

## ECONOMIC DEMOCRACY

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T HAS become apparent that, in the minds of statesmen, economic problems are the most pressing issues to be solved before a new world may be built on the ashes of the old. On the American scene the election platforms of both major parties were built largely on economic concepts. Prime Minister Churchill indicated that the Empire is concerned very much about its present dismal, financial condition. During his military conference with President Roosevelt at Quebec last September, arrangements were made to continue Lend-Lease Aid to Britain after the war with Germany has been brought to a triumphant completion. A further provision called for the inclusion of two and one-half billions of non-military goods, which England might reexport to Europe and the far-flung corners of its Empire. Britain's international capital has been depleted by war purchases, and now she must begin an "export-or-die" policy.

In view of these circumstances, the meeting of the practical business men of the world at Rye, New York, last November generated considerable international interest. Important questions were discussed at the sessions of the conference, but, for the most part, arguments were concentrated on the paramount issue of free enterprise versus controlled business. American business men went on record as favoring free world trade, no cartels, and as little governmental interference as possible. They affirmed the policy of shunning 'practices which substitute agreements for the hard divisions of free competition.' As an extension of this viewpoint it was declared that the American business men "realize that trade restrictions result in trade reductions, that they will prosper far more from a fair share of freely expanding trade than from absolute command of a limited trade." American arguments for free trade, backed up by an expanding productive capacity, unparalleled shipping facilities, and tremendous gold reserves, convinced many of the delegates. The ranks of England's representation, however, were split wide open. On the one hand were those who were certain that British trade could compete with American interests in a free market. Opposed was the

traditional economic thought favoring the continuance of state control in the "sterling area" combined with the parcelling out of international commerce through cartels.

The delegates chose to discuss the issue of free trade versus cartels, passing over the more fundamental question of government control. Undoubtedly, the choice was decided by psychological factors; for the value of cartels is still a question to business men. Germany's pre-war industries, highly organized and regulated by the government according to the cartel, produced marvellous results and expanding bank deposits. Yet German industry does not constitute an accurate index, for there was no open competition between free enterprise and state monopoly. On the other hand, wherever there has been any semblance of a contest, the cartels have resorted to unlawful practices. This impropriety has been interpreted by many as an open confession of inability to survive in free markets.

While the delegates debated, politicians were not holding their breath anxiously awaiting the announcement of business men's decisions before determining their own policies. The business men were discussing the "ins and outs" of cartels; the American government indicated that it was concerned only with the "out" of cartels. Attorney-General Biddle resurrected from his files a large bundle of cases of the United States vs. Cartels for actions in restraint of trade. In England Sir William Beveridge announced an addition to his "cradle-to-grave" plan. He called for a greater "socialization of demand" to guarantee full employment. To realize this, he envisioned the nation's underwriting consumption through state spending and controlled investment.

Admittedly, there is a welter of economic opinions. Yet, in this confused mass of conflicting policies we can discern two extreme positions. There are some who demand economic security regardless of the sacrifice of liberty involved. Others advocate complete economic freedom. Both sincerely claim that their own theory will guarantee to the great masses of the people the means of living a full human life and of extending democracy from the political sphere into the economic realm.

The theory of free trade is simple enough to be put into a slogan: "Buy at the cheapest market and sell at the dearest." The ramifications of this principle are well known and frequently, eloquently stated. Markets under free and open competition have their own inner forces of self-direction. Let them govern themselves. History shows that private initiative, unhampered by restrictions, has resulted in a tremendous development in all industries and has

succeeded in producing an unprecedented amount of goods. To put checks on entrepreneurs is to stifle the motive for gain which has lubricated the wheels of industrial efficiency. Increased state control leads to "bottle-neck" bureaucracy and socialism. Cartels are nothing more than monopolies on the international scene, sprawling, economic giants engulfing the whole business world. By their very nature they are opposed to democracy, for they are plutocrats ruling as dictators in the economic sphere and seeking to extend their power into the very heart of government. Political democracy means liberty; so too, economic democracy means freedom of enterprise.

Those who advocate restricted business point out that the liberal philosophy behind free trade died and was buried at the beginning of the century when *Laissez-faire* gave birth to the concentrated capitalism of monopolies. The freedom of the little man to compete was changed into the dubious freedom to beg or to starve to death. Radical upheavals of the remnants of big business are necessary to insure that the benefits of political democracy carry over into the economic life of the world. The control of capital must be taken from the hands of those who represent unbridled competition and placed in the charge of those who can and will guarantee financial security for all.

