches for the regularity and the ‘law’, because he wants to interfere. Only later was this search more extensively interpreted by metaphysics as a search after the ultimate cause of being and existence. Centuries were needed to bring these exaggerated and extravagant ideas back again to the more modest question of where one must interfere or should one be able to interfere in order to attain this or that end. . . . [However, the] philosophical, epistemological,

---

<sup>18</sup> *Ibid.*, 22. This is another *deus ex machina* backstop keeping Mises’ theory from unraveling on its own terms.

<sup>19</sup> *Ibid.*, 26.

and metaphysical problems of causality and of imperfect induction are beyond the scope of praxeology.<sup>20</sup>

Mises here in part anticipates his colleague Friedrich Hayek's notion of "spontaneous order," according to which societies arise out of interactions in the free market. But in grounding even metaphysics (admittedly an "exaggerated and extravagant idea") in human action, Mises is also repeating a very old notion, namely, that man is the measure of all things.

Man as the measure of all things was given its most famous form by Protagoras of Abdera (490-420 BC), whom Plato mocked as having been the first professional sophist.<sup>21</sup> Aristotle, too, disliked the notion that man was the measure of all things. For example, in the *Metaphysics*, Aristotle argues against Empedocles (495-444 BC), who espoused an early kind of nominalism by making man the measure(r) of nature:

Nothing that is has a nature,  
But only mixing and parting of the mixed,  
And nature is but a name given them by men.<sup>22</sup>

In putting "the philosophical, epistemological, and metaphysical problems of causality and of imperfect induction . . . beyond the scope of praxeology," Mises is essentially following Protagoras and Empedocles in eliding the entire question of the nature of things and foregrounding man as the chooser and actor among a telos-free milieu. However, as Aristotle wrote:

Nature in the primary and strict sense is the essence of things which have in themselves, as such, a source of movement; . . . and nature in this sense is the source of the movement of natural

---

<sup>20</sup> *Ibid.*, 22–23.

<sup>21</sup> Cf. Plato's *Lesser Hippias* (363c–364a) and *Protagoras*.

<sup>22</sup> Aristotle, *Metaphysics*, V, ch. 4, in *The Basic Works of Aristotle*, 756.

objects, being present in them somehow, either potentially or in complete reality.<sup>23</sup>

How is one to split nature from nature, man from himself, in trying to understand how man moves and chooses in the natural world? How could there be an economics as a natural science if there is no nature in and through which to engage in transactions? Mises puts these considerations “beyond the scope of praxeology,” but it is unclear how there could be any market exchanges amid such a featureless, natureless, undifferentiated array.

Indeed, one profound but rarely noted irony of Mises’ radical subjectivity is that it undermines economics itself. For Mises, “action is change, and change is in the temporal sense.”<sup>24</sup> Mises sees human activity as being at the center of economics, but in reducing human beings to shells with unknowable inner workings—human beings who merely choose and act, but for reasons which remain permanently beyond the scope of inquiry—Mises inadvertently reduces the economy, too, to a catatonic plateau of unintelligibility. This would seem to produce a kind of ghost world in which actors cannot act, choices cannot be chosen, and markets cannot move.

As if unable to shake the ghost of metaphysics, this catatonic economics has a shadowy role in Austrian economics, wherein it is called the “evenly rotating economy”. The evenly rotating economy is the “final state of rest”<sup>25</sup> which arises when the needs and desires which, for Mises, drive economic activity have all been satisfied. Everyone has traded for everything that they want, and there is no further stimulus to economic activity of any kind. In this imaginary state, wherein “the market prices of all goods and services coincide with the final prices,”<sup>26</sup>

---

<sup>23</sup> *Ibid.*

<sup>24</sup> Mises, *Human Action*, 248.

<sup>25</sup> *Ibid.*, 246.

<sup>26</sup> *Ibid.*, 247.

there is no element of time, no environmental or other non-human pressures which throw the temporally-achieved economic equilibrium off and necessitate a further renegotiation of distribution of goods and services by means of renewed market activity. Mises rejects the evenly rotating economy as an imaginary figment, but it seems to be the phantom of his own conception of the economy. For Mises, the evenly rotating economy “is not peopled with living men making choices and liable to error; it is a world of soulless unthinking automatons; it is not a human society, it is an ant hill.”<sup>27</sup>

If so, then why posit this doppelganger economy, this nowhere-land in which the necessity of the market has been obviated and human action has lost its humanity and activity (and the actor his agency)? The irony, and perhaps also the necessity, of the evenly rotating economy enters when one considers that, as Mises has conceived of the human person, such a collection of “soulless unthinking automatons” seems to follow naturally from the anti-teleological “man” that Mises has made not only the center of the economy, but also the center of the universe. Even if one allows, *pro arguendo*, that it might be possible for individuals in the Misesian scheme to act for Aristotelian moral and virtuous ends as individuals, how would it be possible for such individuals to form relationships with one another and carry out market transactions? Would not Mises’ hollow men have no innards, mind or soul, to share with others? Many contemporary Austrians (for example George Gilder and Jeffrey Tucker) understand economics as largely a question of information. But how could individuals who had no common ends possibly exchange information and thus enter into economic exchange? Would not a “world of soulless unthinking automatons” result, which would preclude any economic activity in the first place? With these questions, the evenly-rotating economy comes to seem less like a shad-

---

<sup>27</sup> *Ibid.*, 248.

ow of the market economy, and more like the natural consequence of denaturing real men into *homo economicus*.

Perhaps sensing the futility of positing an economy filled with drones, or the inevitable devolution of “human actors” to ants in “an ant hill,” Mises calls forth a second kind of economic actor, one which would seem to be more fully human in the Aristotelian sense, in order to provide the dynamism which an economy of “automatons” would most certainly lack. For Mises, this more human economic actor is the “entrepreneur.” Mises sees in entrepreneurs—“the historians of the future” able to speculate on market directions and thereby profit themselves and their firms (and, by extension, society as a whole)—“not men, but a definite function.”<sup>28</sup> “Entrepreneur means acting man in regard to the changes occurring in the data of the market.”<sup>29</sup> Even Mises’ more human economic actor, then, seems bound to the market like Prometheus chained to the rock.

The consequences of denying the humanity of *homo economicus* taint all of Mises’ *Human Action*. By depriving man’s action of a telos, Mises makes human action something other than human. By depriving man of metaphysics, Mises destroys the humanity of human actors, too. In *Human Action*, “human action” quite remarkably fails to meet Aristotle’s Nicomachean criteria for being *human* action. What follows from this severely attenuated anthropology is not scientific, as Mises hoped, and not even economics. It ironically produces the same “soulless automatons” in which all other reductionist theories have ultimately resulted, whether liberal or collectivist or statist or otherwise. Just as important, it leaves man unable to appropriate the blessings of capitalism, blessings which few have done more to celebrate and promote than Ludwig von Mises.

---

<sup>28</sup> *Ibid.*, 252.

<sup>29</sup> *Ibid.*, 254.

## Friedrich von Hayek

Ludwig von Mises' misunderstanding of the human person, and his concomitant failure to understand how human beings act within the context of market transactions and economic systems more broadly, is compounded in the work of Mises' contemporary and fellow Austrian School thinker Friedrich Hayek. Whereas Mises restricted his application of a highly purified liberalism (and, therefore, of a highly denatured anthropology) largely to descriptive investigations, Hayek used the radical liberalism of the Austrian School in order to go beyond description to prescriptive systems of law and other social enterprises.

In particular, Hayek was concerned with setting forth a new legal order which he called "the constitution of liberty."<sup>30</sup> The constitution of liberty, for Hayek, was grounded in his central tenet of spontaneous order, or the notion that the interactions of individuals working and trading in the free market would produce, somehow, an organic order which would give shape to societies unfettered by intrusive governments or totalitarian dictators. The sum of free interaction and exchange was to be a regime of ordered liberty, in which the participants-cum-generators of that ordered liberty would enjoy both freedom of thought and enterprise at the interpersonal level, as well as guarantees of that freedom at the structural level of society, such as in courts and government offices and other institutions.

However, the key to Hayek's "constitution of liberty" was that government was not to impose a telos of any kind beyond keeping a basic level of peace needed for the full enjoyment of personal liberty. Hayek found that the imposition of a telos upon a society limited the exercise of individual choice and the range of the individual's exercise of freedom, and so he eschewed telos in favor of a minimal set of shared

---

<sup>30</sup> See, especially, Friedrich A. Hayek, *The Constitution of Liberty* (Chicago: University of Chicago Press, 1960).

ground rules which, if properly followed, he thought would ensure the individual the maximum of liberty. Hayek thus essentially expanded the move that Mises makes at the beginning of *Human Action*, stripping telos not just from man, but from society as a whole.

