FIRST PRINCIPLES
IN MORALITY AND ECONOMICS
on which depend personal well-being and social health and harmony

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Contents | Page

Banks Probably Do Not Charge Enough For Some Services Which They Perform

People, when they put money in a bank, consult their own interest — that is, they expect to get some advantages from having a bank account; but they often do not expect to pay much or anything for the service they get.

People do not like bank "service" charges, that is, special charges which banks make for the number of deposits and withdrawals, unless there is a cash balance in the account big enough so that the account is "profitable" to the bank. They say to themselves and others, "Why should the bank make a service charge? It has the use of my money." But what use? The depositor retains the privilege to draw all his money out *without notice*. How can a bank pay for the use of money which is withdrawable any day? Suppose the banker does "use" the money, and, when you want it, says to you: "We are *using* your money; sorry; you cannot have it today, nor for some time." Most depositors would not be pleased with such an answer and such a situation. The fact is that a bank cannot *use* all of your deposit, and it really exposes itself to danger when it uses *any* of your deposit.

Here are some of the advantages of opening a checking account:

(1) Your cash is *safe,* in the sense that it is not subject to loss by theft, fire, flood or disaster. This is a significant service, whether fully realized or not.

(2) The bank does a large amount of bookkeeping for you. For every action you take which affects your deposit, the bank must make its own corresponding record. At present-day costs of labor and overhead, the banks must incur considerable accounting expense to give you checking service.

(3) By providing you with checking account service, the bank saves you time otherwise required to pay bills personally by performing the errand. If you have a checking account, you merely mail the check. Checks are particularly labor-saving in regard to bills payable at some distance. The bank "clearing system" for cancelling out checks payable elsewhere is a large economy. You get the benefit of that when you have a checking account.

(4) Automatically, your cancelled check constitutes a receipt. There is less prospect of dispute whether or not you have paid a bill.

Unfortunately, the partial loss to banks on their inadequately-paid-for checking account service is made good by earnings on the unsound (but legalized) practice of issuing circulation credit.

The Quantity Theory Of Money Is Easily Understood

Problems of money are not the easiest in the world, and thinking about such problems may be disturbed by emotions of envy, covetousness and fear. But people can think their way through money problems, if they are reasonably thorough. In this little article on the quantity theory of money it is shown that no mystery is involved. Let us consider a farmer, a person usually without special training in money matters, and neither sharper nor duller than the rest of mankind.

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A farmer knows that if a crop is large, then the price per unit (all other things being equal) will be lower; and vice versa, if a crop is small, the price per unit will be higher. A farmer has a *quantity theory* of the price, say, of wheat.

A farmer will apply this rule to what he buys as well as to what he sells. He will always want the highest price he can get for what he sells, and the lowest price for what he buys — and consequently he will argue about price and be "unhappy" about it — but he will not fail to understand, nor will he dispute, the existence of the general rule itself.

Now, can such a farmer reason correctly about the *quantity of money,* about the effect of increasing its supply? Undoubtedly; and his conclusion will be: the greater the quantity of money, the lower its "price" must be.

What was the "price" of wheat? The answer is: whatever it will exchange for, either in the form of money or *other commodities.* "Price" does not need to be measured *only* in money; it can be measured in terms of other goods.

Now, the "price" of money itself cannot be measured in terms of money, anymore than the price of wheat can be measured in terms of wheat. Such an idea is nonsensical — to measure something by itself. The "price" of money must be measured in terms of other things, namely, how much of those other things it will buy. If the number of dollars is greatly increased, each individual dollar will buy less of other goods; just as each bushel of wheat buys less if there is a greater quantity of wheat. The quantity theory of money — that the more money there is, the lower its value — should be and undoubtedly is as understandable to a farmer as is the quantity theory of wheat in regard to wheat prices.

The difference between wheat and money is that everybody is familiar with measuring wheat *in terms of money.* But if money is to be measured, it must be in terms of wheat, or better, *in terms of all other commodities and services.* The price of money is measured against *all* commodities and services, rather than against wheat only (because there might be something special affecting the wheat situation).

