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Paper “**MARX'S SMALL MISTAKE**”

by

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with general overview
and prefatory remarks on

CATHOLIC SOCIAL THOUGHT

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Human knowledge: Intellect / Imagination Sense

Theoretical/ Practical: Universals / Particulars

Rational arts: Analytic Dialectic Sophistic / Rhetoric Poietic

Sciences/ Productive arts: Mathematics Physics / Technics Fine Arts

Wisdom / Prudences: Metaphysics / Ethics Politics

Red = lost to modern culture

Blue = deprived of philosophical basis, hyper-developed in modern culture

Green = retained but dis-integrated; isolated in modern culture

Speaking generally, intellect, universal knowledge, Analytics (philosophical logic) and Metaphysics are now completely unknown, or rather unrecognised;

Ethics and Politics as understood in Philosophy are no longer known as practical studies but surrogated to “scientific” and “applied” studies (modelled on Mathematics/ Physics/Technics); Modern Economics was born of this surrogation. Poietics (called “Literature” or “Humanities”), together with Fine Arts, has been set adrift, the preserve of a privileged few; Dialectic Sophistic and Rhetoric are still cultivated but in a disordered fashion, the principles of such disciplines being little understood; for Logic we have substituted a particularist mechanical “logic” (called mathematical logic), allied to technology.

In modern intellectual culture Science (equated with a mechanised Mathematics and a de-naturalised Physics) is driven by a particularist bias and reductionism and the notion of productive Art (equated with Technology) is ruled by a materialist focus and utilitarianism. “Essence”, “Form” and “End” have become words empty of any significance. A striking consequence of this is the absence of any general sense of beauty in modern architecture. The only relief from this is the cultivation of pure Mathematics and “the arts” by a select few.

In this mind-set Christian (divine) Faith is not distinguished from human faith (belief as opinion only). Hence, Sacred Theology is reduced to a matter of private “belief”. But, in truth, Faith is greater than the highest intellectual knowledge (Metaphysics) and its truths (from Sacred Scriptures and Tradition), where necessary for salvation held explicitly, are more certain than the absolutely first principles of reason. Sacred Theology, accordingly, is the highest of human disciplines. Moreover, its methods of proceeding include the whole range of rational arts from Logic to Poietics.

CATHOLIC SOCIAL DOCTRINE

Catholic Social Thought is the theological discernment of the moral laws governing human society, with particular reference in modern times to what has come to be called social justice. Particularly serious problems have arisen in social relationships connected with the ownership and use of property and the employment by some of others (i.e. hired labour). The philosophical equivalent of this social discipline is within the scope of Politics, a practical discipline as understood by Aristotle and St. Thomas Aquinas.

Sacred Theology here is examining social matters that reason also can investigate, the difference being that Theology has the benefit of the light of faith. Nonetheless, the moral principles of the natural law as applying in the area of justice are discernible by reason itself, as is proved by the natural wisdom of Aristotle in regard to these matters (even though his understanding was imperfect in certain respects).

The Church gives particular emphasis to this natural law basis of social justice in her documents, because the welfare of all, not just the faithful, depends upon upholding justice. Without justice, as she insistently points out there can be no peace in society. This truth we should already know by reason, as the Greeks did in their saying that the Nemesis (Gk. god of retribution) that follows injustice never falters nor sleeps.

Modern social and economic history is hardly more than the working out of that nemesis. Economics (“eco” = household affairs; “nomos” = law) might well be renamed Econemics (“nemein” from the same root as “nomos”). It does not study, as the Church does, the natural laws of distributive justice, but the harsh working out in fact of the laws of retributive justice.

ECONOMICS

The modern subject called “Economics” is perhaps the prime example of a discipline warped by disconnection from the metaphysical and ethical disciplines. It first wished to be amoral in order to be “scientific” like the new physico-mathematical sciences, so it lost its essential ethical reference. This was bad enough, but it thereby inherited the inadequacy of the new scientific method to give a complete explanation of the reality being studied. Putting it in aristotelian terms it limited itself to material and proximate efficient causes and eschewed formal and final causes, the last of which are particularly critical to a proper understanding of a practical science, as Economics is, or, rather, should be.

It has remained intellectually/practically blind from the beginning, tossed about by the ever-varying changes in the intellectual fashions of the time (e.g. its positivism became “logical” - a logic of choice - in line with the shift from Positivism to Logical Positivism in modern philosophy), and increasingly subjected to the mathematization

that has occurred in modern science itself. Just as Mathematics knows nothing about good so modern Economics knows nothing about the true notion of value, even though, as a practical science, it cannot say anything relevant to real social life without an understanding of good and especially the common good.

This metaphysical and ethical vacuum has left it vulnerable to “take-overs” by pseudo-philosophies or ideologies, the two principal ones being liberal capitalism and marxist socialism. Both these ideologies, despite their “phenomenal” opposition (in individualism and collectivism), have their basis in the favourite but false modern notions of political freedom and democracy (freedom from truth and democracy without justice). More radically they are based in a pseudo-scientific materialism and individualistic utilitarianism. We could go on listing their other anti-intellectual and amoral antecedents, such as anti-theistic humanism, scepticism and relativism, for the causes of evil are legion: “good is from an integrating cause, evil is from whatsoever defect”.

CATHOLIC LAY ECONOMICS

The Catholic lay commentator on matters economic, therefore, has a pivotal role. He or she needs to be fully acquainted with the Church's social doctrine (which involves a good grasp of Ethics and Politics as classically understood) and, at the same time, to be reasonably cognisant of the actual state of affairs in the social economy. What complicates this latter is the fact that the language in which such affairs are discussed is that of modern Economics. One needs to get at the “facts” or the content of what might be called positive economics but ignore the economic “theory” (full of unnecessary complexity and even contradictions) that is used to “explain” these facts. Such is the way these facts are presented, however, so mathematicised and distorted by scarcity-based theory, they are often rendered virtually unintelligible.

It is this latter complication that stymies the message of a sound social philosophy, re-affirmed by the Church's social encyclicals, from getting through. That is why the lay Catholic's contribution is indispensable.

The first important philosophical task is to show the intellectual and moral disreputability of the ideologies that underpin the modern economic theories. This has become less urgent in the case of marxist socialism because of the collapse of the prestige of its promoters with the fall of Communism in the Soviet Union. Nonetheless, the ideology itself has not disappeared and can very well re-emerge.

However, it is in the ideology of liberal capitalism that the fundamental philosophical fallacy regarding the nature of modern commercial and financial economics is to be found. Its flaw can be detected with the help of Aristotle and St. Thomas's analysis of exchange and money which I elaborate upon in my paper “Marx's Small Mistake”.

At the present time, the liberal capitalist ideology is in the ascendant again (hence the rush to deregulate or free up the economy - with the rich and powerful urging on the politicians who fancy themselves as in the vanguard of the new economics). The difficulty of the current task is to criticise liberal Capitalism without being seen to be arguing for its perceived only philosophical alternative, radical Socialism.

Hence, I have approached the critique of the economic philosophy of liberal Capitalism indirectly, from a direct criticism of the marxist misunderstanding, which nonetheless shows up liberal Capitalism's fundamental fault lines in its distorted vision of the social economy. I have concentrated on what I regard as the key concept in such an analysis and critique, namely, that of trade or exchange of goods.

There is nothing mysterious about a simple exchange of goods (symbolized by CC in the paper). It is only when money (M) is introduced into the exchange process that things begin to get complicated and the opportunity for deception occurs. For, as Aristotle clearly saw, this factor makes it possible for exchanges or trade to take on two forms. For these I use a symbolism in fact created by Marx, CMC and MCM (C = commodity, the modern word for economic goods) – it is a convenient symbolism for our purposes.

The fault in the thinking of modern “capitalist” economists lies in failing (by being simplistic) to note this twofold character of the exchange process. They are deceived into this equivocation by a more fundamental deception in not distinguishing real wealth (called natural wealth by St. Thomas) from money (called artificial wealth by St. Thomas). As is seen in the paper here presented most economists, professional and amateur, tend to think of trade in terms of the secondary form of it – for the whole idea of it is, is it not, “to make money”.

This revolutionises one's whole vision of the purpose and the functioning of the social economy. It infinitises the desire for wealth (become the desire for money as such); hence it creates the new fundamental “principle” of economic scarcity – infinite wants in a world of limited resources. Moreover, it distorts the relation between the proper desires for individual goods and the common desire for the social good, reducing the latter to a collective good (thus creating the opposition between individualism and collectivism).

More pertinently here, Marx - who was familiar with Aristotle's distinction, whereas modern economics has completely lost it - unfortunately was too far affected by the general materialism and “value-free” acceptance of the “factual” for the real, treating social “facts” as quasi-physical facts, so that he misread the distinction in natural/physical terms rather than natural/moral terms.

For Aristotle, MCM was not to be put on the same level as CMC. If he were thinking in physical terms he would have differentiated them in terms of the essential and the accidental. CMC is primary, MCM is definitely a secondary kind of trade,

needing to be subordinated to the ends of the first. For Marx, however, schooled in the hegelian school of dialectical contradictions, the second mode of exchange became the “natural” mechanism of Capitalism's exploitation of the proletariat/workers, “scientifically” discernible as a necessary antithesis in the dialectic of history towards the final synthesis of Communism.

But treated as Aristotle did, and as it should be, in moral or ethical terms, in the context of a philosophical political science, the second kind of exchange is not something historically determined to be a socially destructive force. Nonetheless, engagement in it is fraught with moral danger. For, considered on its own, it is directed by a desire for wealth (i.e. money) that has no natural limit.

It is precisely the confusion of wealth with money in the liberal capitalist economics that has sent it right off the rails and produced a whole social economy driven by the desire for money. This factor is not the sole one in the production of the socio-economic disorder we know today. It came upon a society in which another economic revolution had taken place following upon the Reformation, namely, the wholesale confiscation of lands and property that led to the modern concentration of wealth into the hands of a relatively few super rich and a great majority of dispossessed poor.