This move grew out of one of Hayek's key insights: the impossibility of socialism.<sup>31</sup> The impossibility of socialism was, at root, a knowledge problem.<sup>32</sup> Given the fundamental uncertainty of existence, and particularly within complex economies and societies, it is a "fatal conceit" to believe that a body of planners could gain a transcendent knowledge of the virtual infinity of variables constituting a given economy or society, and then intervene in this deep stochastic in order to arrange those variables in a more advantageous way.

As a result, Hayek considered the legislation of more than general rules of order—e.g., the drafting of a constitution—to be inadvisable. After all, if central planners cannot anticipate even the most basic patterns of a changing economy, how can legislators be expected to foresee the future through the fog of uncertainty? As a solution to this prob-

---

<sup>31</sup> Cf. Friedrich A. Hayek, *The Road to Serfdom* and "The Use of Knowledge in Society," cited in Aeon J. Skoble, "Hayek the Philosopher of Law," in *The Cambridge Companion to Hayek*, ed. Edward Feser (Cambridge University Press, 2006), 176–177.

<sup>32</sup> See also Bruno Leoni, "Freedom and Legislation," in *Freedom and the Law* (Los Angeles: Nash Publishing, 1961), 106–107: "The reason why socialism and legislation are inevitably connected is that while a free market implies a spontaneous adjustment of demand and supply on the basis of the preference scales of individuals, this adjustment cannot take place if the demand is not such as to be met by supply on the same basis, that is, if the preference scales of those who enter the market are not actually complementary. . . . Legislation may achieve what a spontaneous adjustment could never do. Demand may be obliged to meet supply, or supply may be obliged to meet demand, according to certain regulations enacted by legislative bodies, possibly deciding, as happens at present, on the basis of such procedural devices as the majority rule. The fact about legislation . . . is that regulations are enforced upon everybody, including those who never participated in the process of making the regulations and who may never have had any notice of it. This fact distinguishes a statute from a decision handed down by a judge in a case brought before him by the parties. The decision . . . is not directly enforceable on other people who were not parties to the dispute or who were not represented by the parties in the case."

lem within the sphere of the law, Hayek proposed a legislative regime of nomocracy as a replacement for teleocracy. This was the working model for his “constitution of liberty.” Hayek’s aim in advocating this limited form of legislation was to attenuate what he called *thesis*, or the legislative power of the sovereign—who sought to impose order on a society from above in a process Hayek called *taxis*—, in order to clear the legal ground for *kosmos*, or order spontaneously arising without orientation toward an external telos.<sup>33</sup>

All of this reluctance to commit to a telos of any kind stems from Hayek’s insistence that every interaction was a kind of experiment. The accumulation of knowledge—and a fortiori the sublimation of this accumulated knowledge into some kind of shared social goal or even shared social assumption, under the guise of custom or tradition, of how the world should work—Hayek found to be unnecessarily restricting to individual freedom. And, in this sense, Hayek, going beyond Mises, found that the market provided not only goods and services, but, most important, knowledge. Hayek’s refusal to allow for teloses in his society operating under his “constitution of liberty” was due ultimately to his insistence that liberalism was to be preferred to collectivism because of liberalism’s superiority in opening the human mind to the greater and better acquisition of knowledge. As Chandran Kukathas points out in *Hayek and Modern Liberalism*:

In his development of the Misesian critique of socialism, Hayek sought to show that the fundamental problem in economics was not a calculational problem but an *epistemological* one. . . . The weakness of socialist planning was that it required *more* knowledge for decision making and yet was *less* able to ensure that knowledge of opportunities was utilized. . . . In his political theory, Hayek [argues] that it is the *epistemological* rather than the

---

<sup>33</sup> Skoble, “Hayek the Philosopher of Law,” 171 ff., and Chor Y. Cheung, “Hayek on Nomocracy and Teleocracy: A Critical Assessment,” *Cosmos+Taxis* 1, no. 2 (2014): 24–33.

calculational problem which characterizes not simply the production process but the human condition generally. The market, defined by the institutions of justice [e.g., courts and legislatures, etc.], is to be praised not merely for making production cheaper; for what is discovered in the market process is not only 'economic' knowledge, but knowledge of the world, of others, and even of oneself. This is why in *The Constitution of Liberty* he stresses the importance of the social process remaining 'experimental': when experiments are forbidden because superior knowledge has rendered parts of the process of trial and error otiose, then the 'beliefs that happen to be prevalent at a given time may become an obstacle to the advancement of knowledge' [citing Hayek, *Constitution of Liberty*, 37]. For knowledge 'advances' not just with the growth of explicit or scientific knowledge, but 'with every adaptation to the environment in which past experience is incorporated' [citing *ibid.*, 26].<sup>34</sup>

Hayek's "constitution of liberty" thus bears strict resemblance to Mises' "human actor," adapting to environmental stimuli but fated, even required, to eschew any bigger purpose beyond the immediate "experiment," as Hayek puts it, of every new market interaction.

As Aristotle points out, however, the "knowledge" which Hayek claims will be pursued open-endedly must, by its very nature, bring the knowers of that knowledge into some kind of organizational whole. First, there is a unity in things themselves that cannot be atomized and rearranged in the way that Hayek imagines the market will do:

For instance, we might say that 'man' has not one meaning but several, . . . for a peculiar name might be assigned to each of the definitions. If, however, they were not limited but one were to say that the word has an infinite number of meanings, obviously reasoning would be impossible; for not to have one meaning is to

---

<sup>34</sup> Chandran Kukathas, *Hayek and Modern Liberalism* (Oxford: Clarendon Press, 1989), 100–101. See also Friedrich A. Hayek, "The Use of Knowledge in Society," in *Individualism and Economic Order* (Chicago: The University of Chicago Press, 1958), 77–91.

have no meaning, and if words have no meaning our reasoning with one another, and indeed with ourselves, has been annihilated; for it is impossible to think of anything if we do not think of one thing.<sup>35</sup>

It therefore seems to follow that there could be no market in the first place without some modicum of aims and ends. In attempting to use the free market to unseat socialist and collectivist central-planning panopticons which have arrogated to themselves the power to control and dictate all economic activity, Hayek ironically undoes the very possibility of economic activity in the first place. Centralized economic planning is certainly an evil, but the eradication of economic transactions (however unintended) by dethroning mankind in all of his complexity in the process of taking down socialism cannot possibly be the solution. Capitalism is *good* for people, and we need not artificially de-telos-ify man or society in order to clear the ground for capitalism.

Again, Aristotle provides a clue as to how we might go beyond the dead ends of Mises' and Hayek's flawed anthropology. Centralized planning was an idea already familiar to the ancient Greeks, for example, but the rejection of central planning need not inevitably lead to the embrace of teleological indifference or even hostility. Aristotle made clear in *Nicomachean Ethics*, especially Book VIII, that friendship is a necessary corollary of human existence, and is presupposed in any quest for virtue and happiness. Friendship, although for Aristotle it takes many forms, is the *sine qua non* of the social life. The absence of the common good is not conceivable—man enters into friendships, and society without friendship is as nonsensical as molecules without chemical bonds.<sup>36</sup> However, for Hayek, all shared understanding of the common good—of *communio*, or of justice going beyond individual transactions—must be forced upon society from without. Ironically, for Ha-

---

<sup>35</sup> Aristotle, *Metaphysics*, IV, ch. 4, in *The Basic Works of Aristotle*, 738.

<sup>36</sup> See Aristotle, *Nicomachean Ethics*, VIII, in *The Basic Works of Aristotle*, 1058 ff.

yeck, while order arises spontaneously from below, the good, or aims which transcend individual prerogatives, do not. The best that a liberal society can provide is procedural justice, or the “evaluat[ion of] competing claims.”<sup>37</sup> Hayek insisted that the rule of law, in a liberal, “open society,” can be at best ground rules. Society is “a collection of strangers free to pursue their own interests.”<sup>38</sup> While this does not preclude, for Hayek, social institutions such as the family and other local groups, it does mean that society as a whole can have no say in what, if any, the end goal of social interaction will be.

### A Critique via Aristotle

Hayek’s rejection of *communio* and of social teleology can be, and has been, critiqued from a variety of positions. For example, Alasdair MacIntyre pointedly rejected Hayek on this score.<sup>39</sup> Here I would offer perhaps a novel critique, based on Aristotle’s understanding of diversity and its impossibility without some form of contrary opposition. For if, according to Aristotle in *Metaphysics*, X, ch. 3, there are four kinds of opposition, with some being unifying and others describing disparity of both quantity and quality, then it follows that Hayekian spontaneous order will either presuppose some kind of shared quality, or else it will be impossible for any order to come about, spontaneously or otherwise.<sup>40</sup> But if there is already a shared quality in Hayek’s market operations, then this will inevitably lead to shared ends—in other words, to a *communio*, or an operational whole which by its very nature will share a genus and work toward a common end. However, problematically for the theories of Mises and Hayek, there is no

---

<sup>37</sup> Kukathas, *Hayek and Modern Liberalism*, 118.

<sup>38</sup> *Ibid.*, 115.

