

WEALTH: WHY IS IT A PROBLEM?

There has been an explosion of writings and other forms of comments regarding wealth and its counterpart, inequality. In this paper we examine these issues in a different light. On the one hand there is an examination of the practicality of this as to whether there is something wrong at all. The second is to examine the philosophical and theological issues regarding private property and wealth. There is a significant interest in the interjection of the current Vatican participants into a discussion for which perhaps they are ill prepared. It is akin to the debate between Columbanus and Gregory I, Columbanus coming from Ireland and having no tradition of Roman conquest and principles, and Gregory I coming from an old line Roman family and at one time actually being the Mayor of Rome. Copyright 2014 Terrence P. McGarty, all rights reserved.

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1 INTRODUCTION

On April 28, 2014 Francis, the current Bishop of Rome, sent out a Tweet which said¹:

Inequality is the root of social evil.

The first thing that one is amazed about here is the fact that the Bishop of Rome is sending out ecclesiastical edicts via Tweets! Imagine what Augustine or Gregory I would think of such a method of communicating with the Faithful! Second there may be a doctrinal contradiction here. On the one hand the Bishop has recently been alleged to advise some Argentinian woman who married a divorced man that she may receive the sacraments, a violation of Canon Law². On the other hand having wealth damns one to perdition. One may sleep with another's spouse but one may not have more money than one's neighbor. Perhaps this was part of the Sermon on the Mount that was lost somewhere in translation.

There are two points being made in this set of seven words. The first point is the issue of inequality or wealth. We will examine this in the context of the Piketty arguments. The second is the word evil. Not sinful, but evil, *male facere*. Evil has a truly overpowering response in English, a language used by the Bishop, albeit learned in Ireland. We will examine both terms starting with evil.

This paper addresses the issue of wealth and as such inequality. If any person has more than any other then we have inequality. According to Francis that very act is an act of evil. Not just an act of injustice, but evil. This assertion, the first of its type in an Canon of Law that I recall, can then get combined with the recent flurry on the Piketty book, *Capital*, a clear play on Marx. The two resonate in today's discussion of and attack on capitalism. Fundamentally one must ask what evil has been done by holding wealth and what is wrong with wealth. We proceed to examine this in a multiplicity of directions. Initially our intent was to examine the issue vis a vis Piketty. That has now been overshadowed by the seven words uttered from Rome. Evil is a strong term, it is a term that condemns one to perdition. What was meant by their utterance? There is no Papal Bull proclaiming the details. Piketty sends out in excess of 600 pages all focusing on two variables. Rome sends out but seven words, *septem verba*. Thus we examine both issues, an examination of Francis and the history behind it, if any, and then we examine Piketty and his approach, his

¹ <https://twitter.com/Pontifex/status/460697074585980928> Now in the Latin Tweet it is *Iniquitas radix malorum*. https://twitter.com/Pontifex_in This statement can be translated as Inequality is the origin of evil. This is even stronger than what was Tweeted in English. *Facere male* is to be or make evil. Thus the intent was clear, evil was not subtle but direct. The predicate was just plain inequality, not even wealth.

² <http://www.telegraph.co.uk/news/religion/the-pope/10782508/Pope-Francis-tells-sinner-she-should-be-allowed-Communion.html>

As it states: *He reportedly told her: "A divorcee who takes communion is not doing anything wrong." In a rebuke to the local priest who refused her the Sacrament, he added: "There are some priests who are more papist than the Pope." When asked whether the remarks attributed to the Pope were correct, a Vatican spokesman told The Telegraph: "We would neither confirm nor deny that - this was a private telephone call made by the Holy Father and we would not divulge the details." But the reported remarks were in line with the position taken by Pope Francis in recent months - that the Church should treat divorcees and their partners with more compassion.*

supporters and what we believe is a world view which may have been contradicted by other stronger factors.

Now perhaps we should return to Augustine for he thought heavily on the issue of evil, a term that should not be thrown about so glibly. I have read Augustine and his Theory of Evil. It basically is the lack of good. But evil is a powerful word, a real powerful word. We call Hitler Evil. That has true meaning. With all due respect to The Bishop of Rome, does this mean all inequality is Evil? Some people run better than others, is that Evil? Some people make better investments than others. Is that Evil? When one makes such a sweeping indictment then it often tends to reduce the strength of the word.

Evans writes on Augustine and The Theory of Evil. Augustine was a Manichee, one who believed in the dual gods, a god of good and a god of evil. The world was a continual conflict of good and evil. But Augustine when he converted to Christianity had to reconcile evil and its existence with the existence of but one god. As Evans states (p 115):

We are discussing not the nature of evil but what it is to do evil (male facere). What is it for a man to act wickedly. Augustine ... begin(s) by taking the example of an act of adultery. To say that adultery is wrong because the law is against it or because a man because no man would like the sin of adultery to be committed against him by his own wife, is not satisfactory. The evil lies within the act; the evil thing in adultery is lust. ... The evil lies in the will, then, and is transferred to other things by the act of the will.

Thus perhaps if we read Augustine correctly that Wealth is not in and of itself an evil, it is perhaps the greed or the lack of charity which is the evil. As Augustine points to lust, perhaps Francis could point to the sin. But also is the need for the complicity of the will, yet how do we know that the will is present, for that is within a person, not something viewed from afar.

Evans further states:

Augustine had demonstrated that sin begins in the soul. The will is the only source of evil, and the will is a faculty of the mind not of the body. Original sin must therefore affect the will so that it wills evil.

Thus the willing of evil evokes the sin and the ability of this evocation is predicated on the human having the weakness related to this original sin.

The Guardian jumped on this quickly. As they say³:

But in last autumn's essay, Evangelii Gaudium, Francis wrote that: "Just as the commandment 'Thou shalt not kill' sets a clear limit in order to safeguard the value of human life, today we also have to say 'Thou shalt not' to an economy of exclusion and inequality. Such an economy kills ... Today everything comes under the laws of competition and the survival of the fittest, where the

³ <http://www.theguardian.com/commentisfree/2014/apr/28/pope-francis-condemns-inequality-john-paul>

powerful feed upon the powerless. As a consequence, masses of people find themselves excluded and marginalized: without work, without possibilities, without any means of escape.

Human beings are themselves considered consumer goods to be used and then discarded." The claim that human beings have an intrinsic value in themselves, irrespective of their usefulness to other people, is one that unites Christianity and socialism. It can be even found somewhere in the shadows of Marxism, but there humans gain their value from history, and when they stand in its way, that's tough for them, as the millions of Stalin's victims could tell us.

But if you think the market is the real world, it makes no sense at all, since in the market, value is simply the outcome of supply and demand.

Yes people have individual value; that is the essence of individualism. Yet humans each have a duty to perform, to maximize their potential. Humans ultimately must answer for what they have made of their lives, either to themselves or God. Survival of the Fittest is a view of nature that has a basis in fact. It may not be a norm for social interaction. Now I wonder what Augustine would think of this Bishop of Rome?

Now Evil requires a mens rea, a deliberate overt choice and action to inflict harm on others. Murder is evil, assault is evil, theft is evil. However the accumulation of wealth perforce of using one's human talents is not evil. This Bishop of Rome is in error, in fact he may very well have gone beyond error. What we do with our wealth is an issue. If we benefit those in need for no calling of their own, then that is Charity. But taking wealth from those who earn it is in itself theft, whether done by others or the state. Yet if one is a Marxist then this is compliant with Marxist theory.

Medical School in the 1960s focused on the "whats" and "hows". Namely what disease was it and how did you treat it, if at all. There were very few whys, very few. Cancer was an almost total mystery. You cut or you used some chemotherapy which all too often was worse than the disease. But Medicine has moved to a true science, it asks why now-a-days. It now understands that knowing why a cell is mutating uncontrollably is just as important as naming the disease and having a "treatment" at hand. Reversing the process may be possible and stalling its progress is also a valuable outcome.

However in Economics the whys are all too often hidden, if not totally unknown, in the mass of whats. It also is hidden in that often trumped up set of hows, remedies without any basis in cause, no whys. If one were to read through the mass of writing on wealth inequality there are a lot of whats and hows. There are no whys. Why not? Namely, why has there been a shift, if indeed there has been one. What is the cause, it is not because less people allegedly have more money.

Piketty is a French economist, of the mathematical type, lots of equations to explain things, and of the French mindset of Socialisme, and even to the extent of those of the Philosophisme, as discussed quite well by Israel in his recent book on the French Revolution. He exudes the whats, and further exudes the "hows" as to remedy his "whats". Unfortunately he fails to grapple with the whys.

But most importantly, Piketty is French, and in Paris. There is a mindset that is uniquely French and moreover uniquely Parisian. This is Piketty and his world view, a view that only one who has spent time in Paris can understand. The French all too often look at the Americans and their “Revolution” with a bit of disdain and then when they look at their “Revolution” there is a mixture of pride and abject terror. The Parisians have pride in the ability to express Fraternity, Equality and Liberty and terror at the “Terror”, Robespierre and his followers, and the fact that the French Revolution was an intellectual act whereas the American Revolution was an economic and human act.

We will examine this and we will consider how it fits in the American mindset, at least what was considered American. We also will argue that there is an alternate American mindset that lives in a somewhat parallel world to Piketty’s, the Progressive, or better phrased the neo-Progressive mindset. Both mindsets fundamentally believe that Government should and must play a controlling role, and that there is a need to redistribute wealth since it is all too often unjustly received. Both mindsets deny the individualism which supports fundamental capitalism, namely that each individual is equal before the law and that each individual should be supported by it Government to see and maximize their potential in the society.

2 THE POOR VS THE WEALTHY

Inequality in a Capitalist society is best defined in terms of the rich and the poor. Education, family ancestry, religion, societal standing, and other such measures of class are irrelevant. For an abject Capitalist, to follow Francis and Piketty, all one measures is their wealth.

Those with substantial wealth, as defined in Piketty, or as defined in any reasonable manner, putatively is the basis for separating humans into different classes. This class distinction is quite different than say the class distinction in England or India. It is a class distinction no matter. However, with wealth being the sole determinant of a class, one can arguably move from one “class” to another by either gaining wealth or losing wealth. That is not the case in England or India. One is born into a class and lives there. In a wealth based class one always has the opportunity to gain wealth. Thus the attack on wealth is an attack on a class society of any form, it is an attack in many ways on the very nature of humans, some to prosper while others just linger.

There clearly is a growing demand from many Church leaders that the Government do more for the poor, more to eliminate inequality. This move is most clearly seen in Christian Churches. No such movement appears in Muslim groups, Hindus, Buddhists, or even Jews. This seems especially the case after the appointment of the newest Bishop of Rome and especially with his *septem verba*. The question is; what is the fundamental Biblical dictum that mandates support of the poor? Is the mandate communal or individual? Is the mandate one of public collectivism or of individual consideration? Finally is the mandate one of a much more strict variety consonant with the *septem verba* demanding redistribution to create equality of wealth? Finally there is the question of; why should Government get into the fray over some interpretation of some specific religious interpretation?

Let us begin by going to the Scripture. We shall deal exclusively with the New Testament since that is what Rome generally does. From Mathew 6 we have:

Be sure you do not perform your acts of piety before men, for them to watch; if you do that, you have no title to a reward from your Father who is in heaven. Thus, when thou givest alms, do not sound a trumpet before thee, as the hypocrites do in synagogues and in streets, to win the esteem of men. Believe me, they have their reward already. But when thou givest alms, thou shalt not so much as let thy left hand know what thy right hand is doing, so secret is thy almsgiving to be; and then thy Father, who sees what is done in secret, will reward thee.

And Mathew 26 states:

And when Jesus was in Bethany, in the house of Simon the leper. There came to him a woman having an alabaster box of precious ointment, and poured it on his head as he was at table. And the disciples seeing it, had indignation, saying: To what purpose is this waste? For this might have been sold for much, and given to the poor. And Jesus knowing it, said to them: Why do you trouble this woman? For she hath wrought a good work upon me.

For the poor you have always with you: but me you have not always. For she in pouring this ointment upon my body, hath done it for my burial. Amen I say to you, wheresoever this gospel shall be preached in the whole world, that also which she hath done, shall be told for a memory of her. Then went one of the twelve, who was called Judas Iscariot, to the chief priests, And said to them: What will you give me, and I will deliver him unto you? But they appointed him thirty pieces of silver.

One should be careful with this reading. Yes the poor we always have, but the duty of personal care remains. The man with the thirty pieces of silver did himself no good.

Finally in Matthew 25:

Then shall the king say to them that shall be on his right hand: Come, ye blessed of my Father, possess you the kingdom prepared for you from the foundation of the world. For I was hungry, and you gave me to eat; I was thirsty, and you gave me to drink; I was a stranger, and you took me in:

Naked, and you covered me: sick, and you visited me: I was in prison, and you came to me. Then shall the just answer him, saying: Lord, when did we see thee hungry, and fed thee; thirsty, and gave thee drink? And when did we see thee a stranger, and took thee in? or naked, and covered thee? Or when did we see thee sick or in prison, and came to thee? And the king answering, shall say to them: Amen I say to you, as long as you did it to one of these my least brethren, you did it to me.

The admonition in Matthew was what “you” did, not what you were taxed and the Government did. If elected bodies so demand, welcome to representative government. That does not relieve the individual of their individual duty. A duty which is not to be publicly displayed but privately acted upon. If the poor are always there then the individual has a duty, a perpetual duty to help bring them out of poverty, not to institutionalize it.

Now why this long exegesis on Matthew? Because there seems to be a growing demand from the various bishops to emphasize the duty of the State, rather than the duty of the individual. As the Guardian reports on the newly appointed Cardinal in England, a current Bishop of Rome appointment:

Cardinal-designate Vincent Nichols, the Archbishop of Westminster, attacked the reforms led by Iain Duncan Smith. The work and pensions secretary is a practising Catholic. He said that the welfare system had become more "punitive", leaving people with nothing if they fail to fill in forms correctly.

His move follows attacks by prominent figures in the Church of England against the government's programme. "People do understand that we do need to tighten our belts and be much more responsible and careful in public expenditure," the archbishop said. "But I think what is happening is two things: one is that the basic safety net that was there to guarantee that people would not be left in hunger or in destitution has actually been torn apart. "It no longer exists and that is a real, real dramatic crisis.

And the second is that, in this context, the administration of social assistance, I am told, has become more and more punitive." The archbishop also told the Daily Telegraph: "So if applicants don't get it right, then they have to wait for 10 days, for two weeks, with nothing – with nothing. For a country of our affluence, that, quite frankly, is a disgrace."

Where is the Church in England (not Church of England, prepositions make a big difference) in promoting individual duties. Duties that can be taken care of where they are best understood. Duties which appear most strongly related to the person and done so in the context of anonymity.

It was Gregory I, as Bishop of Rome, in the early 7th Century, as the former Mayor of Rome and from a well-respected Roman family instituted the Public collection and distribution of alms to the poor. Prior to that, the duty was an individual duty. In fact in early Christian belief the duty was personal and was also to be kept in camera.

The fact that we are “taxed” and then the distribution is by the Government and is public is an anathema to the original intent.

Francis of Assisi took poverty to a different level. For Francis he saw the need for personal poverty. He sought alms, a method that Paul eschewed. However it was Francis’ interpretation that lasted for a brief while until the Order began to collect property. Then the claim was individual poverty within a wealthy order. Yet the Order dealt with the poor. They feed the poor, “employed” the poor, and educated the “poor” and so forth.

Thus the poor need our help. Help to be fed, educated, employed, and cared for. But from a Biblical perspective in my opinion it is clearly a personal, individual, duty, not just a Governmental one.

Now one can see another view by reading Paul and his letter in Romans. From Romans 13⁴:

Every person is to be in subjection to the governing authorities. For there is no authority except from God, and those which exist are established by God. Therefore whoever resists authority has opposed the ordinance of God; and they who have opposed will receive condemnation upon themselves.