The price of wheat is affected not only by the *supply* of wheat itself, but also by factors on the *demand* side; for some reason or other, people may wish to acquire less wheat because, say, they are eating potatoes instead. Similarly, other factors than the *supply* of money will influence the price of money. Suppose that the supply of goods suddenly is cut in half, but the quantity of money itself remains the same. Immediately, the price of goods will go up because the same quantity of money is being used to bid for a supply of goods only half of what it formerly was. This is the same thing as saying that the value of the existing money has gone down. In this case, the value of money has gone down *because the quantity of all other commodities changed.*

Price of anything is always a *ratio.* The ratio can be affected on either side, supply or demand. The quantity theory of the price of wheat looks at the problem of wheat prices from the supply side; the quantity theory of money likewise looks at the problem of the price (or value) of money from the supply side.

1. Whoever favors more money in total must, all other things being equal, be reconciled to less purchasing power per unit of money, that is, he can expect higher prices generally.

2. Whoever favors less money in total must, all other things being equal, be reconciled to more purchasing power per unit of money, that is, he can expect lower prices generally.

3. Whoever wants steady prices in total must undertake to vary the quantity of money in proportion that total goods and services offered vary in quantity — a task which unfortunately requires omniscience.

The foregoing three are all "managed" money systems. They rely on the judgment, caprice and cupidity of men. This is building a money structure on quicksand.

4. There is a fourth system for money, which in type is just the opposite of the foregoing three, individually and collectively. This fourth system is an attitude of not trying to increase the quantity of money to raise prices, nor to decrease the quantity of money to lower prices, nor omnisciently to increase and decrease the quantity of money to keep prices steady, *but to let prices be determined by the gold supply of the world.*

Presently, the people of the United States are pursuing — or rather they think they are pursuing — the course numbered three. By *people* is meant nearly everybody — merchants, industrialists, bankers, the country's money managers, congressmen, unions, wage earners, farmers, retired people. The "climate of thought" on money is to manage the quantity so that goods prices are steady. But what appears to be course three turns out in practice to be course one — inflation of the quantity of money, which results in inflation of prices.

In FIRST PRINCIPLES this third course is rejected categorically because the *management* of the quantity of money has NEVER yet been successful in the history of mankind. FIRST PRINCIPLES does not believe that the management of money will ever be successful. It favors instead the course numbered four. The most prosperous eras in the history of mankind have occurred when money was not "managed."

The consequences of the "management" of money are not revealed in a year, or ten years or even thirty years. It takes time for that supposedly wonderful management to deteriorate under the influence of pressure, cupidity and stupidity.

Rejection Of The Quantity Theory Of Money

What the common sense of the common man teaches him about the quantity theory of money, the technical knowledge of experts sometimes apparently obscures. There are wheat-price experts who suffer from the hallucination that they can modify the quantity theory of wheat prices. Similarly, there have been and are money experts who reject the quantity theory of money.

The greatest economists England has produced developed a school of thought known as Classical economics. The two most famous representatives of this school were Adam Smith (1723-1790) and David Ricardo (1772-1823). They accepted the quantity theory of money.

The men who came after them in succeeding generations split, in regard to questions of money, into two contending schools of thought — known as the Currency school and the Banking school. What divided them? One of the best historians of the history of ideas on money is the late J. Laurence Laughlin of the University of Chicago; see his *The Principles of Money* (Charles Scribner's Sons, New York, 1921). Laughlin declares that what divided these two schools of thought was the acceptance or nonacceptance of the quantity theory of money (page 264). The Currency school basically accepted the quantity theory, the Banking school basically rejected the quantity theory.

When chatting with a successful banker one day, the writer made a statement based on the quantity theory of money. The banker interrupted to say with some evidence of impatience and rejection: "Why that is nothing except the *old* quantity theory of money." He obviously did not accept it.

The quantity theory of money has, of course, qualifications and refinements. A crude statement of the theory can be objected to. But the objection to inexact formulation of the theory does not constitute a good ground for rejecting the basic idea of the theory.

There is no pretense that the simple formulation of the quantity theory here presented takes into account all the facets of the problem. To do so would make this analysis too technical.

