

tire week that normal deliveries were cut off. It was only later that I found out that the grocery store owner had paid children to take their sleds to the closest vegetable and meat warehouse to stock up on whatever the children could buy and fit on their sleds.

Capitalism in Action

The Wealth of Nations is replete with examples like my snowstorm experience. But, perhaps because of the eighteenth-century setting, Adam Smith's examples never affected me as much as my first-hand experience with the workings of a capitalistic system. What greater support could I have for the theory that private vice leads to public virtue? Here we have one store owner who in the interest of fair play does not change his prices but quickly sells all his merchandise and closes shop for the rest of the week. I am sure he experienced a great feeling of self-satisfaction because he had done the decent and proper thing by not exploiting his customers during a time of urgent need.

In sharp contrast to this example of high-minded idealism, we have the case of a capitalist who would seize upon any opportunity to maximize profits. Yet, in doing so, he forced people to limit their purchases to what they really needed. In addition, the higher prices allowed the greedy grocery owner to pay chil-

dren to put their sleds to a new use, thereby increasing the supply of food available for sale. As Adam Smith stated in the quote noted earlier, "By pursuing his own interest he frequently promotes that of society more effectually than when he really intends to promote it."

It could, of course, be argued that high prices, while admittedly containing some inherent benefits, discriminate against the poor. In addressing this argument, I can assure you that no one in the neighborhood was poorer than I. Yet I benefited greatly from the forces of self-interest. I should also note that high prices give way to low prices as capitalists scramble to supply more of the high-priced goods to increase their profits.

What we see here is capitalism in action, and at first glance, it is not a pretty sight. Capitalists motivated by greed seek their own gain by maximizing profits. The forces of the market place, however, convert this private vice into public virtue. Thus, living a life based on greed, which appears to be the antithesis of Christian morality, can do quite well in accomplishing the goal set forth above—that is, to better society and benefit our fellow human beings. In fact, Adam Smith's contribution in the history of intellectual thought was not inventing capitalism but providing theoretical insight into how self-interested individuals ulti-

mately benefit society more than they benefit themselves.

I would now like to carry the argument one step further. Not only do I believe that self-interest benefits society, but I also contend that it is the only efficient way goods can be produced and distributed in a modern economic system.

To see this, think of all the goods purchased in our society. Think of all the goods we consume on a daily basis. Do we know who produced these goods? Do we even know how or where they were produced? Probably not. A modern society requires specialization of labor with millions of individuals contributing to the production of goods and services. This contribution on the part of laborers does not come about as a result of an altruistic desire to serve society but from a basic desire to serve oneself.

At times, of course, altruism can serve as the prime motivating force for individuals. This force is strongest in relationships between family members or friends, but it can also exist for others. An example of this is someone who contributes to "Food for the Hungry." Indeed, contributing to help relieve world hunger is a charitable act that embodies the love,

compassion and respect that a person can feel for humanity. Yet, such a charitable act is essentially a voluntary redistribution of income. It does not, however, represent the actual production of the charitable good. Ultimately, any relief of world hunger comes about as a result of countless farmers, food processors, distributors, shippers and other disinterested individuals producing the food that charitable individuals may purchase for the hungry.

Adam Smith said all of this in a more lucid and eloquent way in my favorite quote from *The Wealth of Nations*: "In civilized society he [man] stands at all times in need of the co-operation and assistance of great multitudes, while his whole life is scarce sufficient to gain the friendship of a few persons." (Smith, p. 14).

It is unfortunate indeed, that "greed" has acquired such a bad connotation. Without it, we would not have clock radios, disposable diapers, or even water in Southern California. Alas, that means some of us would be in Chicago suffering through a few more "Great Snowstorms"! ☸

Ludwig von Mises

IDEAS ON



LIBERTY

THE accumulation of new capital through saving initiates the chain of actions that results in an improvement of economic conditions. Saving is the first step on the way toward improvement of material well-being and toward every further progress on this way.