Anything That's Peaceful

Economics: A Branch of Moral Philosophy

by Leonard E. Read

The author of *The Wealth of Nations* (1776) is frequently classed as an eighteenth-century economist. But Adam Smith was primarily a professor of moral philosophy, the discipline which I believe is the appropriate one for the study of human action and such subdivisions of it as may be involved in political economy.

Moral philosophy is the study of right and wrong, good and evil, better and worse. These polarities cannot be translated into quantitative and measurable terms and, for that reason, moral philosophy is sometimes discredited as lacking scientific objectivity. And it is not, in fact, a science in the sense that mathematics, chemistry, and physics are sciences. The effort of many economists to make the study of political economy a natural science draws the subject out of its broader discipline of moral philosophy, which leads in turn to social mischief.

Carl Snyder, long-time statistician of the Federal Reserve Board, exemplifies an economic "scientist." He wrote an impressive book, *Capitalism the Creator*.[1]

I agree with this author that capitalism is, indeed, a creator, providing untold wealth and material benefits to countless millions of people. But, in spite of all the learned views to the contrary, I believe that capitalism, in its significant sense, is more than Snyder and many other statisticians and economists make it out to be—far more. If so, then to teach that capitalism is fully explained in mathematical terms is to settle for something less than it really is. This leaves unexplained and vulnerable the real case for capitalism.

Snyder equates capitalism with "capital savings." He explains what he means in his preface:

> The thesis here presented is simple, and unequivocal; in its general outline, not new. What is new, I would fain believe, is the proof; clear, statistical, and factual evidence. That thesis is that there is one way, and only one way, that any people, in all history, have ever risen from barbarism and poverty to affluence and culture; and that is by that concentrated and highly organized system of production and exchange which we call Capitalistic: one way, and one alone. Further, that it is solely by the accumulation (and concentration) of this Capital, and directly proportional to the amount of this accumulation, that the modern industrial nations have arisen: perhaps the sole way throughout the whole of eight or ten thousand years of economic history.

No argument—none whatsoever—as to the accomplishments of capitalism, or that it has to do with "capital savings." But what is capital?

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The Ideas Behind Capital

The first answer that comes to mind is that capital means the tools of production: brick and mortar in the form of plants, electric and water and other kinds of power, machines of all kinds (including computers and other automated things), ships at sea and trains and trucks and planes—you name it! These things are indeed capital, but is capital in the sense of material wealth sufficient to tell the whole story of capitalism and its creative accomplishments or potentialities?

Merely bear in mind that all of this fantastic gadgetry on which rests a high standard of living has its origin in ideas, inventions, discoveries, insights, intuition, think-of-thats, and such other unmeasurable qualities as the will to improve, the entrepreneurial spirit, intelligent self-interest, honesty, respect for the rights of others, and the like. These are spiritual as distinguished from material or physical assets, and always the former precedes and is responsible for the latter. This is capital in its fundamental, originating sense; this accumulated wisdom of the ages—an overall luminosity—is the basic aspect of "capital savings."

It is possible to become aware of this spiritual capital, but not to measure, let alone to fully understand it—so enormous is its accumulation over the ages. Awareness? Sit in a jet plane and ask what part you had in its making. Very little, if any, even though you might be on the production line at Boeing. At most, you pressed a button that turned on forces about which you know next to nothing. Why, no man even knows how to make the pencil you used to sign a requisition. These "capital savings" put at your disposal an energy perhaps several hundred times your own. This accumulated energy—the workings of human minds over the ages—is capital!

"Truly Scientific"

With this concept of capital in mind, reflect on how unrealistic are the ambitions of the "scientific" economists. Carl Snyder phrases their intentions well in the concluding paragraph of his preface:

> It was inevitable, perhaps, that anything like a 'social science' should be the last to develop. Its bases are so largely *statistical* that it was only with the development of an enormous body of new knowledge that anything resembling a firmly grounded and *truly scientific system* could be established. It is coming; already the most fundamental elements of this knowledge are now available, as the pages to follow will endeavor to set forth. (Italics added)

Snyder is, indeed, statistical. He displays 44 charts. Nearly all of these show the ups and downs—mostly ups—of physical assets in dollar terms. This, in his view is a "truly scientific system." But how scientific can a measurement be if the units cannot be quantified and the measuring rod is as imprecise in value as is the dollar or any other monetary unit?

And what is truly scientific about showing the growth in coal production, for instance, if there be a shift in demand favoring some other fuel? This would be only a pseudo-measurement with no more scientific relevance than a century-old chart showing the dollar growth in buggy whip production.

Professor F.A. Hayek enlightens us: "'All the physical laws of production' which we meet, e.g., in economics, are not physical laws in the sense of the physical sciences but people's beliefs about what they can do. . . . That the objects of economic activity cannot be defined in objective terms but only with reference to a human purpose goes without saying. Neither a 'commodity' or an 'economic good,' nor 'foods' or 'money,' can be defined in physical terms but only in terms of views people hold about things."[2]

National Accounting

Economic growth for a nation cannot be mathematically or statistically measured. Efforts to do so are highly misleading. They lead people to believe that a mere increase in the measured output of goods and services is, in and of itself, economic growth. This fallacy has led to the forced savings programs of centrally administered economic systems—programs which decrease the range of volun-