But in regard to the fundamental idea underlying the quantity theory it is believed that there are no valid grounds whatever for disputing it.

In the great fight with the Banking school, the Currency school won in principle, upon the passage in Great Britain of the Bank Charter Act of 1844; but it lost in practice (see pages 246ff. in the August issue). The reason is that the Currency school was stupid about one thing, and left a loophole which wrecked the accomplishment of its purpose, and which has plagued the Western world since. The Currency school successfully attacked circulation credit in the form of bank notes, but *failed to include bank deposits in circulation credit,* an egregious blunder. Consequently, although the Act stopped putting out more circulation credit in the form of bank notes, it left wide open the putting out of more circulation credit in the form of bank deposits.

On what premise do bankers and the people of the United States generally reason today, the correct premises of the Currency school or the incorrect premises of the Banking school? Astonishingly, the premises really underlying American monetary theory and banking policy *today* are the false premises of the Banking school. And so the Currency school in 1844 won a battle, but lost a war, not only in England, but practically around the world. It successfully "sold" a sound idea, but flubbed the application of it.

The essence of the battle that the Currency school fought and seemed to win was that circulation credit is bad, really bad; there is no good in it; and no justification for it in practice or theory. But who in the United States is *in principle* against circulation credit? Practically nobody resists circulation credit except that *too much* should not be issued. The moral and economically sound answer is: *none* should be issued.

Money, In A Narrower Sense, And In A Broader Sense

Without being technical, let us look at money in two senses — in a narrower sense, and in a broader sense.*

In a narrower sense, money consists only of gold, or a metal suitable for money and used as money.

In a broader sense, money consists not only of gold but also of credit granted by those who presumably have the means to grant credit, or at least the authority to do so.

The dispute about money, in this age, is the credit part of it. But in order to understand what the modern trouble is, it is necessary to recognize that there are two kinds of credit rather than only one. One kind of credit, commodity credit, is inevitable and justifiable; the other, circulation credit, is unneccessary and inexcusable.

Our money, in the broader sense, then, consists of the following:

1. Metal, usually gold, but not necessarily gold;
2. Credit, (a) commodity credit; and/or (b) circulation credit.

Because commodity credit is inevitable, impossible to stop, and undesirable to stop, everybody with judgment approves it. But, although circulation credit is unnecessary, easy to stop and disastrous in its effects, nearly everybody nevertheless approves it.

Why is *commodity credit* good? Because it helps business. A farmer may have wheat, which he wishes to sell to the town miller. The miller shakes his head. He says, "I have no money with which to buy. I could not pay you until I sell the flour. I am 'paralyzed' to act. I would like to, but I cannot." To that the farmer may say, "I shall sell you the wheat *on credit;* I shall

*These expressions are borrowed from Ludwig von Mises' *The Theory of Money and Credit* (Yale University Press, 1953).

deliver it; you grind it; you sell the flour; and after two months you pay me, because you should be able to pay me by that time." On that basis the farmer delivers the wheat and the miller mills.

The farmer trusted the miller. His trust was manifested in the credit he granted the miller. The credit was "collateralized" by the commodity, wheat, or later, flour.

The miller may give the farmer a note, due in two months. The farmer may need the money before the two months has elapsed. He may then go to the town bank and say, "I need this money *now*. I will take less than the face value of the note, by an amount equal to five percent interest. I will endorse the note on the back so that you can collect from me, if the miller does not pay." The banker may have a deposit *received from a saver* with which he pays the money to the farmer. In that case the saver, through the banker as agent, is the real extender of the credit.

In any phase of this transaction there is no real *creation* of money or credit, but a *transfer*. Behind the credit is the wheat or the flour; or the savings of the bank depositor. This is genuine *commodity credit*. Upon payment of the note, the credit is retired or eliminated, whether extended by the farmer or through a banker.

Commodity credit, when limited to goods which are easily salable and which will probably be quickly sold, in general is safe. The credit transfer has a short life. Such credits do not get into the money stream *or stay there*.