<sup>39</sup> See, e.g., *After Virtue*, 237, cited in Kukathas, *Hayek and Modern Liberalism*, 114.

<sup>40</sup> *The Basic Works of Aristotle*, 839 ff.

diversity apart from market interactions, and commerce is not a quality because by its very nature, according to Mises' definition, commerce presupposes that goods exchanged will be utterly unlike one another.

We face, therefore, a twofold impossibility. On the one hand, it is impossible for a Misesian/Hayekian market to exist without a telos (a telos which both Mises and Hayek categorically reject). On the other hand, without shared qualities—which would flow from a common genus and thus imprint on each member some shared aim—there could be no human society, but without such human society there could be no market in the first place. The market, as conceived by Mises and Hayek, is thus no market at all. It is a fiction. It is therefore impossible, contra Mises and Hayek, for society to exist as simply an epiphenomenon of market activity or of radical individual interaction. The very notion of diversity (in any context, social or otherwise) presupposes some sort of shared nature. Otherwise, what would result would be not diversity, but chaos.

And this shared nature, for human actors in an economic or judicial or governmental or societal order, can be none other than human nature itself. It is impossible for human beings to act in any way other than as human beings, which is to say, for some higher end and greater purpose which can never be cut off from the mere fact of the acting, choosing, or preferring. Hayek would have a society in which human beings did not act or live like human beings at all, but, rather, under a giant Rawlsian “veil of ignorance” in which everyone would be willfully blind—an impossibility from the outset—to the larger import of each action and to the movement toward *communio* and greater human flourishing, and human happiness, which is the ineluctable aim and cause of all human acting. Hayek's “constitution of liberty” is a denial of the natures of the beings whom he is purportedly trying to help. The “constitution of liberty” would seem, tragically, to be a recipe for dehumanization.

Aristotle would perhaps agree with Hayek that the seeker after virtue and happiness should be free, to a certain extent, to pursue higher ends according to his own lights. Everyone has certain predispositions and affinities, and one man may be more inclined to work as a carpenter while another may have a natural talent for, say, soldiering or music. However, Aristotle would disagree with Hayek in arguing that the free market is sufficient to supply man's needs, because, for Aristotle, human interactions always presuppose the existence of human ends. In going to a market and purchasing, for example, lumber needed to make a chair or tools for planing and fastening wood, a carpenter does not merely precipitate a material exchange, but also, even if in some small way, finds an opportunity to grow in virtue by dealing fairly with the seller and treating those whom he meets with respect. Moreover, the carpenter supplies some future buyer with a finished product, not merely to exist in the universe, but to further some human end, such as for rest or for a place to study or to eat, which, ultimately, also furthers the virtue and happiness of the person using the thing. The human being is the cause of the science that allows the carpenter to understand wood and tools and carpentry and human needs, and is also the cause of the desire to purchase and use a chair in pursuit of some human capacity. Order does not spontaneously arise out of market transactions; it is the precondition of the market, and of all human action. Society and goods exert organizing force upon the market, and not the other way around. A market is never really "free," because a market is always bound up in the full humanity of its participants (as is everything else made and used by human beings).

The "constitution of liberty" formulated by Hayek is laudable as an attempt to limit the size and scope of government. Unfortunately, prescinding telos from society is not likely to free man to seek a telos elsewhere. There are not multiple teloses, there is only one: happiness (secular and then beatific). And one approaches one's telos through vir-

tue. There is no other way. Man is therefore especially unlikely to know the freedom that Hayek seeks with his telos-less constitution of liberty if society is conceived of as an agglutination of telos-less agents as described in Mises' *Human Action*. Acting for no greater common end is not human action at all. Acting for no discernible purpose and under no metaphysical lights, as is made explicit in Mises' and Hayek's transactional anthropology, is not worthy of the human person, who is made for much higher things. And capitalism, as a gift from God, is able to lift us up in our full humanity. No liberal deracination of the human person is required.

But Mises', and Hayek's, pure liberalism precludes the possibility of seeing the human person as a principle of understanding. By removing any consideration of ends from human action, both Mises and Hayek denature human action, rendering it alien to actual human beings. While they were right to resist the wiles of socialist collectivists, they chose the wrong method. Radical individualism—free-market solipsism—does not correct socialist errors, it only transposes them. The choice presented by Mises and Hayek among a myriad of value systems and dogmas and teleologies is a false one. The first human action is to wonder and then to seek to understand. The end of this searching is truth, and happiness. This is not a matter of indifference to human action—it is the very foundation of it. Failing to take this into account, Mises and Hayek could not possibly understand the nature of human action, and therefore could not possibly mount a principled resistance to socialism. The only real solution to collectivist statism, now as ever, is to embrace the full flowering of our God-given humanity: prosperous, virtuous, happy, and free.



**Is the 'Human Action' in *Human Action* Human Action?  
Mises, Hayek, and Aristotle on 'Capitalism' and Human Flourishing**

SUMMARY

Ludwig von Mises's *Human Action* is a seminal work of Austrian economics. It sets forth Mises's theory of the acting person and lays the groundwork for a liberal economic order. But is the "human action" which Mises describes in *Human Action* really human action? Mises, as well as his colleague Friedrich von Hayek, posits a liberal society in which telos and metaphysics can be elided from human interactions, but such conceptions of the human person are greatly different from the more robust, and humane, anthropologies of Aristotle and St. Thomas Aquinas. In this paper, I compare and contrast the visions of the human person found in Mises, Hayek, Aristotle, and St. Thomas, arguing that the truly human vision of human action found in the latter two thinkers' works provides a much sounder basis for human material flourishing ("capitalism").

KEYWORDS

Mises, Hayek, Aristotle, Aquinas, Human Action, praxeology, Constitution of Liberty, virtue, economics.

REFERENCES

- Aquinas, St. Thomas. *Summa Theologiae*. Second and Revised Edition, 1920. Literally translated by Fathers of the English Dominican Province. Available online at: <http://www.newadvent.org/summa/>. Accessed Sept. 27, 2019.
- Aristotle. *Metaphysics*. In *The Basic Works of Aristotle*. Translated and edited by Richard McKeon. New York: Random House, 1941.
- Aristotle. *Nicomachean Ethics*. In *The Basic Works of Aristotle*. Translated and edited by Richard McKeon. New York: Random House, 1941.
- Aristotle. *Nicomachean Ethics*. Translated by Terence Irwin. In C. D. C. Reeve and Patrick Lee Miller. *Introductory Readings in Ancient Greek and Roman Philosophy*, 2<sup>nd</sup> edition. Indianapolis: Hackett Publishing, 2015.
- Austrian Economics: Historical and Philosophical Background*, edited by Wolfgang Grassl and Barry Smith. Kent: Croom Helm, 1986.
- Cheung, Chor Y. "Hayek on Nomocracy and Teleocracy: A Critical Assessment." *Cosmos+Taxis* 1, no. 2 (2014): 24–33.
- Gordon, David. *An Austro-Libertarian View: Essays by David Gordon*. Vol. I: *Economics, Philosophy, Law*. Auburn, Ala.: Mises Institute, 2017.
- Hayek, Friedrich A. *The Constitution of Liberty*. Chicago: University of Chicago Press, 1960.
- Hayek, Friedrich A. "The Use of Knowledge in Society." In *Individualism and Economic Order*, 77–91. Chicago: The University of Chicago Press, 1958.
- Kukathas, Chandran. *Hayek and Modern Liberalism*. Oxford: Clarendon Press, 1989.
- Leoni, Bruno. *Freedom and the Law*. Los Angeles: Nash Publishing, 1961.
- Long, Roderick T. "Realism and Abstraction in Economics: Aristotle and Mises versus Friedman." *The Quarterly Journal of Austrian Economics* 9, no. 3 (Fall 2006): 3–23.

- McCloskey, Deirdre N. *Bourgeois Equality: How Ideas, Not Capital or Institutions, Enriched the World*. Chicago and London: University of Chicago Press, 2016.
- Mises, Ludwig von. *Human Action: A Treatise on Economics*, 3<sup>rd</sup> revised edition. Chicago: Contemporary Books, 1963.
- Naus, John E. *The Nature of the Practical Intellect According to Saint Thomas Aquinas*. Roma: Libreria Editrice dell'Iniversità Gregoriana, 1959.
- Oliva Córdoba, Michael. "On the Philosophy and Logic of Human Action: A Neo-Austrian Contribution to the Methodology of the Social Sciences." University of Hamburg 2017. Available online at: <https://www.philosophie.uni-hamburg.de/philosophisches-seminar/personen/oliva-cordoba-michael/material/philloghumact.pdf>. Accessed Sept. 27, 2019.
- Ptak, Justin. "The Prehistory of Modern Economic Thought: Aristotle in Austrian Theory." Mises Institute 2009. Available online at: <https://mises.org/library/prehistory-modern-economic-thought-aristotle-austrian-theory>. Accessed Sept. 27, 2019.
- Rhonheimer, Martin. *The Perspective of the Acting Person: Essays in the Renewal of Thomistic Moral Philosophy*. Washington, D.C.: The Catholic University of America Press, 2008.
- Skoble, Aeon J. "Hayek the philosopher of law." In *The Cambridge Companion to Hayek*, 171–181. Edited by Edward Feser. Cambridge University Press, 2006.
- Smith, Barry. "Aristotle, Menger, Mises: An Essay in the Metaphysics of Economics." *History of Political Economy*, Annual Supplement to vol. 22 (1990): 263–288.