For rulers are not a cause of fear for good behavior, but for evil. Do you want to have no fear of authority? Do what is good and you will have praise from the same; for it is a minister of God to you for good. But if you do what is evil, be afraid; for it does not bear the sword for nothing; for it is a minister of God, an avenger who brings wrath on the one who practices evil.

Therefore it is necessary to be in subjection, not only because of wrath, but also for conscience’ sake. For because of this you also pay taxes, for rulers are servants of God, devoting themselves to this very thing. Render to all what is due them: tax to whom tax is due; custom to whom custom; fear to whom fear; honor to whom honor.

⁴ <http://www.biblegateway.com/passage/?search=Romans+13&version=NASB>

Paul is telling the Christians in Rome to obey the authorities because their very authority is from God. Is that to keep them safe or is that a true belief that somehow God had selected Nero. Nero, Caligula, Commodus, and a multiplicity of Roman Emperors were as close to Evil as one can get. Thus is Paul suggesting that the Christians respect and follow this evil? Indeed one must often fear abject authority. Would there have been an American Revolution if the Founders read Paul as clearly as it is stated herein? But also, if one reads Paul accordingly, the very nature of authority is in its inequality. Thus if inequality is evil then is Paul telling us to obey evil? If one were under Hitler, a true creature of evil, are we to obey Hitler? The logic seems to have a significant disconnect.

In Romans 15 Paul states⁵:

Now accept the one who is weak in faith, but not for the purpose of passing judgment on his opinions. One person has faith that he may eat all things, but he who is weak eats vegetables only. The one who eats is not to regard with contempt the one who does not eat, and the one who does not eat is not to judge the one who eats, for God has accepted him. Who are you to judge the servant of another? To his own master he stands or falls; and he will stand, for the Lord is able to make him stand....

But you, why do you judge your brother? Or you again, why do you regard your brother with contempt? For we will all stand before the judgment seat of God. ... Therefore let us not judge one another anymore, but rather determine this—not to put an obstacle or a stumbling block in a brother's way.

Judging without knowledge or even judging at all of others has its problems. The Roman Christians were about judging those they felt did not comply with what they saw as the Law. They then were critical, yet not knowing what the reality was. The same is true regarding the Wealthy. The Wealthy often give to those who are truly in need whereas the Government oftentimes “gives” or redistributes to those who can keep them in their authority. Thus Paul sits on a weak stool here, his affirmation that all authority is from God, begs the question of God and Evil, the problem faced by Augustine.

For if God authorizes the Emperor and the Emperor does true evil, is then God the author of that evil? One would have to reject that unless we accept a Manichee like God, a duality of a good God and an evil God.

Finally in Romans 16 Paul states⁶:

Now I urge you, brethren, keep your eye on those who cause dissensions and hindrances contrary to the teaching which you learned, and turn away from them. For such men are slaves, not of our Lord Christ but of their own appetites; and by their smooth and flattering speech they

⁵ <http://www.biblegateway.com/passage/?search=Romans%2014&version=NASB>

⁶ <http://www.biblegateway.com/passage/?search=Romans%2016&version=NASB>

deceive the hearts of the unsuspecting. For the report of your obedience has reached to all; therefore I am rejoicing over you, but I want you to be wise in what is good and innocent in what is evil. The God of peace will soon crush Satan under your feet.

Paul here argues against an open discussion. Perhaps the authority of a God given leader supplants any individual opinion. Clearly in a hierarchical Romanized structure one obeyed from the top down without any questioning. One sees this in Pelagius' Commentaries on the Romans. In contrast one sees just the opposite in a later dialog between Columbanus and Gregory I. There the deference and respect of individuals exists, but Gregory is taken aback by Columbanus, an Irish monk, who has not knowledge or experience of having been under a Roman thumb. Thus does one follow the Romanized view of Paul or the individualistic view of Columbanus. Likewise does one follow Paul's recommendation of respecting all views?

3 THE INITIAL PAPAL ATTACK

As a youth I studied in the Seminary in anticipation of becoming a Franciscan. I had yet to read Ockham nor did I yet have any appreciation for Aquinas, the Dominican. However my French Christian Brother teachers would soon let me understand that of all the religious orders that one must always beware of, beware the Jesuits. As I later found out, many Jesuit educated students ended up in the CIA, and one student became President, yes Clinton. John Paul II almost went as far as disbanding the Jesuits as a result of their extreme positions.

In my opinion, the self-assured arrogance of many of these Jesuits has brought forth new forms of “theology”; the kinds of theology we saw foment various revolutions in Latin America. The Jesuits are in my opinion sophists of the first degree, capable of turning a phrase to benefit whatever argument they desire to hold forth.

Thus when we saw the first Jesuit Pope it was no surprise that this may be a bumpy ride, in fact it would make our own current president appear reactionary. Before commenting on the recent note by the current Bishop of Rome let me establish some basic facts.

Catholicism was initially, and had remained for many of the early centuries, a religion based upon the individual. The individual was judged based on what the individual did, not what the group did. Thus the whole concept of Distributed Justice, and here it is worth reading John Ryan, a Catholic Priest in the late 19th and early 20th Century whom we shall discuss shortly, or as we now seems to call it Social Justice, was a reconstruction of post Constantinian Roman Justice. Namely it was the obligations of a group, and especially a group controlled by the local bishop.

The best example would be to examine Augustine, Bishop of Hippo, who controlled his throng, and their money, through what he knew as the basic principles of Roman law. Gregory I, the Bishop of Rome in the early 7th Century, was before becoming bishop basically the “Mayor” and “Proprietor” of the Roman properties, handed over to the Church, including the very City of Rome. The Church used the denigration of individual wealth as a means of control, a tactic consistent with classic Roman precepts. Furthermore, the post-Constantinian Church used these principles to centralize the “redistribution” into the hands of the local bishops. This allowed the bishop to take the wealth of the few and “redistribute” it in whatever manner they saw fit. It in effect eliminated individual responsibility.

Christianity was primarily seen in the early Church as a collection of duties ascribed to individuals and between individuals. What a person did or did not do was the basis for their redemption. Sacraments were not group exercises, but they were a relationship of the individual with God. The Ten Commandments were individual commandments. The Beatitudes were individual dicta, not what the group should do but what the individual should do. Salvation is not attained via the group, but by singular individual actions. Thus the view that groups, read that Governments, have duties to redistribute wealth, is fundamentally against the principals first ordained.

Charity is not the taking of funds from those who have and then the redistributing of the wealth by third parties. Charity is the giving by an individual to others who are in need, and moreover, the helping of those individuals to help themselves and thus in turn to help others. True Charity is helping others succeed as we ourselves may have been fortunate enough to do so. It is an individual and personal obligation. Charity is also a bilateral obligation. The giver assists the impoverished, yet the impoverished has a duty to make good, not just make do, with the gift transferred, thus creating another link in the human chain.

The distortion of this into some third party collective was a Roman artifact, and was not part of the origins of Christianity. Peter Brown has examined and analyzed these transitions from individual to group in Christianity as Christianity was Romanized.

Let us consider one other quote by Woodrow Wilson in 1912 before moving on to the Bishop:

We have come upon a very different age from any that preceded us. We have come upon an age when we do not do business in the way in which we used to do business, when we do not carry on any of the operations of manufacture, sale, transportation, or communication as men used to carry them on. There is a sense in which in our day the individual has been submerged. In most parts of the country men work, not for themselves, not as partners in the old way in which they used to work, but generally as employees,-in a higher or lower grade, of great corporations .

There was a time when corporations played a very minor part in our business affairs, but now they play the chief part, and most men are the servants of the corporations

Yesterday, and ever since history began, men were related to one another as individuals

To-day, the everyday relationships of men are largely with great impersonal concerns, with organizations, not with other individual men. Now this is nothing short of a new social age, a new era of human relationships, a new stage-setting for the drama of life.

Now here Wilson is praising the individual and denigrating the corporation. Wilson is almost Jeffersonian in his seeking the old ways and seeing in the new some end point of a fatal state controlled by corporations. Yet it was Wilson who did the most to encumber the individual. Income Tax, the Draft, the War, the oppression of women, again he jailed my grandmother who sought a vote, and Wilson's other Progressive programs of institutionalization and rejection of fundamental individualism.

In reality this period opened up opportunity for all. The Carnegies, Rockefellers, and others, albeit controlling mass wealth for the time, themselves came from little and each in turn demonstrated that it could be done and that in doing so each gave back many fold. Every time I look across from the entrance of Sloan Kettering to Rockefeller I see that long line of giving, individual giving. These people came from nothing. They were not from aristocratic families as was the case in Europe. They demonstrated the ability of the individual to prosper. They were examples for entrepreneurs for decades to come.

The last half of the twentieth century was also a time of individual success and in turn individual giving. The Cornell Weill hospital is the benefactor of not just the named man but of many others, the NYU Langone is also the same donation of an individual. The research conducted in the centers with names on them, and those who were anonymous, are a true sign of that individualism of the entrepreneur. Wilson used the corporations as a means to seek political support and failed to understand the full temporal and social benefits. The U.S., unlike Britain where an aristocracy and Class Society exists, has no class. Anyone may have the chance at the gold ring, and those who get it all too often return it in kind, several fold.

Now let us examine but one paragraph in this recent letter from the current Bishop of Rome. In EVANGELII GAUDIUM the Bishop of Rome states:

54. In this context, some people continue to defend trickle-down theories which assume that economic growth, encouraged by a free market, will inevitably succeed in bringing about greater justice and inclusiveness in the world.

This opinion, which has never been confirmed by the facts, expresses a crude and naïve trust in the goodness of those wielding economic power and in the sacralized workings of the prevailing economic system.

Meanwhile, the excluded are still waiting. To sustain a lifestyle which excludes others, or to sustain enthusiasm for that selfish ideal, a globalization of indifference has developed. Almost without being aware of it, we end up being incapable of feeling compassion at the outcry of the poor, weeping for other people's pain, and feeling a need to help them, as though all this were someone else's responsibility and not our own.

The culture of prosperity deadens us; we are thrilled if the market offers us something new to purchase. In the meantime all those lives stunted for lack of opportunity seem a mere spectacle; they fail to move us.

First, as many have already recognized the pejorative of "trickle down" is just that, a wonderful proof of the sophist at work. Only those opposed to free markets and capitalism would use the term. Thus, unlike the many Sophists battled by Socrates, such as in Gorgias and Protagoras, this Sophist comes, from the beginning of his argument, to establish his bona fides.

As Mankiw writes on this as well:

First, throughout history, free-market capitalism has been a great driver of economic growth, and as my colleague Ben Friedman has written, economic growth has been a great driver of a more moral society.

Second, "trickle-down" is not a theory but a pejorative used by those on the left to describe a viewpoint they oppose. It is equivalent to those on the right referring to the "soak-the-rich" theories of the left. It is sad to see the pope using a pejorative, rather than encouraging an open-minded discussion of opposing perspectives.

Mankiw is quite observant of the facts. Mankiw understand market capitalism, has examined it in detail, and he has personally participated in the process. Indeed Mankiw is correct in saying that the use of the term is a pejorative, meant as such or not, it reflects a mindset.

But let us examine this paragraph from the current bishop.

1. His criticism of “trickle down” is not based upon any fact or metric but upon some concept, not defined, of justice. This is the classic redistributionist's Distributive Justice model having evolved from the 19th century.
2. There is no assumption about the goodness of those wielding power. There is in Christian dogma the burden placed upon the individual, not the Government, to recognize and need and help remedy it. That means teaching someone how to earn a living, not just feeding them, by being an example for those who need guidance, not just once but for a life time, by seeing a need for money, if that is the case, and helping provide it and the other non-monetary needs as may be required. If one has and denies and denigrates those who are less advantaged, or worse oppresses them, then that is an individual sin. There is no real community sin; it is only an agglomeration of individual errors. Here the Bishop errs.
3. We do not see the cries of the sick, dying and oppressed? The Beatitudes were individual directives, they said we are to visit the sick, help them. If a person is ill, without support, then it is our individual responsibility to “nurse” them, to go out of our way to visit them and bring them from the brink. It is not, from a Christian perspective, for us to be taxed and then the Government hands out money in our stead. Again the Bishop errs.
4. Finally what drives humankind in many cases is the movement forward of civilization, of humanity. Those who work in cancer therapy may have some ego involvement, may be compensated, but in many of not almost all cases they are individual commitments to make mankind better. When one walks down York Avenue in New York one sees what many wealth have contributed to help others, not only short term help caring for the sick, but in establishing long term efforts to relieve the disease that plague mankind. In fact the statement the Bishop makes, “we are thrilled if the market offers us something new to purchase. In the meantime all those lives stunted for lack of opportunity seem a mere spectacle”, reflects a total lack of knowledge what a few wealth individuals have done for millions. Even more so, there are thousands more who have financially given, individually and of their total free will, to that which those with a great deal more have set a foundation for. The Bishop not only errs, but he seems to either be deliberately ignorant of this process or totally denies individual duties as the sole path of rectification.

Individualism is not a concept of individual isolationism. It is a principle of individual responsibility and duty, of the belief that all individuals are equal, have equal opportunities, and that given that opportunity that they can achieve whatever they can perform of their individual efforts. There is no requirement for redistribution; there is in fact a denial of any Distributive Justice, if each individual has unfettered opportunity and balance.

One must attempt to deconstruct what the Bishop is saying, since he now is saying it for the world, not for those in Argentina.

Perhaps we need to have a Columbanus, an Irish monk who argued continuously with Gregory I over issue after issue. The Irish never had the hand of Rome controlling them and thus did not have the fear of Rome. They feared God but not man. Perhaps another such dialog is timely.

4 DISTRIBUTIVE JUSTICE

In 1918 John Ryan a Catholic priest at Catholic University in DC wrote a book entitled *Distributive Justice*. I believe it is worth going back to some of the remarks of Ryan and use his positions to try to understand some of the issues one sees today in the context of a century ago.

Distributive Justice, Social Justice, and all the other euphemisms are merely words for income transfer or wealth transfer. Let us begin with some of his definitions:

Distributive justice is primarily a problem of incomes rather than of possessions. It is not immediately concerned with John Brown's railway stock, John White's house, or John Smith's automobile. It deals with the morality of such possessions only indirectly and under one aspect; that is, in so far as they have been acquired through income. Moreover, it deals only with those incomes that are derived from participation in the process of production. For example; it considers the laborer's wages, but not the subsidies that he may receive through charity or friendship. Its province is not the distribution of all the goods of the country among all the people of the country, but only the distribution of the products of industry among the classes that have taken part in the making of these products.

Note that Ryan specifically excludes possessions. Note also he deals only with that segment which deals with “production” and somehow excludes all others. He never seems to clarify that exclusion. Thus a century ago the intent was to redistribute incomes only and not to take from people their very possessions. A century has moved this well to the extreme with a takings being proposed, albeit prohibited by the Constitution (under the takings clause⁷).

These classes are four, designated as landowners, capitalists, undertakers or business men, and laborers or wage earners. The individual member of each class is an agent of production, while the instrument or energy that he owns and contributes is a factor of production. Thus, the landowner is an agent of production because he contributes to the productive process the factor known as land, and the capitalist is an agent of production because he contributes the factor known as capital; while the business man and the laborer are agents not only in the sense that they contribute factors to the process, but in the very special sense that their contributions involve the continuous expenditure of human energy. ...

Note the above classes. I frankly do not know what he means by an “undertaker” and I suspect it is not one who runs a Funeral Home but alas there is no basis to judge.

Moreover, there is the more fundamental ethical question concerning the titles of distribution: whether mere ownership of a factor of production gives a just claim upon the product, as in the case of the landowner and the capitalist; whether such a claim, assuming it to be valid, is as good as that of the laborer and the business man, who expend human energy in the productive process.

⁷ The last part of the Fifth Amendment clearly states: “or shall private property be taken for public use, without just compensation.” Clearly then any proposed Wealth Tax is a takings as understood in the broadest sense of the Constitution. Perhaps not in France but clearly in the United States!

Ryan considers the nexus to production. Namely does the landholder who may be passive also be part of production.