This aspect of the modern economy we do not go into here, though it is obviously a major cause of the distortion in the distribution of wealth within the modern community. The economic disorder caused by the new economic “religion”, the worship of money, is certainly exacerbated by the concentration of wealth in the hands of the few, and indeed contributes to its further concentration. Liberal Capitalism in the concrete is the combined effect of these two principal factors.

Marx saw the latter factor (the maldistribution of wealth) as a consequence of the former (money driven commerce), which he saw as the driving force of the “capitalist mode of production”. But the two are not necessarily connected. It is possible to have one without the other. It is simply that historically both are connected in the modern economy.

Modern economic theory ignores the second factor (the existing distribution of wealth is taken as a given – the injustice of it is irrelevant to its “science”). For it is only interested in the “creation” and “growth” of wealth (meaning increase in individuals' or governments' stock of money). The focus, then, is on the commercial (and financial) aspects of the economy, to which the other aspects are subordinated. It is this theory of the market that is used to explain how “wealth” is produced and distributed. Money becomes not only the principle (and end) of commerce but also the principle and end of all industry in a capitalist economy. It is precisely this notion of money as “capital” that is the “spirit” of the economic system we know as Capitalism, and is the aspect of it with which we are primarily concerned.

For there is no more morally and socially disastrous mistake in regard to economic affairs than this one about money (and consequently about trade). Aristotle saw its evil consequences happening in his own day. After the break up of Christendom at the time of what is called the Reformation this structural social sin came back with a vengeance. The poor, no doubt, will always be with us. But the modern exploitation of the working poor, for which liberal Capitalism provided if not the justification at least the “scientific” explanation, by the nineteenth century had reached dimensions of widespread impersonal cruelty previously unknown in any civilized society, and this exercised upon those who were fellow citizens.

(Even today, in what the politicians will tell us is a well managed economy, we have a situation in which the working majority of the population is weighed down by indebtedness, not just in monetary terms but more cruelly in terms of time, i.e. reduced to a servile condition of “having little or no time” for themselves or their families).

It is no wonder that the people of the nineteenth century were being driven to revolt. Unfortunately their champions were deceived by the very liberalist philosophy that was at the root of the social injustice being perpetrated. They were doubly deceived. For their attentions were cleverly deflected to an attack upon religion and the Catholic Church.

The more extreme of these revolutionaries have been shown up as false prophets, even if it has taken a century of bloodshed. It is not to be forgotten, though, that theirs was a violent reaction to a desperate situation that was actually existing in the nineteenth century. The economic system, called Liberal Capitalism, which had largely contributed to this state of economic desperation was forced to moderate its practice and we saw during the twentieth century the creation of an era of semi-socialism, or the “mixed economy”, with the State trying to moderate the excesses of the “free market”.

With the collapse of the major regime of radical socialism or Communism, however, the mistake about money, which was never absent even in the era of the Welfare State, has returned with renewed vigour to exercise again unrestrainedly its malign influence. The political restraints (in the form of legal regulations), which were rather ineffective anyway without the necessary ethical self-control in respect of the love of money, have been progressively lifted (a process euphemistically called de-regulation). We can expect, therefore, not a return to the horrors of the nineteenth century – for history never repeats itself exactly - but something equally illustrative of “man's inhumanity to man”.

Marx was not far wrong in his description of the actual conflict-ridden state of the social economy. But he was awry in his diagnosis. He took the pathology as a natural phase in the history of the social animal. There is an incipient manichaenism here – the war of evil, made into something positive, with good. The result could only

be a fight to the death between two “forces” confronting each other as natural enemies. A practical philosophy that sees contradiction in the real is necessarily a philosophy of destruction.

And so his remedy failed disastrously, causing more misery than what it was meant to cure. But the failure of that remedy does not mean that the malady does not exist. Nor do we seem to be any closer to finding a remedy. So successful has been the strategy of deception in this regard that the moral and social restraints of old that had kept the insatiable love of money in check continue to be ridiculed in the name of “scientific” economics. This philargyria, now simplistically identified with the “profit-motive”, is lauded as the very motor of economic prosperity.

CATHOLIC CRITICS OF THE CHURCH

Sadly, many Catholic writers on Ethics and Economics have been taken in by the arguments of the secular economists and ethicists which are all premised upon this promotion of money as the be-all and end-all of economic activity. Perhaps the most serious deception in this regard is on the question of usury. Opposition to usury becomes unintelligible once the productivity of wealth (whence we get the true notion of capital) is assigned to money as such.

In the second mode of exchange (MCM), however, the illusion is created that money is productive of (more) money. Indeed, it is the paradigm for the idea of “making money”. Making money by buying something in order to sell it dearer is familiar to us all in the modern economy, and is generally viewed as an easier way to “make money” than working at something really productive (which the less “enterprising” do).

Money, therefore, is in a particular way very “productive”. This leads to a justification for the lender demanding something from the borrower for the use of money. In fact, the justification is not based upon the use of money as such (for this always belongs to the borrower) but in an “extrinsic title” called *lucrum cessans*. One is entitled to be compensated for any loss connected with the loan – which in modern times can be connected with the loss of opportunity to “make money” in the manner indicated – a common enough opportunity.

This general “exception” to the moral prohibition against usury has been mistaken for a proof that the centuries old condemnation of usury was misguided. But it is the moderns who are misguided in the matter. The Church's “relaxation” of the moral strictures regarding usury is not an indication that she was wrong or has changed her mind about usury. It is only because of the failure to understand the meaning of money and its relation to real wealth that this can be made to appear so. The generality of the exception in fact comes from the disordered state of commerce that has occurred in modern times, as outlined above.

Pope Leo XIII in *Rerum Novarum*, the universally recognised principal document in the Church's modern teaching on social justice, strongly condemned usury, and pointed to its perverse and pervasive influence in modern times. As recently as 2004 the late pope John Paul II spoke out in the strongest terms against the evil of usury. In his general audience of 10/11/04 the pope listed usury among examples of the worship of a false idol, one of “the diabolical triad of idols”. In his general audience of 02/04/04 he exhorted his audience “not to practise usury, a scourge that is also a reality and has a stranglehold on many peoples' lives...” Elsewhere he also referred to usury as a scourge. (cf. Address of 26/06/98). This is hardly a softening of the Church's stance on usury! Those who assert that the Church no longer condemns the sin of usury are therefore not paying much attention to what modern day popes have to say on the matter.

As well as these statements of recent popes, the Catechism of the Catholic Church does not shrink from saying “those whose usurious and avaricious dealings lead to the hunger and death of their brethren in the human family indirectly commit homicide, which is imputable to them” (n. 2269). This should give modern men and women of business, indeed us all, but especially Catholic moralists and theologians, some pause to think before they declare that the condemnation of usury is an anachronism in our modern sophisticated commercial world.

Significantly, the “fallibility” of the Church in such serious matters of morals is often brought up in the context of another strong, but widely controverted, moral condemnation where Church authority is challenged, namely, with regard to the sin of artificial contraception. It is in the interests of those who wish to deny its immorality, or at least its seriousness, to prove that the Church's judgment may be mistaken in such matters of morals, and usury seems to be the “clincher” in our commercially sophisticated secular world. But if the case for usury falls apart, what then?

Though it helps to be able to cite cases of mistakes made in regard to moral teaching, such critics of the Church's traditional doctrine are not averse to challenging the papal authority in these moral matters directly, as is painfully evident in the case of contraception. It is interesting to notice, however, that a false principle is similarly the basis of the arguments for contraception.

As this subject is not strictly relevant here, I will do no more than refer the reader to Chesterton's insightful analogy between the idea of property and the desire for money, on the one hand, and the idea of sex and the desire for pleasure, on the other. As a society we have been “sold” the latter in each case, something attractive but deceptive in what it promises, for the truly satisfying qualities of the former. (cf. “Sex and Property”, in “The Well and the Shallows”)

Nor should one think that the moral issues here are of little consequence. The Church's moral authority in these matters is not original. It is based in the 6th and 7th

commandments (which in turn confirm what we should all in conscience know from the natural moral law). So by contradicting what the Church says here the critics are (wittingly or unwittingly) really challenging the divine authority. We should not be surprised to find that the criticism of the universality or seriousness of the moral prohibitions in these respects is shortly followed by corrosive challenges to the 5th commandment. (The 8th commandment has long been a target of the critics).

CONCLUSION

But, to return to the main object of our discussion, it is my thesis that the keys to the understanding of Marx's mistaken criticism of liberal Capitalism and to the understanding of liberal Capitalism's critical mistake are the same. By defining the exact relationship between the two exchanges we can at the same time correct Marx's fatal error and discern precisely what it is that is wrong with liberal Capitalism which, if allowed to become completely unbridled anew, can again "lay upon the teeming masses of the labouring poor a yoke little better than that of slavery itself" (*Rerum Novarum* n. 3). This definition, correction and discernment is what I have endeavoured to do in my paper entitled: "Marx's Small Mistake".

KEY TEXTS OF ARISTOTLE AND ST. THOMAS

(translations of quotations in latin by dgboland)

St.Thomas's Summa Theologiae, II-II, 77, 4c:

Ut autem philosophus dicit, in I Polit., duplex est rerum commutatio. Una quidem quasi naturalis et necessaria, per quam scilicet fit commutatio rei ad rem, vel rerum et denariorum, propter necessitatem vitae. Et talis commutatio non proprie pertinet ad negotiatores, sed magis ad oeconomicos vel politicos, qui habent providere vel domui vel civitati de rebus necessariis ad vitam. Alia vero commutationis species est vel denariorum ad denarios, vel quarumcumque rerum ad denarios, non propter res necessarias vitae, sed propter lucrum quaerendum. Et haec quidem negotiatio proprie videtur ad negotiatores pertinere.

“As the philosopher says in *I Politics* the exchange of things is twofold. One indeed is quasi natural and necessary, by which namely occurs exchange of thing for thing, or of things and money, on account of the necessities of life. And such exchange does not pertain to dealers but rather to householders or statesmen, who have to provide the necessities of life either for the home or the city. But the other species of exchange is either of money for money, or of whatsoever things for money, not on account of the necessities of life but for the sake of the profit sought. And indeed this business seems properly to belong to dealers.”