**Peter A. Redpath**

## **Aristotle and Aquinas on the Virtue of Money as a Preservative of Justice in Business Affairs and States**

While Aristotle’s and St. Thomas’s teachings about economics are often ridiculed today, actually what they had to say about this issue is quite profound.

According to them, a type of proportionality in commutative exchanges is an essential part of business activity that qualitatively makes intelligible the nature of money and economic exchange. A chief reason for this is because, to preserve justice in terms of proportionate equality within commutative economic interactions, the natural qualitative inequality of products produced by different professions and professionals for satisfying natural human needs, real human goods: (1) must be publicly recognized and (2) equated according to a uniform measure of equality. *The greater qualitative contribution that some professions make, economically to a political order, must be publicly recognized and justly compensated. If this does not happen, Aristotle and St. Thom-*

---

Peter A. Redpath — CEO, Aquinas School of Leadership, Cave Creek, AZ, USA  
e-mail: peterredpath@aquinasschoolofleadership.com • ORCID: no data

Reproduced by permission from Peter A. Redpath, *The Moral Psychology of St. Thomas Aquinas: An Introduction to Ragamuffin Ethics* (St. Louis, Mo.: En Route Books & Media, 2017), 320–324. More information about the book at: <http://enroutebooksandmedia.com/moralpsychology/>.



*as maintain that economic exchanges within a particular political order and between political regimes will stop!*

If a uniform measure of proportionate equality between and among professions of unequal quality (between those more and less necessary for promoting and preserving human life, health, and safety) is preserved within a political society, they say all things capable of being economically exchanged can, thereby, be compared to an equal unit measure so as to make known which is more or less great in relation to market demand and fulfilling real human needs.

*They maintain that money, currency, was invented as a measure of market demand to establish fair pricing in relationship to fulfilling real needs!* The invention of money, therefore, becomes a measure of paying: (1) too much, (2) proportionately equal (fair price), or (3) too little, chiefly relative to a real need.

To make intelligible the nature of money as a measure of fair price and market demand, they give the following example related to the exchange of one house for X number of sandals or X amount of food. While, generally considered, St. Thomas says one house is of qualitatively greater good *for the preservation and promotion of human life* than one sandal, over a long period of time, one house is qualitatively (has the intensive quantum greatness: a greatness of power relative to preserving and promoting human life) equal to so many sandals. And, over a short period of time, one house has a qualitative good for the promotion and preservation of X number of people.

*In short, some goods have a qualitative greatness relative to the preservation and promotion of real human needs (the greatest of which is the preservation and promotion of human life) expressible in arithmetically-quantifiable terms through a physical sign numerically-expressed: by money!*

The farmer, builder, and shoemaker produce qualitatively unequal useful goods, goods unequally useful for executing performance

activity and keeping people alive, safe, and healthy. If human beings do not recognize the hierarchical inequality of business, and other, professions for the unequal contribution they make toward the preservation and promotion of human life and safety, perfecting the quality of human life, Aristotle and St. Thomas maintain that human beings will refuse to exchange goods and products, will refuse to engage in economic activity. Hence, some means for equating qualitatively unequal goods and activities, hierarchically-ordered professions, must be discovered or invented.

Money enables the real wealth (quality of talent of qualitatively unequal, but talented, people) and the generically unequal goods they produce (like those of the farmer, builder, cobbler, baker, and cosmetologist) to become members of the same genus of economic goods (enabling-means, goods productive of real, life-enhancing good) to be measured by a generically-common standard of use value. Wealth is chiefly measured in terms of personal talent and that of how many talented people a talented person can get to work for him for free.

According to St. Thomas, only one standard truly measures all goods, including economic ones: demand, human needs. All human goods have one chief measure—natural need to stay alive and preserve health. Hence, St. Thomas says we do not measure economic good according to a metaphysical standard of greatness. If we did, a mouse would be of greater good than a pearl! We measure economic good, price, according to a human being's relationship to needing something for some human use to fulfill some real human want or need in the present that some talented person can satisfy.

As further proof that human need is a chief measure of economic price, St. Thomas says that if human beings had no real needs, no human exchanges would happen. Nor would they happen if we did not have like needs. We would not exchange something for which we have real need for something for which we have no need. He maintains that

the etymology of the word “money” in Greek is from the Greek word for law (*nomos*). And he maintains that the etymology relates to the fact that: (1) demand measures all economic exchanges; (2) money arose as a conventional agreement among men because of the need, natural demand, to exchange necessary goods; (3) money is a physical sign of an agreement (an IOU) that, upon demand and by law, what a person needs will be given to him in exchange for money. St. Thomas calls this exchange-power of money a *virtue* of money, part of its intensive quantum, or qualitative, greatness.

Because money can become useless if not backed up by the force of law, St. Thomas adds that, while human demand, need, is the measure of all good according to nature, money is the measure of all economic good according to human convention by law.

Further, money enables us to have a measure by law within and between States, a measure of the quality of labor of a State, and of the productivity of a State’s workers: of the reciprocal proportionality of economic worth of labor and the hierarchy of professions within and between States. Hence, in a way, money is the measure of the social health of a State.

By the law of supply and demand, and convention, money directly equates exchange with goods and labor and indirectly equates exchange with human needs. According to St. Thomas, money’s virtue, nature, consists in uniting qualitatively unequal (hierarchically-ordered) goods and labor within the same genus through an arithmetically-quantifiable measure.

Put simply, money replaces the balance scale to enable weighing proportionate equality (intensive quantity greatness / qualitative greatness) of goods and labors exchanged. Money is chiefly a sign, measure, of comparative quality analogously expressed in terms of a numerical greatness. Considered as such, money enables us to dispense with carrying a universal balance scale.

St. Thomas explains the great good that money provides to social human life by saying that, when human beings are so related that one, or both, does not need another, no mutual exchange happens. Exchange happens when a farmer needing wine has a neighbor who is a vintner who needs grain so that a poundage of grain is exchanged for X number of bottles of wine. Because money is not chiefly a weight or arithmetic number, but can analogously measure both, he says that money fosters exchange activity and human socialization. Moreover, *when money loses its exchange power, its virtue*, St. Thomas maintains that *human communication stops*.

He adds that money has the additional power, virtue, of serving as a tool for future exchanges of many goods because not every need is immediate and involves exchange of wine and grain. Thus, money's *virtue* includes the ability to serve as a kind of *insurance policy* that, in the future, in exchange for money, someone will get what he needs or wants.

Because, like other goods, the demand for currency can fluctuate up and down, because it can lose its *virtue*, purchase power, St. Thomas states that legal protections need to be put in place to enable money to retain its exchange utility more so than other things do.

Since the hierarchy of human needs, arts, and sciences, differ so greatly in quality, St. Thomas maintains that no measure to equate them can exist according to reality and the nature of things. The best we can do is to compare the quality of contributions made by the arts and sciences to human needs at this or that time, and in this or that circumstance, by convention, established by law.<sup>1</sup>

---

<sup>1</sup> St. Thomas Aquinas, *Commentary on the Nicomachean Ethics of Aristotle*, trans. C. I. Litzinger with a Foreword by Ralph M. McInerny (Notre Dame, Ind.: Dumb Ox Books, 1993), Bk. 5, Lect. 9, nn. 978–991.

**Aristotle and Aquinas on the Virtue of Money as a Preservative of Justice in  
Business Affairs and States**

SUMMARY

While Aristotle's and St. Thomas's teachings about economics are often ridiculed today, this article argues that actually what they had to say about this issue, especially about the nature of sound currency, backed up by force of law, is quite profound. According to both of them, sound money plays an essential role in the preserving commutative justice within States. By so doing, it preserves communication between talented people who make qualitatively unequal contributions to a State's continued existence and welfare.

KEYWORDS

communication, commutative, contribution, convention, currency, demand, equality, exchange, hierarchy, human, inequality, just, justice, law, life, measure, natural, nomos, numerical, preservation, proportionate, proportionality, use, value, virtue.

REFERENCES

- Aquinas, St. Thomas. *Commentary on the Nicomachean Ethics of Aristotle*. Translated by C. I. Litzinger with a Foreword by Ralph M. McInerny. Notre Dame, Ind.: Dumb Ox Books, 1993.
- Redpath, Peter A. *The Moral Psychology of St. Thomas Aquinas: An Introduction to Ragamuffin Ethics*. St. Louis, Mo.: En Route Books & Media, 2017.