What will you have, security through socialism, or free enterprise's law of the jungle? Of course! You do not have to take either; there are plenty of intermediate positions harmonizing the good features of both. That is evident enough, but the principles necessary to determine a just, happy medium are not quite so evident.

#### A CONFLICT OF PRINCIPLES

There is one set of principles which has come to the fore in modern times. The name is familiar, economic determination. In brief, this theory is based on the supposed law that the mode of economic production determines the nature of all societies. "It is superfluous to add that men not free to choose their productive forces—which are the basis of all their history—for every productive force is an acquired force, the product of former activity."<sup>1</sup> Our era has inherited the institution of private property which divides men into owners (exploiters) and non-owners (exploited). Class conflicts have generated from this division. "In order that these contradictions, these classes with conflicting economic interests, may not annihilate

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<sup>1</sup> Marx, K. *Poverty of Philosophy*, N. Y. 1936. p. 153.

themselves and society in a useless struggle, a power becomes necessary that . . . has the function of keeping down the conflicts. . . . And this power . . . is the State."<sup>2</sup> This state "is an organ of class domination, an organ of oppression of one class by another; its aim is the creation of an order which legalizes and perpetuates this oppression by moderating the collisions between the classes."<sup>3</sup> Thus modern states have arisen to perpetuate the institution of private property by suppressing the non-owners. Moreover, as capitalism becomes more highly developed, the necessity of state domination intensifies and eventually the state is forced to take over its subjects' productive forces in order to obtain the means required for the exercise of its own function. "The more it proceeds to the taking over of productive forces, the more it actually becomes the State capitalist."<sup>4</sup>

According to this theory, human activity is limited to hastening or retarding the blind dialectic of material forces by establishing some sort of control over the means of production. But, inasmuch as the forces of matter will ultimately triumph, human industry should expend itself in increasing the tempo of the process. The gifted individuals who have discerned the goal of the struggle promise us a new, regenerated humanity. In the meantime men must suffer and die, sacrificing themselves in the interests of an inhuman dialectic with a constantly receding end; one which will not be attained, because it can not be attained. This set of principles leads to the back alleys of despair.

There are other principles which guide men safely along the broad highways of hope. Pope Pius XII pointed them out recently, just after he had considered the spectacle of men subjected to the "illusory hopes of a complete rebirth of the world" proposed by the advocates of the above theory which "puts all its hopes in upheavals and violence."

Confronted with these extreme tendencies, the Christian who meditates seriously on the needs and misfortunes of his time, remains faithful in his choice of remedies, to those standards which experience, right reason, and Christian social ethics indicate as the fundamentals of all just reforms.<sup>5</sup>

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<sup>2</sup> Lenin, V., *The State and Revolution*. N. Y. 1935. p. 8.

<sup>3</sup> *ibid.* p. 9.

<sup>4</sup> Engels, F., *Socialism: Utopian and Scientific*. N. Y. 1935. p. 69.

<sup>5</sup> Pius XII *Reconstruction of the World on True Christian Foundation* (Unless otherwise indicated all quotations from Pius XII are referred here).

These principles are not the discovery of any one man; rather they are the fruits of centuries of experience and contemplation. Formulated in germ by Aristotle, they were developed and perfected in the Middle Ages, especially by Saint Thomas Aquinas, and finally were adapted to present circumstances by three great Popes, Leo XIII, Pius XI, and Pius XII.

Before beginning our examination of the principles consolidating the good features of free enterprise and controlled business, let us read first the words of Pope Pius XII, pointing out the necessity of such an enterprise:

On the one side, We see immense riches dominating public and private economic life and often even civil life; on the other, the countless number of those who, deprived of every direct or indirect security of their own livelihood, take no further interest in the true and higher values of the spirit, abandon their aspiration to genuine freedom, and throw themselves at the feet of any political party, slaves to whoever promises them in some way bread and security; and experience shows of what tyranny, under such circumstances, human nature is capable even in our times.

Our interest, then, is not purely academic.

### I. A NEGATIVE PRINCIPLE

"Let us enquire into property generally, and into the art of getting wealth."<sup>6</sup> With these words Aristotle introduces his consideration of the relation of economics to society. "The first question is whether the art of getting wealth is the same as the art of managing a household or a part of it, or instrumental to it."<sup>7</sup> Although his question is in terms of family management, nevertheless, his conclusions are valid for civil society also, for Aristotle is proceeding through his usual way of considering the qualities of a whole, the state, in a part, the family. The answer has a far-reaching social significance. To identify economics with politics or household management is to establish material goods as the primary individual and social end of man. Under the supposition of identity, the purpose of the family "to supply man's everyday needs," and the end of the state "the good life," are completely and solely material; and man is reduced to an instrument of production distinguished from a machine only because he is living and somewhat less efficient. Freedom, sci-

<sup>6</sup> *Politics*—Aristotle I, 8.