Again in *II-II*, 77, 4 c:

Secundum philosophum autem, prima commutatio laudabilis est, quia deservit naturali necessitati. Secunda autem iuste vituperatur, quia, quantum est de se, deservit cupiditati lucri, quae terminum nescit sed in infinitum tendit. Et ideo negotiatio, secundum se considerata, quandam turpitudinem habet, inquantum non importat de sui ratione finem honestum vel necessarium. Lucrum tamen, quod est negotiationis finis, etsi in sui ratione non importet aliquid honestum vel necessarium, nihil tamen importat in sui ratione vitiosum vel virtuti contrarium. Unde nihil prohibet lucrum ordinari ad aliquem finem necessarium, vel etiam honestum. Et sic negotiatio licita reddetur. Sicut cum aliquis lucrum moderatum, quod negotiando quaerit, ordinat ad domus suae sustentationem, vel etiam ad subveniendum indigentibus, vel etiam cum aliquis negotiationi intendit propter publicam utilitatem, ne scilicet res necessariae ad vitam patriae desint, et lucrum expetit non quasi finem, sed quasi stipendium laboris.

“According to the philosopher, however, the first [kind of] exchange is praiseworthy, because it serves natural necessity. The second, however, is justly condemned, because, as regards itself it serves the desire for profit, which knows no limit but tends to infinity. And so dealing, considered according to itself, has a certain turpitude, insofar as there is not within its notion any reference to a fitting or necessary end. However, although profit, which is the end of dealing, does not contain in its notion any reference to a fitting or necessary end, nevertheless neither does it contain in its notion anything immoral or contrary to virtue. Hence nothing prevents profit from being ordered to some necessary or even fitting end; and thereby the dealing may be rendered licit; as when someone directs a moderate profit, which he pursues by dealing, to the sustenance of his home, or even to the succour of the poor or even when someone in dealing looks to the public welfare, so that the things necessary for one’s country be not lacking, and he seeks the profit not as an end but as a but as a kind of payment for labour.”

I-II, 2, 1 ad 3:

appetitus naturalium divitiarum non est infinitus; quia secundum certam mensuram naturae sufficiunt. Sed appetitus divitiarum artificialium est infinitus.

“The desire for natural wealth is not infinite, because it [such wealth] according to a certain measure suffices for [the needs of] nature. But the desire for artificial wealth [money] is infinite”.

Aristotle *I Politics c. 9 1257 b*:

“retail trade [meaning MCM or MM] is the art of producing wealth, not in every way, but by exchange. And it is thought to be concerned with coin [money]; for coin is the unit of exchange and the measure or limit of it. And there is no bound to the riches which spring from this art of wealth getting.”

Note: “Retail trade” is a poor translation of Aristotle's designation of trade carried on for the purpose of making money (which can take the form of dealing in goods or dealing directly in money, MCM or MM).

For any exchange involving money St. Thomas uses sometimes *pecuniativa*. In the *Summa Theologiae* for the second mode of exchange (MCM) he uses the term *negotiatio*; but in his commentary on Aristotle's *Politics* he characterises it as *non necessaria pecuniativa*, as opposed to *necessaria pecunitiva* (CMC). *Campsoria* seems to be confined to money-changing (MM). The distinctions upon which this use of terminology is based have generally been lost sight of, even by Thomists.

St. Thomas, In I Polit. lectio 7 para 121:

(from latin) “but that exchange [*pecuniativa*] which is ‘retail trade’ [*campsoria*] multiplies monies, not in all ways, but only through the exchanges of monies. Hence it is totally about money, because money is the principle and end of such an exchange, when money is given for money.”

Though it may be thought that St. Thomas’ discussion here is with reference to pure money-changing (MM) the analysis can be extended also to buying goods with money in order to sell them for more money (MCM), as St. Thomas in fact does in the *Summa Theologiae* II-II, 77, a. 4 c.

See also II-II, q.77, a. 4 *ad 4. non quicumque carius vendit aliquid quam emerit, negotiatur: sed solum qui ad hoc emit ut carius vendit.* “Not everyone who sells something dearer than he bought is engaging in “retail trade” [MCM], but only one who buys in order that he may sell dearer.”

This is what Aristotle calls “*chrematistic*” exchange and Aquinas in the *Summa Theologiae* “*negotiatio*”. As noted above, this is the name St. Thomas gives to the second mode or species of exchange. (cf. II-II, 77, a. 4 c): “But the other species of exchange is either of monies for monies, or of whatsoever things for money, not for the sake of [having] things necessary for life, but for the sake of making a profit.”

As also noted above, in his commentary on Aristotle's *Politics* (*In I Polit. Lectio 8 Para. 129*) St. Thomas uses the terms “*necessaria pecuniativa*” and “*non necessaria pecuniativa*” to make the same distinction as it applies to transactions involving money (*pecunia*). We should take careful note of the difference between the two considered purely from the point of view of the form of the exchanges.

It should be noted that St. Thomas is doing two things here. He is making an important philosophical distinction between two species of exchange, which considered in themselves are opposed as quasi-natural and quasi unnatural. Then he is giving the reason why the first is to be commended (*prima commutatio laudabilis est*) and the second is to be condemned (*negotiatio, secundum se considerata, quandam turpitudinem habet*).

The reason is that the first is naturally (i.e. from the very form of it) ordered to, and thus limited by, the needs of living. The second, on the other hand, is not so naturally ordered, but from itself serves only the desire for gain or profit which knows no limit but tends to infinity. (*quantum est de se, deservit cupiditati lucri, quae terminum nescit sed in infinitum tendit*).

Modern moralists (including Thomists) in discussing this question, fail to take sufficient account (indeed generally take no notice) of the fact that there are two diametrically opposed kinds of exchange (the second *per se* knowing no limit, though a limit can be extrinsically (voluntarily) imposed, thus curing its *quandam turpitudinem*).

They discuss commercial morality by treating all kinds of exchange as essentially the same and then try to distinguish them morally purely by reference to the profit motive of the individual exchangers. From a philosophical point of view this completely ignores the formal distinctions (in terms of what is naturally good or not naturally good) that must be made before one brings voluntarily imposed limitations into account (important as they are). In regard to the first kind, though it is naturally good, one may voluntarily use it badly. Conversely, though the second kind considered in itself is not good, one can make it good – by voluntarily subordinating it to our natural needs.

The formal difference is not always made explicit in the *Summa*, where CMC is paired with barter (CC) and MCM with pure money-changing (MM), but the distinction clearly relates to the fact that, in the first natural form of exchange, money occupies its natural position as a medium of exchange only (*cf. I-II, 2, 1 c*), but, in the second “unnatural” form, money (the love of which as such knows no limit) becomes a sort of end of the whole exchange process. (“*dictum est de non necessaria pecuniativa, quae scilicet acquirit pecuniam in infinitum, sicut finem.*” (*para 129* cited above).

It should be clear that the above is most relevant to the discussion of “profit” [*lucrum*], the morality of which cannot be properly dealt with without the distinctions made.

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by

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Marx's criticism of Capitalism is a work of monumental proportions.ⁱ Convinced, as he was, and rightly so,ⁱⁱ of its evil social effects, he devoted the whole of his life to exposing how and why such an economic system produced, inevitably as he saw it, a degrading poverty to the point of virtual slavery in the greater part of the people subjected to it.

How is it, then, that the conclusions he came to were so far awry that those who tried to apply them to solving the social problem of the oppression of the poor by the rich in fact brought the people so impoverished to an even worse state?

Obviously, there was a mistake somewhere in his thinking, and therefore in his criticism. Now, one can come to wrong conclusions because of weak logic or false assumptions. We may pretty well rule out the former because there is no doubt that his was a great mind if one speaks only of reasoning capacity. As with other great minds that have also come to wrong conclusions it is hard to fault his logic, given his premises.

The fault then must lie in the premises from which he argued. Can we detect some falsity here? I believe we can and indeed at the very basis of his thinking on the matter. It may appear to be a small mistake, but, unfortunately, not just for Marx's economic philosophy, but also for the whole of mankind which has suffered enormously as a consequence, the mistake is at the beginning of his thinking on the subject. As noted long ago by Aristotle: "a small mistake in the beginning is a big one in the end". (quoted in St. Thomas' *De Ente et Essentia*, "paruus error in principio magnus est in fine secundum Philosophum in *I Coeli et Mundi*").

The mistake, it seems, has not been noticed even by Marx's critics for they too, though drawing opposite conclusions to him, were and still are in a like confusion of mind regarding the exact nature of Capitalism.ⁱⁱⁱ

Most have been content to attack Marx in a more general way. But we are not talking here of his general philosophy in which he affected a theoretical materialism but which was more fundamentally a rationalism translated into a radical humanism. All this he had in common with the spirit of the age, being distinctive at this fundamental philosophical level only in his adaptation of the Hegelian dialectic to his purposes. The pragmatism and atheism of his thinking flowed naturally enough from

such premises, as it did generally in modern culture. He was as much a child of the Enlightenment as any, but put together his own special mix of ancient Greek materialism, French social humanism, German dialectic and English Economics.

We can criticize him at this fundamental philosophical level, as many rightly do, but there the mistake is not peculiarly his, nor does it characterize precisely the way in which his thinking went distinctively awry. To identify this we have to fix our attention, as he did, at the socio-economic level on the phenomenon of Capitalism. For his was no merely theoretical interest in things. The general situation of the working poor was *in extremis* and he rightly declared in this context that the object of [a practical] philosophy was not to understand things but to change them.^{iv}

What had come to be called Capitalism was the concrete state of social affairs in Europe (including England) that was later transported to the United States of America where it flourished. Marx correctly saw this as a new kind of regime^v, or system of power relations, that had come into being following the demise of the old regime, marking the change from the mediaeval world to the modern. Despite the breakup of a more or less united Christendom into independent nation states that that change brought about, the unity of Europe which was expressed formerly in a common religious faith found a new unity of thought in politico-economic terms.