# Appendix

---



Jude P. Dougherty

***The Great Delusion:  
Liberal Dreams and International Realities***  
by John J. Mearsheimer\*

As President Donald Trump tries to extricate the United States from the Middle East, the book is relevant review of policy taken by previous administrations and what continues to be at stake. Mearsheimer is a political theorist and international relations scholar who holds the Wendell Harrison Distinguished Service Professorship at the University of Chicago. The book is an indictment of post-Cold War United States foreign policy.

In an opening passage Mearsheimer tells us, “When I began working on this book ten years ago . . . I was interested in explaining why post-Cold War U.S. foreign policy was so prone to failure, sometimes disastrous failure. I was especially interested in explaining America’s fiascos in the greater Middle East . . .”<sup>1</sup> Mearsheimer finds that in the aftermath of the Cold War, the U.S. adopted a profoundly liberal foreign policy dedicated to turning as many countries as possible into liberal democracies, that is, to remake the world in its own image. It was

---

Jude P. Dougherty — The Catholic University of America, Washington, D.C., USA  
e-mail: no data ▪ ORCID: no data

\* John J. Mearsheimer, *The Great Delusion: Liberal Dreams and International Realities* (New Haven, Conn.: Yale University Press, 2018), 328 pages, ISBN 978-0-300-23419-0.

<sup>1</sup> *Ibid.*, “Preface.”

driven by an idealistic assumption: “[F]reedom—the freedom we prize—is not for us alone, it is the right and the capacity of all mankind.”<sup>2</sup>

Unfortunately, in implementing that policy under Presidents George W. Bush and Barack Obama, Washington has played a key role in sowing death and destruction throughout the Middle East. Far from promoting cooperation and peace, liberal policy has brought instability and conflict.

Exploring the foundations of liberalism, Mearsheimer contrasts liberalism and its assumptions with what he calls nationalism (the recognition that there are nations each with its own culture).

First principles are important, he says. It matters how one understands nature and human nature. Rhetorically, he asks, “[A]re men and women social beings above all else, or does it make more sense to emphasize their individuality?”<sup>3</sup> Nation states, he answers, reflect the fact that human beings are primarily social beings who have fundamental views on what constitutes the good life. Liberalism plays down that social nature to the point of almost ignoring it by treating individuals as atomistic players. Furthermore, liberals ignore the geographic element which creates a social milieu that is foreign to others.

Jeremy Bentham may have called natural rights “rhetorical nonsense,” but nationalists, embracing the concept of “natural rights,” are skeptical of positive rights, which can be both conferred and taken away by a rudderless state. Nationalists (perhaps better called “realists”) maintain that the state should involve itself as little as possible in personal and family life. In common, they resist government attempts at social engineering in contrast to the liberal propensity to do so.<sup>4</sup>

---

<sup>2</sup> *Ibid.*, Chapter 1 (“Impossible Dream”), Section: “The American Embrace of Liberal Hegemony.”

<sup>3</sup> *Ibid.*, Chapter 1, Section: “The Centrality of Human Nature.”

<sup>4</sup> See *ibid.*, Chapter 1, Section: “Political Liberalism.”

Mearsheimer presents himself as personally committed to liberal democracy. “I define democracy,” he writes,

as a form of government with a broad franchise in which citizens get to choose their leaders in periodic elections. Those leaders then write and implement the rules that govern the polity. . . . A liberal state privileges the rights of its citizens and protects them through its laws.<sup>5</sup>

In the course of the book, Mearsheimer pursues the limits and perils of social engineering, the costs of ignoring geopolitics, and liberal blindness. He shows that the liberal world view that dominated the thinking of the Bush and Obama administrations has had disastrous consequence for the Middle East. Under their administrations, U.S. foreign policy supported the expansion of the European Union and NATO into Eastern Europe. The United States and its allies, he finds, are mainly responsible for the ongoing crisis in the Ukraine. “The taproot of the trouble is NATO expansion, the central element in a larger strategy to move all of Eastern Europe, including Ukraine, out of Russia’s orbit and integrate it into the West.”<sup>6</sup>

George Kennan, historian and diplomat, who supported “containment policy” during the Cold War, after the collapse of the Soviet Union, advised against the expansion of NATO to Russia’s frontiers. In a 1998 interview, as quoted by Mearsheimer, he said. “I think it is a tragic mistake. There is no reason for it whatsoever. No one is threatening anyone else.”<sup>7</sup>

In short, in Mearsheimer’s view, Russia and the West have been operating with totally different handbooks. Putin and his compatriots

---

<sup>5</sup> *Ibid.*

<sup>6</sup> *Ibid.*, Chapter 6 (“Liberalism as a Source of Trouble”), Section: “The Costs of Ignoring Geopolitics.”

<sup>7</sup> *Ibid.*, Chapter 6, Section: “Liberal Blindness.”

have been thinking and acting as realists, whereas Washington remains adhered to progressive liberal ideas about United States hegemony.

Given Mearsheimer's analysis, it is clear that the liberal hegemony of the past twenty-five years does not work. It has left a legacy of futile wars, failed diplomacy, and diminished prestige for the United States. The people who have paid the greatest cost for Washington's post-Cold War foreign policy are the foreigners who have had the misfortune of living in countries that American policy makers targeted for regime change.

Mearsheimer would prefer to remain on the theoretical or abstract level, addressing social engineering abroad and the failure U.S. foreign policy in a general way, but he can't avoid illustrating what he is talking about. The U.S., he charges, has been operating in countries its policy makers know little about. He finds that few government officials speak Arabic or even know the difference between Sunni and Shi'a Islam, let alone in its extreme form in Wahhabism.

Perhaps the most egregious failure of the Obama administration was its attempt to bring down the legitimate government of Syria. Taking the side of a rag-tag group rebelling against the government of Bashar al Assad, the United States demanded that Assad step down. Duly elected by his people, he chose to honor the mandate accorded him by the electorate. The United States then provided military and other support to so called "moderate" rebel groups. The CIA and the Pentagon spent more than \$ 1.5 billion on weapons and the training of the dissidents. The strategy failed completely. Assad is still in power. More than 400 thousand have died as a result of the U.S. intervention in the so called "civil war." Almost half the population of Syria has been forced to flee their homes.<sup>8</sup>

---

<sup>8</sup> *Ibid.*, Chapter 6, Section: "Even Weak States Are Tough Nuts to Crack."

Another example of ill-conceived U.S. foreign policy is the State Department's meddling in the internal affairs of the government of the Ukraine. The trouble began when President Yanukovich rejected a major economic deal he had been negotiating with the European Union and decided, instead, to accept a counter offer from Russia. That decision led to protests against the government in Kiev. The United States immediately backed the coup. Senator McCain and other U.S. officials participated in the Maidan Square demonstrations. A U.S. government official later publicly admitted that the U.S. had spent \$ 5 billion to bring about the removal of Yanukovich and provide support for the civil war that followed.<sup>9</sup>

*The Great Delusion* does not end on a happy note. The case for a realistic foreign policy is straight forward, writes John Mearsheimer,

and it should be compelling to a large majority of Americans. But it is still a tough sell, mainly because many in the foreign policy elite are deeply committed to liberal hegemony and will go to enormous lengths to defend it.<sup>10</sup>

On 11 November 2019, speaking with a correspondent for Russian Television News, President Assad claimed that he and his Russian allies are fighting against U.S.-supported terrorist groups. In their support of ISIS, Americans fail to recognize that it is not a state, but represents the extremist Wahhabi mindset. Insofar as "it relies on the imagination, not even science fiction, just mere imagination," Assad goes on to say that U.S. policy resembles Hollywood fiction.<sup>11</sup>

Assad has made the point about ISIS before. In a 2015 interview with Charlie Rose, broadcast on 60 Minutes, he said,

---

<sup>9</sup> See *ibid.*, Chapter 6, Section: "The Immediate Causes."

<sup>10</sup> *Ibid.*, Chapter 8 ("The Case for Restraint"), Section: "Where Is the United States Headed?"

<sup>11</sup> "Assad: US operation a trick, Baghdadi may be hiding," *Press TV* (Monday, 11 November 2019); available online—see the section *References* for details.

As to U.S. intervention in Syria, I don't care about it as long as I have the support of the Syrian people. That is my legitimacy. The conflict is not about war in the usual sense, not about expanding territory. It is about winning the hearts and minds of the Syrians. With respect to ISIS how much heart and mind has it won?<sup>12</sup>

Responding to further questioning, he goes on to say, "The West and especially the U.S. do not accept partners (in a dispute or in negotiation): they only accept followers. They demonize Putin because he says no."<sup>13</sup>



***The Great Delusion: Liberal Dreams and International Realities***  
by John J. Mearsheimer

SUMMARY

This paper is a review of the book: John J. Mearsheimer, *The Great Delusion: Liberal Dreams and International Realities* (New Haven, Conn.: Yale University Press, 2018). Mearsheimer observes that in the aftermath of the Cold War, the U.S. adopted a profoundly liberal foreign policy dedicated to turning as many countries as possible into liberal democracies. Mearsheimer concludes that the liberal hegemony of the past twenty-five years does not work: it has left a legacy of futile wars, failed diplomacy, and diminished prestige for the United States.

