JOURNAL OF LIBERTARIAN STUDIES
VOLUME 20, NO. 1 (WINTER 2006): 47–86

FREEDOM IS SLAVERY: LAISSEZ-FAIRE CAPITALISM IS GOVERNMENT INTERVENTION: A CRITIQUE OF KEVIN CARSON'S *STUDIES IN MUTUALIST POLITICAL ECONOMY*

GEORGE REISMAN

KEVIN CARSON'S NEW BOOK *Studies in Mutualist Political Economy* centers on the incredible claim, self-contradictory on its face, that capitalism, including laissez-faire capitalism, is a system based on state intervention, in violation of the free market: "It is state intervention that distinguishes capitalism from the free market," declares the book's preface." Capitalism, writes Carson, is "a system of privilege in which the State enable[s] the owners of capital to draw monopoly returns on it, in the same sense that the feudal ruling class was able to draw monopoly returns on land; or, as the left-Rothbardian Samuel Konkin put it, 'Capitalism is state rule by and for those who own large amounts of capital'" (p. 92). Perhaps not surprisingly, in view of his description of capitalism, Carson hopes his book will provide a foundation for "free market socialist economics" (p. 10).

EXPOSITION AND CRITIQUE OF CARSON'S FRAMEWORK

For the most part Carson is a Marxist. But not entirely. He adds to Marxism a large dose of what he calls "individualist anarchism" and, beyond that, a significant dose of apparent syndicalism.

Carson is a Marxist insofar as he upholds both an essentially absolutist labor theory of value and the Marxian exploitation theory, which follows from such a version of the labor theory of value.[1] According to the exploitation theory, all exchange value and thus all

---

George Reisman is professor of economics at Pepperdine University's Graziadio School of Business and Management and is the author of *Capitalism: A Treatise on Economics* (1996). His web site is www.capitalism.net.

[1]See page 14 of his book where Carson disingenuously quotes Ricardo along these lines, totally ignoring Ricardo's recognition of the role both of the

income is produced by labor and therefore properly belongs to wage earners. Under capitalism, however, a more or less considerable part of the income that properly should go to workers as wages is instead unjustly appropriated as profit, interest, and land rent, i.e., as one or another of the various forms of "surplus value."

Marx held that exploitation is inherent in the nature of commodity production, because the determination of the value of commodities by the quantity of labor expended in their production is a universal law, applicable to labor itself, no less than to its products (hence the expression/complaint that under capitalism, "labor is a commodity"). According to Marx, the labor expended in the production of labor itself, is the labor expended in the production of the wage earner's minimum necessities. It is this quantity of labor, the so-called necessary labor time that allegedly determines the value of labor.[2]

Thus, for example, if 6 hours of labor are required to produce the necessities that enable a worker to work for 12 hours, all that the capitalist pays for the 12 hours of labor is a wage corresponding to those 6 hours. The capitalist is thereby enabled to obtain the benefit of the employment of 12 hours of labor, and thus the addition of 12 hours of labor value to the value of his materials and machinery consumed in the production process, for a wage corresponding only to the 6 hours. The 6 hours the worker works over and above the necessary labor time, Marx calls "surplus labor time." It is the alleged basis of all surplus value. As illustration, if $1 of product value corresponds to each hour of labor expended in production, the worker's 12 hour day adds $12 of value, while the capitalist pays him a wage of only $6, and thereby gains $6 of profit or surplus value.[3]

Carson accepts this analysis, but with one alleged significant difference. Namely, he claims that in what he conceives of as a free market, namely, a market without alleged state intervention on behalf of capitalists, the value of labor would not be determined by the so-called necessary labor time, as Marx claimed, but by the full value

period of time that must elapse in production and of the rate of profit as determinants of the relative value of reproducible commodities, alongside the quantity of labor required to produce them. In contrast to Ricardo's doctrine, the absolutist version of the labor theory of value, which was held by Marx, recognizes nothing but the quantity of labor expended in production as the source of exchange value.

[2]Cf. Marx (1867, vol. 1, pt. 2, chap. 6).

[3]Cf. ibid. (pt. 3, chap. 9, sec. 1).

that the worker's labor adds to the value of the materials and machinery used up in the production. In other words, the worker's wage would correspond to the 12 hours of labor he worked, and not merely to the 6 hours required to produce his minimum necessities. It would be $12 and not $6. It is this that Carson describes as "individualist anarchism's central insight" (p. 10). In Carson's own words that insight is "that labor's natural wage in a free market is its product, and that coercion is the only means of exploitation. It is state intervention that distinguishes capitalism from the free market."

Carson does not realize it, but he has fallen into a veritable abyss of error. Not only is the entire Marxian analysis as utterly wrong as an economic theory can be,[4] but in his efforts to modify it, he adds to it still more major errors.

Carson describes numerous forms of state intervention in the course of his book, many of them actual, such as wars of conquest, taxation, tariffs, subsidies, conservation laws, and licensing legislation. All such intervention, of course, is opposed by all consistent advocates of capitalism. Carson, however, includes under the heading of government intervention what he calls, following the anarchist Benjamin Tucker, "the land monopoly" and "the money monopoly," which he regards as the respective foundations of rent and profit/interest. It is in the absence of *this* alleged intervention that labor would be able to receive its alleged full product as wages.

What Carson means by the land monopoly, at least as far as it relates to his claim that laissez-faire capitalism is a system of state intervention, is nothing other than that legal protection of the rights of landowners to collect contractually agreed upon rents represents government intervention (Carson, pp. 197, 200). He declares that, according to "Mutualists," of which he is one, "[t]he actual occupant is considered the owner of a tract of land, and any attempt to collect rent by a self-styled landlord is regarded as a violent invasion of the possessor's absolute right of property" (p. 200).

Thus, for example, if I, a legitimate owner of a piece of property, legitimate even by Carson's standards, decide to rent it out to a tenant who agrees to pay the rent, the property, according to Carson, becomes that of the tenant, and my attempt to collect the mutually-agreed-upon rent is regarded as a violent invasion of his [the tenant's] "absolute right of property." In effect, Carson considers as

---

[4]On this subject, see Reisman (1996, chaps. 11 and 14, passim). On the subject specifically of the exploitation theory and Marx's treatment of interest, see also Böhm-Bawerk (1959, vol. 1, pp. 263–271; and idem, 1962, pp. 201–302).

government intervention the government's upholding the rights of a landlord against a thief. He believes he has the right to prohibit me and the tenant from entering into an enforceable contract respecting the payment of rent and that such action is somehow not a violation of our freedom of contract and not government intervention.

What Carson means by the money monopoly is equally bizarre: namely, the inability of the banking system to engage in a permanent policy of radically easy money that would drive the rate of interest and rate of profit to "near zero" (Carson, pp. 219–24). He believes that this inability is the result merely of "the state's licensing of banks, capitalization requirements, and other market entry barriers [which] enable banks to charge a monopoly price for loans in the form of usurious interest rates. Thus, labor's access to capital is restricted, and labor is forced to pay tribute in the form of artificially high interest rates" (p. 220).

Although Carson quotes a few paragraphs from Mises, and even claims to agree to the correctness of the time preference theory of interest, he apparently never heard of Mises's demonstration of why unlimited credit expansion can succeed only in destroying the value of money, not in permanently reducing the rate of interest. He also seems to be unaware that in a free market, competition, if not the laws against fraud, would severely limit or totally eliminate credit expansion and that it is only government intervention that has enabled it to become as great as it has and that the unlimited credit expansion he advocates would require massively more government intervention in money and credit.[5]

Carson also claims that capitalism has been subsidized by history, as though it could be guilty of practicing government intervention retroactively:

> the single biggest subsidy to modern corporate capitalism is the subsidy of history, by which capital was originally accumulated in a few hands, and labor was deprived of access to the means of production and forced to sell itself on the buyer's terms. The current system of concentrated capital ownership and large-scale corporate organization is the direct beneficiary of that original structure of power and

[5]This same point is made by Rothbard in the first essay of the present volume (see above, pp. 5–15) in application to Carson's predecessors in the Mutualist School. Despite frequent references to Rothbard, Carson seems totally unaware not only of that essay but also of Rothbard's (1962, 2001) support of a one-hundred-percent-reserve gold standard as an essential feature of a fully free market and of the fact that in such a market credit expansion would necessarily be totally absent.

> property ownership, which has perpetuated itself over the centuries. (Carson, p. 144)

Some readers may be tempted to stop reading further, having reached the conclusion that Carson is nothing but a fool, ignorant of the nature of individual rights, of economics, and of logic, and, in claiming, on such a patently absurd basis, that capitalism rests on state intervention, dishonest to boot, seeking to hijack the concept of the free market into the service of its opposite, much as an earlier generation of socialists did with the word "liberalism." Nevertheless, as Mises used to point out in his seminar, it is dangerous simply to dismiss people as cranks, or to attack their motives, without fully unmasking their errors. And, following that advice, this is what we must do with Carson.

WORKING WITH MEANS OF PRODUCTION OWNED BY OTHERS

As will be shown, many of Carson's errors center on his appraisal of the fact that under capitalism the workers typically do not own the means of production with which they work, but rather are the paid employees of capitalists, who are the owners of the means of production. Marx recognized that this arrangement had a major positive aspect, despite the exploitation of labor that he claimed accompanied it. Namely, it was essential to the development of large-scale manufacturing and transportation. Marx cited the instances of glassworks, papermills, and ironworks (Carson, p. 188), to which we can add modern steel mills, oil refineries, auto plants, railroads, airlines, and, indeed, factories turning out practically anything in an efficient manner. Modern efficient production both in Marx's time and, still more, today, typically requires the assembly of a large aggregate of capital goods and the presence of a large number of workers. It cannot be conducted by individual workers each employing his own capital goods.[6]

Nevertheless, Carson repeatedly denies the necessity of the separation of wage earners from the ownership of the capital goods with

---

[6]Carson and all other Marxists typically assume that the wage earner under capitalism is propertyless. In actuality, of course, he often possesses significant savings. But under the enormous division of labor and separation of economic functions that represents a modern capitalist economy, these savings are usually employed as part of the capital used elsewhere in the economic system than in the particular worker's own line of employment. He is a wage earner in one branch of production and a capitalist in one or more other branches. And, as we shall see, even when the wage earner is essentially "propertyless," the significance of that fact is radically different than what Carson and the other Marxists make of it. See below, pp. 76–78.

which they work and argues that it rests on the use of force. It is a theme which runs throughout his book. More than once, he depicts the separation as utterly unnecessary.