In general this thinking presented itself as a philosophical liberalism, seen as overcoming the previous anti-liberalism of the regime it replaced, the Catholic Church becoming a convenient *bete noir* for the purposes of this argument. Things, however, were not as simple as they were so presented. For in reality what had occurred was rather a power play, a takeover, a social revolution in classical Aristotelian terms. What was the precise character of that revolution we will pass over for the present, for its political dimension is complicated somewhat by the nationalism that accompanied it.

What is clear is that it became generally expressed in the politico-economic system that we know as Capitalism. This is not to say that such a system took over completely. No regime manages to subdue totally its subject population. Moreover, its success was varied, being more so in the newly formed nations that adopted Protestantism than in those that remained for the most part Catholic.^{vi} However, it became sufficiently predominant to justify us characterizing modern Europe as capitalist, with this kind of regime extending, thanks principally to England's and America's influence, to the whole modern world (penetrating now even

into China).

How, then, are we to understand Capitalism, as concretely so realized? The best definition is that given by G. K. Chesterton who experienced it in its heyday. “When I say ‘Capitalism’ I commonly mean something that may be stated thus: ‘That economic condition in which there is a class of capitalists, roughly recognizable and relatively small, in whose possession so much of the capital is concentrated as to necessitate a very large majority of the citizens serving those capitalists for a wage.’”^{vii} And this is essentially how things were in Marx’s lifetime, though he tended to exaggerate the opposition between Capital and Labor.^{viii}

It is a system where there is a marked division within society between those who own property and those who work, so much so that we can practically divide the populace into the relatively few whose living is from the ownership of property rather than work and the great majority with little or no property who have to work for a living. The name “proletariat” is given to this latter group from their lack of property, and the name “worker” is indeed applied to them almost exclusively. The name Capitalism is taken from the other group because of their position of dominance in the system.^{ix}

Effectively, of course, this signifies in political language a regime classified by Aristotle as an oligarchy, i.e. a rule by a powerful few designed primarily for the benefit of the rich.^x However, because of the modern mind’s adherence to political liberalism and the modern’s world’s division into nation states Capitalism does not operate directly as a political regime.^{xi} Its economic power structures and influence transcend national and political boundaries. Marx saw this and hence the slogan of the Communists “Workers of the world unite”. For, in Marx’s eyes, and indeed in truth, though the capitalists belonged to different nations, even at war with one another, their interests were common and combination at an international level was something natural to them.

In these circumstances liberalism is seen, on the one hand, as the natural ally of capitalism, simply representing in political or even general philosophical terms what capitalism is in economic terms. On the other hand, however, capitalism is seen as the natural enemy of true liberalism, a cruel despotic system of power through wealth hypocritically posing as the champion of freedom and democracy.

Marx, of course, espoused the second interpretation of liberal capitalism. In that we can say that he was nearer to the concrete truth of things in his time than those holding to the other interpretation but,

unfortunately, in his critique of capitalism he made, right at the beginning, the “small” mistake referred to, which we must now explain.

Even a cursory examination of his major work “Capital” discloses how the whole of his critique hinges upon the distinction, originally made by Aristotle, between the two ways in which goods and money circulate in exchange. To facilitate the discussion of these Marx adopts the symbols C for commodity^{xii} and M for money. The two processes of exchange can then be represented as CMC and MCM.^{xiii} Money it will be seen functions in the first case as a pure medium for the exchange of two commodities; in the second, however, money becomes the principle and term of the whole transaction with a commodity acting as the medium.

If we separate each exchange process into two transactions, one of sale (CM) and the other of purchase (MC), we can see, as Marx did, that the second process of exchange is the reverse of the first; in the first a sale is followed by a purchase; in the second a prior purchase is for the sake of a subsequent sale. Marx’s interest throughout the whole of his book focuses upon this second process of exchange, for he sees in it the clue to the nature of Capitalism.

He brings into account more fundamental distinctions, also derived from Aristotle, and made use of by Adam Smith and his successors. These are the distinctions between the material things and their value, which latter concept divides into utility (use value) and value (exchange value).^{xiv} But, as said above, the whole focus of Marx’s attention is upon the significance of MCM in the modern economic system.

There is much to commend in Marx’s insights in this regard. There is definitely a relationship between the change in social attitude in the late middle ages regarding this second process of exchange and the rise of Capitalism in modern times.^{xv} Marx also had valuable insights into how the mercantile mentality that characterizes Capitalism took over, as it were, the whole modern industrial process, so that labor itself (i.e. the laborers as an economic category or class) came to be treated like merchandise to be bought and sold like any other commodity.

However, he made a mistake in assessing the real significance of MCM. Let us say that, to put his mistake in preliminary terms, he gave MCM, and Capitalism as he understood it, a quasi-natural status in the socio-economic order that it does not have. He misunderstood the fact that Aristotle’s analysis of the socio-economic order was an ethical one, not to be interpreted in a naturalistic way, as the classical political economy had done; furthermore, he read into the oppositions dealt with by Aristotle in

this regard an absoluteness that came from Hegel.

If he had known his Aristotle a little better he would not have made the mistake. If he had been a little less influenced by Hegel he may not have magnified it so much.

In order to see how he went wrong we need to understand something more about the two opposed exchange processes and how Aristotle dealt with them. They are dealt with principally in chapters 8 and 9 of the first book of the Politics. They occur within a fuller discussion by Aristotle of the ways in which a household makes use of various arts whereby are acquired the things necessary for living. Being in the nature of an ethical study Aristotle brings into consideration to what extent a particular art of acquisition is in accordance with human nature or not. The basic test he applies is whether or not the art concerned is ordered to the satisfaction of the natural needs of the household, i.e. for the sake of such things as are useful within reason.

According to Aristotle exchange is simply one way in which a household acquires the things that are necessary and useful to it. The need for exchange comes about as communities grow in size. Among small and primitive societies this exchange takes the form of barter (CC). In discussing this kind of exchange Aristotle has no difficulty in characterizing it as a natural development in the matter of satisfying our need for various material goods and services.

But sooner or later it becomes necessary to mediate the mutual exchange of goods by money. This process itself is simple to begin with, certain useful goods serving as a medium of exchange, but eventually those most suitable (e. g. gold and silver) are adopted universally, and so employed they are taken out of the sphere of their proper uses as metals etc.^{xvi} With the introduction of this kind of exchange a complication arises, for it happens that some people become more interested in accumulating money than in acquiring the things that households have real need of. That is to say rather than using money as a medium only in the exchange process (CMC) it is made the end of the exchange (MCM).

Aristotle notes that this secondary use of exchange “has in fact suggested the notion that riches and property have no limit.” For once money is introduced into the exchange process people begin to confuse money with wealth.^{xvii} “Indeed, riches are assumed by many to be only a quantity of money, because the arts of getting wealth [CMC] and retail trade [MCM] are concerned with money.”

This leads Aristotle to discuss the question whether those who so

think that the desire for wealth is unlimited are right or not. There are some highly regarded thinkers, such as Solon, who say that “no bound to riches has been fixed for man”. But Aristotle refutes them. “But there is a limit fixed, just as there is in the other arts; for the instruments of any art are never unlimited, either in number or size, and riches may be defined as the number of instruments to be used in household or in a state.”

With the adoption of money as a medium in exchange, then, there is developed an art of acquisition directed simply towards the acquisition of money. This, to Aristotle, is an unnatural development. For the possession of money as such does not serve the reasonable needs of the household. In fact money is only required to the extent that by means of it these needs can be satisfied. To accumulate money without limit is not rational. But that is what this particular art seems designed to do.

Aristotle describes the kind of person who engages in this particular art of acquisition. “Hence some persons are led to believe that getting wealth [i.e. money] is the object of household management and the whole idea of their lives is that they ought either to increase their money without limit, 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.”

The meaning of “the good life” becomes for such people one of unlimited pleasure. “Those who do aim at a good life seek the means of obtaining bodily pleasures; and, since the enjoyment of these seem to depend on property, they are absorbed in getting wealth; and so there arises the second species of wealth-getting.”

Indeed, this love of money necessarily tends to a desire for excess that affects the use of other noble arts and natural virtues. “For, as their enjoyment is in excess, they seek an art which produces the excess of enjoyment; and if they are not able to supply their pleasures by the art of getting wealth, they try other arts, using in turn every faculty in a manner contrary to nature. The quality of courage, for example, is not intended to make wealth, but to inspire confidence; neither is this the aim of the general’s or of the physician’s art; but the one aims at victory the other at health. Nevertheless some men turn every quality or art into a means of getting wealth; this they conceive to be the end, and to the promotion of the end they think all things must contribute.”

A clear moral line is therefore drawn by Aristotle between those arts of acquiring wealth that are natural and those that are not. The basis of this

division is in the nature of the end or aim of the arts. If the art is limited to human needs then it is one that is natural and good; if it is unlimited, it is unnatural and bad. If the object of the art is to acquire things that are necessary or useful for the good of the household it is a good art; if the object is simply to acquire money, it is a bad art. The moral problem with the latter arises from the fact that when the acquisition of money is the object there is no reason to stop – for one’s desire for money as such can never be satisfied.

Now with regard to the arts that involve exchange, one, barter (CC), does not employ money; so obviously there is no problem with it. Where money is introduced, it is first used as a medium to the acquisition of what is needed for the household. This use of money (CMC) is not contrary to nature, for it is ordered to the satisfaction of the needs of the household. But when the acquisition of money is the sole object of the exchange we have an art that is contrary to nature. In this money is not used as the medium of exchange but is the principle and term of the exchange.