Productive activity should be rewarded at different rates; in what proportion. Why should the capitalist receive six percent, rather than two percent, or sixteen percent? Why should the locomotive engineer receive more than the trackman? Why should not all persons be compensated equally? Should all or any of the benefits of industrial improvements go to the consumer? Such are typical questions in the study of distributive justice. They are sufficient to give some idea of the magnitude and difficulty of the problem.

The rates are what the capitalist market ascribes to its value. Like many of not all Progressives, they eschew such a concept. The rates are what people are willing to get in return for their capital. For example if someone needs \$1 million and they offer 2% pa and get no takers then they raise the interest to say 5% pa. There may be more takers here. It is this dynamic of an Adam Smith economy at work. It is not the Government setting the rate of return allowed. To Ryan then and as well as to the Progressives today, Distributive Justice is allocation by some mechanism other than the Free Market of profits, and land and wealth in general. He accepts that individual ownership is not acceptable as it stood at that time and one would suspect now as well.

He continues:

...that individuals are morally justified in becoming and remaining landowners. May we take a further step, and assert that private landownership is a natural right of the individual? If it is, the abolition of it by the State even with compensation to the owners, would be an act of injustice. The doctrine of natural rights is so prominent in the arguments of both the advocates and the opponents of private landownership that it deserves specific treatment. Moreover, the claim that private landownership is a natural right rests upon precisely the same basis as the similar claim with regard to the individual ownership of capital; and the conclusions pertinent to the former will be especially applicable to the latter.

The concept of a natural right, a natural law, and the like was still a key element of then mind at that time. If one has obtained land in a legal manner and owns it then the taking of that land is against natural law. Ryan goes on to discuss natural rights.

A Natural right is a right derived from the nature of the individual, and existing for his welfare. Hence it differs from a civil right, which is derived from society or the State and is intended for a social or civil purpose. Such, for example, is the right to vote or the right to hold a public office. Since a natural right neither proceeds from Z is primarily designed for a civil end, it cannot be annulled and it may not be ignored, by the State, for example, the right to life and the right to liberty are so sacred to the individual, so necessary to his welfare, that the State cannot rightfully kill an innocent man, nor punish him by a term in prison.

Thus he does attribute a right to land and property. But he does so through a principle of a Civil rather than a natural right. This is a twisting of Thomistic Theory.

Now he moves to a Fair Wage. He states:

Although the principle of needs is somewhat prominent among the theories of wage justice, it received only incidental mention in the last chapter. Considered as a comprehensive rule, this principle has been defended with less energy and definiteness than most of the other canons. Considered as a partial rule, it is sound and fundamental, and therefore could not have been classed among theories that are unacceptable.

Ryan then develops his various Principles for the establishment of a Fair Wage. He starts with needs. This in many ways was also the Communist principle.

The Principle of Needs

Many of the early French Socialists of the Utopian school advanced this formula of distribution:

"From each according to his powers; to each according to his needs."

...The difficulties confronting it are so great and so obvious that they would defer the introduction of it to a time when the operation of their system will, they hope, have eradicated the historical human qualities of laziness and selfishness. To adopt needs as the sole rule of distribution would mean, of course, that each person should be rewarded in proportion to his wants and desires, regardless of his efforts or of the amount that he had produced. The mere statement of the proposal is sufficient to refute it as regards the men and women of whom we have any knowledge. In addition to this objection, there is the insuperable difficulty of measuring fairly or accurately the relative needs of any group composed of men, women, and children. ... Indeed, the standard of needs should be regarded as a canon of Communism rather than of Socialism; for it implies a large measure of common life as well as of common ownership, and paternalistic supervision of consumption as well as collectivist management of production.

He rightly points to the nexus of Communism. Indeed in 1918 when he wrote this the just about the time of the Revolution in Russia. Communism was well known and had mixed followers. He then discards this basis and moves to another.

The Right to a Decent Livelihood

Every man who is willing to work has, therefore, an inborn right to sustenance from the earth on reasonable terms or conditions. This cannot mean that all persons have a right to equal amounts of sustenance or income; for we have seen on a preceding page that men's needs, the primary title to property, are not equal, and that other canons and factors of distribution have to be allowed some weight in determining the division of goods and opportunities. Nevertheless, there is a certain minimum of goods to which every worker is entitled by reason of his inherent right of access to the earth.

He has a right to at least a decent livelihood. That is; he has a right to so much of the requisites of sustenance as will enable him to live in a manner worthy of a human being. The elements of a

decent livelihood may be summarily described as: food, clothing, and housing sufficient in quantity and quality to maintain the worker in normal health, in elementary comfort, and in an environment suitable to the protection of morality and religion; sufficient provision for the future to bring elementary contentment, and security against sickness, accident, and invalidity; and sufficient opportunities of recreation, social intercourse, education, and church-membership to conserve health and strength, and to render possible in some degree the exercise of the higher faculties.

These rights are thus not only to a salary but to all other things as he describes them. The list above is significant because it was presented in 1918 and not last week!

He then goes on to describe what he calls the Principal Canons of Distributive Justice:

Before taking up the question of the morality of profits, it will be helpful, if not necessary, to consider the chief rules of justice that have been or might be adopted in distributing the product of industry among those who participate actively in the productive process. ...The canons of distribution applicable to our present study are mainly six in number: arithmetical equality; proportional needs; efforts and sacrifices; comparative productivity; relative scarcity; and human welfare.

The following are quite insightful. He gives and explains six Canons, namely how to distribute profits. It is worthwhile to note that no Canon exists to describe a market methodology.

(1) The Canon of Equality: According to the rule of arithmetical equality, all persons who contribute to the product should receive the same amount of remuneration. ... It is unjust because it would treat unequals equally...

Anyone who has ever worked in a group understands that some people do more than others. Some pick more fruit, some work more hours, some invent better products, and some invest more money. Equality is a nice idea but never works. It is a disincentive to drive productivity to zero.

(2) The Canon of Needs: The second conceivable rule is that of proportional needs. It would require each person to be rewarded in accordance with his capacity to use goods reasonably. If the task of distribution were entirely independent of the process of production, this rule would be ideal; for it would treat men as equal in those respects ...Like the rule of arithmetical equality, the rule of proportional needs is not only incomplete ethically but impossible socially. ...Moreover, any attempt to distribute rewards on this basis alone would be injurious to social welfare. It would lead to a great diminution in the productivity of the more honest, the more energetic, and the more efficient among the agents of production.

Need is also nice but again just because I need more than another, first what are the needs, it too is a disincentive.

(3) The Canon of Efforts and Sacrifice: The third canon of distribution that of efforts and sacrifices, would be ideally just if we could ignore the questions of needs and productivity. But

we cannot think it just to reward equally two men who have expended the same quantity of painful exertion, but who differ in their needs and in their capacities of self-development. To do so would be to treat them unequally in the matter of welfare, ...

Sacrifice may be spending more time. However you may be less productive. Thus you waste time albeit it results in some sacrifice.

(4) The Canon of Productivity: According to this rule, men should be rewarded in proportion to their contributions to the product. It is open to the obvious objection that it ignores the moral claims of needs and efforts. ... When men of equal productive power are performing the same kind of labour, superior amounts of product do represent superior amounts of effort; when the tasks differ in irksomeness or disagreeableness, the larger product may be brought into being with a smaller expenditure of painful exertion. If men are unequal in productive power their products are obviously not in proportion to their efforts. ...

This makes sense in a market driven manner. Ryan just does not understand business and most likely it is a remnant of a 19th Century means of production.

(5) The Canon of Scarcity: It frequently happens that men attribute their larger rewards to larger productivity, when the true determining element is scarcity. The immediate reason why the engine driver receives more than the track repairer, the general manager more than the section foreman, the floorwalker more than the salesgirl, lies in the fact that the former kinds of labour are not so plentiful as the latter. ... As between two men performing different tasks, superior skill receives superior compensation simply because it can command the greater compensation; and it is able to do this because it is scarce. ...

Ryan here closes in on a market driven system. Namely one gets paid by the “value” one brings due to a demand which may exceed a supply. The element of scarcity is thus at the heart of this effort.

(6) The Canon of Human Welfare: We say "human" welfare rather than "social" welfare, in order to make clear the fact that this canon considers the well-being of men not only as a social group, but also as individuals. It includes and summarizes all that is ethically and socially feasible in the five canons already reviewed. It takes account of equality, inasmuch as it regards all men as persons, as subjects of rights; and of needs, inasmuch as it awards to all the necessary participants in the industrial system at least that amount of remuneration which will meet the elementary demands of decent living and self-development. ... Owing to the exceptional hazards and sacrifices of their occupation, a combination of producers might be justified in exacting larger compensation than would be accorded them ...

Ryan leaves the reader somewhat with the old adage, “on the one hand, on the other hand”. He does however demand a living wage, yet it is left undefined, only that it must cover all the factors he outlined.

Finally with regard to Profits Ryan states:

The Question of Indefinitely Large Profits

As a general rule, business men who face conditions of active competition have a right to all the profits that they can get, so long as they use fair business methods. This means not merely fair and honest conduct toward competitors, and buyers and sellers, but also just and humane treatment of labour in all the conditions of employment, especially in the matter of wages. When these conditions are fulfilled, the freedom to take indefinitely large profits is justified by the canon of human welfare.

The great majority of business men in competitive industries do not receive incomes in excess of their reasonable needs. Their profits do not notably exceed the salaries that they could command as hired managers, and generally are not more than sufficient to reimburse them for the cost of education and business training, and to enable them to live in reasonable conformity with the standard of living to which they have become accustomed.

Efforts and sacrifices are reflected to some extent in the different amounts of profits received by different business men. When all due allowance is made for chance, productivity, and scarcity, a considerable proportion of profits is attributable to harder labour, greater risk and worry, and larger sacrifices. Like the principle of needs, that of efforts and sacrifices is a partial justification of the business man's remuneration.

Those profits which cannot be justified by either of the titles just mentioned, are ethically warranted by the principles of productivity and scarcity. This is particularly true of those exceptionally large profits which can be traced specifically to that unusual ability which is exemplified in the invention and adoption of new methods and processes in progressive industries. The receivers of these large rewards have produced them in competition with less efficient business men.

The question as to the above is who makes all these decisions? Government? Well a century later we see what has transpired.

But let us read Timothy 5(16):

If any of the faithful have widows, let him minister to them, and let not the church be charged: that there may be sufficient for them that are widows indeed.

This is Paul stating the Individual responsibility, not the Church or the State. One wonders how this conflict is resolved.

5 THE QUESTIONS

Before commencing on this question of wealth and morality or social justice, let us first pose some questions. For all too often the question begs the answer and the right question may actually shine light on reality rather than opinion.

Let us begin with a few facts:

1. Different countries have different social and economic systems. It would appear that this should be obvious but all too often it is assumed that say the U.S. and France are somehow the same. For example the U.S., and the U.K., despite a common language and heritage, have markedly different systems. The U.K. is a class based society, it is embedded in its unwritten Constitution. The U.K. has three classes; the Crown, the Aristocracy, and the commoners. In the U.S. one generation may succeed and the next fail, there is no memory.
2. Wealth can be measured in a variety of ways. There is no simple measure. Namely wealth may be real temporal income in some period, or it may be total assets, it may be
3. Not all wealth is the same. As Piketty has even presented, measuring wealth may be a complex process⁸.
4. Most people who have accumulated wealth have done so on their own merits. Some have not done so.
5. There are many people who have little if any wealth. It is not the fault of those who do have wealth that there are those who do not have wealth. There is no zero-sum game. Clearly the fact that we have gross economic growth decries the zero sum hypotheses, for if that were the case then there would perforce be no growth. We detail that below.
6. Wealth accumulation is not a zero sum game. If Person A accumulates wealth that in no way means that others have been diminished to the same degree. In fact if an entrepreneur creates wealth then those whom the entrepreneur uses in the process may very well increase their wealth as well.
7. Extreme Taxing of wealth oftentimes creates market distortions which reduce the wealth potential of those who had benefitted before the taxation and attempted redistribution. Entrepreneurs are highly creative and in today's markets very fluid. If for example the U.S increases a tax to say 95% then most likely they will relocate to those markets with lower taxes. One needs to look no further than the flight from France to England as an example. Humans are very adaptive. They will always find ways to maximize their returns.

Most non-wealthy people are ignorant of the truly wealthy and are informed all too frequently by those wishing to create resentment for their own purposes. Thus politicians, union leaders,

⁸ See Piketty pp 47-50. He uses National Wealth and interchanges Wealth and Capital.

community organizers, academics spout forth what they consider facts about wealth and that it is somehow distributed unequally, as if equality is even a factor in wealth creation.

The very essence of wealth creation is inequality. Namely if one looks at an entrepreneur, then the entrepreneur creates wealth by being better, faster, cheaper, or whatever is necessary. The entrepreneur is different, unique, stands apart. The entrepreneur has no duty to share their wealth. They use it to create more wealth if they are so fortunate.

Wealth is not a static accumulation. Perforce of the return on wealth conjecture and assertion by Piketty, in order to grow wealth it must be put to use. When put to use then it is used by others to create more wealth, thus in turn making those participating increase their own wealth.

The reduction in “wealth” of the “middle class” is driven by factors aside from those of wealth distribution. Increases in productivity have driven the need for manufacturing labor from the labor force. Likewise the ability to outsource to lower pay countries also drives this. There is absolutely nothing new here. Thus anyone who relies upon a minimal skill set to create their own share of wealth is disadvantaged by the change in the way we see production occurring. It can be argued that those who accumulate wealth do so by understanding this process and benefitting by it. Those who do not benefit do so by failing to understand this process and thus not obtaining any benefit.

6 A VIEW OF PIKETTY

We have examined some of Piketty's work some five or more years ago in the context of understanding the current Administration. It was somewhat prescient in its analysis of how things would turn out. But Piketty's recent work has garnered praise and criticism. It is one of those works that if you take umbrage with it then the Left shall attack mercilessly. That perhaps may be saying something in itself.

His book, *Capital*, is long, but not very complicated. His fundamental argument falls into three simple statements⁹:

1. The economic growth rates is no lower in most economies. Yet at the same time the return on wealth is greater than the growth rate. Thus the rich will get richer and the poor will get nowhere. That he contends if bad.
2. Income Inequality is a fundamental core evil in our current society. The fact that some people have managed to amass a large base of wealth from which they get returns in excess of the growth rate of the society as a whole is fundamentally evil
3. This evil must be promptly addressed by Government redistribution of a form not yet experienced, namely a Wealth Tax. This is a tax on your total wealth. Thus if they tax your wealth at say 5% per annum then it theoretically disappears in twenty years. Then all people are equal.

He also uses Balzac and his novel *Pere Goriot* as the example of the evils of wealth. In fact he uses it again and again and again. Balzac was in a sense the Dickens of France. He wrote realistic novels of human despair. His writing began just after the collapse of Napoleon and lasted until his early death in about 1850. Balzac was an influence on many including Marx.

Piketty examines the relationship between wealth and income. His concern fundamentally is that less people have more wealth than at previous times and that somehow this concentration of wealth is the basis of some future collapse of civilization.

Overall and despite its length, there is not a great deal in the book. One can argue with the data but if one takes his assumptions as they are one is led to the same conclusion.

Fundamentally one must question the whole meaning of wealth. Does the fact that in 1800 a person in France would not have either a running toilet or a long lifetime the same as in 2014 where they have perforce of the social redistribution system all the comforts affordable to any

⁹ See Robb. Piketty uses Balzac again and again to try to make his point. Balzac was the son of a woman who took him on her cuckolding trysts and whose on life was somewhat of a mixture of exclusion and conflict. One must ask why Piketty seems to dwell upon a Balzacian world. It is in many ways a Dickensian approach to understanding humanity. It looks often on the underbelly, especially I that time just after Napoleon. One could just as easily use Camus or Sartre, as contrasts, or even Dumas and his fictionalized view of the French. Yet the fact is that page after page Piketty returns not only to Balzac but to *Pere Goriot*. I have gone back and reread *Pere Goriot* in both English and the original French. It is clearly a characterization in time by an author so molded by his own personal conflicts that when one tries to use it as a metaphor of all time that the exercise stretches reality to the breaking point.

other citizen. Thus what is the difference between the wealth and the poor. That factor seems to be an element not at all addressed.