What leads him to do this, I believe, is his inability to come to grips with the phenomena of rent, profit, and interest in any other way. If the worker could work on his own land and employ his own capital, he would be the recipient of all the income earned in production and thus no question of injustice would arise. Carson wants and hopes for such a state of affairs. And he is prepared to bend, twist, and utterly distort facts and logic in order to make it seem achievable. Hence, he wants the cultivator of the land to automatically become its owner and turns the concept of government intervention inside out in order promote this goal. He wants interest rates to be near zero and capital to be superabundant so that the worker can obtain his own capital, and is willing to ignore economic reality and again turn the nature of government intervention inside out in the attempt to make his goal seem achievable. And, first and foremost, he needs the worker's use of his own means of production to be capable of constituting a viable arrangement of production.

In this light, one can understand what appears as a repeated display of incredible, childlike naïveté. For example, Carson quotes at length a virtual fairy tale presented by one Kirkpatrick Sale, according to which the cotton industry's machinery based on Watt's steam engine and Arkwright's frame—the leading advance of the early Industrial Revolution—did not represent any actual improvement over an alleged "cottage-based, one-person machine built around the spinning jenny" and perfected earlier.

What was allegedly responsible for the triumph of the steam engine and factory production was not any actual merit or technological superiority but merely the desire of sinister capitalists for "control" of the production process, which was far more easily achieved in factories than when production was left in the hands of independent cottagers. And what allegedly put the cottage producers out of business was "'laws that, on various pretexts, made home-production illegal'" (Carson, pp. 153–54).[7]

Carson and Sale apparently never heard of such things as the Luddites and the later attacks on machinery in 1826, both occasioned by the inability of cottage producers to meet the competition of factories. A more typical complaint about the factories, one that is at

[7]It should be noted that Carson very frequently uses the technique of propounding his views by means of lengthy quotations from other authors, in this case Sale.

least consistent with a recognition of their far greater efficiency, is this:

> Grasping factory bosses were paying youngsters pittance wages to operate their power looms, which could produce far more than the home worker could ever hope to achieve. The "putters-out," who paid handloom weavers to produce their cloth, could not compete and the rates they offered tumbled through the floor.[8]

Carson is equally naïve when he declares:

> Marglin took Adam Smith's classic example of the division of labor in pin-making, and stood it on its head. The increased efficiency resulted, not from the division of labor as such, but from dividing and sequencing the process into separate tasks in order to reduce set-up time. This could have been accomplished by a single cottage workman separating the various tasks and then performing them sequentially (i.e., drawing out the wire for an entire run of production, then straightening it, then cutting it, etc.). (Carson, p. 166)

Contrary to Carson and Marglin, the saving of time in passing from job to job does indeed result from the division of labor, as Adam Smith demonstrated. It would normally not be present in the case of an individual attempting to perform by himself all of the steps involved in the production of a product. For example, if I am assembling, say, a table for my own use (purchased from a department store with the proviso "some assembly required"), I would almost certainly be assembling only one such table, and would experience all of the wasted motion entailed in having to pass numerous times from one distinct operation to another, not to mention the inefficiency of undertaking a considerable amount of study and learning that I would use only that once. There would be no room at all for "sequencing" in the sense used by Carson, in such a case. If I were to attempt to produce pins for my own use, I would have need for only a relatively modest quantity, and there would accordingly be only very limited scope for sequencing in Carson's sense and thus in reducing the motion wasted in passing from task to task.[9]

Matters are different only when the division of labor has been carried to the point at which there is a regular production of large quantities of a given item for the market. In such a case there is real scope for sequencing in Carson's sense, and it would save a great deal of wasted motion compared with an individual performing all

---

[8]This passage can be found online at http://www.cottontimes.co.uk/1826.htm.

[9]There would, however, be an enormous disadvantage present, whose nature will be explained in a moment.

of the steps in sequence one unit of product at a time. As just pointed out, however, the very existence of this possibility already presupposes the existence of considerable division of labor. It is only a question of whether or not it pays to carry the division of labor further, within the production of the item: i.e., to substitute the greater division of labor present in factory production for the lesser division of labor entailed in cottage production.

Unfortunately, for Carson and Marglin, it very clearly does pay. (Perhaps the advantages were so clear to Adam Smith that it never occurred to him that anyone would posit the kind of objection raised by Marglin and Carson.) It pays because, if for no other reason, factory production is far more efficient in terms of the use of capital goods, and thus of the labor required to produce them, than is cottage production. It avoids the enormous wastes in the form of unnecessary duplication of equipment and idle inventory that would be present in cottage production.

If, for example, there were six distinct steps entailed in pin making, then instead of six workers working side by side continuously, in one factory, each continuously using a definite tool or piece of equipment, we would have, under cottage production, six cottage workers each performing a large volume of a given operation, while the tools and equipment required for the other five operations remained idle. His output from any given operation would also then remain idle until he finished that operation and turned to the next operation.

The clear implication is that under the arrangement of cottage production so beloved of Carson and Marglin, the six workers would need between them thirty-six sets of tools and equipment instead of only six such sets and would have an unnecessarily large volume of partially finished product on hand at any given time. There is clearly no room in the scheme of cottage production for the output of a given worker being taken up for further processing before that worker is finished with his current task; that would require factory production. And certainly, and above all, there is no room in the scheme of cottage production for the perfection of this arrangement which is the moving assembly line.

In sum, cottage production would entail a tremendous waste of capital and be enormously inefficient, which is why the free market long ago put an end to it.

Carson's naïveté and rejection of the modern world extend to extolling the virtues of spade cultivation over that of using the plow (Carson, p. 156), and to claiming that to induce subsistence farmers to earn money, it is first necessary to impose taxes on them payable in cash, as though the goods available for purchase with cash, which they both desire and would have no means of producing by themselves, would not constitute a sufficient inducement (p. 177).

CARSON'S COLLECTIVISM

On occasion, Carson recognizes the need for modern methods of production. When he does so, however, he displays further naïveté and propounds something close to syndicalism as the means of providing them and achieving the organization necessary to implement them. Thus, he writes:

> Why could not an artisans' guild function as a means of mobilizing capital for large-scale production, the same as a corporation? Why could not the peasants of a village cooperate in the purchase and use of mechanized farming equipment? Perhaps because, in the absence of a "progressive" ruling class, they just couldn't get their minds right. Or maybe just because. (p. 189)

Here Carson, the "individualist" anarchist shows himself to be quite the collectivist, attributing to the average person qualities of independent thought and judgment that are found only in exceptional individuals. He believes, in effect, that to obtain the financial support and develop the organization required for adopting an innovation, it is only necessary to explain it to a group of average people, and they will immediately understand its value and be willing to risk their savings on its success; indeed, that as workers in the very line of production in which the innovation will take place, they will be willing to go out of their way to implement it even though its actual effect, if successful, might very well be to deprive them of their present livelihoods.

Carson's naïveté here is simply breathtaking. He believes that *guilds*, organizations notorious for their spirit of monopoly and hostility to innovation, the very same organizations that delayed economic progress in Europe for centuries, could somehow be sources of innovation. Indeed, he writes:

> Had not the expropriation of the peasantry and the crushing of the free cities taken place, a steam powered industrial revolution would still have taken place—but the main source of capital for industrializing would have been in the hands of the democratic craft guilds. (p. 190)

Carson is simply unaware that innovation is the product of exceptional, dedicated individuals who must overcome the uncomprehending dullness of most of their fellows, and often their hostility as well. His obliteration of the exceptional individual and his underlying collectivism are further apparent in his assumption that the only alternatives are those of the collective of the good artisans or farmers, on the one side, or the collective of the "ruling class," on the other. He apparently has no concept of the individual businessman or entrepreneur who acts out of concern for himself, not his "class," and whose competitive success will cause the failure of other members of his "class."

DISTORTIONS OF HISTORY

Carson's world is so far removed from reality that he not only sees guilds as sources of progress, but regards the "High Middle Ages" as "far superior to the world of the sixteenth and seventeenth centuries" (Carson 2004, p. 178). In his view, "[t]he nineteenth century was, in a sense, a technical and industrial 'renaissance,' built atop the achievements of the High Middle Ages after a prolonged hiatus" (p. 179). The alleged "hiatus," it should be noted, includes much of the actual Renaissance itself and much or all of the life spans of Da Vinci, Copernicus, Galileo, and Newton, i.e., the age of great scientific discovery leading up to the Enlightenment. In Carson's view, this age of enormous scientific progress was a period of "barbarism and regression" in comparison with "[t]he real advancement, the real humanism and progress of the High Middle Ages."[10] The "High Middle Ages," along with all the other portions of the Middle Ages, was, of course, an era ruled by fear and superstition and was characterized by such phenomena as famines, plagues, dungeons and torture chambers, burning at the stake, and periodic outbreaks of mass psychosis. Carson is either unaware of these facts or does not consider them significant.