The most obvious form of this art of acquiring (more) money is dealing in monies, or money-changing (MM)^{xviii}. But the same object is achieved by buying and selling the same thing for the sake of increasing one’s stock of money (MCM). So far as the arts of exchange are concerned, then, we have two extremes, the most natural is barter (CC), where no money is involved and the most “unnatural” is money-changing (MM)^{xix} where only money is involved. Between these two, however, we have the situations where in the first place money is used as a medium for the exchange of commodities (CMC) and in the second place commodities are used as a medium for the exchange of money (MCM). The former has the same end as barter, and therefore is not contrary to nature; the latter has the same end as money-changing and so is also “unnatural”.

Aristotle was very strong in his condemnation of exchange where the object was simply to “make money”. This commercial practice was apparently common enough in his day, as it is in ours. He was aware of the difficulty of distinguishing it from the other mode of exchange. Thus he says: “There is another variety of the art of acquisition and rightly called an art of wealth getting, and has in fact suggested the notion that riches and property have no limit. Being nearly connected with the preceding, it is often identified with it. But though they are not very different, neither are they the same. The kind already described is given by nature, the other is gained by experience and art.”^{xx}

This distinction between the two modes of exchange or trade, however, is practically lost today. Indeed, Aristotle's description of the commercial mind of his time, "the art of getting wealth is generally thought to be chiefly concerned with it [the use of money], and to be the art which produces riches and wealth," might well be a description of the modern commercial mentality. When people, especially economists, think of trade, they have no notion of there being a secondary mode [MCM] different from the first [CMC]. If anything, all trade is thought of in terms of "making money", the accumulation of which has no necessary limit.

Economists and social scientists generally have not understood the distinction between the two modes of exchange. Part of the reason why modern economists fail to notice the difference is because they have ceased to think about matters economic in ethical terms. The true basis of Aristotle's distinction is ethical or moral. He speaks of the difference between the two in terms of what is natural and what is unnatural. But in this context "natural" equates with ethically good and "unnatural" with morally bad.^{xxi}

Marx, however, was one who picked up the difference. But, unfortunately, he did not understand the basis of it and made too much of it. The classical political economy, reducing economic affairs, especially commerce, to a morally neutral natural order, could see no reason for the distinction.^{xxii} Marx, saw Aristotle's distinction and its great significance for the functioning of the social economy. But, he accepted the moral neutrality of the modern approach, decrying any relevance of moral considerations in the "scientific" study of Economics. This led him to endow this secondary process with a quasi-natural status that had a historically necessary part to play in the dialectic which was expressed in the class conflict between Capital and Labor.

For Aristotle there is in the concrete such a dialectic, but it is a war between the good and the bad that has its roots in the hearts of men and women. The opposition within society even at the economic level is a moral one, between the virtuous and the vicious, between those able to control their desires for wealth and those not so able. The means to end or moderate such a conflict are ultimately moral at the individual level,^{xxiii} though at the social level it is necessary also to have reforms that bring into effect good laws and institutions.

Marx, with disastrous consequences, converts this practical moral (and therefore reformable) dialectic into a historically necessary one. Nonetheless, he was able to draw much from the moral strictures Aristotle

directed against those engaging in this form of commercial practice in an unrestrained way. It would be hard to find a more severe condemnation of this art of making money. The picture Aristotle paints is one of people subjecting all to the acquisition of money. Prompted by the profits to be made through the use of money in this way, they not only enslave themselves to a false god, but also they pervert their own good qualities and arts, and generally have a deleterious effect upon the society in which they live and do business.

Marx could then paint Capitalism, which he virtually identified with this commercial process, in the blackest terms, eschewing all the while any moral judgment in the matter. Marx had certainly plenty of material to work with in this regard. In his time the enormity of the contrast could not have been greater between the rich few seemingly bent of increasing their riches without limit and the great numbers of the rest of the population hardly able to subsist on their miserable wages.

Like the classical political economists he saw this as a natural phenomenon, a working out of scientific economic laws, but at least he did not accept it as a permanent state of nature. He was able to draw on the Hegelian dialectic to present what in moral terms was a great evil as at least a “contradiction” which, if historically necessary, was temporary. This gave his thinking on the matter much appeal, especially when compared with the hopelessness preached to the working poor by the prevailing “dismal science”.

But the correctness of his analysis is another matter. As history attests, the application of his ideas led on to even greater evils. We can find fault with his understanding of the exchange process MCM. We will see that his definition of Capitalism in terms of this process is quite mistaken. Importantly, however, his notion of Capitalism, as necessarily exploitative of Labor, is a mistaken assumption flowing from his basic misunderstanding of MCM.

To appreciate these mistakes we need to examine a little further the exchange process MCM which Aristotle criticizes so severely and Marx relies on so much in his critique of Capitalism. We can do this with the help of St. Thomas whose interpretation of Aristotle is most highly regarded.

Aristotle’s criticism is made on the supposition that the object, and the sole object, of buying and selling something is to make a profit, i.e. to increase one’s stock of money. The exchange process itself, MCM, as it names a “second species of wealth-getting”, does not have any other

object. Aristotle is principally concerned with the kind of persons caught up in this art of acquisition whose “whole idea of their lives is that they ought either to increase their money without limit, or at any rate not to lose it.”^{xxiv}

However, it is possible, as St. Thomas points out, to legitimize the art if one voluntarily imposes on its exercise the limit that it is required by natural morality. Hence, if the increase of money so gained is directed and limited to the supply of the reasonable requirements of oneself, family or nation, such a mode of exchange, or of making money, may be not only legitimate but also laudable.^{xxv}

This is something that is not brought out explicitly in Aristotle’s treatment, though it is implicit in that the basis of his criticism lies in the lack of such a limit. It is something completely overlooked by Marx.^{xxvi} For his thesis depends on giving to the exchange process itself an intrinsic exploitative character, with which he can identify the system of Capitalism.

But St. Thomas shows that there is nothing necessary about its misuse. It is, indeed, an activity that people will find difficult to engage in with the necessary moderation, as was clearly the case in Aristotle’s time, and is more obviously the situation in our own. It is important to remember, however, that its management is a moral matter and if its abuse works to the detriment of a society it points to a loss of moral and religious values in regard to the acquisition of wealth. A society that ceases to worship God will soon begin to worship money.

This is the first and most fundamental respect in which Marx misunderstands the nature of the exchange process MCM. It cannot be given any quasi-natural necessity. It remains one that depends upon human free will and accordingly carries with it moral responsibility.

Marx compounds his mistake in this regard by defining Capitalism in terms of this misuse of MCM. Though it makes some sense to highlight the opposition between the good and bad elements in the exchange economy, this must only be done in moral terms and always with the proviso that the good has a priority and superiority over the bad, despite appearances at any particular time. For the good has reality and power from its very nature whereas the substance and strength of the bad comes only from the partial goodness that it has.

It was inevitable, however, given Marx’s deterministic interpretation of the economy and his adoption of the Hegelian methodology, that he should reify and exaggerate the evil element in this bad commercial

practice so as to make it an effective contradictory force in a dialectical clash of social forces. Capitalism, so understood in such a socio-economic system, is meant for destruction in the historical working out of this conflict.

But there is one further aspect of the matter that needs to be considered in order to appreciate the full extent of Marx's error in this regard. There is a puzzle in understanding why anyone would want to engage in the second exchange process (MCM) at all. For a normal exchange process (CMC) takes place upon the basis of an equivalence of exchange value in the goods exchanged. The original seller expects to be able to buy with the money he has obtained goods of the same value of those he has sold. Equality is of the very essence of a just and fair exchange and MCM involves the same process of exchange except in reverse.

Neither Aristotle nor St. Thomas directly discuss how it is that the merchant/dealer makes his money, though they are well aware that his object is to buy cheap and sell dear. But how can he do this if everyone is aware of the true value of things in the market? If the merchant/dealer is to make a profit, must he not buy the commodity for less than it is generally worth and/or sell it for more? To some extent this differential can be explained by the fact of distance: the merchant/dealer brings the commodity from places where it is less appreciated and sells it where it is more. This means that he is not selling in the same market but rather in two different ones. Aristotle was aware of this. Neither does St. Thomas see any moral problem with this.

However, assuming that people are operating in the same market, it does not seem possible to justify the same commodity being bought and sold at different prices. The function of money is to express the common price of things. How could it vary in regard to the same commodity? Yet, the process itself makes no sense if there is not something to be gained from it. Marx was persuaded that there had to be some sinister reason for this lack of equality in the MCM exchange process. He came up with a quite original and ingenious solution.

There had to be, he argued, something intrinsically involved in the exchange process that enabled a commodity to be purchased at a certain price or exchange value and then later sold at a higher price, or at a value that included a "surplus value" over the original value of the commodity. The exchange process itself demanded an essential equality between the two prices or exchange values but in the capitalist industrial system there

was something (labor-power) that, though not strictly a commodity, was first bought at a certain price (in the form of wages paid) and later sold (as incorporated in the product) at a profit.

The capitalist mode of production mirrored this very exchange process (MCM). It begins with capital (in the form of money) and is ordered to the making of money (the increase or growth of capital). The “commodity” used in this process is labor-power (i.e. the productive power of workers) or this plus technical capital which is but the product of previous labor. How is it possible to buy this commodity and sell it for more than what was paid for it?

Well, Marx explains, it is in the way the free market operates in a capitalist economy. Taking advantage of his money power the capitalist can acquire the labor–power of workers generally at a low price; indeed, the system of free competition tends to force wages down to subsistence level as explained in the classical political economy. When they come to sell the product of the labor-power they have purchased the capitalists are in the same market which is governed by the same laws of supply and demand, but which generally will enable them to obtain more for the product than they were obliged to pay for its production. Their profit is simply the surplus value arising from the difference between the value of labor in the form of wages and in the form of labor incorporated into its product.

The laborers are exploited insofar as they receive less in terms of value of their share of the product on sale than what they put into it. But legally they cannot complain because it was all done in a free market system. The capitalists have bought their labor power at its competitive value in a free market. And the product which now belonged to them has been sold at its market price in a free market. Nor does Marx assert that there is anything immoral in the process. It is the way the system has to work.