KEYWORDS

John J. Mearsheimer, *The Great Delusion*, Cold War, USA, liberalism, liberal democracy, liberal hegemony.

REFERENCES

- "Assad: US operation a trick, Baghdadi may be hiding." *Press TV* (Monday, 11 November 2019). Available online at: <https://www.presstv.com/Detail/2019/11/11/610913/Assad-casts-doubt-Baghdadi-murder>. Accessed Nov. 12, 2019.
- Mearsheimer, John J. *The Great Delusion: Liberal Dreams and International Realities*. New Haven, Conn.: Yale University Press, 2018.

---

<sup>12</sup> "President Bashar al-Assad," *Charlie Rose LLC* (Tuesday, 31 March 2015); available online—see the section *References* for details.

<sup>13</sup> *Ibid.*

“President Bashar al-Assad.” *Charlie Rose LLC* (Tuesday, 31 March 2015). Available online at: <https://charlierose.com/videos/28390>. Accessed Nov. 12, 2019.



Jason Morgan

*Isonomia and the Origins of Philosophy*  
by Kōjin Karatani\*

The collapse of Marxism was the most salient, and significant, intellectual-historical process of the twentieth century. Once hailed as an actual science of human conduct and an objective analytical tool for interpreting the unfolding of human events, Marxism signally failed to deliver on any of its promises or premises.

It promised, for example, to be the midwife to a new age in which the means of production had been seized by the long-suffering proletariat. It also promised that, after a cataclysmic clash of antagonistic classes, a new, unending day of peace and equality would dawn over the ruins of old mankind. Time and again, however, peoples throughout the world chose allegiance to kith and kin over fealty to the German ideology. In Vietnam, China, Romania, France, Great Britain, Cambodia, North Korea, Cuba, and even Russia, local politics and the demands of the ancient homeland trumped the prerogatives of the worldwide socialist revolution that Marxism held out as salvation for mankind. Today, the “Marxist” megastate of the People’s Republic of China has become a full-fledged authoritarian-capitalist, ethno-chauvinistic

---

Jason Morgan — Reitaku University, Chiba, Japan  
e-mail: morgan.jason.michael@gmail.com • ORCID: no data

\* Kōjin Karatani, *Isonomia and the Origins of Philosophy*, trans. Joseph A. Murphy (Durham, N.C., and London: Duke University Press, 2017).

industrial powerhouse. And yet, far from owning the means of production, the Chinese people do not even have the right to vote.

The premises of Marxism also failed. As the initial stirrings of dialectical materialism peeled away from Hegelianism and gathered along the emerging lines of what would later be termed “Marxism,” Marx and other thinkers developed an elaborate system of epistemology that refounded human experience as a function, not of humanity in general, but more narrowly of class membership. In literary criticism and historiography, for example, Hungarian Marxist György Lukács argued that dialectical materialism explained human life on the basis of class consciousness. Lukács’ erstwhile employer, the Leninist revolutionary and short-lived Hungarian dictator Béla Kun, tasked Lukács, as the “People’s Commissar for Education and Culture,” with using any means necessary to destroy the remnants of the hated bourgeoisie.

For Lukács, this naturally meant dismantling bourgeoisie culture at its source: the ways of thinking of actual members of the ownership class. Lukács set about corrupting bourgeoisie morals, notably by instituting gender education in Hungarian primary schools. Others in Lukács “Western Marxism” school followed suit, with Antonio Gramsci, Theodor Adorno, Max Horkheimer, and others later known as “Cultural Marxists” working to demolish the inner workings of Western civilization as a service to the emerging, totalist Marxist epistemology.

However, the writings of Catholic and other Christian philosophers, most notably Karol Wojtyła in his treatises on the nature of the human person, exposed Marxist epistemology as an intellectual dead-end, a self-defeating set of propositions that dismantled human integrity even as those propositions were proffered as a way to clear the ground for a more humane society. Marxism failed economically, then, and also philosophically.

And to top it all off, Marxism as an organizing principle of communist societies also failed. With the fall of the Berlin Wall in 1989 and

---

the stunning collapse of the Soviet Union just two years later, Marxism, once the thought-system touted by the vanguard of the intellectuals worldwide, lay in political, historical, and philosophical ashes. Societies that Westerners had seen as hidebound communist strongholds raced to throw off the suffocating, stultified claptrap with which at least three generations of their countrymen had been indoctrinated. For those who had believed in the thing, the rout of Marxism was an unprecedented and unmitigated disaster.

What to do when a world-system dies? Adherents generally have three options in the face of a failed ideology.<sup>1</sup> First, they can change course. Many intellectually honest people saw the errors of Marxism somewhere along the way—perhaps with Stalin’s signing of the Molotov-Ribbentrop Pact, perhaps with the hideous Red Terrors that have gripped every communist society, or perhaps with the eventual downfall of the entire Marxist edifice itself at the close of the twentieth century. Of those people, many turned to other ideas: former “red diaper babies” in the United States subscribed to *Commentary* magazine, for example, while reformed Communist Party members in Japan now spearhead much of mainstream conservative politics in the archipelago. Like St. Augustine breaking with the Manichaeans, many former Marxists have seen the error of their ways and had the courage to pursue truth elsewhere.

The second tack is to deny that truth exists in the first place. This is a considerably less courageous course for the disaffected Marxist to take. Unable to admit that Marxism failed, many people simply began arguing that *nothing* is really true. These people are called “postmodernists.” If the “modern project” was about constructing grand narra-

---

<sup>1</sup> A similar line of thought is taken up by political economist Albert O. Hirschman in *Exit, Voice, and Loyalty* (Cambridge, Mass.: Harvard University Press, 1970). Cited in Jason Brennan, *When All Else Fails: The Ethics of Resistance to State Injustice* (Princeton, N.J.: Princeton University Press, 2019), 2.

tives, overarching architectonics of explanation and interlocking epistemological processes, then postmodernism is the insouciant rejection of all of this, the assertion, as popularized by such thinkers as Richard Rorty and Jacques Derrida, that, in the end, there is really nothing to assert. One of the most famous postmodernists, Fredric Jameson, was at one time a devotee of the same Cultural Marxists who had been the oracles of High Modernism. Bitterly disappointed by the failure of these thinkers and their ways of thinking, postmodernists such as Jameson retreated into a fogbank of absurdism, the better to disguise from themselves, perhaps, and certainly from others the ignominy of Marxism's intellectual defeat.

While most people who once embraced Marxism chose either the first response to its demise, intellectual honesty, or the second response, intellectual contortionism, there are a very few who chose the third response: doubling down. While vanishingly rare today—indeed, I have never met one outside of a handful of academic departments (where, ironically, they often draw salaries several times higher than the local average)—there remain a scant remnant of people who were not only unfazed by the fall of Marxism, but who were, conversely, inspired by that development to drill down even deeper into the “base” in order to find out how to set *what must be true* on more solid ground.

Perhaps no Old Believer Marxist has achieved such fame as Kōjin Karatani. A native of Japan and a graduate of the University of Tokyo (Japan's version of Harvard), Karatani is a prolific scholar. He has dozens of books and articles to his name and has held appointments and given lectures at institutions around the world. A colleague of postmodernist Fredric Jameson, the disillusioned Marxist who chose the path of obfuscation in the face of Marxism's collapse, Karatani has conversely sought to expand the reach of Marxism, taking the whole of intellectual history in his vast purview in an attempt to find the key to unlock the u-

niverse to his favored ideology, just as the alchemists once searched for the philosopher's stone.

In his latest work in English, *Isonomia and the Origins of Philosophy*,<sup>2</sup> Karatani builds on his earlier major work, *The Structure of World History*,<sup>3</sup> in “giv[ing] more detailed consideration to ancient Greece.”<sup>4</sup> *Isonomia*, a thin volume of just 165 pages, appears unassuming enough at first, but it is, in fact, a book of startlingly big ambition. What Karatani is doing in *Isonomia* is no less than attempting to re-found the West itself in an entirely different version of ancient Greek history and philosophy. Divided into an Introduction, five chapters, and an Appendix, *Isonomia* is a complete rethinking, along quasi-Marxian lines, of Greece, not as mainly a struggle between the Greeks and the unfree Persians, on the one hand, and the imperial Athenians and their put-upon allies during the Peloponnesian War, on the other, but as a much older eclipsing of Ionia by what Karatani sees as the imperialist interloper and distorter of subsequent Western potential, Athens.