Carson's views concerning agriculture complement his views concerning industry. In a free market, he believes, if workers were not working as independent artisans in their own cottages, it would be mainly because they were working as farmers on their own land. He presents his views concerning agriculture by means of a lengthy quotation from the anarchist Franz Oppenheimer. Oppenheimer's and Carson's view is that in the absence of some form of land "monopoly," people would not be willing to work for wages because they would prefer to work on their own land instead. That they are

---

[10]While it perhaps pales into insignificance in comparison with his attitude toward the "High Middle Ages" overall, it still must be mentioned that Carson supports and defends the medieval doctrine of the "just price" (pp. 86–87).

not working on their own land, while at the same time arable land is still abundant, can allegedly only be the result of the use of force to prevent them, indeed, is prima facie proof of the use of such force.[11]

Once again, Carson's view is directly contrary to the facts. Since the beginning of the Industrial Revolution, in all advanced countries, the proportion of the labor force that is employed in agriculture has been steadily declining. This has come about not as the result of people having been driven from the land or being denied access to it, but as the result of millions upon millions of sons and daughters of farmers one by one voluntarily choosing to abandon agriculture in favor of moving to towns and cities to work as wage earners. What has brought about this choice is the rapidly growing productivity of labor in agriculture that has resulted precisely from private ownership of land and respect for the property rights of landowners, and, of course, from the operation of all the other fundamental institutions of a capitalist society, such as division of labor, saving and provision for the future, freedom of competition, the profit motive and the price system, and private ownership of the means of production and respect for property rights in general.

This rapidly rising productivity of labor in agriculture, in combination with people's limited need and desire for additional foodstuffs and other agricultural commodities, has resulted in a continuous decline in relative consumer spending for agricultural commodities and a continuous increase in relative consumer spending for the products and services of the rest of the economic system. This in turn has operated to depress incomes in agriculture relative to incomes in the rest of the economic system and thus to bring about the fact that the wages to be earned in towns and cities came to exceed the incomes that could be earned in agriculture. It was in response to these facts that the sons and daughters of farmers made the voluntary choice to leave the land and move to towns and cities.

LAND MONOPOLY IN REALITY

Land monopoly is a valid concept, despite Carson's twisting of it in holding that enforcement of legitimate rental contracts constitutes government intervention and represents such monopoly in excluding cultivators from ownership in favor of landlords. It exists to the extent that governments claim to own land and then withhold it from the market. Such action by the government limits the supply of

[11]See Carson, 2004, pp. 142–43; see also pp. 157–58 and 196–97, which contain quotations from Albert Jay Nock along these lines.

land available for the market and does so by means of the initiation of physical force. The government is an initiator of physical force in this instance, because it is not an act of physical force for an individual to appropriate land from nature, but rather a positive act in fulfillment of his own life and well-being and thus one which he has a natural right to perform. Thus, when the government stops him from doing this by force, the government is necessarily an initiator of force.[12]

The monopoly character of the government's action is further demonstrated by the fact that in thus limiting the supply of land available for the market, the government forcibly reserves land to the exclusive possession of those who already possess it, or to the limited number able to purchase land from this group at the unnecessarily high prices of land that result from the government's forcible restriction of its supply.

Land monopoly also exists to the extent that government interferes with an individual's right to sell or bequeath his land as he chooses. Such action too represents the forcible reservation of land to some and the forcible exclusion of others from the land. Entail legislation, which reserved pieces of land to specific families and prohibited their passing into the possession of others, and also legislation imposing primogeniture, i.e., inheritance exclusively by the eldest son or other closest male heir, are leading examples.

While government land ownership, entail legislation, and primogeniture constitute genuine land monopoly, none of them appear to be of any concern to Carson. For example, one of the greatest acts of land monopolization in history was the British government's prohibition of its American colonists settling west of the Appalachian mountains, a prohibition which was overthrown only by the success of the American Revolution. Indeed, concerning this momentous overthrow of land monopoly, Carson actually comes down on the side of the British! He writes:

> One cause of the American Revolution was Britain's "attempt . . . to limit the exercise of the political means in respect of rental-values" (namely, the 1763 prohibition of settlements west of the Atlantic watershed). This prevented preemption of the land by

---

[12]An important distinction must be made here between a government briefly possessing land, as part of a program of placing it in private hands, say, through a process of land auctions, and a government intent on holding the land indefinitely. The latter clearly acts in violation of individual rights. The former, it might be argued, acts to achieve their implementation in an orderly manner.

> land speculators in league with the state. The mainstream history books, of course, have portrayed this as an offense mainly against the individual homesteader, rather than the big land companies. (Carson, pp. 158–59)[13]

Here Carson condemns as "the political means" the government's sale of land to speculators, but does not condemn as "the political means" the government's prohibition of the sale of land at all! It seems to have escaped Carson that once sold to speculators, the land would be resold by the speculators to others, including large numbers of buyers of relatively modest means, at prices far lower than would prevail under continuing government ownership and consequent withholding of land from the market.

Not surprisingly, Carson has nothing negative to say concerning the vast present-day land holdings of the United States government in the western states and in Alaska. And while he does cite conservation laws as a form of land monopoly (Carson, p. 205), he has absolutely nothing whatever negative to say concerning environmentalism, which in terms of the land area it has already denied, let alone first seeks to deny, to private ownership, under such guises as wildlife and wilderness preserves, must rank as one of the world's greatest land monopoly movements in all of history.

Carson is highly critical of the replacement of feudal land tenure, which denied the very principle of private ownership by living individuals, and was thus monopolistic to its very core, by modern private property (pp. 145–53). The theory of land ownership under feudalism was that land was the possession not of living individuals, but of bloodlines: hence, entail legislation and denial of the right of any current feudal aristocrat to sell the land that was allegedly his or even to lease it for more than a relatively short-term.

THE ENCLOSURE MOVEMENT

Carson is especially critical of the enclosure movement, which, in contrast to feudalism, upheld the right of landowners to fire unnecessary workers (Carson, pp. 146–53).[14] As already shown, he

---

[13]The quotation within the quotation appears to be from Albert Jay Nock.

[14]Feudalism is perhaps best known for the fact that the serfs were not free to leave the land. At the same time, however, the feudal aristocrats were not allowed to put them off the land. The doctrine of feudalism was that the serfs were attached to the land. This shows in a second major respect the radical difference between property in land under feudalism and under capitalism. The alleged landowners of feudalism were not able either to sell their land or to fire unnecessary workers. And, of course, they could not compete with

assumes that everyone living and working on a piece of land has an automatic right of ownership to it and thus cannot properly be dispossessed. He also positively favors village common lands in pastures and forests and the open field system in crop production, along with the monastic and crown lands of feudalism (pp. 146, 150).

Nevertheless, it was precisely the enclosure movement's replacement of the commons, the scattered strips of land of the open field system, and the monastic and crown lands with compact private farms that made possible the rise of scientific farming, i.e., selective animal breeding, the development of newer and better strains of seed, and the application of more modern tools and implements, along with a great reduction in the quantity of labor required to produce food. These were developments essential both to the building up of the system of division of labor, which can proceed only to the extent that a smaller part of the population becomes sufficient to produce the food required by the whole, and to the rise in real wages, which depends on increases in the quality and reductions in the cost of production and prices of the goods on which money wages are expended, including, of course, food and other agricultural commodities.[15]

It can be conceded that in the course of the enclosure movement, numerous individuals did not receive compensation for the loss of their traditional source of livelihood who had a just claim to such compensation.[16] However ironic it may be in view of Carson's profound antipathy to the phenomenon, one way that such individuals could have been compensated, consistent with their leaving the land and thereby helping to make agriculture more efficient, would have been if they had been made the recipients of shares in "absentee

---

other feudal aristocrats for the services of the latter's serfs. The feudal aristocrats, in lacking essential rights of landowners, should not even be thought of as landowners but rather as government officials. Their incomes did not rest on any economic contribution but on the ability to collect feudal dues (i.e., taxes) under the threat of flogging or hanging.

[15]Concerning the effects of the enclosure movement, see Ashton (1969, pp. 18–20, 43–44).

[16]It is important to realize that there were also many to whom the following words of Carson were applicable and whose claims were therefore dubious at best:

> After the Tudor expropriations, many vagabonds migrated into "*such open-field villages as would allow them to squat precariously on the edge of common or waste.*" One seventeenth century pamphleteer noted that "in all or most towns where the fields lie open and are used in common there is a new brood of upstart intruders as inmates." (p. 150, italics in original)

landlord rent." Of course, they left the land and did not receive any share in such rent. Nevertheless, it is worth noting that according to Carson's conception of matters, such compensation would itself have represented an injustice at least on a par with their unjust dispossession from the land in the first place, for it would have required payment of hated absentee landlord rent. From his perspective, a better outcome would have been the indefinite continuation of the inefficient, medieval methods of agricultural production.

MORE ON CARSON'S CONCEPT OF OWNERSHIP

Indeed, it seems that any concession whatever to claims for compensation against a present user/occupier of land must be unjust according to Carson's conception of matters. For he regards nothing but use and occupancy as the basis of land ownership. Recall that according to him,"[t]he actual occupant is considered the owner of a tract of land" (Carson, p. 200). Ownership and compensation claims by a past user/occupant, therefore, can simply have no standing in his view. If they did have standing, then so too could other claims by people who are not currently users or occupants of the land, such as absentee landlords.