There is an element of truth in Marx’s analysis; but only if it is understood in moral terms. We can see from the definition of Capitalism given by Chesterton that it must involve some degree of injustice. For the extreme division of society in terms of wealth is a sure indication of an unjust disproportion in the distribution of wealth within such a community. This inevitably enables the few rich to take advantage of the many poor when it comes to the exchange of goods and services.

The taking advantage by the capitalists of the laborers’ impoverished circumstances so that they are constrained to accept a wage below what is

fair and proportionate to their contribution to the value of the product is in fact a sin against commutative justice, an immoral exploitation, one of those crimes that cry out to God for vengeance. The fact that it is done by an apparently free contract in a free market is a cruel deception. For insofar as the workers are constrained by necessity to accept the terms of the wage contract (not having any other resources to fall back on) they are not truly free, as explained forcefully by Pope Leo XIII in *Rerum Novarum*.^{xxvii}

But Marx missed the opportunity to make a true critique of Capitalism in moral terms. He tried to force the opposed interests of capitalist and workers, of the excessively rich few and the excessively poor majority, into a pre-conceived system of logical (dialectical) and historical necessity, thought to be expressed in a process of exchange that was inherently exploitative.

We have seen that he was wrong in his general assessment of the significance of MCM. He was wrong too in assuming that the profit derived from this species of exchange was necessarily exploitative. If it were intrinsically exploitative it could not be justified by even a good end, which St. Thomas allows.

Marx was mistaken in assuming that the essential equality required in regard to every exchange admitted of no inequality at all. He forgot that he was dealing not with mathematical equations but with practical equivalences, which allowed not only for some elasticity in the measurements but also for variability in values caused by accidental factors such as time and place.

The merchant/dealer can and does buy things cheaper and sell the same things dearer even in the same place in a very short time span without the essential equality required of the transactions being violated. For, the justice of the prices of things is not always fixed with mathematical exactitude^{xxviii} (though their expression in money makes it seem so). It is at times a matter of estimation so that the fair price names a range rather than a fixed ratio. Hence, provided there is not too great a discrepancy, a greater or lesser price may be regarded as fair and just.

Moreover, the values of things are not fixed but changeable and depend on all sorts of accidental or extrinsic factors. The right price is not determined according to some abstract calculation but concretely depending on time of purchase and sale and other circumstances. By a close study of such details and movements the merchant/dealer can profit from these accidental variables without the essential equality of their

exchanges being disturbed.

There may be of course a great temptation to influence if one can the extent of these variations by political or fraudulent means, but this is beside the point, which is that the possibility of profit from MCM can be readily explained by factors that do not touch the essential equality demanded for justice in exchange. Marx was mistaken then in thinking that he needed to look for an exploitative explanation in the very process MCM.

This refutes as well his contention regarding the essentially exploitative character of Capitalism, as he conceived it. Even if we identify it in some way with the commercial practice of MCM, the exploitation of labor is not needed to explain the possibility of profit from such a use of money.

Nor is this commercial process needed to explain the poverty of laborers in Capitalism. Such a fact is rather to be found in the maldistribution of property which, of itself, without any necessary underpayment of workers, puts them in a proletarian position, as is clear from Chesterton's definition. The principal cure, therefore, to the problem of social injustice does not, as he clearly saw, consist in the abolition of property and money, but in the better sharing of control over them.

Capitalism, as it names a disordered economic system, involves the misappropriation of capital (natural wealth) by a few to the detriment of the rest of the community.^{xxix} The misuse of money (artificial wealth) is indeed a significant part of the overall disorder, but only insofar as it is fueled by greed, for which MCM gives particular opportunity.^{xxx} This disordered appetite for even more riches, *ad infinitum* as Aristotle shows, is built upon an already excessively disproportionate control of capital by a relatively few in the community.

The more fundamental disorder regarding capital, as ordinarily understood, is in its being commandeered, as it were, by "a class of capitalists, roughly recognizable and relatively small" which necessitates, as Chesterton observed, "a very large majority of the citizens serving those capitalists for a wage." How this deep division in modern societies in terms of property and work, or Capital and Labor, came about belongs to the study of history.^{xxxi}

Things are not as bad as they were in Marx's or in Chesterton's time. For the extremity of the division has been greatly moderated by social legislation and a renewed spirit of social justice inspired to a large extent by the social encyclicals. Nonetheless, the roots of the division remain, and

there is an ever-present danger of things being pushed again to extremes.^{xxxii} One can see evidence of this in most recent times.

To sum up Marx's mistake we can say that though he rightly identified the distinction made by Aristotle between the two modes of exchange, which most others have failed to notice, he badly misread the nature and significance of this distinction. He gave to the second mode (MCM) a necessarily exploitative character that it does not have and thought he had discovered in this the clue to the exploitative nature of Capitalism. He then attempted to explain this capitalist mode of exploitation as an exploitation of labor.^{xxxiii}

If he had limited himself to saying that laborers were systematically treated like commodities by capitalists, their labor bought in a sham labor market at a "price" below what was just, so that excessive profits could be made from the products of such labor, there may have been some truth in what he was saying.

But this was no result of any historically determined system. It was the fault of heartless employers^{xxxiv} driving an unconscionable "bargain" with workers in no position to do otherwise than agree to what the employers offered. Furthermore, it could not be imputed to all capitalists or employers, for the fault, even if general, was a moral one.

A serious moral responsibility rested too on those in government to ensure that those unable to protect themselves were protected by the community. The prevailing philosophy of liberalism blinded governments to their responsibilities in this regard. The fact that some few in the community were in such a dominant position that they could so impose their will upon so many should make us ponder on the reason for this. But the exercise of such power remains a matter of personal will, not of some impersonal historical dialectic.

If Marx had limited himself to saying that the exchange process MCM encouraged capitalists to use their money to go into business or production where they could make great profits by exploiting labor in the fashion referred to (i.e. by reducing labor costs, wages, to a minimum) there may have been something in what he was saying. But such profits would depend upon concerted acts of injustice to the workers, if masked by the appearance of freedom of contract. They would not belong to the nature of the exchange process MCM as such.

If Marx had said that under Capitalism this second mode of exchange MCM, as the pursuit of money without limit, thrives and the notion that riches and property have no limit is so common that it is hard to dissociate

it from Capitalism itself, then there would have been something in what he said.

But the root causes of the disorder in Capitalism are not in the use of money so much as in the underlying “take-over” by a powerful few of the wealth or riches within a community which Aristotle defines as the number of instruments to be used in household or in a state.^{xxxv} For, “capital” fundamentally stands for such wealth generally, but it is particularly applied to wealth that is not immediately used up in consumption. Its original sense, therefore, lies outside the processes of exchange, in what Adam Smith called fixed capital, and Marx called technical capital.

The very notion of instrument makes it clear that man or Labor is prior to nature or Capital. How it has come about that, in the modern notion of Capitalism, capital is seen as having priority or superiority over labor becomes clear when we take into account the superiority gained by the virtually exclusive possession of property by “the capitalists”, over those who need such “instruments”, i.e. property or capital, to gain a living by their labor (“the workers”). This is reinforced by the fact that the notion of worker becomes virtually equated with hired worker or employee, and the notion of employer becomes associated with those who have the capital or money necessary to engage in production or trade.

There do remain, to a more or less degree depending on the particular community, workers in the original sense who are self employed, who have sufficient property or money (their own or borrowed) to avoid the necessity of working for others. But, the more a particular society is affected by the disproportion in the distribution of property or capital, the fewer the numbers of these independent operators and the smaller the scale of their operations. Many, indeed, sacrifice income for love of the land or their art or just for the sake of independence. But the tendency is for them to “go under” and become absorbed into the general wage-earning “workforce”.

The general situation of disproportionate social distribution in regard to property and work, then, according to which Capitalism has been defined, is the basic reason why Capital seems to make use of Labor, rather than the reverse.

A further cause of the impression that capital is the prime mover in the economy comes from the notion that money is capital, in the supposed fact that money is naturally productive, as it appears to be in MCM. But this productivity is an illusion created by looking at the matter from an

individualistic point of view.^{xxxvi} There is a monetary gain made by the individual who practices this art and, certainly, one can legitimately obtain a profit from this exchange process, as we have seen. But such a profit is not a positive addition to the stock of wealth or utility socially considered. It is purely relative, one person's gain being another's loss, though, by reason of the accidents of the measuring process, the loss is not counted, even if perceived. The whole focus is on the gain to astute individuals, which is allowed because it has not interfered essentially with the social exchange process.

This "second species" of the exchange process (MCM) can be applied, in a way, to the area of production. Marx believed he saw this happening and called it the capitalist mode of production. One who has money, can buy or hire the necessary fixed capital, and can "buy" the labor needed, and then sell it again as "incorporated" in the product. But, in truth, the labor is hired, not bought and sold. For if the capitalist has paid the (hired) laborer a just wage the product is his alone to sell.

However, if the capitalist has underpaid the laborer, the product is not all his to sell. Part of the profit on sale, then, can be seen as belonging to the laborer.^{xxxvii} In that case, there is an analogy to be drawn in terms of buying and selling the labor of another, and profiting thereby. This is effectively how Marx saw it, providing for him the explanation for the possibility of profit from the exchange process MCM. Such an engagement of labor is, of course, exploitative only on a supposition (that the wage contract is unjust). This supposition may have verification on an extensive scale in actual fact, but Marx saw it as necessarily verified in all capitalist production.

Thus, his confusion of capital with money, and his misreading of that peculiar, if common, misuse of money in the second mode of exchange (MCM) led Marx to mistake the cause of the impoverishment and virtual slavery of the working class of his time. He identified the cause in an exchange process that in his mind was essentially exploitative. This meant that he presented Capitalism in absolutely negative terms, which in practical language signifies something purely evil, needing to be totally destroyed.

Yet nothing concrete is totally evil, for evil can only exist in a subject that is fundamentally good. Capitalism, then, even if it signifies a disordered society in terms of the distribution of property and work, and an irrational use of money, will be fundamentally good. This is not to say that Capitalism, so understood, has not in the past worked huge injustices, and

is capable even now of causing extreme misery to the great majority of the population. But this does not call for the abolition of property and money, or even the outlawing altogether of exchange according to the derived and secondary mode MCM. It does however call for the elimination of injustices and abuses in the distribution of property and in the use of money, particularly in regard to the exchange process MCM.