For example one needs look no further than some of the insights of Wiener. Norbert Wiener was the person who inspired my first writings and indeed my first book. Not that I am in any way a mathematician, for I am an engineer at heart, nor am I even a table top philosopher, but Wiener being both a great mathematician and a well versed student of philosophy had many insights half a century ago which are worth sharing.

In a paper he wrote in the mid-1950s (as quoted by Masani in his book on Wiener) Wiener is quoted as saying:

"Suppose, now, that a sum of money at the time of Christ had been left at 2% compound interest; for example the thirty pieces of silver off Judas. By what factor would it have multiplied up to the present time? We are approaching the year 2000 and in order to express our result in round numbers let us suppose that we are at the year 2000. Then one dollar at the time of Christ would amount, at 2%, to a quantity with over ninety-seven zeroes. At any conceivable scale of evaluation one cent at the time of Christ put in a bank at 2% compound interest would amount to something like 10 to the 84 times all the value of the goods in the world at the present time. This is ridiculous, but it still has meaning."

He continues:

"The sums earned by money put out to interest have been wiped out time and time again by wars, famines, plagues, and other catastrophes. These catastrophes have been great enough to wipe out every single commercial undertaking of antiquity of thousands of years, and if they had not taken place. The rate of interest for long term investment could scarcely be two tenths of a percent."

Masani then states Wiener's conclusion:

"It follows that modern capitalism is able to offer attractive returns on private investments in long term undertakings only by its condescension of bankruptcies during down phases of its periodical trade cycles. For the well off the resulting losses are often on paper, but they are painfully real to poorer people thrown out of work. Thus the system is not socially homeostatic."

Wiener had a practical insight that many in today's complex world of macroeconomics should consider. For Wiener was a true mathematician, one of the best of the 20th century, and unlike these economists who attempt at mathematics to hide a swath of frailties Wiener made primal contributions, the Generalized Harmonic Analysis and Brownian motion being two which have affected the current world.

Thus Piketty examines from the French Revolution onwards. Wiener's insight is to see what can be done with longer "time series".

Let us now examine some of Piketty's arguments from the book.

p. 7 “Oliver Twist ...did not spring from the imagination of their authors...”

He begins with a statement that in many ways reflects his world view and biases therefrom. Oliver Twist and all of Dickens is more a reflection of the English Class system as it is of any English economic change. Class was and remains a singular element of English culture, whether it is accent, status in society, or position in the country’s elite. One does not earn entry to the Aristocracy in England. To some degree England deals with its citizens like a large Boy Scout Troop, awarding one medal after another until someone appears to earn acceptance.

p. 11 “A similar optimism can also be seen in Robert Solow’s 1956 analysis of the conditions necessary for an economy to achieve a “balanced growth path””

There have been considerable analyses on economic growth. Solow is one and his view is well articulated in a 1970 piece. In addition there is a re-analysis of it in an NBER report by Mankiw et al. Much of this analysis is theoretical and the comparison between Piketty and the theorists is significant. The only conclusion regarding growth is that it remains a work in progress that is there is no model that demands total respect. Thus the conjectures of Piketty are as much in question as any others.

p 39 “the question of what share of outputs should go to wages and what share to profits...”

Here Piketty asks the question in the context of a South African mine strike and killings by the police. He frames this question in multiple events of this type so as to evoke sympathy. In fact the events are separate events. Kent State was an assassination by National Guard troops under the direction of a Governor and had nothing to do with profits. Thus he would be better served by raising the question without assigning it to other acts. But the question stands and it deserves and answer. The answer is simple; labor should be able to negotiate with management for salaries. They can do so in a group, namely a union, or individually, by leaving the job. The assignment of profits follows any normal human endeavor; one tries to maximize their return with the tools at hand.

p 45 “What is Capital?”

He begins the discussion. He then poses the following identity:

$$NI(k) = CI(k) + LI(k)$$

Where:

NI=National Income

CI=Capital income, or the income derived from any form of return on capital; interest, dividends, capital gains, rents. I would suspect that he would include pensions and Social Security as well as Medicare since they are all returns on “investments” made at a prior time. Perhaps we should

also include Unemployment Insurance since it is a return on an investment on an overall society based manner.

LI=Labor Income, or what people make in the indicated period solely from labor, not including one-time gains. Now should we include here Government subsidies such as Medicaid? What of any other of the multiplicity of Government subsidies? For example free tuition for poor students? Piketty seems to ignore these ever growing sources of income, albeit not earned by dispensed as if they were.

Perhaps we could modify the equation to include:

UI=Unearned Income, namely all of the direct and indirect Government subsidies. Thus we should have:

$$NI(k) = CI(k) + LI(k) + UI(k)$$

If Piketty had done it this way then one would ask how this could change things. I suspect dramatically and chillingly.

p 52 “I now present the first fundamental law of capitalism... $\alpha = r\beta$ “

First, the “exposition” of this law as some first fundamental law is rather presumptuous. As if he was Newton demonstrating gravity. A bit too much! But now to its exposition, since in reality it is a tautology.

From the above we have:

$$\alpha = \frac{CI(k)}{NI(k)}$$

But

$$NI(k) = CI(k) + LI(k)$$

$$\beta = \frac{C(k)}{NI(k)}$$

where

$$C(k) = \text{Capital}(k)$$

then

$$\alpha = \frac{CI(k)}{NI(k)} = r \frac{C(k)}{NI(k)} = \frac{rC(k)}{NI(k)} = r\beta$$

There is no “law” here just an identity. Namely if one normalizes everything by NI and if one further assumes we know capital, C, and all capital produce an income at the same rate r we have the identity. One may ask; so what? We shall examine this a bit further.

p. 85 “One should be wary, however, of the conventional wisdom that modern economic growth is a marvelous instrument for revealing individual talents and aptitudes.”

Here Piketty truly reveals himself. Clearly Feudal society was hardly a motivator for individuals, nor was France during the Revolution. Modern economic growth does reward those whose ideas and inventions and ingenuity succeeds and also punishes many who fail. That is not a Darwinian statement as much as it is a reflection of a learning process. The society does allow for many to “opt out” but then at a cost.

He continues:

“One sometimes hears the same thought expressed today in the idea that the new information economy will allow the most talented individuals to increase their productivity many times over. The fact is that this argument is often used to justify extreme inequalities and to defend the privileges of the winners without consideration for the losers.”

In reality this is true and in reality when one loses one should learn why and try not to repeat this again. When as a student one takes an exam one often learns by making a mistake, for the mistake clarifies where a misunderstanding is. As a simple example, the MOOCs, the online courses, have demonstrated that allowing say three times to take a test increases absorption of the material significantly. Thus there is nothing wrong with rewarding success and punishing failure, if one learns from that failure.

Yet this section by Piketty demonstrates almost an abhorrence of the entrepreneur. This attitude flows throughout his book to a quite distasteful extent. Perhaps it is the French Ivory Tower view.

p. 95 “An annual growth rate of 1 percent implies major social change”

This section focuses on Piketty’s view of social change. Recall his attitude towards entrepreneurs. He wants a totally egalitarian society where all share in the same pie equally.

p 106, p 113, etc “Balzac...Pere Goriot...”

These references are almost endless and appear as a pandemic in the text.

p 166 “The second fundamental law of capitalism $\beta = \frac{s}{g}$ ”

Now as with the first law we will try and explain this definition as well.

$$NI(k) = CI(k) + LI(k)$$

$$NI(k+1) - NI(k) = gNI(k)$$

$$s(k) = \frac{CI(k+1) - CI(k)}{NI(k)}$$

$$g = \frac{NI(k+1) - NI(k)}{NI(k)}$$

but

$$\beta = \frac{C(k)}{NI(k)}$$

thus

$$\frac{s}{g} = \frac{CI(k+1) - CI(k)}{NI(k+1) - NI(k)} = \frac{(1+g)CI(k) - CI(k)}{(1+g)NI(k) - NI(k)} = \frac{gCI(k)}{gNI(k)} = \frac{C(k)}{NI(k)} = \beta$$

Which is just another definition not a law. He just shows the identity that if one looks at the ratio of income from capital to total income that it equals the ration of savings rate to growth rate. Namely the larger the capital to net income ratio the more people save. By definition!

p 291 "...supermanagers first emerged..."

Here he focuses on one of major changes we see in industry. Namely the explosion in compensation in Corporate and Finance sectors. One would have to question just how big this is. For all his data analyses he fails to deal with this readily available number. If one assumes 300 million individuals in the US and the top 1% if 3 million then how many of those fall as supermanagers in even the Fortune 1,000? It cannot be much more than 1,000 by definition and even if it is 3,000 they make up 0.1% of the total 1%. Then one adds in the Finance teams at Goldman et al and one may get a few more thousands, not millions. It would have been quite helpful if he had done his homework here. All his detailed analysis back to Rome and when the facts lie on the Table they are ignored.

p 297 "Did the increase in inequality cause the Financial Crisis?"

He then goes on to justify this. One could equally well ask did it also cause global warming? It seems quite clear from many of the analyses of the data that it was a perfect storm of actions and inactions with all too many being due to Government intervention in the wrong spots. In addition Government allowed failure to be rewarded. Given Piketty's abhorrence of punishing failure here is a case where it was actually rewarded creating a case for future and larger failures.

p. 515 "A Global Tax on Capital: A Useful Utopia"

Here Piketty makes his recommendation of a global tax on all capital. Now we have not fully defined capital nor has he in any way detailed what the problem is with inequality yet he moves to the proposal to tax away wealth. This is the most callous of approaches and in many ways exceeds Marx at his worst.

p. 571 “The entrepreneur inevitably tends to become a rentier, more and more dominant over those who own nothing but their labor.”

This is quintessential Piketty. He is not speaking of the supermanagers but those who are at the heart of any economy, those who create, not shuffle, and those who make for overall progress, the entrepreneur. Here he exposes his true feelings against the entrepreneur. For no matter what, he sees the entrepreneur as the source of this inequality, of this societal evil. It is akin to the statement that you did not do this yourself. This demonstrates his gross lack of understanding of the key engine of any free economy, the ability of individual to rise above the norm and succeed.

7 OTHERS ON PIKETTY

We will now examine several of those who have commented on Piketty, mostly from the left. Now as to the premise that inequality is due to growth being less than return on investments, we can examine that a bit in detail. As Wiener was the first to point out, the increase in automation results in the reduction in the need for labor. It also results in the disaggregation of labor classes, some having increasing value and many having significantly decreasing value. High School education and the reliance on union manufacturing jobs has begun to disappear. There is no surprise there. Thus the Piketty observation is another case which begs the question; why?

There has been a rush to laud Piketty and his observations by both left and right. As usual the Left displays its classic denigration of the other viewpoint sans raison. Let us examine some of these savants.

Solow writes:

Piketty writes as if a tax on wealth might sometime soon have political viability in Europe, where there is already some experience with capital levies. I have no opinion about that. On this side of the Atlantic, there would seem to be no serious prospect of such an outcome. We are politically unable to preserve even an estate tax with real bite. If we could, that would be a reasonable place to start, not to mention a more steeply progressive income tax that did not favor income from capital as the current system does.

But the built-in tendency for the top to outpace everyone else will not yield to minor patches. Wouldn't it be interesting if the United States were to become the land of the free, the home of the brave, and the last refuge of increasing inequality at the top (and perhaps also at the bottom)? Would that work for you?

Frankly, no. The very chance that each person has in the US, still fundamentally a classless society, to get rich is a significant factor in the success of this country. Yes, many partake of this opportunity via political contacts, the many which are in the "Broker" class, the value transfer types. But the value creation types may still find a home here.

Let us proceed to the commentators.

7.1 WOLF

We start with Wolf and his review in the Financial Times. He states:

Capital in the Twenty-First Century contains four remarkable achievements.

First, in its scale and sweep it brings us back to the founders of political economy. Piketty' himself sees economics "as a subdiscipline of the social sciences, alongside history, sociology, anthropology, and political science".

The result is a work of vast historical scope, grounded in exhaustive fact-based research, and suffused with literary references. It is both normative and political. Piketty rejects theorising ungrounded in data. He also insists that social scientists "must make choices and take stands in regard to specific institutions and policies, whether it be the social state, the tax system, or the public debt".

But as a balance with Wiener, just how far back must we go to gain perspective. Economies are changing as we make the progression. What was poverty at one time is no longer the case. Also must we look across various countries in the process of evolving economically.

Second, the book is built on a 15-year programme of empirical research conducted in conjunction with other scholars. Its result is a transformation of what we know about the evolution of income and wealth (which he calls capital) over the past three centuries in leading high-income countries. That makes it an enthralling economic, social and political history. Among the lessons is that there is no general tendency towards greater economic equality.

Another (Third) is that the relatively high degree of equality seen after the second world war was partly a result of deliberate policy, especially progressive taxation, but even more a result of the destruction of inherited wealth, particularly within Europe, between 1914 and 1945. A further lesson is that we are slowly recreating the "patrimonial capitalism" - the world dominated by inherited wealth - of the late 19th century.

The equality after WW II was due to the total destruction of Europe and Asia and the need in the US to rebalance the debt somewhat on the backs of the vanquished. If one were to examine the US in the 50s one sees high taxes but great growth. Growth due to the fact that the US was not destroyed and others were. Thus taxes were in effect a means to balance the guaranteed growth.

Fourth, Piketty makes bold and obviously "unrealistic" policy recommendations. In particular, he calls for a return to far higher marginal tax rates on top incomes and a progressive global wealth tax. The case for the latter is that the reported incomes of the richest are far smaller than their true economic incomes (the amount they can consume without reducing their wealth). The rich may even take themselves outside any fiscal jurisdiction, so enjoying the fiscal position of aristocrats of pre-revolutionary France.

This fact blunts one of the criticisms of the book's reliance on pre-tax data: over time, the ability of individual countries to redistribute resources towards the middle and bottom of national income distributions might dwindle away to nothing.

Yet the book also has clear weaknesses. The most important is that it does not deal with why soaring inequality - while more than adequately demonstrated - matters. Essentially, Piketty simply assumes that it does.

One argument for inequality is that it is a spur to (or product of) innovation. The contrary evidence is clear: contemporary inequality and, above all, inherited wealth are unnecessary for this purpose. Another argument is that the product of just processes must be just. Yet even if the

processes driving inequality were themselves just (which is doubtful), this is not the only principle of distributive justice.

Another - to me more plausible - argument against Piketty's is that inequality is less important in an economy that is now 20 times as productive as those of two centuries ago: even the poor enjoy goods and services unavailable to the richest a few decades ago.

Inequality in wealth is all too often the result of chance and capability. One may have the best of intentions and capabilities but if one is "not on the corner when the bus goes by" one never succeeds. Luck or good fortune plays a role in success and thus in wealth accumulation. Timing in developing a new product is always an essential element. Too early and there is no market and too late and the market is gone.

The last statement above has value. The less wealthy today in the West are for the most part better off than a century ago. For the most part there are social programs to support the poor. For the most part the poor have ways of succeeding if they so desire. The "middle class" may have a much larger burden since the support mechanism are not there for them. In fact they support the poor.

7.2 COOK

Cook, in Bloomberg, has written a review that is somewhat critical and thus drew the wrath of the Left. One of Cook's observations is:

As I worked through the book, I became preoccupied with another gap: the one between the findings Piketty explains cautiously and statements such as, "The consequences for the long-term dynamics of the wealth distribution are potentially terrifying."

Piketty's terror at rising inequality is an important data point for the reader. It has perhaps influenced his judgment and his tendentious reading of his own evidence. It could also explain why the book has been greeted with such erotic intensity: It meets the need for a work of deep research and scholarly respectability which affirms that inequality, as Cassidy remarked, is "a defining issue of our era."