Carson's views on the nature of ownership give full support to the conception of anarchy, which, of course, is what he advocates, as being nothing but chaos. He explicitly extends his standard of occupancy and use as the legitimate basis of ownership to houses and apartments, advocating the seizure of vacant housing units by homeless squatters. Thus, he writes:

> So long as the state is bound in legal principle to enforce property rights of landlords, any victory won by squatters will be only short-term and local, without permanent results of any significance. . . . If every vacant or abandoned housing unit in a city is occupied by the homeless, they will at least have shelter in the short term until they are forcibly removed. . . . In the meantime, the squatters' movement performs a major educative and propaganda service, develops political consciousness among urban residents, draws public attention and sympathy against the predatory character of landlordism, and—most importantly—keeps the state and landlords perpetually on the defensive. (Carson, pp. 377–78)

The logic of Carson's position extends to legitimizing auto theft: An individual rents a car from Hertz or Avis. He is the user/occupant. Hertz or Avis is the absentee owner demanding rent. It extends to the theft of clothing that is not being worn at the moment by its—absentee—owner. It extends to all property, for once in the possession of the thief, the thief as user/possessor becomes the legitimate owner, according to Carson's conception of things.

Carson simply does not understand that ownership is not the mere possession and use of property but rather *the moral and legal right to determine* the possession and use of property. In the case of land, this right is properly established on the basis of an original act of appropriation of previously unowned land from nature and then subsequent purchase and sale. Where, as has certainly been the case repeatedly in the history of Europe, there has been violent appropriation from previous owners in the past, the proper principles are those stated by Mises (1969):

> That all rights derive from violence, all ownership from appropriation or robbery, we may freely admit to those who oppose ownership on considerations of natural law. But this offers not the slightest proof that the abolition of ownership is necessary, advisable, or morally justified (p. 43). . . . Economic action demands stable conditions. The extensive and lengthy process of production is the more successful the greater the periods of time to which it is adapted. It demands continuity, and this continuity cannot be disturbed without the most serious disadvantages. This means that economic action requires peace, the exclusion of violence (p. 44). . . . We who only see the effect of Law—which is to make peace—must realize that it could not have originated except through a recognition of the existing state of affairs, however that has arisen. Attempts to do otherwise would have renewed and perpetuated the struggle. Peace can come about only when we secure a momentary state of affairs from violent disturbance and make every future change depend upon the consent of the person involved. This is the real significance of the protection of existing rights, which constitutes the kernel of all Law. (p. 46)

PRIVATE PROPERTY AND LAND RENT

The final point I wish to make in connection with private ownership of land is that it is precisely this institution that has been responsible for the progressive and rapid increase in the production of agricultural commodities and minerals of all kinds and thus for the minimization of the economic significance of land rent (Reisman 1996, pp. 310–16). In the Great Britain of 1750, wealth centered on land ownership and the income derived from it. A hundred years later, it centered on manufacturing and commerce, and the land owning aristocrats were on the way to having to marry American heiresses in order to find the funds to maintain their estates.

What brought about this change was the radical extension of the institution of private ownership of land: in Great Britain itself, the enclosure movement; on the European continent, the replacement of feudal land tenure with genuine private property in the aftermath of the French Revolution and the subsequent conquest of most of Europe by the French under Napoleon; and most important of all, the privatization of the land of the United States from the Appalachian Mountains to several hundred miles west of the Mississippi river. These developments created the incentive basis for long-term investment in land and the development and adoption of ever more efficient methods of production. The result was great increases in output both per unit of labor and per acre of land, rapidly falling real prices of agricultural and mineral output, the need actually to retire a considerable amount of land from the production of many items, and the previously described mass movement of labor from farms to towns and cities. In this environment the significance of land rent in the overall economic system plunged.

These historical results are confirmed in the present day by the case of oil. In the last thirty-five years, forces have been operative tending to raise the price of oil and the mining rents yielded by its production, which has greatly increased the economic significance of the ownership of oil fields. What has caused this is growing government interference with the property rights of energy producers and the owners of mineral deposits, instigated by the environmental movement. Few things should be more obvious than that if this interference were eliminated and the institution of private ownership of land extended, there would be a great increase in the supply of oil and other forms of energy and thus a major decline in the price of oil and in the mining rents derived from its production.

Such a change in policy would mean the bringing into production of petroleum deposits residing on what are presently "wildlife preserves" and "wilderness areas," and on the continental shelf. It would also mean an increase in the supply of both of atomic power and of coal from strip mining, as these branches of energy production became free to proceed without hindrance. The increased supplies and decline in price of these competitors of petroleum would serve to reduce the demand for petroleum and thus its price at the same time that increases in the supply of petroleum were also serving to reduce its price. The result would be a plunge in the rents derived from petroleum production.

Carson, along with the Georgists, is utterly unaware of the fact that private ownership of land and respect for the property rights of landowners is what serves to minimize land rent. Nevertheless, he implicitly acknowledges this fact when he casually writes, as though absolutely no explanation were required:

> [U]ntil the nineteenth century, the control of land was probably the single most important form of privilege by which labor was forced to accept less than its product as a wage. But in industrial capitalism, arguably, the importance of landlordism has been surpassed in importance by the money monopoly. (pp. 219–20)

Thus, let us turn now to the subject of profit and interest, the alleged fruits of the alleged money monopoly.

PROFIT AND WAGES: THEIR ACTUAL RELATIONSHIP

Carson, along with all other Marxists, and, it must be said, along with almost all other economists of every persuasion, even including Böhm-Bawerk, follows Adam Smith in regarding profit as a deduction from what would otherwise be wages. Originally, according to Smith, there were simply workers producing products, which they consumed or sold. Since workers were the only recipients of income, all income was allegedly wages. "The produce of labour," Adam Smith wrote, "constitutes the natural recompence or wages of labour." And he then declared that "[i]n that original state of things, which precedes both the appropriation of land and the accumulation of stock, the whole produce of labour belongs to the labourer. He has neither landlord nor master to share with him." Later on, however, with the appropriation of land as private property and with the accumulation of capital, rent and profit come into existence, and, according to Smith, are deductions from what was originally, naturally, and rightfully all wages: "This profit," Smith writes, "makes a second deduction from the produce of the labour which is employed upon land [rent being the first deduction]." And

> [t]he produce of almost all other labour is liable to the like deduction of profit. In all arts and manufactures the greater part of the workmen stand in need of a master to advance them the materials of their work, and their wages and maintenance till it be compleated. He shares in the produce of their labour, or in the value which it adds to the materials upon which it is bestowed; and in this share consists his profit. (Smith 1776, bk. 1, chap. 8)

These ideas of Smith were taken over by Marx, who replaced Smith's "original state of things" with "simple circulation," represented by the sequence "*C-M-C*," i.e., the production of commodities (*C*) to be exchanged for money (*M*), with the money received being used to purchase commodities (*C*) desired by the sellers of the first set of commodities. Here too, all income was supposedly wages, with no presence of rent, profit, or interest, no "surplus value" of any kind, and no exploitation of labor. Just as the deduction of rent and profit from wages came into existence according to Smith with the appropriation of land and the accumulation of capital, so for Marx the deduction of these incomes comes into existence with the appearance of "capitalistic circulation," which is represented by the sequence *M-C-M′*, i.e., the outlay of money (*M*) for the purpose of producing commodities (*C*), which are to be sold for a larger sum of money (*M′*).[17]

And now, at the end of this train, following countless others who have taken the same position since Marx, Carson asserts that labor is compelled "to pay tribute to the owning classes by accepting less than its product as a wage" (Carson, p. 211).

What is perhaps remarkable is that Böhm-Bawerk and almost all other opponents of the exploitation theory also accept the view of Smith and Marx that profits are a deduction from what is originally and naturally all wages. The difference between them and the supporters of the exploitation theory is that they regard profits as a just deduction from wages, based on the operation of time preference and the resulting higher valuation of present over future goods.[18]

The notion that profits are a deduction from wages, just or unjust, is also held at least implicitly by economists who believe that profits are the result of the productivity of capital goods. It is held insofar as these economists believe, as they almost certainly must, that any productivity on the part of capital goods is indirectly a productivity of the labor previously performed in the production of the capital goods and that the income of labor is wages.

As I have argued at length elsewhere, in my view profit, not wages, is the original and primary form of labor income and is in no sense any kind of deduction from what would otherwise be wages (Reisman 1996, pp. 473–98; 1985, reprint, rev., 2005). The entire Smith/Marx framework is wrong.

When workers produce and sell products, the money they receive in exchange for their products is *sales revenue*, not wages. Any net income earned on such sales revenue is profit, not wages. Indeed, in the extreme conditions imagined by Smith and Marx, of a world in which absolutely no buying for the sake of subsequently selling took place (the world of "the original state of things" and "simple circulation"), there would be absolutely no money costs of production to deduct from the sales revenues, for money costs are the reflection of the outlays of money designed to bring in the sales revenues.

---

[17]Cf. Marx (1867 vol. I, pt. II, chap. 4).

[18]Cf. Böhm-Bawerk (1959, vol. 1, pp. 263–71). Essentially the same analysis is presented by Rothbard, another Austrian-School opponent of the exploitation theory. See Rothbard (1962, vol. 1, p. 32).

And thus, in the absence of such outlays, the entire sales revenues would constitute profit. Precisely this, the opposite of what Smith and Marx thought it was, is the actual situation in the "original state of things" and "simple circulation." All income is the income of labor, but it is all profit and there are no wages in such conditions.

Outlays for capital goods and the payment of wages in the production of products for sale, begin only with the accumulation of capital and the appearance of capitalistic circulation. And the appearance of capitalistic circulation is what gives rise to money costs, which must be deducted from sales revenues. Thus, in total opposition to Smith and Marx, and their disciple Carson, I argue that what capitalists, capitalistic circulation, and capitalism are responsible for is not any deduction of profits from wages, but rather the positive creation of the demand for capital goods and the payment of wages, which results in money costs that must be deducted from sales revenues—from sales revenues which were originally all profit, and, hence, in a reduction in the proportion of sales revenues that constitutes profit.

Indeed, the more economically capitalistic the economic system, precisely in the sense of the relationship between Marx's M and M', the higher are wages and the demand for capital goods, both of which are included in M, relative to sales revenues, which are represented by M'. At the same time, the lower is the proportion of profit, understood as the amount of the difference between M and M' taken relative to M or M'.