Marx's mistake was to make of these undoubtedly great evils, which have so adversely affected the modern social economy, "a necessary part of the world's dialectical process".^{xxxviii} He identified Capitalism with its defects^{xxxix} and thus saw it as one part of such a dialectic destined for destruction in the path of history. But Capitalism, rightly viewed, is but the natural economic order into which there have been introduced these disorders, admittedly of a most serious kind.

Marx's philosophy, which included this misconception of market processes and Capitalism, misled whole peoples, many of whom believed they were championing the cause of the oppressed workers of the world, and almost resulted in the destruction of the natural socio-economic order itself, after involving tragically and senselessly "the sacrifice of countless thousands of victims".^{xl}

The recognition of his mistake, however, should not induce us into making the opposite mistake of simply identifying Capitalism with the natural socio-economic order, choosing to ignore the great social injustices that flow from the having by a few of far too much property compounded by a use of money that promotes further avarice.

It is incumbent upon us to identify the evil aspects of the social and economic order and the injustice that condemns so many to unremitting work just in order to obtain a living, while a few are put in a position to enjoy "the good life" without the need to work.^{xli}

However, it is one thing to diagnose a disease and quite another to cure it. In Marx's case, unfortunately, the diagnosis was mistaken and the cure turned out to be worse than the disease.^{xlii} Our principal concern here has been to show up the mistakes in the Marxian diagnosis which led to the attempted cure being nearly fatal. It is not our purpose here to propose any cure to present social evils. That is matter for another discussion, one that necessarily involves religious considerations, a moral attitude that includes patience, and the recognition that politics is the art of the possible.^{xliii}

Endnotes

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- ⁱ I do not pretend in this short article to cover all aspects of his argument or thesis regarding Capitalism. Much that he had to say provided a genuine critique of the Political Economy of his time, which to a large extent was, as he saw it, a flawed defence of an economic system involving the exploitation of the many by the few. But the mistake we are concerned to highlight stands out from the first to the last part of his whole work and undercuts all the good work of such a critique.
- ⁱⁱ The word “Capitalism” is not a simple concept. Referring as it does to a concrete social and economic reality that inevitably has good and bad elements it can be taken for what is good in that economic system or for what is bad. Marx focused on what is bad and, as we shall see, mistook the true nature of Capitalism even in that regard. Others, however, can see only what is good or choose to ignore its defects. The notion of Capitalism derived from this corresponds to the first meaning referred to in the 1991 encyclical “Centesimus Annus” (para. 42), which as the encyclical notes would be better referred to simply as the naturally free economy. This meaning is the one fairly generally taken today when Marxism, with its criticism of Capitalism, is seen to be discredited. For, Communism, or some other form of Socialism, and Capitalism are presented as the only two alternative ways in which a modern economy can function. The more accurate usage from a historical point of view, however, which is adopted here, is one that includes the whole phenomenon, both good and bad elements, and therefore describes Capitalism as the basically natural economy seriously affected by social injustice in regard to the distribution of property and work and consequently dominated, at times to an extreme degree, by those who control the capital and money within a society. This represents the second meaning referred to in “Centesimus Annus”.
- ⁱⁱⁱ That is to say they, like Marx, see part not the whole, except unlike Marx, they take Capitalism to be simply what is good in it, as explained above.
- ^{iv} Marx exaggerated the opposition between things to the point of contradiction. The more correct way to put what he evidently intended is that in practical matters the principal purpose of studying something is to do something about it. There is still a need for prior understanding, but understanding of itself is useless. St. Thomas explains this practical character of political (including economic) science at the very beginning of his commentary on Aristotle’s Politics: “Secundo

possumus accipere genus huius scientiae. Cum enim scientiae practicae a speculativis distinguantur in hoc quod speculativae ordinantur solum ad scientiam veritatis, practicae vero ad opus; necesse est hanc scientiam sub practica philosophia contineri, cum civitas sit quiddam totum, cuius humana ratio non solum est cognoscitiva, sed etiam operativa.” *In Pol. proemium* (my trans: “Secondly, we can grasp the genus of this science. For since practical sciences are distinguished from theoretical in this that the theoretical are ordered solely to the knowledge of truth, the practical however to operation, it is necessary that this science be contained under practical philosophy, because the city is a certain whole of which human reason is not only cognoscitive but also constitutive”).

- v The word “regime” is used here in a very general sense referring to a change that affected the whole of Europe. The change, though with effects at the political and especially economic levels, was of the most profound kind, both in regard to the personal worldview of individuals and the cultural and religious life in Europe.
- vi Not that Capitalism was a consequence of Protestantism, as Weber argued. The “redistribution” of wealth that manifested itself in economic form as Capitalism was a political phenomenon, if it came into effect in different countries at more or less the same time as the beginning of Protestantism. The commercial revolution which saw the freeing of exchange to include MCM without restraint (regarding which see page 4 and following), and the consequent concentration on making money, was a phenomenon that appeared much earlier.
- vii Cf. G. K. Chesterton, “The Outline of Sanity”, IHS Press, Norfolk, Virginia, 2001. This definition describes a social condition where the natural social economy is subject to a gross disproportion in the distribution of property or capital. How this might have come about is of course a matter for historians to determine. Cf. also what the late pope had to say on this in *Laborem Exercens* (1981) 11: “Throughout this period, which is by no means yet over, the issue of work has of course been posed on the basis of the great *conflict* that in the age of, and together with, industrial development emerged *between "capital" and "labour"*, that is to say between the small but highly influential group of entrepreneurs, owners or holders of the means of production, and the broader multitude of people who lacked these means and who shared in the process of production solely by their labour.” (underlining mine)

viii

Marx had some insight into the phenomenon of Capitalism as defined by Chesterton. Thus in summarising the supposed dialectical process according to which property passes from primitive to capitalist to socialist he refers explicitly to the fact that private property which formerly belonged to many was misappropriated by a few. “The transformation of scattered private property, arising from individual labor, into capitalist private property is, naturally, a process, incomparably more protracted, violent, and difficult, than the transformation of capitalistic private property, already practically resting on socialized production, into socialized property. In the former case, we had the expropriation of the mass of the people by a few usurpers; in the latter, we have the expropriation of a few usurpers by the mass of the

people”. cf. CAPITAL, Part VIII: Ch. 32. His need to discover, however, a historically necessary dialectic shifts his attention to an aspect of the commercial process (MCM) which also characterises modern capitalism (fully discussed in the text). Thus he loses the moral significance of this expropriation in an imagined dialectic of violence (i.e. one expropriation being cancelled out by another). As we shall see, he misses the fundamental reason for the exploitation of workers in Capitalism and seeks to extract it from a misuse of exchange which, though significant and relevant, is secondary to the main cause, and misinterpreted by him.

- ix We are talking of Capitalism in its heyday during the nineteenth century. Much has occurred since then to modify the concrete expression of this divide and moderate its excesses. However, the system still survives and is quite capable of returning to its pristine form.
- x That is how one must characterize a regime in which the extremity of the division between rich and poor points to its manifest injustice. That is not to say, however, that individual rich people might not see themselves in aristocratic terms, and that they may be genuinely motivated to act and use their great wealth for the common good..
- xi Indeed, the modern philosophy of Liberalism has coincided with the spread of democratic political ideas, so that nations have generally adopted democratic political forms. The underlying economic divide, however, is reflected in the fact that political power is exercised through the party system..
- xii Marx gives a specialized meaning to “commodity” so that it names things as they are seen in the course of exchange. It is convenient here to adopt his symbolism. It is to be remembered, however, that C can stand for any kind of wealth or capital, such as buildings, which can be bought and sold.

xiii

The whole basis of Marx’s argument, elaborated in terms of this very symbolism, can be found in Capital, Book I, Part II: Ch. 4.

- xiv This distinction made famous by Adam Smith in his differentiation between value in use and value in exchange goes back to Aristotle’s statement that “twofold is the use of the shoe” made in the very context of this discussion in chapters 8 & 9 of the *Politics*. Marx’s argument uses to advantage the labor theory of value which he believed he found in the classical political economy. There was a great deal of plausibility in this explanation of exchange value by reason of the fact that employed labor played such a large part in the capitalist mode of production. We see below however how he was misled in this regard.
- xv Discussed briefly in an article by the author entitled “Economic Philosophy”, to be found on website of Centre for Thomistic Studies Inc., Sydney , Australia.
www.cts.org.au.