Maybe. But nobody should think it's the only issue. For Piketty, it is. Aside from its other flaws, "Capital in the 21st Century" invites readers to believe not just that inequality is important but that nothing else matters.

This book wants you to worry about low growth in the coming decades not because that would mean a slower rise in living standards, but because it might cause the ratio of capital to output to rise, which would worsen inequality. In the frame of this book, the two world wars struck

Yes, Piketty does fly the flag from the Barricades on the terror that will arise from this shift in wealth, but as best I tried I could not find a basis for it in Piketty. The Piketty book is ponderous, for he repeats himself again and again, and belabors each point in so many ways one guesses he is building a barricade against any offense to his conclusion. However his conclusion whose

heart is the statement of the pending evils of wealth consolidations cannot be justified by what he has constructed.

7.3 SOLOW

I have met Solow several times and have spoken with him at length. He comes from the same part of Brooklyn as did my parents and his world view in many ways is that of my Grandmother, when she headed the Socialist Party in New York in its early days. Benevolent, insightful, yet dedicated to a world view that in many ways was formed in the Brooklyn at the turn of the 20th century. If one reads Solow accordingly one gets to appreciate what he says.

Since comparisons over vast stretches of time and space are the essence, there is a problem about finding comparable units in which to measure total wealth or capital in, say, France in 1850 as well as in the United States in 1950. Piketty solves this problem by dividing wealth measured in local currency of the time by national income, also measured in local currency of the time. The wealth-income ratio then has the dimension “years.”

The comparison just mentioned says in fact that total wealth in France in 1850 amounted to about seven years’ worth of income, but only about four years for the United States in 1950. This visualization of national wealth or capital as relative to national income is basic to the whole enterprise. Reference to the capital-output or capital- income ratio is commonplace in economics. Get used to it.

There is a small ambiguity here. Piketty uses “wealth” and “capital” as interchangeable terms. We know how to calculate the wealth of a person or an institution: you add up the value of all its assets and subtract the total of debts. (The values are market prices or, in their absence, some approximation.) The result is net worth or wealth. In English at least, this is often called a person’s or institution’s capital. But “capital” has another, not quite equivalent, meaning: it is a “factor of production,” an essential input into the production process, in the form of factories, machinery, computers, office buildings, or houses (that produce “housing services”).

This meaning can diverge from “wealth.” Trivially, there are assets that have value and are part of wealth but do not produce anything: works of art, hoards of precious metals, and so forth. (Paintings hanging in a living room could be said to produce “aesthetic services,” but those are not generally counted in national income.) More significantly, stock market values, the financial counterpart of corporate productive capital, can fluctuate violently, more violently than national income.

Solow makes an excellent point in the use of the terms wealth and capital. Indeed one often does not understand wealth. Capital I should be able to count.

There is a stronger implication of this line of argument, and with it we come to the heart of Piketty’s case. So far as I know, no one before him has made this connection. Remember what has been established so far. Both history and theory suggest that there is a slow tendency in an industrial capitalist economy for the capital-income ratio to stabilize, and with it the rate of return on capital.

This tendency can be disturbed by severe depressions, wars, and social and technological disruptions, but it reasserts itself in tranquil conditions. Over the long span of history surveyed by Piketty, the rate of return on capital is usually larger than the underlying rate of growth. The only substantial exceptional sub-period is between 1910 and 1950. Piketty ascribes this rarity to the disruption and high taxation caused by the two great wars and the depression that came between them.

Solow here faces the g and r arguments. The reality is that this is a very complex issue. Returns to capital can only exceed rates of growth of the economy for a short while. Then they collapse. The whole issue of the business cycle is an example of such a phenomenon. They are dependent variables in a very complex set of fashions.

This is a fairly recent development. In the 1960s, the top 1 percent of wage earners collected a little more than 5 percent of all wage incomes. This fraction has risen pretty steadily until nowadays, when the top 1 percent of wage earners receive 10-12 percent of all wages. This time the story is rather different in France.

There the share of total wages going to the top percentile was steady at 6 percent until very recently, when it climbed to 7 percent. The recent surge of extreme inequality at the top of the wage distribution may be primarily an American development. Piketty, who with Emmanuel Saez has made a careful study of high-income tax returns in the United States, attributes this to the rise of what he calls "supermanagers." The very highest income class consists to a substantial extent of top executives of large corporations, with very rich compensation packages. (A disproportionate number of these, but by no means all of them, come from the financial services industry.)

With or without stock options, these large pay packages get converted to wealth and future income from wealth. But the fact remains that much of the increased income (and wealth) inequality in the United States is driven by the rise of these supermanagers.

There is not much understanding of this phenomenon, and this book has little to add. Piketty is of course aware that executive pay at the very top is usually determined in a cozy way by boards of directors and compensation committees made up of people very like the executives they are paying. There is certainly an element of the Lake Wobegon illusion: every board wants to believe that "its" high executives are better than the median and deserve to be paid more than the median.

The point Solow and Piketty make is spot on. Compensation has exploded especially in Financial Services. One can look at markets as value creation, value transfer and value destruction. The creation elements are often the entrepreneurs. Those who risk all for a dream and for a very few the rewards can be excessive. The Finance players however do not create value; they transfer value. Namely they transfer capital from one person to another and in turn take a small cut. It is however a small cut of a large number. As for supermanagers, do they even exist, look at the heads of GM, Kodak, Polaroid, even HP. Look for Lucent, Nortel, and others. They destroyed value. Yet the Boards continued to reward failure. The solution there is simple. It should be

easier for shareholders to hold Directors personally liable. It is amazing how one acts of a beheading is the option for failure.

7.4 KRUGMAN

Krugman is often in my opinion the Left's "attack dog". Let me give an example in his discussion of Piketty:

Still, today's economic elite is very different from that of the nineteenth century, isn't it? Back then, great wealth tended to be inherited; aren't today's economic elite people who earned their position? Well, Piketty tells us that this isn't as true as you think, and that in any case this state of affairs may prove no more durable than the middle-class society that flourished for a generation after World War II. The big idea of Capital in the Twenty-First Century is that we haven't just gone back to nineteenth-century levels of income inequality, we're also on a path back to "patrimonial capitalism," in which the commanding heights of the economy are controlled not by talented individuals but by family dynasties.

Well this is not quite true, at least in the US. Carnegie, Rockefeller, Goldman, Sachs, hardly family dynasties when they started. In Europe, perhaps, after all in England its unwritten Constitution demands three classes of society; Crown, Aristocracy, and Commons. The US eschewed that approach. In addition family wealth often is squandered as new genes are introduced, usually ones who spend the hard earned wealth.

Krugman continues:

The general presumption of most inequality researchers has been that earned income, usually salaries, is where all the action is, and that income from capital is neither important nor interesting. Piketty shows, however, that even today income from capital, not earnings, predominates at the top of the income distribution. He also shows that in the past—during Europe's Belle Epoque and, to a lesser extent, America's Gilded Age—unequal ownership of assets, not unequal pay, was the prime driver of income disparities. And he argues that we're on our way back to that kind of society. Nor is this casual speculation on his part.

For all that Capital in the Twenty-First Century is a work of principled empiricism, it is very much driven by a theoretical frame that attempts to unify discussion of economic growth and the distribution of both income and wealth. Basically, Piketty sees economic history as the story of a race between capital accumulation and other factors driving growth, mainly population growth and technological progress.

In fact anyone who has even slightly understood wealth knows it is not obtained from a salary but from some form of capital appreciation such as stock. Only sports figures and entertainment individuals make what could be called a salary, but even there one sees a capital appreciation. So frankly there is nothing quite new. Piketty is looking at Europe, and especially at France. That is one reason they had a Revolution.

He continues:

Piketty is, of course, too good and too honest an economist to try to gloss over inconvenient facts. “US inequality in 2010,” he declares, “is quantitatively as extreme as in old Europe in the first decade of the twentieth century, but the structure of that inequality is rather clearly different.” Indeed, what we have seen in America and are starting to see elsewhere is something “radically new”—the rise of “supersalaries.”

Yes, there are many supersalaried people: especially in Finance and some Corporate havens. But in the Corporate world they supersalaries are driven by stock options which are not really salaries, they are returns on capital. Those in the Finance world get bonuses also predicated on returns on capital, namely how well they judge the market. Thus there is a fundamental difference that Krugman appears to have missed. Land is no longer the capital asses, nor a factory but the less tangible assets that exists in the market.

Yet he continues:

Who determines what a corporate CEO is worth? Well, there’s normally a compensation committee, appointed by the CEO himself. In effect, Piketty argues, high-level executives set their own pay, constrained by social norms rather than any sort of market discipline. And he attributes skyrocketing pay at the top to an erosion of these norms. In effect, he attributes soaring wage incomes at the top to social and political rather than strictly economic forces.

This point is well taken. There is an incestuous relationship between CEO, Boards, and compensation to all. The CEO often appoints the Board, all of whom are exorbitantly well paid, and they in turn keep their Golden Goose well fed. The solution to this is simple; better Shareholder control.

7.5 CASSIDY

I do not know Cassidy but I know many of his type; Irish but of what could be called the new Irish Left, perhaps with that Irish “chip on the shoulder” attitude that often analyzes by attacking, the turn of phrase that cuts but does not unfortunately enlighten.

Piketty believes that the rise in inequality can’t be understood independently of politics. For his new book, he chose a title evoking Marx, but he doesn’t think that capitalism is doomed, or that ever-rising inequality is inevitable. There are circumstances, he concedes, in which incomes can converge and the living standards of the masses can increase steadily—as happened in the so-called Golden Age, from 1945 to 1973.

But Piketty argues that this state of affairs, which many of us regard as normal, may well have been a historical exception. The “forces of divergence can at any point regain the upper hand, as seems to be happening now, at the beginning of the twenty-first century,” he writes. And, if current trends continue, “the consequences for the long-term dynamics of the wealth distribution are potentially terrifying.”

In the nineteen-fifties, the average American chief executive was paid about twenty times as much as the typical employee of his firm. These days, at Fortune 500 companies, the pay ratio between the corner office and the shop floor is more than two hundred to one, and many C.E.O.s do even better.

In 2011, Apple's Tim Cook received three hundred and seventy-eight million dollars in salary, stock, and other benefits, which was sixty-two hundred and fifty-eight times the wage of an average Apple employee. A typical worker at Walmart earns less than twenty-five thousand dollars a year; Michael Duke, the retailer's former chief executive, was paid more than twenty-three million dollars in 2012. The trend is evident everywhere.

But the compensation of Cook was dominated by a return on capital, namely stock options. The Market, people, were willing to pay him, via the appreciation in options, a substantial sum. The people rewarded him as the reward some basketball player or rock star. His salary was not the gain element it was the stock. Could someone else have done this well? Yes, Jobs did, How much was still a Jobs effect, most likely a great deal. But Cook was there when the bus went by.

Eventually, Piketty says, we could see the reemergence of a world familiar to nineteenth-century Europeans; he cites the novels of Austen and Balzac. In this "patrimonial society," a small group of wealthy rentiers lives lavishly on the fruits of its inherited wealth, and the rest struggle to keep up. For the United States, in particular, this would be a cruel and ironic fate. "The egalitarian pioneer ideal has faded into oblivion," Piketty writes, "and the New World may be on the verge of becoming the Old Europe of the twenty-first century's globalized economy."

Not really. If one reads de Tocqueville's tale of his journey through Ireland one sees the Old World. It was illegal for the Irish under the English to be educated, to read, to practice many professions, and the list goes on. That certainly is not the case in the US. That is every person has the opportunity to become a Steve Jobs, not all will make it, and in fact hardly any will even try. The Capitalist system in a raw sense rewards success and punishes failure. The current US system allows rewards on success but provides many cushions for failure. It allows many second chances.

Defenders of big pay packages like to claim that senior managers earn their vast salaries by boosting their firm's profits and stock prices. But Piketty points out how hard it is to measure the contribution (the "marginal productivity") of any one individual in a large corporation. The compensation of top managers is typically set by committees comprising other senior executives who earn comparable amounts. "It is only reasonable to assume that people in a position to set their own salaries have a natural incentive to treat themselves generously, or at the very least to be rather optimistic in gauging their marginal productivity," Piketty writes.

Many C.E.O.s receive a lot of stock and stock options. Over time, they and other rich people earn a lot of money from the capital they have accumulated: it comes in the form of dividends, capital gains, interest payments, profits from private businesses, and rents. Income from capital has always played a key role in capitalism. Piketty claims that its role is growing even larger, and that this helps explain why inequality is rising so fast. Indeed, he argues that modern capitalism has an internal law of motion that leads, not inexorably but generally, toward less

equal outcomes. The law is simple. When the rate of return on capital—the annual income it generates divided by its market value—is higher than the economy’s growth rate, capital income will tend to rise faster than wages and salaries, which rarely grow faster than G.D.P.

If ownership of capital were distributed equally, this wouldn’t matter much. We’d all share in the rise in profits and dividends and rents. But in the United States in 2010, for example, the richest ten per cent of households owned seventy per cent of all the country’s wealth (a good surrogate for “capital”), and the top one per cent of households owned thirty-five per cent of the wealth.

By contrast, the bottom half of households owned just five per cent. When income generated by capital grows rapidly, the richest families benefit disproportionately. Since 2009, corporate profits, dividend payouts, and the stock market have all risen sharply, but wages have barely budged. As a result, according to calculations by Piketty and Saez, almost all of the income growth in the economy between 2010 and 2012—ninety-five per cent of it—accrued to the one per cent.

“If the ownership of capital were distributed equally” ! By whom? Who gets to decide how much of my wealth gets given to someone else. What justification is there for that? None, Cassidy should know that, if indeed he is true Irish. The English just appropriated all the land and left starving tenant farmers. Shall we repeat that?

7.6 THE ECONOMIST

The Economist, in rebuttal to a piece by Cook, states:

Why do we care about inequality? We care about it because we are human, and we can't help but be concerned about matters of fairness, however much economists might wish that were not the case.

But what Mr Crook seems not to understand is that we also care about it because we care about living standards.

Mr Piketty's book does an able job showing that high levels and concentrations of capital have not been a necessary or sufficient condition for rapid growth in the past, though they have often sowed the seeds for political backlash that is detrimental to long-run growth. His argument is that the living standards of many people around the rich world are now unnecessarily low, because of the nonchalance with which elites have approached distributional issues over the past generation, and that continued heedlessness of this sort will ultimately undermine the growth-boosting institutions of capitalism.

His argument is that economic growth that concentrates benefits on a small group of people will probably not be tolerated as fair, even if living standards among the masses are not completely stagnant. It is an argument that is powerful and well-supported by the data—and extremely relevant today, whether or not one thinks inequality qualifies as the defining issue of the era. That, it seems to me, is why the book has been received as it has.

We care about living standards? In the US the living standards have increased exponentially as wealth localization has increased. Despite the moans from the Left, there are now many benefits to the poor that never existed and the average American has more “things” than ever before.

8 BACK TO PIKETTY

Let us now examine Piketty and his arguments. In a recent interview in *Le Monde*, Piketty states:

La réalité, c'est que les inégalités ont beaucoup plus augmenté aux Etats-Unis qu'en Europe au cours des trente ou quarante dernières années. De ce point de vue, ce n'est pas étonnant que le problème soit très présent dans le débat américain. Le retour des inégalités inquiète ici.

Inequality has increased a great deal in the U.S. as he alleges, is an observation of a dynamic in any society. Inequality, as measured by Piketty, is a measure based upon he claims tax records. Oftentimes that may very well be a poor measure. But what is clear in the U.S. is that many have been able to attain great wealth perforce of circumstances that do not exist elsewhere. In fact the circumstances are fostered by policies of the Government. Returns in the Financial markets to those who “make” them are supported and even insured by the Government. Low interest rates and guarantees against failure feed those flames.