Indeed, it is absolutely bizarre to think of profits as a deduction from wages. Wages are a cost. Costs are a deduction from sales revenues. In the absence of capitalistic circulation sales revenues would be all profit. Capitalists create wages (and the demand for capital goods) and thereby reduce profits, not deduct profits from wages.

CRITIQUE OF CARSON (AND MARX) ON "PRIMITIVE ACCUMULATION"

In "simple circulation," as we have seen, the value of the first M is zero and the economic degree of capitalism is therefore zero. There are no wages paid, no demand for capital goods, and thus no money costs to deduct from sales revenues. All income is profit and no income is wages.

In such a society, the magnitude of capital invested, stated in terms of the money previously expended to buy or produce capital goods is necessarily zero, there having been no such money expended, by definition. Accordingly, the rate of return on capital is infinite, the result of the division of a positive amount of profit in the numerator by a zero amount of capital in the denominator.[19]

Such a state of society, or anything remotely close to it, must be one of the most extreme poverty. Production would be limited to what individuals could produce without benefit of the labor of any help but that of family members or others who might be induced to act as partners in their production, and, even more importantly, without benefit of any previously produced products of labor purchased from others.

In such circumstances, no amount of looting or plunder could yield much wealth to anyone, simply because there would be virtually nothing to loot or plunder.

---

[19]It should be realized that my analysis of the rate of profit in Smith's "original state of things" and in Marx's "simple circulation" fully accords with Mises's views on originary interest in such circumstances. Mises writes:

> If one day the state of affairs were to return which was actual at the close of the first millennium of the Christian era when some people believed that the ultimate end of all earthly things was impending, men would stop providing for future secular wants. The factors of production would in their eyes become useless and worthless. The discount of future goods as against present goods would not vanish. It would, on the contrary, increase beyond all measure. (1966, p. 527).

My analysis also accords with leading propositions of the British classical school as well, namely, with John Stuart Mill's proposition that "demand for commodities is not demand for labor" and Ricardo's proposition that "profits rise as wages fall and fall as wages rise." It is only necessary to understand, as Mill did, that it is capitalists, not consumers, who pay wages and thus that if there are no capitalists, there are no wages paid and the full magnitude of sales proceeds is therefore, according to Ricardo's proposition, profit. My analysis is consistent with factors other than time preference being operative in the determination of the rate of profit/originary interest. Namely, even though people had a time preference that was considerably less than infinite, the rate of profit would still be infinite if such considerations as extreme lack of security of property led them to keep all of their savings in such easily concealable forms as precious metals and precious stones. In this case too, there would be no expenditure for means of production and thus no money costs to deduct from sales revenues and no invested capital in terms of money. A further implication is that, contrary to Keynes and his followers, cash hoarding, at least in the long run, operates to raise the rate of profit, thereby, apart from all other considerations, making an "unemployment equilibrium" based on a "liquidity trap" impossible.

Significant production, and the possibility of looting and plundering being able to yield significant results, takes place only to the degree that producers in Smith's original state of things and Marx's simple circulation begin to act capitalistically, and expend some of their sales proceeds in the purchase of previously produced products and in the employment of helpers. In so doing, of course, they bring into existence both wage payments and the demand for capital goods, cause money costs to appear as a deduction from sales revenues, and also bring into existence invested capital in terms of money. The result is a fall in the rate of profit and, of course, a rise in wages relative to profits.

The more economically capitalistic the system becomes, the greater becomes the demand for capital goods relative to the demand for consumers' goods and the greater becomes the demand for labor relative to the demand for consumers' goods. Both factors work to increase the extent of division of labor. The one by encouraging the division of labor vertically, the other by encouraging it horizontally. To the extent that the demand for capital goods rises relative to the demand for consumers' goods, a correspondingly larger portion of the labor and capital goods of the economic system comes to be employed in the production of capital goods relative to the production of consumers' goods. Since the capital goods serve in the production of consumers' goods, or in the production of further capital goods that serve directly or indirectly in the production of consumers' goods, the effect is to lengthen the average period of production, as Böhm-Bawerk described it.[20] To the extent that the demand for labor rises relative to the demand for consumers' goods, the effect is to enlarge the number of helpers engaged at any given stage of production. Both factors serve to raise the productivity of labor and thus, ultimately, the supply of consumers' goods relative to the supply of labor.

Other things being equal, the effect of this last is a fall in prices relative to wage rates, and thus a corresponding rise in real wage rates.[21] In the face, additionally, of a rise in wage payments relative to the demand for consumers' goods, which is what occurs as the result of a rise in the economic degree of capitalism, a further cause of a rise in real wages is present (Reisman 1996, p. 621).

Now Carson seems to believe that in the absence of force and violence, the natural course of development of what I have described in terms of a rise in the economic degree of capitalism above zero,

---

[20]Cf. Böhm-Bawerk (1959, vol. 2, pp. 79–88).

[21]For elaboration of the role of the productivity of labor in the determination of real wages, see Reisman (1996, pp. 618–22).

would be one in which production would always be characterized by a preponderance of self-employed workers. The profits (though he does not describe them as profits) that these workers could earn using their own capital or their own capital and land, would set a high floor on what they would have to be offered to be induced to work as wage earners. What accounts for the present system, in his eyes, in which employment as a wage earner is the overwhelming norm, is only the forcible expropriation of the land and capital of the mass of workers and its transfer into the hands of a relatively small number of large capitalists and landowners by the state.

Now it is certainly true that masses of people have, in the course of history, again and again lost their land and whatever capital they may have had, as the result of violent expropriation. The expropriations have been carried out by invading foreign armies, by neighboring feudal lords, by the depredations of their own feudal lords, by the arbitrary acts of kings, dictators, colonial powers, and parliamentary democracies, and often at the urging of the victims' own envious neighbors.

The result of these repeated expropriations is that every part of the world and every person in it is much poorer than if the expropriations had not occurred. If the age of economic liberalism, with its strict, but by no means perfect, limitations on the arbitrary powers of government had come into being starting at around 1300 rather than around 1800, and been maintained since that time, we would probably by now have a world in which the real wealth and income of the average person, and his life expectancy and quality of life, exceeded that of the present day by as much as that of the present day, in the most advanced countries, exceeds that of cave man days.

Nevertheless, there is no reason for thinking that the basic pattern of the economic system in terms of the preponderance of employment as a wage earner versus self-employment would be significantly different.

Not expropriations and statist interference, but the rise in the economic degree of capitalism is what is responsible for the preponderance of employment as wage earners. This rise, with its attendant rise both in the demand for labor and in the productivity of labor resulting from greater division of labor and capital accumulation, both increased the attractiveness of employment as a wage earner and decreased the attractiveness of self-employment.

Those producers who saved relatively more heavily and who thereby were able to produce with the aid of relatively more capital and relatively greater division of labor, proceeded to drive less efficient smaller, self-employed producers out of business. Having reduced their own costs of production through their greater efficiency,[22] their operations could be profitable at the lower prices their increased production imposed on their less capable, smaller competitors, while, at the same time, the operations of the latter became unprofitable.[23] Masses of self-employed producers, or the children of such producers, one by one voluntarily abandoned self-employment and took jobs as wage earners, in the same way as masses of farmers and children of farmers abandoned farming in favor of employment as wage or salary earners (see above p. 57).

To the extent that acts of looting and plunder played any significant role, their effect was not to accelerate or promote this process, as Carson believes (Carson, pp. 120–23, 144–45), but to retard and stop it, indeed, sometimes to cause reversion to a lower economic degree of capitalism. This is because such acts undermine the incentives to produce and save and generally destroy existing capital.

It is certainly true that here and there government intervention took place which favored larger scale production that was actually not more efficient, as Carson shows. However, government intervention has stood in the way of the development of larger scale production to a much greater extent than it has favored it: the whole tax system insofar as it hinders saving and capital accumulation, antitrust laws, laws hampering the competition of chain stores and department stores against small merchants, and licensing laws are illustrations.[24] Thus, the basic pattern of the economic system, with its typical separation of labor from ownership of the means of production with which it works, is not the result of government intervention but of economic efficiency and competition.

In those instances in which larger-scale production or larger-scale ownership, for that matter, is in fact relatively inefficient, a free

---

[22]The reduction in costs referred to here is a reduction in unit costs. Unit costs fall at the same time that a rise in the economic degree of capitalism operates to increase total costs relative to sales revenues. What reconciles these phenomena is the accompanying rise in output per unit of expenditure.

[23]Even if all producers had increased their saving at the same time and to the same extent, and produced with equal efficiency, the economies of larger scale production would have resulted in the abandonment of self-employment for employment for wages.

[24]Licensing laws favor small business at the expense of big business by causing prices to be artificially high, thereby making it possible to be profitable at a higher level of costs and thus with the employment of a smaller amount of capital.

market operates to replace it with the more efficient smaller-scale operation or ownership. For example, the growth of cities into what had previously been farmland, makes it worthwhile to break up farms of hundreds of acres into many hundreds of small building lots, because the combined value of the lots far exceeds the value of the farms.

In just the same way, if agricultural production itself were to be more efficient when undertaken on a smaller scale of ownership, say, on small farms rather than on large plantations, the land would be more valuable as small farms than as large plantations, and the plantation owners would gain by selling out to the farmers. Even if the farmers were poor sharecroppers or starving third-world peasants, if property rights were upheld and contracts enforced, the large landowners would gain by selling out on credit and receiving interest and principal payments over an extended period of years whose present value greatly exceeded the value of their land in its present pattern of use. (Of course, this presupposes that the buyers cannot repudiate their contractual obligations and also that the buying power of the money in which the contracts are stated will not significantly diminish.)