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- ^{xvi} Eventually, of course, money takes the form of documentary evidence of a credit/debt relationship between members of the community. Thus it is well described as “a bill of exchange endorsed by the whole community”.
- ^{xvii} That is, between natural wealth and artificial wealth in St. Thomas’s language.
- ^{xviii} This exchange activity is not to be confused with usury, which involves different if related considerations. Indeed, MM is better symbolized as McM where c can be made to stand for money in a form or currency other than that in which the profit is made. For such “foreign currency” is seen as simply a commodity to be bought and sold at a profit. It is thus the most refined form of MCM.
- ^{xix} Here again we are not talking about usury, which Aristotle will later say is the most unnatural of all uses of money. In usury there is no exchange as such but a charge for the “lending” of money justified also through the confusion of natural (productive) wealth and money.
- ^{xx} They are both arts but the first is from “nature” whilst the second is a pure invention of reason.
- ^{xxi} Adam Smith perhaps following David Hume’s lead in adapting Newton’s experimental method to the moral sciences, gives the new economic science a quasi-physical object. His followers came to view the universal law of self-interest in much the same terms as the universal law of gravitation.
- ^{xxii} Indeed, the notion of economizing upon which the whole modern science of economics is based is that of the allocation of limited resources to unlimited wants, the very negation of Aristotle’s position that the resources of nature, rationally managed, are sufficient for all our natural needs, and able to satisfy all our rational desires. “Nature does not default in necessities”. The first principle, therefore, of modern economic science is that of scarcity, as opposed to Aristotle’s first principle of natural abundance. Such a fundamental difference can be directly related to the modern confusion of wealth with money.
- ^{xxiii} Hence it is that religion is indispensable to the possibility of the restoration of social justice.
- ^{xxiv} For a full exposition of the two species of exchange cf. St. Thomas’s *Summa Theologiae*, II-II, 77, 4c: *Ut autem philosophus dicit, in I Polit., duplex est rerum commutatio. Una quidem quasi naturalis et necessaria, per quam scilicet fit commutatio rei ad rem, vel rerum et denariorum, propter necessitatem vitae. Et talis commutatio non proprie pertinet ad negotiatores, sed magis ad oeconomicos vel politicos, qui habent providere vel domui vel civitati de rebus necessariis ad vitam. Alia vero commutationis species est vel denariorum ad denarios, vel quarumcumque rerum ad denarios, non propter res necessarias vitae, sed propter lucrum quaerendum. Et haec quidem negotiatio proprie videtur ad negotiatores pertinere. (my trans: “As the philosopher says in I Politics the exchange of things is twofold. One indeed is quasi natural and necessary, by which namely occurs exchange of thing for thing, or of things and money, on account of the necessities of life. And such exchange does not pertain to dealers but rather to householders or statesmen, who have to provide the necessities of life either for the home or the*

city. But the other species of exchange is either of money for money, or of whatsoever things for money, not on account of the necessities of life but for the sake of the profit sought. And indeed this business seems properly to belong to dealers.”

^{xxv} This is fully elaborated by St. Thomas also in II-II, 77, 4 c: *Secundum philosophum autem, prima commutatio laudabilis est, quia deservit naturali necessitati. Secunda autem iuste vituperatur, quia, quantum est de se, deservit cupiditati lucri, quae terminum nescit sed in infinitum tendit. Et ideo negotiatio, secundum se considerata, quandam turpitudinem habet, in quantum non importat de sui ratione finem honestum vel necessarium. Lucrum tamen, quod est negotiationis finis, etsi in sui ratione non importet aliquid honestum vel necessarium, nihil tamen importat in sui ratione vitiosum vel virtuti contrarium. Unde nihil prohibet lucrum ordinari ad aliquem finem necessarium, vel etiam honestum. Et sic negotiatio licita reddetur. Sicut cum aliquis lucrum moderatum, quod negotiando quaerit, ordinat ad domus suae sustentationem, vel etiam ad subveniendum indigentibus, vel etiam cum aliquis negotiationi intendit propter publicam utilitatem, ne scilicet res necessariae ad vitam patriae desint, et lucrum expetit non quasi finem, sed quasi stipendium laboris.* (my trans: “According to the philosopher, however, the first [kind of] exchange is praiseworthy, because it serves natural necessity. The second, however, is justly condemned, because, as regards itself it serves the desire for profit, which knows no limit but tends to infinity. And so dealing, considered according to itself, has a certain turpitude, insofar as there is not within its notion any reference to a fitting or necessary end. However, although profit, which is the end of dealing, does not contain in its notion any reference to a fitting or necessary end, nevertheless neither does it contain in its notion anything immoral or contrary to virtue. Hence nothing prevents profit from being ordered to some necessary or even fitting end; and thereby the dealing may be rendered licit; as when someone directs a moderate profit, which he pursues by dealing, to the sustenance of his home, or even to the succour of the poor or even when someone in dealing looks to the public welfare, so that the things necessary for one’s country be not lacking, and he seeks the profit not as an end but as a kind of payment for labour.”

^{xxvi} For Marx the exchange process MCM cannot be thought of except as without limits. The capitalist is then defined in terms of this unlimited appetite for more money. This personification of the process, as evil, gives a substantial status to the process which is then made a necessary part of the social dialectic. One quotation suffices to verify this. “The simple circulation of commodities - selling in order to buy - is a means of carrying out a purpose unconnected with circulation, namely, the appropriation of use-values, the satisfaction of wants. The circulation of money as capital is, on the contrary, an end in itself, for the expansion of value takes place only within this constantly renewed movement. The circulation of capital has therefore no limits. As the conscious representative of this movement, the possessor of money becomes a capitalist. His person, or rather his pocket, is the point from which the money starts and to which it returns. The expansion of value,

which is the objective basis or main-spring of the circulation M-C-M, becomes his subjective aim, and it is only in so far as the appropriation of ever more and more wealth in the abstract becomes the sole motive of his operations, that he functions as a capitalist, that is, as capital personified and endowed with consciousness and a will.” Capital, Book 1, Part 8, ch. 32.

^{xxvii} “Let it be granted then that worker and employer may enter freely into agreements and, in particular, concerning the amount of the wage; yet there is always underlying such agreements an element of natural justice, and one greater and more ancient than the free consent of contracting parties, namely, that the wage shall not be less than enough to support a worker who is thrifty and upright. If, compelled by necessity or moved by fear of a worse evil, a worker accepts a harder condition, which although against his will he must accept because an employer or contractor imposes it, he certainly submits to force, against which justice cries out in protest.” (R.N, 63.)

^{xxviii} Cf. S.T. II-II, 77, 1, ad 1: Quod ideo dico quia iustum pretium rerum quandoque non est punctualiter determinatum, sed magis in quadam aestimatone consistit, ita quod modica addition vel minution non videtur tollere aequalitatem iustitiae. (my trans: “I say this because sometimes the just price is not determined exactly but rather consists in a certain estimation, so that a small addition or subtraction does not seem to take away the equality of justice.”)

^{xxix} This can only take place though the abuse of power or at least the failure of government to control the powerful.

^{xxx} Usury also plays a significant role but it is a separate issue.

^{xxxi} The author has attempted to provide a historical survey of this misappropriation in a very summary way in his article Economic Philosophy. To be found on website www.cts.org.au.

^{xxxii} Alluded to by late pope John Paul II in 1994 in his encyclical The Gospel of Life , 10: “And how can we fail to consider the violence against life done to millions of human beings, especially children, who are forced into poverty, malnutrition and hunger because of an unjust distribution of resources between peoples and between social classes?” cf. also C.A. 42 “ ... there is a risk that a radical capitalistic ideology could spread which refuses even to consider these problems [inter alia, the fact that “vast multitudes are still living in conditions of great material and moral poverty”], in the *a priori* belief that any attempt to solve them is doomed to failure, and which blindly entrusts their solution to the free development of market forces”.

^{xxxiii} His explanation derives much plausibility from the fact that laborers, including small children, were being exploited in a most inhuman manner. This called out for an explanation which was not being provided except in terms that such injustice was a necessary law of Economics. But fact and explanation are two quite different things. Marx made the mistake of trying to fight the enemy with its own weapons, i.e. of expropriation.

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- ^{xxxiv} Cf. R.N. 3: “Hence, by degrees it has come to pass that working men have been surrendered, isolated and helpless, to the hardheartedness of employers and the greed of unchecked competition ... to this must be added the fact that the hiring of labor and the conduct of trade are concentrated in the hands of comparatively few; so that a small number of very rich men have been able to lay upon the teeming masses of the laboring poor a yoke little better than that of slavery itself.” This function of capitalists as employers is exercised either directly as owners of the factory, business etc or indirectly through limited liability companies.
- ^{xxxv} Aristotle saw such capital as naturally belonging to individuals. That is to say he defended strenuously the institution of private property. Marx, of course, thought that his criticism of Capitalism entailed the rejection of private property. But this only confused the issue. For in this regard he was not arguing against Capitalism as an exploitative system, but, in the other sense adverted to above, as a natural economy free of any injustice. We may see here how his concentration on what was bad in Capitalism blinded him to what was good, aside from the fact, with which we are mainly concerned here, that it distorted his thinking even regarding the defects in the economic system.
- ^{xxxvi} The illusion is also used by many to argue against the immorality of usury.
- ^{xxxvii} Where the workers are intimately associated with the whole production, as is often the case in modern industrial and commercial operations, their role approaches that of partners rather than hired hands. For the capitalists have little more role than that of providers of the “instruments” wherewith the production takes place, in which case there is something to be said for regarding the workers (which term here includes anyone actively engaged in the productive process) as the true principals in the production.
- ^{xxxviii} Cf. Cardinal J. Ratzinger, “Truth and Tolerance’, Ignatius Press p. 48.
- ^{xxxix} The opposite mistake, which we have noted the defenders of Capitalism generally make, is to ignore the existence of these defects and identify Capitalism, as it refers to the existing extreme disproportion in the distribution of property and money, with the natural economy. Or they may see Capitalism in terms of commerce and identify it, as Marx did, with the second mode of exchange, but deny that there is anything wrong with the pursuit of profit or money without limit.
- ^{xl} Cf. Ratzinger Ibid.
- ^{xli} It goes without saying that not all are aware of the injustice of their over-privileged position and many of great wealth work hard for the good of the “underprivileged”. Being fundamentally a matter of morals one cannot judge the individual without knowing all the circumstances and the particular person’s state of mind.
- ^{xlii} This point is made in the encyclical *Centesimus Annus* (1991): “Two things must be emphasized here: first, the great clarity [of Leo XIII] in perceiving, in all its harshness, the actual condition of the working class — men, women and children; secondly, equal clarity in recognizing the evil of a solution which, by appearing to reverse the positions of the poor and the rich, was in reality detrimental to the very

people whom it was meant to help. The remedy would prove worse than the sickness.” CA 12

- ^{xliii} The quotations from Aristotle, St. Thomas and Marx used in this article were taken from the following:
Politics, trans. B. Jowett in *The Basic Works of Aristotle*, ed R. McKeon, Random House Inc., 1941.
Summa Theologiae, Martiotti, Rome, 1952. *In Politica*, Corpus Thomisticum, ed. E. Alarcon (www.corpusthomisticum.org)
Capital Vol. I. ed. F. Engels, trans. Moore & Aveling, Marx/Engels Internet Archive (Marxists.org) 1991.