There can be abuses of commodity credit, just as there can be abuses of many good things, as marriage, private property, liberty. The miller may be incompetent or dishonest. He may mill the wheat, sell the flour, spend the proceeds, and then be unable to pay the farmer. Is there then more money in the world, because that credit is outstanding? Indeed not; people do not unrealistically count assets twice. The farmer's possession of the miller's note will be considered of no value if the miller cannot or will not pay. What the miller spent, the farmer must abstain from spending. Such credits do *not* cumulate. They are staked down to reality.

The situation is different in the case of *circulation credit*. There is *nothing* behind circulation credit than the expectation or at least the hope that nobody will suspect it, and consequently that people will accept it and pass it on from one to another.

Suppose the miller wishes to buy 1,000 bushels of wheat. Suppose, instead of signing a few big notes, he makes a large number of smaller notes, say of one dollar each. Let us assume, also, that the miller is respected and trusted. He tells those who sell him wheat, supplies, etc., that the smaller notes will be more convenient for them. Further, he promises to pay cash on his notes, whenever his creditors need their money. He vaguely waves his arm to the groaning mill behind him, and says, "I have a lot of wheat, you know, in my elevator and silos and mill. You do not need to worry." And so, in order to buy 1,000 bushels of wheat and a modest amount of supplies, he may finally put out enough of his notes to equal the value of 5,000 bushels of wheat! And he may have little trouble doing so, because people do not present so many of his notes to him for real-money payment that he cannot cash them. Our miller friend has a "float" of notes not covered by real wheat, let us say, in value equal to 4,000 bushels worth of wheat.

Because people have trusted this miller on his receipts, they have enabled him to be an unsuspected and uncaught counterfeiter. He has bought merchandise equal in value to 4,000 bushels of wheat that he did not possess. This credit, which is not "covered" by a commodity, is called *circulation credit*. The law of the land permits — authorizes — encourages — bankers to do exactly what this miller has done, with, however, a certain limit. They are supposed to be public benefactors when they do that. They are acting in accordance with the *Five Times Principle* previously described; see the August 1959 issue, pages 238ff.

The law of the land does not permit a miller to engage in the malpractice just described. That it is malpractice everybody will recognize who considers counterfeiting money to be bad. The miller has manufactured "credit" as a counterfeiter manufactures bills. The miller has implied and pretended that there are ample commodities behind his notes. He pretends his notes represent commodity credit. Actually, he has only $1,000 worth of commodity credit, which he was once worthy to have; and he has $4,000 worth of circulation credit which he is not worthy to have.

The cause of confusion among those who favor circulation credit is their not distinguishing between circulation credit and commodity credit. They begin by defending commodity credit, which is easy enough to do, but end up finally in defending circulation credit under the good flag of commodity credit. Whoever is unable to distinguish between commodity credit and circulation credit will be unable to understand the problem.

Some correspondence on circulation credit recently came to our attention. One writer favored both commodity and circulation credit. But he did not keep the two separate. He defended circulation credit on the basis of the character of commodity credit. This is an inexcusable confusion or may be a very willful unwillingness to recognize a vital difference.

In the U. S., the total supply of money in the broader sense is not only gold and commodity credit but also circulation credit.

How Gold Exports And Imports Tell Which Country Is Putting Out The Greater Quantity Of Circulation Credit

Putting out more circulation credit means that there is more money (in a broader sense), and that will result, all other things being equal, in increased prices. This is another way of saying that the purchasing power per unit of money has decreased, just as more wheat makes the purchasing power per unit of wheat go down.

Thomas Tooke (1774-1858) one of the most famous of the representatives of the Banking School, was co-author with William Newmarch of a monumental study of prices, under the title, *History of Prices and of the State of the Circulation from 1792 to 1856,* which was designed to prove that the increased issue of circulation credit had not raised prices in England in the early part of the nineteenth century.