On the basis of all of the foregoing, it should be apparent that the following claim made by Carson is simply groundless:

> without the state to rob the peasantry of their land, to terrorize the urban proletariat out of organizing, and to legally proscribe alternative working class forms of self-organized credit, this propertyless condition of the working class arguably would never have come about, and would have been unsustainable even after it did come about. (Carson, p. 119)[25]

As we have seen, what has led to the separation of labor from the land is not any injustices that may have been committed in connection with enclosures or anything else, but the rise in the productivity of labor in agriculture and mining. And, similarly, what has led to the separation of labor from capital, i.e., working as wage earners with capital owned by capitalists, is the generally greater efficiency of this arrangement.

Carson is free to disparage these facts as a "bourgeois nursery tale" (pp. 124, 138, 154, 204). Nevertheless, they are implied by economic science. His view of "fact" and the "real world" is that capital

---

[25]It should be noted that along with most others who have been inspired by Marx, Carson believes that labor unions can raise the real wages of the "working class." Serious economic analysis, however, demonstrates the exact opposite. See, for example, Reisman (1996, pp. 655–59).

is accumulated by plunder rather than by production and saving and that boundless capital could be created by the magic of unlimited credit expansion, if only "government intervention" did not prevent it—as though it were government intervention that prevented the achievement of effects without adequate causes, as though it were government intervention that prevented the miraculous.[26]

MORE ON THE SEPARATION OF LABOR AND CAPITAL

It is necessary to address further aspects of the "separation" of labor and capital under capitalism. First, even in a perfectly just world, large numbers of people would be essentially propertyless. If no one else, these people would be children whose parents, however wealthy, had not yet given any significant wealth to them, and who had not yet worked long enough to be able to save significant wealth of their own. Thus, a father might be self-employed in his own business or on his own farm, or own stocks or bonds for that matter. But his property is not the property of his children while he is still alive, unless he has given it to them. His children, in other words, start out propertyless.

And then, of course, many of the children will not significantly save for a more or less considerable time after they start working; and they may never save. And many of them will not inherit wealth from parents who themselves possess more or less considerable amounts of it but who choose to use it for other purposes, such as their own consumption. Many of the children of such children will have no possibility whatever of acquiring wealth apart from what they themselves save. Adding to all this is the fact that to the extent that parents have more than one child, whatever they do give or leave to their children must be divided. The larger the number of children, the less the wealth that an individual child can receive; and, of course, to the extent that some of the children receive more, others of them must receive less—the historically common extreme case being the eldest son receiving all, and the other children, nothing.

Thus, in the best of circumstances there will be a very considerable number of people who at the moment are more or less propertyless and whose only source of acquiring property is what they themselves earn and save. Then, of course, to this considerable number

[26]As we have seen, Carson's idea of "government intervention" is the enforcement of voluntary rental contracts and the physical impossibility of creating boundless capital by means of credit expansion.

must be added the more or less considerable number of people who may be propertyless because their property has been stolen, either by private criminals or, far more often, by criminal governments. Nevertheless, in either case, if such people are born in, or manage to immigrate into, even a semi-free capitalist country, such as the United States is even today, they have the means of acquiring property through the combination of working and saving. And no matter how impoverished and deprived their beginnings may be, there is typically nothing to prevent them or their children or grandchildren from achieving even the very highest levels of wealth and income in their time. This has been true in the United States since the founding of the country.

An implication of the preceding is that from the point of view of the status of individuals within a capitalist society with respect to their wealth and income relative to that of the other members of the society, all of the government intervention in the history of the world, prior to that of the preceding two to three generations is essentially irrelevant. No matter what injustices may have been committed in the sixteenth or seventeenth centuries, in the eighteenth or nineteenth centuries, indeed, even in much of the twentieth century, they are simply irrelevant to the relative ability of people to own property in the present. Carson's alleged "subsidy of history" has an explanatory value of nil in explaining the pattern of organization of a capitalist economy.

The same conclusion follows when one realizes that whatever property may have been lost by the great grandparents and earlier ancestors of anyone alive today, it is generally insignificant in terms of the real wealth typically available to the member of a capitalist society in the present day. It would make very little difference to anyone if the equivalent of a seventeenth or eighteenth century English cottage, or the strips of land a peasant worked outside a village of that time, along with his hunting and fishing rights and other rights in the commons, could be brought forward in time to the present and be bestowed upon him. The loss of such wealth by one's ancestors, so meager by contemporary standards, is simply not the reason that the average worker of today does not work with his own means of production.

PROFITS AND THE LABOR OF BUSINESSMEN AND CAPITALISTS

It is essential to realize that along with the typical separation of labor from capital, there is a major and almost universally ignored respect in which labor has not been separated from capital at all, a case of which Carson too, of course, is totally unaware. This is the extremely important case of the labor of businessmen and capitalists. They are the heirs of the workers in Smith's "original state of things" and Marx's "simple circulation" who produced and sold their products and who earned profits, not wages. In a capitalist economy it is businessmen and capitalists who produce and sell their products and, of course, earn profits. They perform labor and do so with their own means of production, and, of course, with the aid of the labor of more or less numerous helpers, who are their employees.

The labor of businessmen and capitalists, and the fact that its reward is profit rather than wages, is obvious in the case of sole proprietorships and small partnerships, where the owner(s) can easily be observed to be working. Contemporary economic theory is aware of such cases, but immediately obliterates them and their significance by using the doctrine of opportunity cost as the basis for reclassifying profits as wages, or as a combination of wages plus losses.[27]

At least since the time of Adam Smith, the income of labor has been held to be synonymous with wages. Adam Smith considered the possibility of profits also being an income attributable to the performance of labor—the "labour of inspection and direction," as he called it—but quickly rejected the idea because, he observed, unlike Marx, that profits varied with the amount of capital invested. In addition, he held, they bore "no proportion to the quantity, the hardship, or the ingenuity of this supposed labour of inspection and direction" (Smith 1776, bk. 1, chap. 6).

Smith's last statement is absurd on its face. Profits certainly do vary with the quantity, the hardship, and, above all, the *ingenuity* of the labor of businessmen and capitalists in the employment of their capitals. The greater the ingenuity of the businessman or capitalist, the better are his products likely to be and the more economically they are likely to be produced, and thus the higher will his profits tend to be compared with those of businessmen and capitalists who display less ingenuity. The greater the quantity of his labor and the greater its hardship, the more is it likely that he will achieve ingenuity and thus profitability in his investments.

Profits also vary, assuming that the degree of ingenuity is equal, with the size of the capital invested. However, that is absolutely no reason for refusing to attribute the profits to the businessman's or capitalist's labor. And Adam Smith, who regards labor as the source

---

[27]For an example of this dishonest practice, see Samuelson and Nordhaus (2001, p. 138). For a demonstration of the absurdities present both in the doctrine of opportunity cost and in the closely related doctrine of imputed income, see Reisman (1996, pp. 456–62).

of all wealth, should have been among the last people to refuse this attribution. The product is always to be attributed to labor, irrespective of the fact that its size varies with the means of production employed. Thus, three different workers may dig holes, the one using his bare hands, the second using a conventional shovel, and the third, a steam shovel. In all three cases, the holes, however different their size, are the product of a worker's labor. In each case, the worker digs the hole, because in each case it is the worker who supplies the purpose and the guiding and directing intelligence required to achieve it.

Just so with the businessman and capitalist. His labor is most essentially an intellectual labor, a labor of thinking, planning, and decision making, and becomes so the more exclusively, the larger the scale on which it is conducted. His capital is his means of employing and equipping helpers in the carrying out of his plans and the achievement of his purposes. The greater is his capital, the greater is the scale on which he can implement his ideas and the greater the results he will achieve. That he earns profits in proportion to his capital is neither surprising nor in any way detracts from the fact that he is the source of his firm's purposes and guiding and directing intelligence at the highest level and is thus the primary producer of its products. The products of his firm are *his* products, not those of his employees, on the same foundation that the discovery of America is attributed to Columbus rather than to the members of his crews; the victory at Austerlitz, to Napoleon rather than to his soldiers; the foreign policy of the United States, to the President (or the President plus a handful of key advisers) rather than to the employees of the State Department and its various embassies.

It follows from this, that labor's right to the whole produce, or to the value of the whole produce, is achieved every day under capitalism, when businessmen and capitalists, or the corporations they own, are paid by their customers for *their*—the businessmen's and capitalists'—products. The contribution of their helpers in the production of their products is paid for, in full, with the wages the businessmen and capitalists pay.

If any exploitation of labor existed by virtue of the existence of the payment of land rent or the payment of dividends or interest to more or less passive investors, who play no active role in the conduct of a firm, the exploitation would be an exploitation of the labor of businessmen and capitalists by these parties. It is they who pay the land rent, dividends, and interest, not the wage earners.

However, the payment of these incomes does not constitute any exploitation of labor. The incomes are paid in the reasonable expectation that the use obtained of the land or additional capital will serve to increase profits by more than the incomes that must be paid to secure their use, and thus be a source of net gain.

Furthermore, the rents, dividends, and interest can, and very frequently are, themselves earned as the product of labor—the labor of those who have carefully planned and followed their investments in land, stocks, or bonds. There is no limit to how much labor can be expended in this way in research and study, and the more of it that is performed, the greater the likelihood of success.

THE IRRELEVANCE OF WAGE EARNERS BEING PROPERTYLESS

Carson makes a great deal of wage earners being propertyless, arguing that this is what makes possible their exploitation and that it is government intervention that has been and is responsible for their lack of property (Carson, pp. 92, 122, 219–24, passim). We, of course, have seen that widespread lack of property is simply unavoidable, that it is in the nature of things. Now we can see that being without property is also a matter of irrelevance to the wages that workers receive under capitalism.