For Karatani, Ionia, which cherished isonomia (“even-lawedness,” or what Karatani identifies as complete equality), had found the true recipe for freedom. Socrates, for Karatani, presents the paradox of the post-Ionian, anti-isonomian polis, where, as in Socrates' Athens,

direct democracy [had not] transcended the division between civil society and the political state. Civil society in Athens was riven by deep class conflict, and the majority of citizens were poor. Democracy in Athens meant the seizure of power by the majority and the redistribution of wealth through taxation of the nobility and the wealthiest members.<sup>5</sup>

---

<sup>2</sup> First published in Japanese in 2012 as *Tetsugaku no kigen (The origins of philosophy)*.

<sup>3</sup> Translated into English by Michael K. Bourdaghs and published in 2014 by Duke University Press; originally published in Japanese in 2010 as *Sekaishi no kōzō*.

<sup>4</sup> Karatani, Author's Preface to the Japanese Edition.

<sup>5</sup> Karatani, *Isonomia and the Origins of Philosophy*, 117.

In other words, Athenian democracy had not only failed to solve Marxist class warfare, it had exacerbated it. Socrates pointed up this failure by inverting Athenian life, Karatani argues,

recogniz[ing] no value in participation in the assembly and courts and the attainment of power. The art he taught was not for the purpose of action in the public sphere; rather, it was a means of severing one's ties to it. . . . What Socrates brought about was an inversion of the value associated with public and private capacity.<sup>6</sup>

Karatani's Socrates is thus a subtle condemner of the Athens which, as Karatani sees it, strayed from the true isonomian path (here he seems to be following the interpretation of Hannah Arendt, whom he cites in another context) of equality and embarked on a fatally flawed anti-politics of unfreedom and ever-expanding empire.

For Karatani, of course, this is all ultimately a Marxist set of questions. Indeed, Karatani draws on Marx's own writings<sup>7</sup> in which "the thought of the Ionian school is revived . . . in Marx's materialism."<sup>8</sup> What Karatani is at pains to say in *Isonomia* is that Marx was right, and about more than most Marxists realize. To mix metaphors, Karatani wants to make Marx his Beatrice in a kind of reverse *Aeneid*, going back to the beginning and finding a different origin for the modern world.

Socrates as we know him, on this reading, is not Socrates as he really was, not Socrates standing for what he really stood for. Karatani seeks to correct this, radically reinterpreting Socrates in order to make him softer putty in Marx's ideological hands. Here is how Karatani sit-

---

<sup>6</sup> *Ibid.*, 114–115.

<sup>7</sup> Beginning with Marx's PhD dissertation, "The Difference between the Democritean and Epicurean Philosophies of Nature."

<sup>8</sup> Karatani, *Isonomia and the Origins of Philosophy*, 67.

---

uates Socrates within his (Karatani's) new Marxo-isonomian reading of Greek life and thought:

To understand the inversion of values brought about by Socrates, it is illuminating to refer to Kant in *What Is Enlightenment?* For Kant, to act in accord with the position of the state is the private, while the universal standpoint (of the citizen of the world) is the public. To truly be public, one must take up a private station that transcends the state. Of course, such a cosmopolis transcending the state as such does not exist. What Kant is saying is that while existing as an individual within the state, one should make judgments and act as a citizen of the world. That is to say, Kant's inversion of value between public and private is neither Plato's nor Diogenes's, but rather Socrates's position.

A second point of reference is the early Marx's *Contribution to the Critique of Hegel's Philosophy of Right*. Hegel placed the state atop civil society. Civil society here is conceived as a system of desires, while the state transcends this at the rational level. That is to say, in civil society people function in a private capacity, while in the state they become private citizens; that is to say, they assume their true form. Marx inverted this proposition. If people exhibit their real form in a private capacity, there is no need to assume a public sphere. To put it in Marx's terms, if people exhibit their "species-being" in civil society, there is no longer any need for the political state above that. That is to say, if one can dissolve the class antagonisms within civil society, the state as a political entity will be superseded.<sup>9</sup>

The subtext here is, in the style of the master subtextualist Karatani, almost entirely subterranean. Karatani rarely comes out and says exactly, and everything, that he means in one go. But this time he gives the game away. The footnote to this passage is key. At the end of the two-paragraph segment reproduced above, Karatani quotes Marx:

---

<sup>9</sup> *Ibid.*, 116–117.

Human emancipation will only be complete when the real, individual man has absorbed into himself the abstract citizen; when as an individual man, in his everyday life, in his work, and in his relationships, he has become a *species-being*; and when he has recognized and organized his own powers (*forces propres*) as *social* powers so that he no longer separates this social power from himself as *political* power.<sup>10</sup>

What Karatani is about here, then, is what he has been about for years, namely, reimagining Marxist collectivism in a way other than it has always been argued and put into practice before.

Karatani, one must understand, is the intellectual father of something called the New Associationist Movement (NAM), which, as Japan scholar Harry Harootunian describes it, seeks to bring about what Karatani calls “possible communism,” a communism that overcomes the (rather glaring, one must admit) flaws of all other iterations of the thing, thereby ushering in the socialist glories that Marx foresaw.<sup>11</sup> Karatani’s championing of the Ionians turns out to be a kind of intricate code for Marxifying Western philosophy, and as such carries a frisson of Marxist revivalism at every turn. In particular, Karatani is concerned with undercutting the Platonist Idealists and the Aristotelian empirical-moralists and returning to a Heraclitan, Parmenidean materialism, which Karatani is at pains to manifest as the real source of Western culture.

Just as Karl Popper indicted Plato for allegedly betraying Socrates, Karatani is particularly harsh here on Pythagoras, whom he sees as a traitor to the isonomian cause. Originally from Ionia, Pythagoras “departed Ionia after a series of political setbacks,”<sup>12</sup> and settled in Italy,

---

<sup>10</sup> From Karl Marx, “On the Jewish Question,” in *The Marx-Engels Reader*, ed. Robert C. Tucker (New York: W.W. Norton, 1978), 46.

<sup>11</sup> Harry Harootunian, “Out of Japan: The New Associationist Movement,” *Radical Philosophy* 108 (July/August 2001), available online—see the section *References* for details.

<sup>12</sup> Karatani, *Isonomia and the Origins of Philosophy*, 83.

where he began expounding “number as the principle of all things.”<sup>13</sup> This numerical abstraction “led him to discard Ionian materialism and turn to a world of ideals. . . . The Platonic dual world (consisting of the sensible world of illusion and the eternal world of reason) has its origins here.”<sup>14</sup> In setting up Heraclitus as the righteous nemesis of Pythagorean numerical idealism, Karatani spirits snatches of Marxism into this piecemeal intellectual-historical Frankensteinism. Heraclitus sticks with matter (in his case, fire) as a motivating and organizing principle, unlike Pythagoras and the later Platonists who place principles beyond the realm of the sensible. But, as with his intervention into the *Crito* and *Apology*, for Karatani this is all just Marxism *avant la lettre*. “According to Heraclitus,” Karatani writes,

fire occupies a position in relation to all things just as money (gold) does. However, his point is not that fire is special and different in kind from all things. Fire too is a member of the set. The transcendence of fire notwithstanding is through social exchange with the totality of things. This reasoning is identical to Marx’s analysis of money in *Capital*. That is to say, gold becomes a currency not through its intrinsic properties, but through a social exchange with all things that places gold in the position of general equivalent.<sup>15</sup>

If this seems like a stretch, that’s because it is. Heraclitus was a natural philosopher, not a German pseudo-economist, and Karatani goes beyond his warrant by leaps and bounds (a new reading of *hic rhodus, hic saltus*, perhaps) in pressing Heraclitus to dance to the neo-Hegelian dialectical materialist tune.

---

<sup>13</sup> *Ibid.*, 84.

<sup>14</sup> *Ibid.*

<sup>15</sup> *Ibid.*, 85.

But economics is not the only area into which Karatani attempts to shoehorn Marx's philosophical musings. Elsewhere, Karatani even challenges modern physics along neo-Marxian lines:

The thinking of the Ionian school, which sees no separation between motion and matter, has been regarded as magical. Indeed, modern physics is built upon their separation. However, as Descartes showed, such a separation is premised on God, or else a godlike perspective. That is to say, on this point modern physics inherits an Aristotelian metaphysics or theology. Quantum mechanics decisively displaces this perspective. In some sense, it recuperates the Ionian position that matter and motion are inseparable. That is to say, the quantum (light, or the electron) is at the same time both particle (matter) and wave (motion).<sup>16</sup>

The parallel to this rejiggering of Western philosophy's origins is Karatani's insinuation of a new kind of Marxist sociology into the current debates. The scope of what Karatani is really about becomes ultimately clear in the Appendix, for it is there that he lays out his four-stage theory of world development. For Karatani, "the world system"<sup>17</sup> proceeds in three chords, as it were. The first chord is the "mode of exchange" chord, whereby societies progress from "reciprocity of the gift (gift and counter-gift)" to "plunder and redistribution (domination and protection)" to "commodity exchange (money and commodities)" to a future modality "X (yet to be realized)." From this arrangement follows the "structure of capital" chord, with "the nation" giving way to "the state," which in turn gives way to "capital," which culminates also in "X (yet to be realized)." Finally, the "world system" chord moves from "mini-world system" to "world empire" to "world economy (the modern world system)" to "world republic."