Both Schumpeter in his *History of Economic Analysis* (Oxford University Press, New York, 1955, pages 520ff.) and Laughlin in his *The Principles of Money* (page 265ff.) indicate that Tooke and Newmarch set out to prove that circulation credit in England had not tended to raise prices. Laughlin quotes from Tooke and Newmarch what they said in summary of their study of prices for the years 1793 to 1837:

> "The whole tenour of the facts and reasonings adduced has been to establish the conclusion that the great alterations of prices originated, and mainly proceeded, from alterations

in circumstances distinctly affecting the commodities, and not in the quantity of money, in relation to its functions.*

They also wrote:

"As far as trustworthy evidence can be obtained, there are no facts in the experience of the last Nine Years (1848-1856) which justify the conclusion, that in this country the fluctuations of Prices . . . were immediately preceded by, or connected with, changes in the amount of the aggregate outstanding circulation of Bank Notes.**

Tooke's whole *approach* to the problem was wrong. He *set out to prove by statistics* that the quantity of money had not influenced prices. So many factors influence prices that the idea of statistical proof of the kind that Tooke and Newmarch mustered is absurd. The result is confusion. Schumpeter, who is in general a gentle critic, admits that Tooke was "woolly" in this thinking. No statistics that anyone ever musters will discredit the theory that the supply (quantity) will affect the price (all other things, of course, being equal).

It is possible, by statistical studies such as by Tooke and Newmarch, and by interpretations of such figures, to prove about anything you wish to prove; the wish is usually father to the thought.

It is not to be disputed that prices are the result of many factors. It is not disputed that an increase in the price of one commodity only does not prove that there is money inflation. It is not disputed that an index number of many commodities may give a rough indication of what has happened, although no general index number can be a really reliable index of what has happened and is happening to prices. Tooke and Newmarch may therefore have written an impressive book, and still have failed altogether to prove their case.

Whether prices in England were being influenced according to the quantity theory of money, by the issuance of circulation credit, could be ascertained with greater accuracy from *circumstantial evidence* than from statistical material. The proper manner to look at the text of Tooke and Newmarch is that it contained "much testimony but no evidence."

* History of Prices, II, pp. 350. [To this Laughlin adds this footnote:] Of course he admits that during the paper-money period the price level was raised to the extent of its depreciation as compared with gold (cf. II, 349); but this is the inevitable consequence of a fall in the value of the standard in which prices are expressed, and not necessarily of the increased quantity of the paper money."

** *Ibid.*, V, p. 344."

The conclusive evidence of the effect of issuing or withdrawing circulation credit in Great Britain, in the nineteenth century and until World War I, lies elsewhere, namely, in the movement of gold in and out of England. This mechanism, as proof of whether circulation credit is being increased or decreased, is worthy of examination and understanding.

Imagine two countries, say England and France, which trade together. If these countries are putting out circulation credit, as did the flour miller referred to in an earlier article in this issue, then the people in these two countries will not accept each other's paper money. They will want real money, *gold*. Let us assume then that England and France are both on a gold basis, and that both also put out circulation credit. When it comes to final settlement between the merchants of the two countries, then they will demand gold and refuse to accept paper money (circulation credit) of the other country.

Let us imagine that each country has one billion dollars in gold and five billion dollars in circulation credit; each then has a total of six billion dollars in money in the broader sense. That is the status of affairs at the beginning of our illustration.

Merchants do not trade within a country, nor with merchants outside a country unless there is mutual advantage to be derived from trading. Prices between countries for comparable merchandise are therefore never permanently significantly different, if there is free trade. Goods always move to where they can be sold most advantageously, which inevitably results in a tendency toward an equalization of prices. We shall assume there was free trade between England and France; therefore, prices would "tend" to equalize between the two countries.

Trade between France and England will have to be a "two-way" street. English merchants will sell some things to France and buy others from France. Similarly, French merchants will sell French wares to England and buy English wares.

Let us assume, now, that in a given period English merchants buy more French goods than they sell to France, and (consequently) that French merchants sell more French goods than they buy English goods. If the flows both ways were equal, the credits and debits would balance off. But they will not do so in the case here assumed. English merchants, because they have bought more than they sold, will have to pay for the surplus in money. As the French will not be willing to accept English *paper* money (money in the broader sense), the English will have to ship some of their billion dollars worth of gold (money in the narrower sense).

