

The Foundation for Economic Education
Irvington-on-Hudson, New York 10533
Tel. (914) 591-7230
Fax (914) 591-8910
E-mail: freeman@westnet.com

October 1996

Economic Ends and Means

Most Americans are in full agreement on the basic goals of economic policies. They see eye to eye on the desirability of economic growth and prosperity, full employment, stable prices, a healthy environment, social peace and harmony. They even agree on the need for aid and support of the poor and disadvantaged. They concur on economic ends, but differ sharply on some—but not all—of the means that should be used to achieve those ends.

Some Americans eagerly take an "activist" line. They would use the full weight of the political apparatus to mandate, coerce, punish, tax, spend, engage in deficit spending, and print money in order to attain their ends. They call on government to actively pursue the economic ends. Other individuals, while equally committed to the same goals, would seek to improve conditions by relying less on politics. They would reduce involvement of government in the economy, remove the political constraints, and shun artificial government stimulants. They place their confidence in the free and efficient operation of the competitive market order.

The difference between the two camps springs from different perceptions and conceptions of social life. According to the most popular social philosophy of our age, the market order is torn by an irreconcilable conflict between the interests of "capital" and those of "labor." Private property in the means of production and individual

enterprise benefit only a small class of capitalists while they harm the large majority of working people.

This conflict philosophy which owes its great popularity to the writings of Karl Marx and his American admirers is espoused not only by card-carrying Marxians, but no less by many professed anti-Marxians and self-styled champions of free enterprise. It is the official social philosophy of the major political parties and their candidates. They may disagree on basic problems of abortion and drug abuse or on some incidental issues such as the capital gains tax or the allowable rate of depreciation, but they all espouse the thesis that the economic system breeds economic conflict and, therefore, should be abolished or at least be carefully managed in the name of social justice. The communists and socialists seek to abolish the system summarily; their ideological cousins readily accept the conflict doctrine, but deplore the presumed conflict, and want to alleviate it with the reforms they recommend.

In recent decades the economic conflict dogma has provided the intellectual wherewithal for derivative doctrines of racial conflict, gender conflict, and the youth conflict of the 1960s and 1970s. They, too, divide society in distinct classes of exploiters and victims who form vocal organizations that press their charges and plead their cases in the halls of Congress.

To listen to the economic debates in the

Congress of the United States is to give ear to furious exploitation charges and the wailing of an assembly of victims.

We reject and repudiate the conflict dogma. The private property order, we believe, is a harmonious order devoid of social and economic conflict. In the words of Adam Smith, it is guided by an "Invisible Hand" which turns everyone's pursuit of private gain into public benefit and thereby harmonizes the interests of all members of society regardless of class, race, gender, or age. What makes for this harmony is the higher productivity of cooperation and division of labor. Two individuals working together are more productive than two working alone. Two hundred million Americans working together, specializing in their productive tasks and engaging in large-scale production, are more productive per head than a smaller number. Thanks to their cooperation, the supply of goods and services tends to multiply, which improves their living and working conditions. It removes all traces of social conflict.

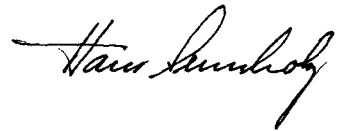
It is in the interest of every individual to preserve and extend social cooperation and division of labor. In freedom and the private property order, everyone earns the money equivalent of his contribution to the production process. Even in the employ of a profit-seeking capitalist, the competition among employers, the freedom of workers to sell their labor to the highest bidder, and the freedom to be self-employed, all these characteristics of the market order assure that everyone receives his or her full and fair wage. There can be no exploitation in an unhampered labor market.

The "activists" who would use the political apparatus to command and direct economic life summarily reject such explanations. They usually liken economic life to life in a jungle in which one creature preys on another and only the strong survive. To speak of inexorable economic principles that guide human life and of the harmony

of interests of all human beings, to the activists, is to suffer from an illusion, engage in wishful thinking, or even wink at cruel exploitation of the weak and sick. They are quick to question the very motives of anyone who casts doubt on the advisability of the use of the political apparatus in economic life. Their spokesmen in the media do not hesitate to cast slurs upon the disciples of harmony as the foes of economic growth and prosperity, as the partisans of inflation and unemployment, the advocates of a polluted environment, and the enemies of peace and harmony. To disagree on the means to be employed is to stand condemned also on the ends sought.

The conflict reporters who may call themselves "liberals" or "moderates" may go even farther. They may spurn the unhampered market order also on ethical grounds as an unfair and amoral system. To them, the criterion of morality is the people's will, wish, and intent as they manifest themselves in majority votes. They place a high value on individual obedience and on restraints equally imposed on individuals by majority decision. The state is their instrument of coercion, the supreme arbiter of fairness and morality.

In reality, the opinion and judgment of the majority are not the final proof of what is right. Wisdom and justice are not always on the side of the majority. In fact, individuals usually live in greater danger of having their rights invaded and their freedom restrained by the commands of an overweening and self-righteous majority than by the machinations of entrepreneurs and capitalists. Evil is evil; it is none the better for being committed on behalf of the majority.



Hans F. Sennholz

You cannot correct all the evils of the world, nor relieve all the poverty in the world.

You cannot comfort all in distress, nor support all the underprivileged.

But you can stand by FEE which brings the light of freedom to the world.

LICENSED TO UNZ.ORG

ELECTRONIC REPRODUCTION PROHIBITED