Mais les Etats-Unis ont toujours une relation beaucoup plus compliquée avec cette problématique que ce que l'on imagine parfois en Europe. C'est un pays qui a une tradition égalitaire très forte, qui s'est construit autour de cette question en opposition à une Europe elle-même confrontées à des inégalités de classe ou patrimoniales. Ensuite, il ne faut pas oublier que ce sont les Etats-Unis qui, il y a un siècle, ont inventé un système de fiscalité progressif sur les revenus justement parce qu'ils avaient peur de devenir aussi inégalitaire que l'Europe.

In response to critics he states:

*C'est sans doute toujours mieux de lire avant d'écrire. C'est amusant de voir que *The Economist* ou le *Financial Times* se révèlent plus ouverts que certains journaux français. Ce qui me gêne, c'est que d'une certaine façon, cette anecdote est révélatrice de l'état du débat dans notre pays. Il y a une telle peur du déclassement en France qu'on est en permanence dans un débat électrisé entre des gens de droite qui accusent des gens de gauche de vouloir tuer la compétitivité du pays et qui n'arrivent même plus à lire et à regarder ce que pense l'autre.*

Yes, it is always better to read the book before you write a commentary and critique.

At the core of a Piketty argument are the following assumptions:

1. People who make a great deal of money do not deserve it. The system must be rigged.
2. The Government has the exclusive right to take the money and do with it what it sees fit.
3. The Government creates greater social and/or economic value with the money so earned than the individual who earned it could.
4. Those who work in the Government are free from any bias or prejudice so that their actions are in no way disadvantaging others.

5. Capitalism is a poor distributor of capital since it rewards success and punishes failure. Those who fail, often perforce of a failure to try, suffer at the hands of those who have succeeded, often due to the capitalist.

The Piketty solution is a wealth tax, an unrealistic approach since wealth is quite difficult to measure especially on an individual basis and furthermore some “wealth” has been put to use in a productive manner. For example, let us assume an individual A has \$10 million. Individual A buys two yachts. They sail back and forth from some location that has no tax. Where does he locate them? They put it in the tax fee haven. Consider Individual B. He has the same wealth but it has been invested in it in say 4 start-up companies, each growing and generating new jobs and new wealth. Do we tax this wealth as the same as the other wealth. Or do we make the investor move the company and jobs to a similar tax shelter thus depriving the home country of the increased wealth potential. Piketty has a half-baked idea. Humans are quite adaptive. If you place an obstacle in front of them they will seek alternate routes.

9 RETURN TO THE FACTS

However the two key facts are such that:

1. The wealth created by a person was the result of payments for goods and or services created as a result of that individual's creativity for which many people agreed had significant value and thus paid that individual. The individual did not steal the wealth. The wealth was a reward for success. Other individuals paid the person for what was produced. Piketty himself was rewarded for writing the book. He accumulated wealth as a result. Will he redistribute that wealth voluntarily? It is after all his right. In France the Government will tax it substantially. Perhaps that is enough.
2. The Government has never created value; in fact the Government often destroys value by its actions. If a person has wealth then according to Piketty the Government should tax it, and repatriate it. Repatriate it for what? To redistribute the wealth to those who have not been successful. What then is the purpose of trying to be successful?

These two facts are key. Wealth is an individual accomplishment which is paid for by others. Government is an ineffective redistributor of anything.

Let us examine at a finer detail just who these wealthy individual are. Perhaps by examining them we may find some better reason for wealth redistribution. The class of the super wealthy may be divided as follows:

1. Entrepreneurs: These are the individuals who have come across a new idea, took a chance, often bet everything, and created a new business or industry. The entrepreneur is an essential part of any wealth creation in the large. Very few are ultra-successful. Many just succeed in creating opportunities for themselves and others. Any added burden on the entrepreneur class would fundamentally destroy society.
2. Corporate Executives: These are the individuals who perforce often of their political skills have managed to crawl up the corporate ladder and find themselves in charge of a massive enterprise, not of their making. This class and those in the following class of Financial Managers is a specific target of Piketty. He alleges, and rightly so, that their compensation is excessive compared to the value they create. Here I cannot disagree. There has been a recent trend of closeness between Boards and CEOs. Board members get excessive compensation and they in turn do the same for the CEO. Frankly this should be changed but as corporations exist now this will not. Yet, there at most a few hundred CEOs in this category. They are outnumbered by professional sports figures so one wonders what Piketty speaks of.
3. Financial Managers: These are the investment bankers, hedge fund managers, and the like who have convinced others to invest their money with them and perforce of many factors often not of their making but many of their making provide a reasonable return to their investors and extraordinary returns to themselves. Here in this category the number may be excessive and the

compensation also excessive. In addition the tax codes incent these individuals with lower capital gains tax.

4. Sports and Entertainment: These are the individuals who perforce of the vagaries of the entertainment market and their own perseverance and talents have found the public willing to spend excessive sums on their talents. In the sports arena this is further leveraged by compulsory “taxing” of those who have absolutely no interest in the sport by having them pay CATV fees for the respective viewing channels.

5. Selected Professional Service Providers: This would include a limited number of attorneys and “advisors” such as those who are in the lobbying field. At one time it was possible to include certain physicians but this is no longer the case.

6. Select Brokers: Those who broker major areas such as arms, art, high-end real estate, and selected assets. The value added is in knowing a buyer and a seller in a specific market.

7. Criminals: It speaks for itself.

One could then ask which of these deserve what they get. In a capitalist market they get what people are willing to pay. The only exceptions are sports personalities and criminals. The former receive excess because many people are forced to pay whether they want to or not and the latter for almost the same reason.

One of the focal elements of Piketty’s argument is the expansion of the compensation of the executive class. He has a point. Indeed in the 1980s there were Business Week front pages glorifying CEOs making \$1 million or more. Now almost every college president well exceeds that number. After all college presidents are now fund raisers and all too often lack what say a Conant or Killian had back in the day.

10 DE TOCQUEVILLE AND THE REVOLUTION

Most people who are aware of de Tocqueville know of him solely by his writings on his journeys in the United States. There are two other writings worth reading, one on his journeys through Ireland and the forced slavery imposed upon the Catholics by the Crown, and just as important his understanding of the French Revolution. Unlike many others who wrote upon the French Revolution, one sees in de Tocqueville the same sense of “at handedness” (to use a Heidegger term) to pull together the collection of events and circumstances that led to the explosion which became the French Revolution.

de Tocqueville is in sharp contrast to the intellectual depth of Israel, he does not bring forth the deep rooted philosophical elements emanating from the Enlightenment, but he details the day to day injustices done by the Government to the people at large. Wealth, the extreme wealth in France for some in pre-Revolution times is not even an issue. It fundamentally is the oppressive control of Paris, the seat of Government on all.

Piketty is almost the anti-de Tocqueville. Whereas de Tocqueville deals with the amalgam of small facts of daily life, the burdens placed upon the people under the presence of the Government, not just the King. de Tocqueville brings to his vision a proximity with the people, not the position of an academic hidden behind a wall of suppositions and beliefs.

Let me address a few key point in the order in which he presents them and they in a sense build the argument will shall make regarding Piketty. One should recall that de Tocqueville wrote his observations of America in 1835 and the reflections on the French Revolution in 1856, after the 1848 revolution again in France. Thus his observations of American reflect those of his youth and those here on the Revolution those just before he died.

Let us start with an observation of France before the Revolution in 1789.

“It was not until the beginning of the sixteenth century...that for the first time the right to work ...came to be regarded as a “privilege” purchasable from the King.” (p 103)

The above details one of the major issues. Such rights, as that of choosing one’s profession, were no longer left to the individual but ascribed as a privilege purchased from the Crown. The Government could dictate, mandate, isolate, individuals based upon its determination of what in its mind and preference it saw and the desired outcome. The individual, no matter what they did, had little if any choice in what they did. The second key point is that it was purchasable. One could always find an entity of the Crown, the Government, to seek out and through a payment obtain what was sought. Thus one may ask if such is the case today in the United States? To a degree, yes. One can seek out the correct lobbyist, who has the correct Congress person, who can promote the desired legislation. The environs of Washington are now akin to a setting of camp followers, all seeking to provide “favors” for payment.

Individualism was not an unknown construct to de Tocqueville. He, to an extent, observed and coined the phrase as something most American. Yet as he explains below, individualism is not

solely applicable to that lone person, it is seen even in France, as the ability and even desire of persons to seek satisfaction in the small, not just in the large.

“That word “individualism” which we have coined for our own requirements was unknown to our ancestors for the good reason that in their days every individual necessarily belonged to a group and no one could regard himself as an isolated unit. Nevertheless each of the thousands of small groups of which the French nation was then composed took thought for itself alone; in fact there was so to speak a group individualism which prepared men’s minds for the through-paced individualism which nowadays we are familiar.” (p 96)

The most telling observation of de Tocqueville was the control over everything by Paris, by the Crown and its agents. All in France was measured, recorded, managed, and controlled via the Crown and its agents from Paris. The English had London but London did not do what Paris managed to do. Lyons was as controlled by Paris as was Bayeux, as was Annecy, as was Reims.

“Owing to this system of centralized information and controlling everything from Paris, a most elaborate machinery had to be set up for coping with the flood of documents that poured in from all sides and even so the delays of the administration were notorious...Not until the century’s end when the literary methods we associate with Rousseau and Diderot had begun to make good and affected the spoken language, did the rather maudlin sensibility affected by these authors creep into the style of our administration and even our businesses. Formerly so stiff and desiccated, our official style became unctuous...” (pp 62-63)

His second comment above is quite piercing, namely it is a backhanded swipe at Rousseau and Diderot, the Encyclopedists. Unctuous indeed was the style, and maudlin was the sense.

Then as stated below is the style of the revolution. He does not take to compare it to America, but to examine it as an act of academic investigation, leaving the details as exercises for the student.

“When we closely study the French Revolution we find that it was conducted in precisely the same spirit as that which gave rise to so many books expounding theories of government in the abstract. Our revolutionaries had the same fondness for broad generalizations, cut-and-dried legislative systems, and a pedantic symmetry; the same contempt for hard facts; the same taste for reshaping institutions on novel, ingenious, original lines; the same desire to reconstruct the entire constitution according to the rules of logic and preconceived system instead of trying to rectify its faulty parts.” (p 147)

The telling point above is the contempt for hard facts. The French academic all too often enjoys the mental gymnastics, devoid of the facts that the Scot would bring. The French Enlightenment and the Scottish Enlightenment were revolutions in thought that were at the same time contradictions. Ideas devoid of facts versus Facts embodying ideas. The contrast is Rousseau versus Smith. The issue of rectifying faults is the key refrain. The current best example is the ACA in the United States. Instead of rectifying the faults, most of which were well known, the body politic reshaped reality. The result may very well be the same as that of the intellects in the Revolution.

“I have sometimes asked Americans whom I chanced to meet in their own country or in Europe whether in their opinion religion contributes to the stability of the State and the maintenance of law and order. They always answered, without a moment’s hesitation, that a civilized community, especially one that enjoys the benefits of freedom, cannot exist without religion. In fact, an American sees in religion the surest guarantee of the stability of the State and the safety of individuals. This much is evident even to those least versed in political science.” p (153)

Now de Tocqueville takes on the Economists, a new type of character whose entry in the eighteenth century foreshadowed this trade’s power over many of our current debates.

“Towards the middle of the eighteenth century a group of writer known as the ...”Economists” who made the problems of public administration their special study, came to the scene. Thought the Economists figure less prominently than our philosophers in histories of the period and perhaps did less then they towards bringing about the Revolution, I am inclined to think it is from their writings that we learn most of its true character...Their chief targets of attack were those institutions which the Revolution was destined to sweep away forever...” (p 158)

Finally we examine his examination of the ruling passions of the French. He states:

“Readers of this book who have followed carefully my description of the eighteenth century France will have noticed the steady growth amongst the people of two ruling passions...One of these, the more deeply rooted and long-standing was the intense, indomitable hatred of inequality....The other ruling passion, more recent and less deeply rooted, was a desire to live not only on an equal footing but also as free men.” (pp 207-208)

The two passions were the drivers of the people; the hatred of inequality and the desire to be free. France looks at Liberty, Equality and Fraternity. Yet when one examines Equality one sees not equality of opportunity but the inequality of a class based society as the concern, as the desire of the people. The inequality was that certain people had privileges perforce of who they or their ancestors were. They were not equal before the law; there was rampant inequality, many getting to the head of the line while many were left behind.

Equality in America is the equality of individualism, that all people are equal before the law, that there is no privilege, that each individual can do with their talents as much as any other and that success is predicated on how well those talents are valued in the market. To the American in de Tocqueville’s period, the Government in America empowered the individual, while to the Frenchman at the time of the French Revolution the Government established mass areas of inequality. Americans cherished equality whereas the French detested inequality. This I believe is a core element in the economic politics of Piketty.

11 CONCLUSIONS

Having examined the issue of inequality from two dramatically different perspectives, Church and Academy, we will remark upon several conclusions consonant with both examinations. We do so here with a few questions that allows a summary.

Does Excess Wealth Really Matter?

The question should be posed; so what? Namely, so what difference does it make for a few people to have a lot? After all there is a Queen in England who frankly has done nothing other than having the correct birth parents and sequence. Oftentimes people with a great deal of wealth are invisible, they stay with their own kind. Then after a generation or two the offspring often seem to lose it all. If one were to look at all the Robber Barons of the late 19th Century, just a handful remain in any substance and of them there are many supporters of education, medical research, the arts. So is it all that bad. Cancer is bad, it kills. Terrorists are bad, they kill. AIDS is bad, it kills. Wealth, well one must ask what harm it does to those without it. Somehow the Piety's of the world argue that the mere having of Wealth harms society, it is a bad, and Government must correct it. He fails to demonstrate the evil in Wealth.

What do the Wealthy Do with Their Wealth?

The Wealthy generally do not accumulate wealth in large piles of gold and sit on it as a Midas. They spend it, they donate it, they invest it. If we agree that they get a greater return on their Wealth then perforce of that statement then they must be investing it. They invest it in what? Other business ventures! They then create new opportunities for jobs and other investments. Yes, there are the yacht rich, those who just spend it. But perforce of that argument they then have no return. We all know those types, sports personalities and entertainment personalities are all too typical.

Are the Wealth Holders Better Allocators of Their Money than the Government?

Wealth holders allocate their wealth for returns to themselves. Government allocates other's Wealth for political purposes, often in a very leaky manner. Namely many hands collect from the Government trough, not just those whom they believe are worthy of Wealth transfers. Wealth holders transfer Wealth to productive purposes, creating more Wealth, for themselves as well as others. Government often destroys Wealth. One need look no further than the Stimulus program, which took value from the economy near \$1 trillion and produced nothing productive. Just look at the billions spent on broadband.

Is the Piketty Model Valid?

This is one of the most important questions. If we have a imputed rate of return on wealth and a growth rate of the economy, then we see that Wealth is where we should invest out money. Somehow the Wealthy have discovered some arbitrage that seems to be extra the economy to yield an overall better return. In fact in extremis, if we assume the Wealth eventually gain all the

Wealth in the economy; somehow, as per Piketty, they will still get that return in excess of growth even though they own all the economy or the economy's growth. This leads to a contradiction. In extremis if the Wealthy gain all the Wealth then there is no one to transfer more Wealth to them and thus their return on Wealth must go to zero.

Are There Really Poor?

What is the definition of poor? What part of choice is there in being truly poor? That has always been an issue. In the U.S. there are many programs to assist the poor and it is well known that they often fail to remedy the problem. Are the poor to be always with us? Is inequality a natural fact of nature that is also part of the Natural Law? That is a question that is left unanswered but asked.

How do We Measure Wealth?

Wealth has been defined by Piketty and in turn by default inequality is in that definition. Inequality means that some people have more or less than others. How would we ever eliminate inequality since an individual's wealth may vary by the hour? Does one continually transfer wealth back and forth; is there some well accepted wealth measuring system to do this balancing? The whole issue of measuring and recording wealth is so complex so as to be impossible in reality.

Is Francis in Error?