The connection between being propertyless and alleged exposure to "exploitation" is, of course, the willingness of workers in such a case to work for as little as minimum subsistence, if necessary. Not having the reserves to fall back upon that ownership of significant property would provide, and having to work in order to avoid starvation, it seems that the workers would have no recourse but to accept the terms offered to them by the employers, however low those terms might be. Resistance to the employers' terms, it seems, would arise only if wages were to sink below the level of minimum subsistence, whereupon the workers would presumably refuse to work because they would prefer to die of starvation while resting rather than toiling.

At the same time, it appears that the self-interest of employers, which, like that of any other buyer, is always, other things being equal, to pay less rather than more, would serve actually to drive wages to the minimum subsistence level, if it were not restrained by such things as labor unions and minimum wage laws.

These considerations are what make the exploitation theory appear plausible.

However, there is an insufficiently known aspect of the writings of Böhm-Bawerk which destroys the plausibility of this doctrine.

After having presented the doctrine of the marginal pairs as the determinants of price, Böhm-Bawerk went on to show that in a division of labor society, in which goods are produced in enormous concentrations by relatively small numbers of producers, the marginal utility attached to their supplies by sellers was typically zero and thus that the valuations of the marginal pair of sellers were irrelevant to price formation. Price, Böhm-Bawerk showed, was typically determined within the limits set by the valuations of the marginal pair of buyers alone. Supply was vitally important as an amount determining the point to which the valuations of the marginal pair of buyers would have to extend, but the value of the supply came from the side of the buyers, not the sellers.[28]

Böhm-Bawerk also demonstrated the irrelevance to price formation of the disutility of labor, showing that the essential thing was the limitation of the supply of labor and the valuation by the buyers of its marginal unit and marginal product.[29] In other words, according to Böhm-Bawerk, wage rates are determined by the combination of the scarcity of labor and the competition of employers for its services. Wage rates must be low enough to make the purchase of labor worthwhile by the marginal employer and simultaneously too high to make its purchase worthwhile by the first submarginal employer, for whose purchase the supply of labor is simply inadequate.

It follows from these considerations that even if all wage earners were totally propertyless and willing to work for as little as minimum subsistence, that fact would simply be irrelevant to the wages they actually obtained. Their wages would go no lower than corresponded to the point of full employment. Wages below the point of full employment would result in a labor shortage, in which it would be to the self-interest of employers who were deprived of labor to bid

---

[28]Cf. Böhm-Bawerk (1959, vol. 2, pp. 244–45).

[29]Cf. ibid. (vol. 3, pp. 117–18). It is possible that Carson is unaware of much of Böhm-Bawerk's thought concerning the valuations of sellers, the disutility of labor, and much else besides. For some unexplained reason his references to Böhm-Bawerk's main work are all to the translation of the first German edition, by Smart, rather than to the translation of the much later and more comprehensive third German edition, by Huncke and Sennholz.

wage rates up in order to overcome the competition of other employers not able or willing to pay as much.[30]

THE TWO-SIDED BENEFIT FROM THE CAPITALISTS' MEANS OF PRODUCTION

The capital of the capitalists and their mutual competition for labor is what makes it possible for people to prosper as wage earners, irrespective of their own status as property owners. The more numerous the capitalists and the greater their capitals, the greater is the demand for labor and the higher are wage rates. And rather than the possibility of earning profit based on the employment of one's own means of production being necessary to set a competitive floor to wages, it is much more often the case that the possibility of earning wages sets a competitive floor to profits. In the great majority of cases people do not establish their own businesses precisely because the profits they would earn by doing so are less than the wages they can earn if they do not do so. In addition, the possibility of earning wages serves to prevent the exploitation of the labor of family members within the home, as frequently occurred in the days when cottage industries were prominent.

The gain of wage earners from the capital of capitalists takes place not only in their capacity as wage earners but also, and in the long run more importantly, in their capacity as consumers.

To appreciate this fact, it is first of all necessary to grasp a revolutionary proposition of Mises that is as simple as it is profound. Namely, in order to benefit from the means of production, it is not necessary to own them: it is necessary only to be in a position to buy their products.[31] The payment of wages, of course, makes this possible and

[30]For elaboration of the present discussion, see Reisman (1996, pp. 613–18). It should be realized that the concept of full employment must be understood as applying to each specific type of labor, location by location. It should also be realized that Böhm-Bawerk's demonstration of the irrelevance of the disutility of labor other than as a secondary cause affecting the scarcity of labor gives the lie to Carson's assertion that "the laborer's subjective perception of the disutility of labor [is] the basis of exchange-value." (p. 91) A man working as a surgeon at the age of forty may feel no greater disutility of labor in performing his surgeries than he did at the age of twenty when he labored at some far less valued form of work to pay his way through school. Nevertheless, the value of his labor is vastly greater as a surgeon, and would be apart from all state intervention.

[31]Cf. Mises (1969, pp. 40–42, 311–12).

does so to an ever greater degree, the more economically capitalistic the system is in the sense previously described.

In being able to buy the products, the wage earners obtain the benefit of all the means of production directly or indirectly employed in the production of those products. For example,

> [t]o drink coffee I do not need to own a coffee plantation in Brazil, an ocean steamer, and a coffee roasting plant, though all these means of production must be used to bring a cup of coffee to my table. Sufficient that others own these means of production and employ them for me. (Mises 1969, p. 41)

The benefit the wage earners, and all consumers, derive from the capitalists' means of production in this way is progressive. The capitalists are in competition with one another for a limited spending power on the part of the consumers. To cause more of that spending power to be directed to his particular products, a capitalist must make them better or produce them more efficiently in order to be able to sell them at a lower price. Such innovations are the source of premium profits. But these premium profits last only so long as the innovation has not been taken up by the rest of the producers in the industry. When that happens, competition eliminates any premium price for the improved quality of the product and drives the price down to reflect the product's reduced cost of production. The result is that the consumers, first and foremost the wage earners, are able to buy better products at lower prices and thus to enjoy higher real wages. Continued competition among the capitalists, whose ranks include former wage earners now taking their place as businessmen, results in an endless repetition of the process, with ever new and improved products appearing year after year at progressively lower real prices and causing real wages continually to rise by means of the greater buying power of money wages.[32]

---

[32]It should be realized that this rise in real wages, brought about by the activities of the hated capitalists, is what makes possible the shortening of the working day and the abolition of child labor, for it makes it possible for growing masses of wage earners to afford to accept the relatively lower real wages of shorter hours compared with those of longer hours and the loss of the earnings contributed by their children. In these circumstances, the preferences of the workers for shorter hours manifests itself in the wages of a shorter week being less per hour than the wages of a longer week, just as the hourly wages of any more desired type of work is less, other things being equal, than the hourly wages of less desired types of work. This wage differential makes a shorter work week more profitable to employers than the longer work week and thus brings about its voluntary adoption in the labor market.

This discussion has major implications for the appraisal of great industrial fortunes under capitalism. Earning such a fortune requires the earning of a high rate of profit over a long period of time, and saving and reinvesting the great bulk of the profits. The fortune grows only at the rate such saving bears to the capital of the previous year. The earning of a high rate of profit over an extended period of time almost always requires the introduction of repeated innovations, since competition operates to strip away the premium profitability of any single innovation, as we have just seen. Thus, in their origin in high rates of profit, great fortunes are evidence of the introduction of significant innovations in the quality of products and/or the efficiency with which they are produced.

As should also be clear from previous discussion, the saving and reinvestment of those high profits—their addition to capital—serves both to raise the demand for labor and to increase the supply of products produced. The implication is that both in their origin and disposition, great industrial fortunes under capitalism are the mark of great contribution to general economic well being, including, first, and foremost, the economic well being of wage earners, who, under the very high economic degree of capitalism achieved on the foundation of economic freedom and rational cultural values, are by far the largest class of consumers in the economic system.

The career of Henry Ford can be taken as an illustration of the significance of such a fortune. Ford started the Ford Motor Company in 1903 with an invested capital of $25,000. When he died, in 1946, his personal wealth was approximately a billion dollars. The growth of $25,000 into a billion dollars was the result of the profits earned on the foundation of such great innovations as the moving assembly line and interchangeable mass produced parts. These and other innovations made it possible for Ford to produce a far better automobile and sell it profitably at a price of $300 in the 1920s than the automobiles that had been selling for $10,000 when he started his company. And year by year, Ford's growing personal wealth was invested in the factories and machinery of his company, a process which replaced the single, primitive barn-like structure in which he began his production, with the numerous greatly more advanced, enormous factories of the Ford Motor Company in later years. Thus, Ford created and earned great wealth and used the far greater part of it in a way that benefited much of the rest of mankind.

The process, typified by Ford, of a fortune built on the basis of positive productive contribution and then used in bringing the benefit of those contributions to the rest of mankind is of a diametrically opposite character than the kind of economic inequality typified by the position of feudal noblemen. While the fortunes of Ford and other great industrialists were built on positive productive contribution and represented a benefit to the rest of mankind, the wealth of the feudal aristocrats rested on the use of force to hold their serfs to the land and to plunder them by means of taxes and other exactions. Few things could be more unjust than to describe the capitalist creators of wealth as equivalent to feudal barons engaged in robbery and plunder. Yet Carson not only does precisely this, but, to reinforce their alleged essential similarity with one another, even dares to claim that the feudal aristocracy was more or less transformed into the class of capitalists (Carson, pp. 180–81).

FURTHER FALLACIES: ALLEGED UNDERCONSUMPTION AND OVERPRODUCTION

Carson propounds the utterly fallacious doctrines of underconsumption and overproduction, as well as their corollary, the belief in the need for a policy of imperialism to solve the alleged problem of insufficient domestic demand (Carson, pp. 239–42, 278–83).[33]

When he first introduces these doctrines, in connection with the depression of 1890, he makes it appear that he regards their operation to be the result of "Whig-Republican state capitalist intervention, and not of the 'unregulated' or 'competitive' market" (Carson, p. 240). And later, at one point, he even claims not to dispute Say's Law, despite his support of these diametrically opposite doctrines, holding that "Say's Law applies only to a free market" (p. 299). "The State", he writes, in explaining what he thinks makes the market not free, "promotes the accumulation of capital on a scale beyond which its output can be absorbed (at its cartelized prices) by private demand; and therefore capital relies on the State to dispose of this surplus" (idem).