---

<sup>16</sup> *Ibid.*, 67.

<sup>17</sup> He gets this terminology from Immanuel Wallerstein (see, e.g., Wallerstein's *World-Systems Analysis: An Introduction* [Durham, N.C.: Duke University Press, 2004]), of course, whom Karatani duly acknowledges in his text.

What Karatani is doing, overall, is reworking Marxist anthropology at the root in order to allow Marxian man to be repurposed, not as a collectivist cog as envisioned by Marx, but as a new kind of “individual,”<sup>18</sup> amenable to life in a “world republic” which has transcended “the modern world system” and “commodity exchange.” This is a very laborious process, because while Karatani is going back and reinventing Western intellectual history, he is also, by necessity, going back and reinventing Marxism at the same time.<sup>19</sup> Marxism failed, so for Karatani it was back to the drawing board to redesign the system from the ground up, or at least as best as he is able given the considerable limitations imposed upon him by actual intellectual history.

From a more critical perspective, one that seeks to understand Karatani both on his own terms and in the context of his intellectual milieu, what we have here, in *Isonomia* and in Karatani’s oeuvre tout suite, is a kind of Cultural Marxism driven up to the hilt and even the handle, a Lukascian Western Marxism taken to the nth degree. Just as the Cultural Marxists tried to unravel the West by attacking it at the level of its mitochondrial DNA, Karatani is trying to go into the Marxian double-helix and find some way to purify the genome so that it will stop producing the kind of monsters that, in practice, it always has and always will.

Seen in another way, this is also a work of liberalism, as Karatani here is attempting a marriage of Marx and Rawls in finding an “original position” within the Western tradition that clears the ground for the real Marxist dialectical materialism to emerge, organically as it were, from the neglected and unchosen path squelched out, as Karatani sees it, by

---

<sup>18</sup> Cf. here Karatani’s “New Associanist Movement,” mentioned supra.

<sup>19</sup> If “world-system theory” is correct, then this makes perfect sense, as Marxism, which emerged from Western intellectual history, should not be separable from it. The Zizekian critique of Althusser, in other words, namely that there is no externality to ideology from which to understand it, applies beautifully to Karatani, as well.

the rise of Athenian imperialism at the expense of absolutistically-equal Ionian isonomia. At a finer grain, and returning to Karatani's narrower arguments, the radical individualism that Karatani appears to be advancing here could be conceived just as easily as a chess-move sop to neo-liberalism. Karatani has seen that capitalism did the old Marxism in, and so he is trying to rebrand Marxism into a version 2.0 capable of making an end-run around the currently-dominant "world system."

Perhaps. In reality, however, Karatani's *Isonomia*, and his entire project to boot, is most likely a poison pill, an attempt to slake the entire array of idealism from within Western philosophy and put Marxism on a dialectical materialistic footing once and for all. Marxism failed, and so, as a true believer, Karatani has arrived at the only logical solution, which is to destroy everything that stands in Marxism's way. In sum, this is a Lukascian Marxism of pure process.

But even if Karatani were to succeed in refounding the West to make dialectical materialism the default mode of philosophy, swapping Aristotle and Plato for Heraclitus and the Ionians, there would yet remain one final obstacle to Marxism's triumph: God. Thus, Karatani's real adversary, Yahweh, makes an appearance shadowed as the incipient agent limned in the works of Plato. Go as deep as one likes into the West, even into the pagan Hellenic past, and one will always eventually arrive, alas, not at Athens, but at Jerusalem. Before the Ionians, there was the godhead. Here is where Karatani makes his most audacious move, snatching the crown from the deity's head and trying to recast Him, not as a Creator, but, in a kind of proto-Mormonism, as coeval with His creation, as nature itself:

In one of his final works, *Timaeus*, Plato essentially declares opposition to Ionian atheism and materialism. However, as discussed before, it is a mistake to see the Ionian natural philosophers as atheist. They believed that the One God exists, as nature. What they rejected were the personified gods. The Ionians

discerned at the origin of things matter in motion. The gods are discovered when one posits a purpose based on one's retrospective observation of matter and its motion. Thus, the rejection of the personified gods by the natural philosophers is the rejection of a teleological worldview.

From this perspective, it is clear what Plato was trying to accomplish. This was of course not the naïve restoration of the personified gods; it was rather the securing of a teleological worldview. This was why he had, at all costs, to refute the Ionian doctrine that matter moves of itself. In Plato's thought, there is an agent that originally brings about the motion of matter, which is God. The world does not arise through the motion of matter, but is a creation by God as the demiurge. Plato criticized Protagoras's notion that "man is the measure of all things," citing precisely God as the measure. However, Protagoras's attitude is not anthropocentric. Anthropocentrism rather resides in Plato, who posits a creator God based on his human perspective.<sup>20</sup>

In dethroning God, and thereby man, Karatani takes the final pass of his sally into the ancient Greek past. It is not isonomia that Karatani is in search of after all, but the conditions for making man pure material. If he could only accomplish this, if he could only show that, despite what Socrates and Plato and Aristotle and their heirs, the Scholastics and the Church Fathers and Etienne Gilson and the godly line of the Western intellectual tradition, all taught and believed—that man's destiny is not his mortal coil—he could finally pave a lot suitable to the construction of real Marxism. If only he could remake the world in Marxism's image, Karatani could show, at long last, that the master's teachings were really true.

It is here that the cunning of history catches up with this neo-neo-Hegelian, however. For, it is precisely here that Karatani, hailed as the

---

<sup>20</sup> Karatani, *Isonomia and the Origins of Philosophy*, 127.

voice of a new Marxism and the prophet of “possible communism,” shows himself to be, ironically, just a garden-variety Marxist after all.



***Isonomia and the Origins of Philosophy* by Kōjin Karatani**

SUMMARY

This paper is a review of the book: Kōjin Karatani, *Isonomia and the Origins of Philosophy*, trans. Joseph A. Murphy (Durham, N.C., and London: Duke University Press, 2017). According to the author, Karatani’s book is an attempt to refound the West in a Marxist version of ancient Greek history and philosophy.

KEYWORDS

Kōjin Karatani, isonomia, philosophy, Marxism.

REFERENCES

- Brennan, Jason. *When All Else Fails: The Ethics of Resistance to State Injustice*. Princeton, N.J.: Princeton University Press, 2019.
- Harootunian, Harry. “Out of Japan: The New Associationist Movement.” *Radical Philosophy* 108 (July/August 2001). Available online at: [https://web.archive.org/web/20070416092300/http://www.radicalphilosophy.com/default.asp?channel\\_id=2187&editorial\\_id=9899](https://web.archive.org/web/20070416092300/http://www.radicalphilosophy.com/default.asp?channel_id=2187&editorial_id=9899). Accessed July 18, 2019.
- Karatani, Kōjin. *Isonomia and the Origins of Philosophy*. Translated by Joseph A. Murphy. Durham, N.C., and London: Duke University Press, 2017.
- Karatani, Kōjin. *The Structure of World History: From Modes of Production to Modes of Exchange*. Translated by Michael K. Bourdagh. Durham, N.C., and London: Duke University Press, 2014.
- Wallerstein, Immanuel. *World-Systems Analysis: An Introduction*. Durham, N.C.: Duke University Press, 2004.

## The List of Reviewers

The Editorial Board of *Studia Gilsoniana* wishes to thank the Peer Reviewers for their diligence in reviewing articles submitted for publication in the eighth volume of the journal. With great hope for further fruitful cooperation, special appreciation is addressed to:

- Luz Marina BARRETO – Universidad Central de Venezuela, Venezuela  
Roberta BAYER – Patrick Henry College, Purcellville, Va., USA  
Robert A. DELFINO – St. John’s University, Staten Island, N.Y., USA  
Heather M. ERB – Great Books Academy, USA  
Pedro GARCÍA CASAS – Pontificio Instituto Teológico Juan Pablo II, Valencia–Murcia, Spain  
Piotr JAROSZYŃSKI – John Paul II Catholic University of Lublin, Poland  
Brian KEMPLE – Center for the Study of Digital Life, Continuum Philosophical Insight, USA  
Edward M. MACIEROWSKI – Benedictine College, Atchison, Kans., USA  
Andrzej MARYNIARCZYK – John Paul II Catholic University of Lublin, Poland  
Thomas MICHAUD – West Liberty University, Triadelphia, W. Va., USA  
Paweł SKRZYDLEWSKI – State School of Higher Education in Chełm, Poland  
Andrzej SOŁTYS – Rzeszów University of Technology, Poland  
Grzegorz STOLARSKI – Siedlce University of Natural Sciences and Humanities, Poland  
Brendan SWEETMAN – Rockhurst Jesuit University, Kansas City, Mo., USA  
Daniel P. THERO – Rensselaer Polytechnic Institute, USA