This is clearly one of the most difficult. One can be a critic of Piketty, after all that is the way of academe. Yet being a critic of the Bishop of Rome is another game altogether. Hans Kung saw what happened there, stripped of his credentials and sent packing. Rome is not the place that one seeks to start an argument. Yet one can follow Columbanus and understand that Rome does make errors, despite the dictum of infallibility. One suspects that Tweets are not infallible. Can one imagine Moses going to the mount and coming down with his iPhone and announcing one Tweet at a time? The crowd may just have gotten tired at ten, or he may have lost his connection on the mount and only got those ten? In all seriousness the dicta from Rome are generally thought out and argued. Throwing more than half of humanity to perdition due to inequality seems a bit extreme. It clearly goes into the face of the Scripture and the Fathers. Saint Francis of Assisi sought to emulate what he saw as the early Christians but the Jesuits never seemed to pull that one off. Judging others without knowledge of the facts is prohibited by Paul in Romans. It is a simple reading of the text and thus these recent dicta should and must be called into question.

From the seven words, *septem verba*, we have generated a plethora of thought with complex conclusions. Which ones are correct will continue to be debated. It is a world view that appears to be different for each person but worthy of discussion but not of mandating "solutions" or condemning mankind.

12 APPENDIX A: NEITHER SOCIALIST NOR MARXIST¹⁰

There are many who are calling the current Administration's ways Socialist or Marxist. We argue that it really is Galbraithianist. We explain briefly here using Galbraith's three major works: *American Capitalism*, *Affluent Society*, *New Industrial State*. This trilogy established the Galbraith economic philosophy which seems to be what is dominating the current Administration in their goals and their actions.

Unlike pure Keynes philosophy which looks upon the economy as a system with knobs which one can manipulate the Galbraithian economist looks upon the economy from a power perspective. Namely that the Government has power for good and evil and that the Government has a duty to deploy that power for what it sees as good. The famous book by Bertrand Russell on Power is an interesting example of how power has been used through the ages. Galbraith's experience during his times in Washington showed him how power can be applied in a societal context.

12.1 AMERICAN CAPITALISM

In American Capitalism Galbraith states (p 104-105):

"In one way or another nearly all of the great American fortunes are based on the present or past possession of monopoly power.Income inequality like monopoly distorts the use of resources. It diverts them from the wants of the many to the esoteric desire of the few...Unnecessary inequality in income, unnecessary in the sense that it does not regard differences in intelligence, application or willingness to take risks, may also impair economic stability."

Thus to Galbraith, monopoly is evil and those with intelligence, hard work, and risk takers get rewarded but that excessive wealth distorts the true direction of the economy. The work by Piketty as shown below is an example of the current trend of socialist economists who worry that income distribution is skewed. In the Piketty plot we see the percent of wealth held by the top 1% of the population. We see the explosion now in the US reaching levels not seen since the beginnings of the Depression. However these are not monopoly amounts.

The current Administration picks up on Piketty and in page 11 of the 2010 Budget puts the Piketty curve. The curve has been updated to 2006 and is for the US alone. It is quite interesting to see that Piketty showed the curved back before the Depression in 1930 whereas the Administration shows it only to 1980. As one says, Statistics can be quite confusing! It can also be the hand maid of deception.

¹⁰ This was written as a Blog contribution on 20 March 2009.

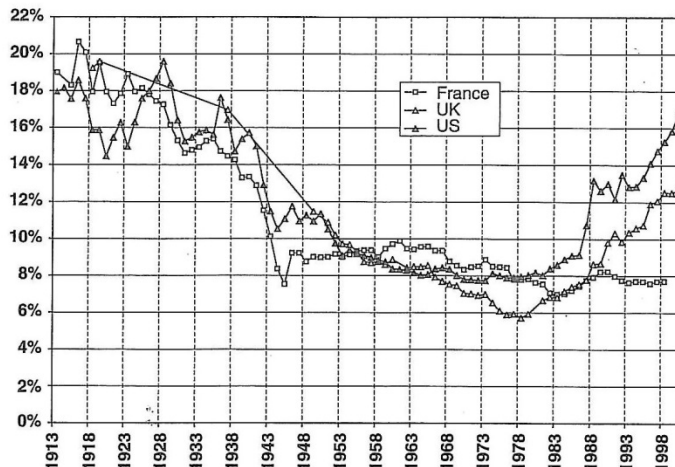
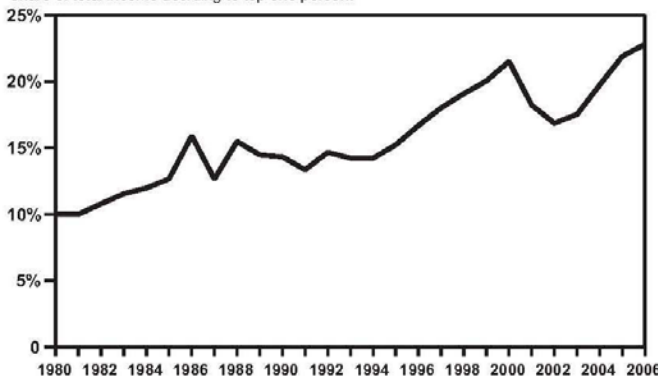


Figure 9

Top One Percent of Earners Have Been Increasing Their Share

Share of total income accruing to top one percent



Source: Piketty and Saez (2003), updated by authors.

Countervailing power was the second theme of this work. As Galbraith says (p 111):

"In fact, new restraints on private power did appear to replace competition. They were nurtured by the same process of concentration which impaired or destroyed competition. But they appeared not on the same side of the market but on the opposite side, not with competitors but with customers or suppliers. It will be convenient to have a name for this counterpart of competition and I shall call it countervailing power."

To some degree there is a Marxian like dialectic at play here between the thesis, antithesis, and synthesis, yet Galbraith does not share the inevitability of the Marxist and is more a Darwinian in his thought, albeit one where control or stabilization by the Government is a key player.

Galbraith continues (p. 136):

"In fact, the support of countervailing power has become in modern times perhaps the major domestic peacetime function of the federal government. These measures, all designed to give a

group a market power it did not have before, comprised the most important legislative acts of the New Deal. They fueled the sharpest domestic controversies of the New and Fair Deals."

Thus in his first work we see Galbraith positing two issues:

1. Income inequality leads to social unrest and income inequality is a result of the ineffectiveness of Government in permitting monopolistic entities to take advantage of the people.
2. Countervailing Power is a major element of Government's balancing the interests of the American people and the Government's use of this effects the establishment of new power groups whose new influence can modulate that of other groups. The Government has both the authority and the moral force to effect the establishment of these new entitlements and the support of these new countervailing groups.

The last point is again a bit Marxian in that there is the dialectic process at work again and in this case it does pit the proletariat against the capitalists. We see this in the current Administrations efforts in various venues. We see this in the President's own background as a Community Organizer. It is the Acorn empowerment and it is the Government's role as facilitator, not necessarily as the end agent itself.

12.2 AFFLUENT SOCIETY

The Affluent Society claims three major things concerning consumption (See The Global Development And Environment Institute at Tufts University):

1. That the producers create consumer demand that the consumer is in many ways responding to the producers of the goods via advertising.

The consumer's mind has effectively been taken over by the producer. The producers, according to Galbraith, have the ability to produce what they can produce and get the consumers to buy whatever they produce.

2. That the relationship between consumption and some form of consumer utility function is near evaporating, that consumer buy when motivated by the producer and not as a result of some underlying exogenous need or utility.

This means that people are no longer the arbiters of their own fate, This was developed as a response to Madison Avenue advertising and the advertising age in the 1950s and 1960s. During that period people believe that by the appropriate form of advertising, media manipulation that people could be made to buy anything. The natural extension corollary to this is the use of the broad based media of toady by Government to make people believe whatever Government wants them to believe. This assumes that people have abandoned any inherent utility function. More importantly this assumes that people have abandoned values.

3. That the structural pressures to increase private consumption drives out the provision of public goods.

This means that to Galbraith the consumer was being directed by the producers to spend their money on goods from the commercial sector and as such the needs of the public sector were being neglected. This in Galbraith's eyes meant that the countervailing power of the government should intervene via taxation and reallocate the expenditures based upon trends as perceived by Government into public works which in the view of the government were more beneficial, and had a utility far in excess of the consumption which was occurring.

Galbraith has been quoted as to his environmental bent by telling the tale of a family who goes on a camping journey amidst roads in disrepair and streams filled with polluted waters.

12.3 NEW INDUSTRIAL STATE

The New Industrial State was his third in the trilogy. I remember reading it when it came out in the mid-60s. There also at the time was the debate between Solow and Galbraith. This is well elaborated upon in the book by Parker on Galbraith. Indeed the Parker book is exceptionally well done albeit politically biased towards Galbraith and strongly anti-Republican. Parker relates the thesis that is at the heart of this book (pp 439-448):

1. The giant corporation is the "characteristic organization" of modern capitalism.

In the mid-60s there was AT&T, GTE, ITT and massive companies in all sectors. The age of the true entrepreneur was not yet there. In fact it was the Government which expressly prevented this. For the Government made AT&T a monopoly and the Government actually sucked massive amounts of capital in taxes, 90% marginal rates, and massive amounts of technical people into Defense and NASA efforts thus depleting the US economy for a generation. To some degree this is akin to the "green jobs" of the current Administration which will suck the people from "market driven" value creation to Government funded employment.

2. Shareholders, the nominal owners of the company, have little power over the company.

Again true then but shareholder suits did start up albeit they were eventually suppressed by the Government.

3. The members of what Galbraith calls the "technostructure", the techno bureaucrats in companies, own little in the company and seek low risk by not maximizing profits and fitting the classic economic model.

This is also now a changed paradigm. Again the entrepreneur changed this and then it was adopted en masse by the corporations where options now make management large owners in companies. Those massive compensation packages are truly light on salary but heavy on deferred option compensation. Yet profit maximization is deferred for long term market survivability. That is more a way of the market than of the change in corporations.

4. Corporations do not profit maximize but seek to sustain themselves and to survive.

This is clearly true of the large company, because if they maximized profit from quarter to quarter the way the market works volatility would be too excessive. However if we look at the recent financial crises there is clearly just the opposite. They went to extremes maximizing profit. The extremes took them to, and over, the brink.

5, Advertising and a national ideology of praise for growth in the consumption of consumables misdirects the collective energies away from the fact that the US is awash in affluence.

Galbraith is fixated with the affluence issue. Strange since in this period it was nowhere near what it had been during the pre-depression period or now.

6. The key resource of the US economy is not the large industrial capacity but the ability to mobilize organized intelligence in the business sector.

Galbraith saw the result of the deployment of intelligence during the war and after it in industrial areas. This included the application of statistics to marketing and the ability to target specific customers with specific messages. This was all new and he saw in it a major strategic advantage.

12.4 CURRENT POLITICS

We look at the current Administration and in many key areas they exhibit Galbratian approaches to Government. Specifically we look at the following:

1. Power: Galbraith was a believer in power, and power to influence, to control, to manage. The Galbraithian power if held in the hands of a benign and fatherly government. The current Administration is a massive collector of power. It does so through the explosive expansion of entitlement programs.

2. Countervailing Power: The Galbraithian believes that Government can use its power to create countervailing dialectics in the economy between established classic capitalist entities and collections or groups which the Government believes can and should be represented. Acorn is a prima facie example. The groups being sponsored by illegal immigrants is another. These groups are empowered by the Government and then the dialectic is created. Countervailing power is in the end Government power as well. The Government facilitation if not outright creation and support of countervailing powers are the ways Government can exercise control of the people with an arm's length approach. It is an invisible to most approach. One must deconstruct the new entities introduced often through legislation to see what their true purpose is.

3. The Prevalence of Large Corporations: This assumes that there does not exist any class of entrepreneurs as we know them today. That business organically thrives to the point of monopolies and then continues in a risk adverse manner to persevere. That they are not driven by classic capitalist drives but by mere survival sustained forever. This history of capitalism is just the opposite. It is purely Darwinian. Just look at AT&T. The Administration's treatment of GM is an example of this belief of the countervailing power with the large sustained corporation and fails to understand that it is unacceptable in a capitalist world. The weak must not survive, that includes an over bloated labor union.

4. Advertising, or in our current day parlance, the new media, can control public opinion: The current Administration is a true believer and practitioner in that. They believe that, like the Galbraithian Corporation which uses advertising to promote its view, the Government can do the same.

5. Government is the ultimate and optimum arbiter of all societal issues: Government is a benign and all-knowing benefactor and is required to arbitrate between all the players. Government is essential. Government worked well when it worked big. The Government is the wise Oz, the wizard who is all knowing and all powerful. The market, specifically the free market, is a ruthless jungle from which the Government protects the citizens. Unlike a socialist who wants the Government to own the resources, the Galbraithianist wants the Government to arbitrate between the consumer and the corporations. This is clearly what the current Administration proposes and is attempting to do.

6. Concentration of Wealth is bad: The accumulation of wealth in the hands of a few is unacceptable and it strikes at the heart of American culture. It is the role of the Government to transfer such excessive wealth to those in need, need as determined by the Government. The Administration seeks to take wealth from those at the top incomes and to further flatten the distribution of wealth to all. In their mind the skewed distribution is almost immoral. There should be equality of wealth because wealth in a Galbraithian sense is inherently evil. Wealth however is defined on their terms.

7. The People can readily be motivated by media to act in accord with Government: People are artificially motivated to consume commercial products by corporations to the detriment of public services, goods, and the environment. The Administration's plan for cap and trade is an example of how the Administration seeks to flow money from the consumers, the people, to programs and projects that the Government believes are better. The Stimulus package is another step in the direction. Unlike the New Deal, the current Administration has taken massive moves in those areas.

13 APPENDIX B: AUGUSTINE AND THE INDIVIDUAL

In examining the comment by Francis one is drawn to the words and views of Augustine. Much of the Theology of the Western Church, i.e. Roman Catholics, is derived from Augustine. Thus it is worth a brief analysis of Augustine as regards to his view of the state, individual, and his political theories. This section provides such an overview. It is meant solely to put into context the statements of Francis.

Augustine was a Roman, albeit from the northern coast of Africa. He was educated in Milan and was brought up in the Roman culture which had dominated the African coast since the fall of Carthage. That was hundreds of years of Roman heritage, or seeing the world as a Roman, of being a Roman citizen. Rome played an important role in the development of political thought. It was a society wherein the laws were paramount and where there was even a theory of slavery, an accepted tradition of having slaves whose rights were under the total control of their master. The concept of an individual would not exist in this world. The view of a ruler was more Hobbesian than any construct seen in the Leviathan. This will be important, for as the conscious individual grows thus too does the concept of the state. Therefore if we can observe how a particular thinker considers the position of the individual, we can ultimately comprehend more fully his theory of the state and thus also any political aspects which will follow from it.

Cicero was in direct opposition to the view held by Aristotle on the theory of slavery. To Aristotle, the existence of the state of the slave is an expression of the differences that exist between individuals. Thus some men are by their very nature destined to be slaves. Cicero refutes this and says that men by their very nature are born to be free. It is only by the unnatural acts of war and oppression that man becomes subject to a master. It is through no volition of his own that he acquires this state of existence. Thus Cicero greatly softens the ideas of the Greek philosophers concerning the dignity of the individual. All men are of equal stature before the supreme law. This concept was a result of the cosmopolitan atmosphere that had developed in the expanse of the empire. The Greeks of the time of Aristotle were of a closed nature and possessed a great fear of strangers. Thus their attitude shows their historical conditioning. Cicero's attitude has been conditioned by the expanse of the Empire and the realization of the equality inherent in all mankind.

To show this point more fully, we could examine Cicero's *De Lege* and determine what he is referring to when he speaks of the natural basis for all law.