Absurdly, as this passage shows, Carson's notion of what makes the market not free includes alleged state intervention promoting *large-scale capital accumulation*. Here he seems to be unaware of the progressive personal income tax, the corporate income tax, inheritance and gift taxes, the capital gains tax, chronic inflation, chronic budget deficits, and the social security system, all of which serve greatly to reduce capital accumulation. (Fourteen pages later, he gives some recognition to the actual situation when he writes of a "crisis of under-accumulation.")

---

[33]He frequently uses the terms "over-saving" and "over-accumulation," as well as underconsumption.

Equally absurd, although Carson refers to "cartelized prices" and implies that their existence is what prevents the quantity of output that can be absorbed by the market from coming up to the quantity that can be produced, he nowhere mentions the overwhelmingly most important source of prices being too high to make this possible, namely, government interference designed to raise *wage rates*. This, despite the fact that in the early chapters of his book, he stresses the relationship between prices and costs, which, to the extent that it is true, implies that lower wage rates would result in lower prices and thus in larger quantities of goods and labor demanded, thereby eliminating unemployment.

Indeed, the results of a computer search through Carson's book under the word "unemployment" does not turn up a single instance of such government interference being mentioned as the cause. What the search does turn up, however, is a statement whose meaning is that *machinery* causes unemployment: "Instead of an improved standard of living for the worker-owner, increased productivity results in unearned wealth for the owner and unemployment for the worker" (Carson, p. 351).

Throughout his book, despite all his blather about his support for free markets, Carson is consistently *in favor* of government interference designed to raise wage rates, at least to the extent of implying that it serves to raise the standard of living of the average wage earner. Thus, for example, he writes: "the increased bargaining power of labor resulting from the corporate liberal social compact increases the portion of the product consumed by workers." And he quotes, without a word of disagreement, the following passage from James O'Connor's *Accumulation Crisis*:

> Worker resistance to wage cuts during crises, labor union implementation of supplemental unemployment benefits which expanded demand, "job creating benefits" which shortened hours of work, expansion of consumer credit, earlier retirement and increased pensions, and rank-and-file resistance to rationalization of production, among other factors, increased employment and working-class demand for wage goods. (Carson, pp. 313–14)[34]

Returning to Carson's support of underconsumptionism and the notion of excess accumulation, he and his fellow Marxists simply do

---

[34]All such policies imposed by labor unions must be regarded as indirect acts of government intervention, because the unions would be powerless to impose their demands without it. And, of course, they serve to reduce the worker's standard of living, not raise it (for a detailed explanation, see Reisman 1996, pp. 613–63).

not realize that it is precisely the capitalists' accumulation of capital far in excess of what the average wage earner would ever accumulate that serves to raise the standard of living of the average wage earner. For that capital, as I have shown, is both the source of the demand for the labor the wage earners sell and of the consumers' goods the wage earners buy. The capitalists progressively accumulate capital and on that foundation progressively increase the demand for labor and the supply of consumers' goods. In the process, real wages and the average standard of living continually rise.

Carson and his fellow Marxists, however, believe that the consumption of the wage earners is permanently and arbitrarily frozen by the capitalists at minimum subsistence, and that almost all of what is produced in excess of the wage earners' minimum subsistence is saved and accumulated by the capitalists who have nowhere to invest that capital but in the production of the minimal supply of goods consumed by the wage earners.[35]

This alleged situation is then held to make the capitalists seek alternative outlets for their investment and production. Thus, they supposedly turn to foreign markets, in the hope that those markets will absorb both consumers' goods and capital. This is the situation described by the phrase "export-dependent monopoly capitalism."[36]

Of course, those who value exports and investment abroad on this basis must equivalently disvalue imports and investment from abroad, both of which they perceive as only worsening the problems of alleged domestic overproduction and over-accumulation. What they desire as the ideal arrangement is exports of goods and capital without imports. This would solve the alleged problems and make possible all the prosperity that can be derived by giving one's wealth away in exchange for nothing.

---

[35]Forgetting his previous attribution of the problems to state intervention, Carson writes:

> The underlying crisis tendency of monopoly capitalism . . . is over-accumulation. The inability to dispose of the full product of over-built industry, at market prices, is inherent in the system. The primary function of the state, under monopoly capitalism, is to dispose of this surplus product and enable industry to operate at full capacity. (p. 313)

[36]Carson writes: "In the realm of foreign policy, the problem of over-accumulation and under-consumption led to the regime known as 'export-dependent monopoly capitalism'" (p. 241).

Unfortunately, the countries possessing the intended foreign markets are unwilling to accept such exports, which would cost them nothing to receive, and must be forced to accept them. Hence the policy of imperialism. When the imperialistic policies of different governments come into conflict, it is only a short step from these insanities to the further insanity of believing that war is economically advantageous to the extent it serves to secure the privilege of giving one's goods and capital away for nothing.[37]

SUMMARY AND CONCLUSION

Carson's book attempts to prove the self-contradictory thesis that laissez-faire capitalism rests on state intervention. His basis for this claim turns out to be the assertion that state intervention is present in the enforcement of voluntary rental contracts and the punishment of theft, and in the fact that the banking system is unable to engage in limitless credit expansion that would drive the rate of interest to near zero and keep it there. These alleged state interventions are the alleged foundation of incomes going to parties other than wage earners.

Carson is essentially a Marxist and his book is filled with ignorant Marxist diatribes against capitalism, ranging from the alleged injustices of "primitive accumulation" centuries ago to an alleged crisis of "over-accumulation" and "overproduction" in the present day, resulting in an alleged need to engage in a policy of imperialism in order to secure foreign markets in which to unload alleged surpluses of capital and goods. Like other Marxists, Carson, who claims to be a foe of state intervention, accepts without question the ability of the state to raise the standard of living of the mass of workers by means of its intervention, in such forms as pro-union and minimum wage legislation, which supposedly increase "labor's bargaining power," and by means of the taxation of the incomes of capitalists. His level of understanding of economics is indicated by his apparent ignorance of the fact that labor unions cause unemployment, coupled with his belief that unemployment is caused by increases in the productivity of labor.

---

[37]Of course, the overproduction and underconsumption doctrines imply that war in and of itself is economically advantageous, by creating vast new needs and corresponding consumer demand for otherwise allegedly superfluous output. On these subjects, see Reisman (1996, pp. 550–54).

On the positive side, Carson's book provides a good sample of the fallacies currently circulating in a significant part of the left. It has also provided the opportunity to demonstrate three major and essential principles in defense of capitalism:

(1) Precisely private ownership of land and respect for the property rights of landowners is what is necessary to minimize the economic significance of Ricardian land rent.

(2) Profit, not wages, is the original and primary form of labor income and the more capitalistic the economic system is, precisely in terms of Marx's so-called capitalistic circulation—i.e., the sequence *M-C-M'*—the higher and more rapidly rising are real wages and the lower are profits relative to wages.

(3) Any lack of property on the part of wage earners and consequent willingness on their part to accept wages as low as minimum subsistence is simply irrelevant to the wages they actually need to accept, which are determined by the competition of employers for labor that is scarce. At the same time, continuing innovation, competition, and capital accumulation by businessmen and capitalists is what progressively increases the supply of goods and thus the purchasing power of wages, i.e., raises real wages. The capital of the businessmen and capitalists is the foundation both of the demand for the labor that wage earners sell and of the supply of consumers' goods that they buy; its progressive increase serves continually to raise real wages irrespective of whether or not the wage earners themselves own property.

REFERENCES

Ashton, T.S. 1969. *The Industrial Revolution 1760–1830*. London: Oxford University Press, 1969.

Böhm-Bawerk, Eugen von. [1898] 1962. "Karl Marx and the Close of His System." Reprinted as "Unresolved Contradiction in the Marxian Economic System." In *Shorter Classics of Eugen von Böhm-Bawerk*. South Holland, Ill.: Libertarian Press.

——. [1914] 1959. *Capital and Interest*. George D. Hunke and Hans F. Sennholz, trans. South Holland, Ill.: Libertarian Press.

Carson, Kevin A. 2004. *Studies in Mutualist Political Economy*. Self-published: Fayetteville, Ark. http://mutualist.org/id47.html.

Marx, Karl. 1867. *Capital*. Vol. 1. London.

Mises, Ludwig von. [1950] 1969. *Socialism: An Economic and Sociological Analysis*. London: Jonathan Cape.

——. 1966. *Human Action*. 3rd ed. rev., Chicago: Henry Regnery.

Reisman, George. 1996. *Capitalism: A Treatise on Economics*. Ottawa, Ill.: Jameson Books.

——. 1985. "Classical Economics Versus the Exploitation Theory." In *The Political Economy of Freedom Essays in Honor of F. A. Hayek*, Kurt Leube and Albert Zlabinger, eds. Munich and Vienna: Philosophia Verlag. Reprint, rev., Daily Article, The Ludwig von Mises Institute, January 26, 2005, http://www.mises.org/story/1729.

Rothbard, Murray N. 2001. *The Case for a 100 Percent Gold Dollar*. Auburn, Ala.: Ludwig von Mises Institute.

——. 1962. *Man, Economy, and State*. 2 vols. Princeton, N.J.: D. Van Nostrand.

Samuelson, Paul, and William Nordhaus. 2001. *Economics*. 17th ed. New York: McGraw Hill.

Smith, Adam. 1776. *The Wealth of Nations*. London.