Why would there be this imbalance in sales and purchases? For one reason only — French goods were temporarily cheaper than British, which is why the English bought eagerly and the French were happy to sell. For the French, the price on the foreign sale to the British probably exceeded the price on the domestic sale in France.

Let us assume the English shipped $200 million of their gold to pay for the excess purchases from France. That would leave England with only $800 million in gold; but France would have $1.2 billion in gold.

The ratio of circulation credit to gold in England was assumed to be 5 to 1: or five billion to one billion. Now that one-fifth of the gold has been shipped out, the banks will feel obliged to reduce their circulation credit from five billion to four billion. British money will then be reduced in quantity from a total of 6.0 billion to a total of 4.8 billion. According to the quantity theory, British money would become more valuable, that is, prices of commodities will surely drop. When British commodity prices drop, British costs will drop (if there are free market conditions). Merchandise in England will now be lower priced — because there is less money.

Simultaneously, the contrary will be true in France. On the basis of 1.2 billion of gold the French will, if the old ratio is to be retained, expand their circulation credit to 6.0 billion, which added to the 1.2 billion of gold would provide a total of 7.2 billion of money. As a result of this increase in the quantity of money, French commodity prices will rise, and French costs will surely advance.

Now, the trade movement will be reversed. Whereas because French prices had previously been low, English merchants had bought more French goods than they had sold English goods to France, under the new situation the French will buy more British goods because they are cheaper, and the French will ship less goods because what they have to sell is dearer.

Now the movement of gold will be reversed. The French will be shipping back the gold which they had received from the English earlier.

Readers will become aware that it is not necessary to have Tooke's *statistics* to determine whether, relatively, prices for goods had increased or decreased in England. The movement of gold in-and-out of England was conclusive proof whether English prices were higher or lower than elsewhere. (Gold movements, temporarily, also have causes other than commodity price differences, but for simplicity sake, such details are here omitted.) When England was obliged to ship gold, that was evidence her prices were higher than prices elsewhere. When England contrarily gained gold, that was evidence her prices were lower than elsewhere.

The movement of gold tells more conclusively than anything else whether prices between countries have changed ratios, and which country, by means of circulation credit or otherwise, has increased its quantity of money more than other countries. (Again, other phases of international gold movements are not being considered here.)

For a hundred years after the Napoleonic wars the movement of gold was the agency by which international prices were kept in line. When gold drained out of a country, it was proof that that country had issued too much circulation credit relative to the circulation credit other countries had put out; and vice versa, when a country gained gold, it was proof that her prices were low, which in turn was proof that credit had been more severely rationed in that country than in other countries.

Gold movements, and not the statistics of Tooke or anybody else, tell whether circulation credit (or some other factor) has influenced prices in one country differently from another.

George Winder's, A Short History Of Money

A valuable book on money has been published this year in England entitled, *A Short History Of Money*. The author is George Winder, an attorney and economist from New Zealand, now retired and farming in Sussex, England. The book has only 188 pages and is of small format, but contains much valuable information. It is available in this country through the Foundation for Economic Education, Irvington-on-Hudson, New York, for $2.50.

In what follows, this remarkable book is used as a foil to permit contrasting what is proposed in FIRST PRINCIPLES with what appears in *A Short History of Money.*

* * *

There is a fundamental difference between what Winder thinks about money and what is presented in FIRST PRINCIPLES. In FIRST PRINCIPLES *all* circulation credit is condemned; it is against the further *creation* of money, and believes only in money that has been *produced*. Winder, contrarily, is against circulation credit *if its origin is a government deficit;* and he is also against circulation credit if it is based on nonliquid assets, such as land; but he does not condemn circulation credit originating as short-term advances to commercial borrowers. (That is his position, if we understand him.) He really fails to distinguish between commodity and circulation credit.