"By nature we are disposed to love men, this is the foundation of the law." Thus even in this "pagan,"

In this by Cicero we may find the ultimate reality of law; love. It would be well to note that Augustine himself was an avid reader of Cicero, and it is through statements such as those above which could have well set the foundation for what would later become his theories on the individual and the state. The state is the natural mode of human life. It is a conjugal combination of justice and the common good. Thus the supreme law of man is based upon a much stronger foundation than the laws of the societies in the Greek world.

The second Roman of prominence was Seneca, the great jurist. It will be through him and the Roman Jurists in general that we can see the development of a more concretized form of law than that which was observed in Cicero. Seneca was a Stoic and thus had a world view formed by the Stoa principles. For Seneca there is also the recognition of the individual. From this recognition of the individuals and their rights and duties then flows a definition of the state.

Seneca had conceived in a primitive view of the state. This view of the state existed in a form of total harmony in the primeval days of mankind. In this primitive state, man was totally undeveloped. Seneca saw the prevailing conditions that led to the establishment of a society unnatural and a perversion of the initial tract natural in the sense that they are leading man forward in an ever increasing and expanding vortex of knowledge. The freedom of the individual is again a necessity in this state since the development that is necessary to make it natural would be an impossibility.

The last element of the Roman legal system that plays a significant role in the development of an Augustine "Politic" is the system of juris prudence that was employed by Roman lawyers. The law was divided it into two major categories. These categories follow through in the development precipitated by Seneca. These two forms of the law are the "jus naturale" and "jus gentium." We select the meaning applied to these by Ulpian, since they are the farthest advanced and were most probably employed in the development later followed through by Augustine. These concepts were employed by Augustine in his development of the *City of God* as necessary starting points in the development of law in the state.

The "jus naturale" is derived assumedly from the nature of the man. It is assumed to be independent of the time and the situation. It is analogous to what the Church Fathers were later to term the Natural Law. Thus there are certain things that man does that must conform to the "jus naturale". They are quite akin to the natural law as defined today. The concept of Roman natural law is also based upon the political theory of Seneca where he perceives man as having come from the primitive state where all law was "jus naturale", where the jus naturale was the only law. In a sense this is almost a Rousseau like view of the primitive man.

The jus gentium was developed when man began to live in societies or in groups where interaction occurs. This form of law is the basis for such things as property and property law. It is the basis of much of the legal code as written to deal with the human interactions within a society. "Jus gentium" was the written law, whereas the "jus naturale" may have been termed the unwritten law. Slavery, says Ulpian, is under the confines of the "jus gentium" and is against the "jus naturale". For man, according to the "jus naturale", should be free. It is society, the State, that causes him to live otherwise. It is the state that causes him to develop the "jus gentium". Again we see this concept being used by Rousseau some 1700 years later.

13.1 THE INDIVIDUAL

Where Plato and Aristotle asked the question of the ontological being of man, or the question of "What am I?", it was Augustine who asked the existential question of "Who am I?" It is this conception of the individual that brings Augustine into the limelight when he is spoken of in the circles of the modern Existentialists. For Augustine it was the question of individual

responsibility and individual salvation. Christians were not a group, each had individual duty and individual salvation. This then leads to Augustine and his tripartite examination of the problems of sin, slavery, and freedom. The contrasts of these three elements in human existence are what drove Augustine in his battle to understand himself. Thus, in order to comprehend the Augustine political theory of the state we must first understand the concept of the individual. To Augustine, this understanding evolves about the understanding of the existence rather than merely the essences .

We now examine the tripartite view of Augustine regarding; sin, slavery and freedom. Sin reflects the fall of man, his weaknesses and his inability to achieve salvation on his own. This is the anti-Pelagian theory that leads to Augustine's need for the construct of grace. For Augustine denies the ability of man to attain redemption on his own, it requires God's external help via grace and that God may decide in whatever manner he so does to grant or withhold grace. This of course is the predestination construct of Augustine.

13.2 SIN AND GRACE

The theory of sin of Augustine is fundamentally one of predestination. Man is born with Original Sin and his only salvation is through redemption. He uses this redemption concept rather loosely. Redemption requires Grace, a gift from God, given, not earned, and not perceived when alive. His predestination is predicated upon the presence or absence of grace in an individual; the grace given by God and from which one receives redemption for sin. For Augustine, there are two forms of grace; sanctifying and actual.

- i. Sanctifying grace is that which the just possess when and only when they have been justified, or saved. Therefore, the general mass of humanity may find it quite difficult in Augustine's mind to become one of the justified. We can then logically ask; what then leads one to become one of the justified?
- ii. Actual grace is that which leads man to the state of the just, yet actual grace is a gift of God and God dispenses it to those whom he has predestined for all time to not be sent to eternal perdition. This gift of actual grace is; persuasion to do good acts. God permits many to go without this gift.

This concept of direct intervention on the part of God is a step backward to the Deus ex machina, which permeated the Greek tragedy plays. Thus like the Greeks there are those whom the gods shine upon and who in their darkest hour can rely upon the gods for assistance to overcome the perils of some evil spirit. Sin is the perversion of good acts and is not an individual substance existing apart from the good itself.

This but briefly touches upon the theory of sin as purportedly developed by Augustine. It briefly depicts the state in which mankind finds itself. How one knows of his being chosen to the elect thus we all continually strive by our acts.

13.3 SLAVERY

This then leads to the second point concerning the individual. This is the condition of slavery. Slavery, says Augustine, is a natural consequence of sin. We can see here how Augustine is going back to the theory of Aristotle in a manner, yet we will return to the slave problem when we consider the state. It will suffice to say no. that the slave is slave not by natural law but by law of the state. It is the law of the state that Augustine and in turn Aristotle justify slavery. Augustine then tries to justify slavery in the context of the moral law as just something that happens, a natural state of man. The Augustine argument is in a sense an ad hoc propiter hoc argument, justifying the conclusion.

The State makes the slave that which he is. Naturally, as per Seneca, man is free, it is the State and its laws which allow one man to enslave another and to have that sense of property protected by the State. Moreover there is the artifact from Paul and his Letter to the Romans of the need to obey the State and its rulers. Apparently even if the laws are against Natural Law. There is a conflict here. Natural Law and Civil Law do not necessarily align and for Augustine as for Paul we must align with the State. This view may be seen even today as we see the State mandating things but yet we see objections from a religious basis, a way perhaps to view Natural Law. This conflict is of critical import when attempting to reconcile Augustine with later thinkers.

Augustine takes a twofold view of slavery. First, it is a punishment for sin, yet it too occupies the piece of a remedy for sin. By being in this state, the person can find that here he may make up for this; perfection, in his moral life. Augustine urges asters to recognize the differences in slaves in their total relationships with others. Yet they should consider the slave their equal when it come; to the worship of the Almighty. The slave retains his dignity and his freedom when he face, his creator.

13.4 FREEDOM

This then brings us to the third point, that of freedom. Paul says in Galatians 5 :

With freedom did Christ set us free, stand fast therefore and not again be entangled in the yoke of bondage.

Paul, as does Augustine, places great emphasis on the freedom of the individual. This freedom is a necessity from the theory of the free Man must have this freedom of the spirit for without it man's life is a meaningless absurdity. Man is free both in person and in will.

Augustine follows through on the concept of freedom as stated in Paul. For Augustine, it is necessary for man to be free, not just some accident. Man is free with grace, since God chooses men but He does so “ex tempore”, so as never to interfere in their freedom. For Augustine, if man were not free to act, then the state would cease to exist. The existence of the state, the existence of any and all laws, is dependent upon the fact that all men can choose, and chose individually. Augustine stresses freedom, particularly in his analyses of the sins of his past and the acts of his present.

Also it is important to note that freedom has two sides; Freedom to act as an individual and freedom to act in contrast to the law.

13.5 PRIVATE PROPERTY AND THE STATE

We have thus far developed a broad background in the view of Augustine towards the individual. We are now prepared to analyze his thoughts on the state. Where there is a struggle for the goods that people desire, and a struggle is always assumed to be forthcoming, all individuals will transform themselves into the organization of the state.

The state is of the “civitas terrena”, the “civitas diaboli”, or society. For Augustine, the state developed from the condition of sin that mankind found itself. It was necessary, contends Augustine, to develop the state in order for man to attain the worldly goods that his weakened will seeks. In a manner, Augustine takes after the theory of Seneca in conceiving the state as being a development of man, a necessity brought about by his inherent weaknesses. The state provides for the subjection of man to man. It provides the basis for both slavery and freedom. It is necessary because of sin.

A state may be more or less corrupt, but as long as it consists of a multitude of rational beings associated together in the harmonious enjoyment of that which they love, it is a state. The state is the result of the original sin, that sin which was committed when man was in his primeval state. It is due to concupiscence. Augustine contends that human life is sociable and men are held together by the bond of kinship. He approaches this conception by saying that the life of the wise man is the social life.

This conception of the fraternity of mankind follows from the theory of Augustine concerning love. The early Church as seen in the Acts of the Apostles was a very close and fraternal organization. It was a state under God with full subservience to the will of God. Thus, to Augustine, it may very well have been the first legitimate form of the state, since it existed not in sin but with God.

The Church, for Augustine, is the legal ruler of man on earth, since it is the only true state. Augustine's thoughts on the state may have very well led to the society that existed during the Middle Ages. It was a state surrounded by the Church, and at times subservient to it. It was a state that recognized the rights of the master over the slave. The state's only failings, in the Augustinian ethic, was that it lacked the true concepts of freedom that Augustine saw as necessary for the state to be an existential reality.

Probably the most important idea that was possessed by Augustine concerning the state was that of his teleology. The state had a divine purpose or goal. There was a fate towards which it was developing and forever moving towards. Similar to the view held by Hegel in the nineteenth century it was a theory of a necessary history. Unlike Hegel though, Augustine definitely points toward God as the final goal, the goal toward which we are all to strive. Again the idea of the predestination pervades this theory. Augustine states that God permits states, since man is sinful, and they are necessary for man in order that he returns to God

The individual is the foundation of the state. As we continue, we can find the exact meaning of the state. Finally once we have the two things, the ultimate purpose will be the joining of the two. In the joining, there needs to be some constraints, and these constraints are what we commonly call laws. Thus in this section, we will select the main points of law that are to govern the man as perceived by Augustine in the state developed by his thesis.

The concept of property is of greatest importance in any society. It is also by this concept that we can see how the fusion of the state and individual develops. According to Augustine, there will be a third party in the conception of property, and that is the Church. It is interesting to note this element of participation since by the time Augustine is writing he is also living in what has become a Christian Empire. Yet his constructs of property, the state, and the individual are predicated on Roman constructs, soon to become the Code of Justinian. In addition, Augustine never considered the Francis issue of inequality. By its very nature, property engenders inequality since those with more property than others are more unequal. Yet this did not arise as an issue. Perhaps this is because of his view of the Church and property.

Private property, says Augustine, may be an institution of the divine or the human law. It is thus, if by divine law, all in the hands of God, for all the earth is God's creation. If it is human law, then it can only belong to the righteous, since they are the only true possessors of the things of God. Since the righteous do not possess property, it is of God. It is through the divine law, therefore, that property exists. As said before, as God permits the state, thus too does God permit the existence of private property? This is a rather extreme position that never seemed to have gained acceptance. Clearly it may have justified the taking of property from those not believers but it also tended to distort the whole structure of civilization.

Thus according to Augustine, private property is then to be strictly limited by the use that it is put to. If the property is used badly, then it should be confiscated and given to one who will use it properly. One can readily see how this concept of the justness of property was misused in the Middle Ages, where much was taken by the state for its own personal advantage, for the rulers believed they could make greater use of it than the masses.

At this point, we should give an explanation of what Augustine means by the “jus divinum” and the “jus humanum”. These two forms of justice differ from the “jus naturale” and the “jus gentium” and we saw in the writings of the Roman Lawyers.

The “jus divinum” is much more important than the “jus naturale”. And the “jus humanum” is much less important than the “jus gentium”. Since the state is part of the “jus divinum”, he recognizes no other authority other than that given by the state. This too led to the medieval tradition of the total supremacy of the state over the individual. The jus divinum is the law of God by which all men are governed. Nothing can be put in its place. It is much more emphatic than the natural law. It was much more didactic and codified. The “jus humanum” are those forms of justice or law by which mankind, under the guidance of the “jus divinum”, rules itself. The difficulty with the “jus humanum” was that it was often developed by some individual ruler's interpretation of the jus divinum which may have been in error.

A second point of law is the authority of the ruler. In Aristotle, the ruler evolved and existed as a result of the inequality in human beings. For Augustine, the ruler is a representative of God; that whatever his conduct may be, he does not cease to possess this character. He cites in the City of God the time of Nero who was a nefarious ruler yet the respect due to his position as a ruler should have been shown. He even goes as far as to say in his primitive form that a bad ruler is a result of the wickedness of the people, and they should recognize this and do in such manner to appease the Almighty. Coercive government thus has been made necessary through the sin of man. It is an existential reality and can be affected in turn by changing the existing state of the society and its moral disposition.

Domination arises from pride. One might suspect that his theory came from the literal interpretation of the scripture that he may have acquired from his discussions with Ambrose.

We have employed the terms of justice many times, but for Augustine there can be no true justice as long as man is what he is, a sinner. True justice can only exist where there is true love. If there is the least bit of inequity, the existence of any justice vanishes. The justice that we seek can only be found in God for there and only there is the full extent of love. Thus then can there only be justice. This theory of justice would also allow him to give a basis for his doctrine of predestination. For here, we are the unjust and the unjustified. It will only be through God's love that we shall receive his justice. There are extensions on this view in the secular life in the time after Augustine.

Lastly let us consider the legality of a war. There is only one type of a war that the state is capable to wage, it is the just war. It is derived from the concept of the jus divinum. Since the state has been allowed to exist through the jus it is not allowable for man to destroy the state, only God can do so. Death is a natural consequence for the human, but it is undesirable for the state. Thus the state may be forced to fight for its existence.

Etienne Gilson brings out this point in his introduction to the City of God, since as he says the work itself is a defense of the Church. The Church is being held culpable for the destruction that is being brought to the Roman Empire. Augustine's thesis is an attempt, an all-out verbal war against the pagans. He refutes the fact that the pagans say the Christians will not fight in defense of the state. The pagans had been saying that the Christians were too closely following the words of the New Testament and have been "turning the other cheek". Augustine attempts to show how the state is part of the "jus divinum" and how human dignity must be preserved and thus promulgates the idea that in order to do so a just war must be fought. Yet, it is Augustine who negates private property. Thus he is demanding that the fight be for Church property. He is turning eons of human drive around from the self-interest driven mode of protection to a mode of protection solely motivated by a love of God.

13.6 OBSERVATIONS

We can see in Augustine a struggle between two principles, the love of God and the love of self, and these may at times drive him and his philosophy to some extremes. We have attempted to show the development of his ideas through both a historical setting and a personal analysis of the individual himself. We may judge Augustine too harshly yet his theory of the state and how it

should be organized and ruled dominated the Middle Ages. His theory of the state and the theory of Divine Right of Rulers, later to be called the Divine Right of Kings, was to play the most important role in the development of politics in the Western World. No other man, not even Plato, had a greater effect.

Augustine was a practical political thinker in that his conception of the state was a necessary one for the historical period in which he lived. It was a theory that was eschatological in character ever reminding man of his sin and recalling to him the only true state for him in heaven. Thus the middle ages could afford to rule by this idea of serfdom since the serf was only fulfilling his duty in the plan of God. The freedom expressed in Augustine was interpreted as only freedom of the soul. All men were to be Christians but they were to be free only in this state of the elect.

The greatest benefits we derive from Augustine's theory are the questions we can raise in view of the individual's freedom and its relation to the state. Monism is a theory whereby God and man are all one reality and thus the individual loses his significance. This doctrine has been assimilated by Marx and even Proudhon and its significance is seen in communism and socialism respectively. The individual in this thesis is of no importance. His existence or lack of it would not affect the state in any way. For Augustine this would be nonsense. Man has, and must have, his freedom. This freedom is obtained from God through his love for man. This necessitates the existence of love of man for his fellow man lest we lose our freedom from lack of it. What does this mean to us?

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