<sup>7</sup> *ibid.*



ence, and virtue vanish; and slavery, ignorance, and amorality flourish. Under these circumstances economic democracy becomes a myth, and the state is degraded "into a slave, surrendered to the passions and greed of men" (Pius XI). This is the answer Communism gives.

For Aristotle the answer to the problem of the relation of economics to society was simple, because his man was neither machine, nor beast, but rational:

Now it is easy to see that the art of household management is not identical with the art of getting wealth, for the one uses the material which the other provides.<sup>8</sup>

Societies use the wealth provided by the art of economics as instruments to attain their proper ends. This inductive fact is sufficient to establish a distinction and to subordinate economics to the superior arts which use wealth. It is a fundamental principle that the art which uses also directs and governs. Thus, "the helmsman knows and prescribes what sort of form a helm should have"<sup>9</sup>; under his direction the carpenter, "who knows from what wood it should be made and by means of what operations,"<sup>10</sup> constructs the helm. Applied to our problem this principle makes the arts of household and civil management directive and prescriptive of the type of wealth to be attained by the art of economics. Our first principle then is a negative one directed against the theory of economic determinism. *ECONOMICS IS NOT SUFFICIENT TO SOLVE SOCIAL PROBLEMS*, for its field is limited to supplying the material wealth, an instrument for securing a full, human life. Consequently, it must be subordinated to those arts which use wealth for the benefit of man.

## II. A GENERAL POSITIVE PRINCIPLE

But Aristotle was not satisfied to indicate the proper subordination of economics, he pressed on to determine "whether the art of acquiring is a part of household management or a distinct art."<sup>11</sup> Should a father of a family and the head of a state go into business, or should both of them rely upon someone else to supply their needs? Aristotle's answer was "Go into business."

<sup>8</sup> *ibid.*

<sup>9</sup> *Physics*—Aristotle II, 2.

<sup>10</sup> *ibid.*

<sup>11</sup> *Politics*—Aristotle I, 8.

Of the art of acquisition, then, there is one kind (concerned with real wealth not artificial) which by nature is part of the management of a household, insofar as the art of household management must either find ready at hand, or itself provide, such things necessary to life, and useful for the community of the family or state, as can be stored. . . . And so we see that there is a natural art of acquisition which is practiced by managers of households and by statesmen.<sup>12</sup>

The foundation of the conclusion is discovered in the purpose of the material goods of the earth. Why do minerals, vegetables and animals exist?

"We may infer that, after the birth of animals, plants exist for their sake, and that other animals exist for man to use for food . . . and for the provision of clothes and various instruments. Now, if nature makes nothing incomplete, and nothing in vain, the inference must be that she has made all animals for man." In order to live men need certain things, "and nature provides them with earth or sea or the like as a source of food. At this stage begins the duty of the manager of a household, who has to order the things which nature provides."<sup>13</sup>

Thus, economics is a part of the household and political art whereby managers procure for themselves and their subjects the instruments necessary for the attainment of the ends of society.

In our day the subordination of economics to household management is taken for granted by free peoples. Father is the bread-winner and foots the family's bills. Likewise, the relation between economics and politics is exemplified in governmental management of forests, mines, fisheries, and in general, in the various state bureaus erected for the general utility to supply the instruments for the attainment of the good life in civil society.

Since governments and individuals both have a claim to use the wealth of the world, the determination of the relation of the economic end of families and individuals to that of the state is necessary before any principle may be established to govern the relation existing between private enterprise and government control. The family exists to supply man's everyday wants, that is, to provide the bare needs of

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<sup>12</sup> *ibid.*

<sup>13</sup> *ibid.*

human life; the state exists for the sake of a good life, to secure a decent standard of living for all, that men may enjoy freedom from want. Obviously, the economic end of the family is not the ultimate good to which man is ordained in the temporal order. It is only by sharing in the common good, the economic welfare of his community, that man attains the perfection of his social nature in the order of material goods. Hence, since the end of the family is partial and imperfect, it must be subordinated to the common good, a total, perfect good. The principle may be stated as follows: *The Freedom OF PRIVATE ENTERPRISE MUST BE RESTRAINED WHENEVER IT ENDANGERS THE SECURITY OF THE GENERAL WELFARE, A DECENT, HUMAN STANDARD OF LIVING FOR ALL.*

*(To be continued.)*