* * *

Winder's first chapter has the title, "Do Banks Create Money?" He begins with the basic observation that in ordinary business no one properly has money *unless he has first produced something or performed a service,* by which he obtained the money, and by which he therefore has legitimate purchasing power to get something else. This is the ultimate underlying *moral* distinction between those who honestly have money and those who do not, and Winder is admirably explicit about that. He thereby has condemned the counterfeiter who has not performed a prior service, and who is a *thief* when he uses his counterfeit money. But if banks create money in the form of circulation credit (just as a counterfeiter creates money in the form of bills) is that creation theft? To this Winder's somewhat surprising answer is *No.*

In his first chapter he quotes various authorities, who do declare that money is *created* by banks, but he does not quote with approval, but dissent. He disagrees with Marinner S. Eccles, formerly chairman of the Federal Reserve Board, who is reported to have said:

> The banks can create and destroy money. Bank credit is money. It is the money we do most of our business with — not with the currency which we usually think of as money.

Winder also quotes the well-known English economist R. G.

Hawtrey to the effect, "When a bank lends, it creates money out of nothing." But again Winder dissents. His reason is (so he declares) that it is not the bank which creates money, but the commercial customers of the bank. He insists that the banker is only an agent and not the originator of the credit. And so, he argues, the banks *themselves* do not create credit.

The fact remains, of course, that there *is* a credit granted. How does Winder resolve that? Consider a transaction between a wholesaler and a retailer. The wholesaler has some clothing to sell; he actually possesses the goods; he owns the merchandise. Of course, he wishes to sell the clothing. But the retailer does not have the money to buy; he can only pay *after* he has sold some or all of the clothing to consumers. What does the wholesaler do? He ships the clothing to the retailer *on credit,* that is, the retailer does not have to pay until (say) four months later; in that interval, he will presumably have sold enough of the clothing at the retail price to pay off the wholesaler at the wholesale price.

Let us assume that the retailer does pay off the wholesaler. What has happened: first, credit has been created; and second, credit has been destroyed (liquidated). The creator of the credit was the wholesaler; the "destroyer" of the credit was the retailer. If a bank were to enter into the picture, it would only be as an agent. Therefore, so Winder presents the matter, it is the *creditworthy customer* (in this case, the wholesaler) who really extends the credit, *and not a bank,* if a bank participates. Therefore, Eccles, Hawtrey, The *Encyclopedia Britannica* and many (in fact, all) others must be wrong when they say that it is *banks who create credit. That* is how Winder negates the idea that banks create *circulation credit.* The *origin* of the credit, he says, lies elsewhere — with the business man.

But somewhere the reasoning must be awry, and despite the other extraordinary merits of his book, Winder has here overlooked something.

Surely, he is correct that the wholesaler in our illustration has extended credit. He has transferred a *commodity* credit, which is certainly legitimate and unchallengeable. The commodity credit is related to the commodity, *clothing.* It is an error to call the transfer of such credit *creation* of credit. The wholesaler has not really created purchasing power; he has let the retailer have the clothing; the receipt he gets for the clothing is not money *creation.*

The real money problem is not such *commodity* credits (which are economically and morally to be approved), but *circulation* credits (which are not economically and morally to be approved). What should Winder have done? He should have considered instead the *Five Times Principle* — under which there *is* creation of credit *by banks.* (Incidentally, in England the principle is the *Twelve-and-a-Half Times Principle,* because in England the custom is for banks to create 12½ times as much credit as their reserves. See Winder's book, page 139.)

Winder appears to do the same thing that Henry Thornton did (see his *The Paper Credit of Great Britain*), and begins with obvious cases of credit extension *on commodities.* Who can argue that a man who owns a commodity may not put it into the possession of someone who cannot immediately pay for it himself but who can sell it, and upon such sale get the money to pay the creditor. Such a loan is destroyed (liquidated) upon sale to a consumer and repayment to the lender, just as definitely as it came into existence when the clothing was transferred by the wholesaler to the retailer. Commodity credit is not immoral, because he who extends the credit does not *create* purchasing power. The retailer has more clothing, and the wholesaler has as much less. This is not *creation* but a *transfer.* That some papers have been created to evidence the transfers does not mean that there is "more money" in the world. Such commodity credit, although maybe sometimes imprudently extended, and maybe sometimes uncollectible, does not raise the price level in an unstable manner. As the Banking school (despite being wrong on the real issue) correctly insisted, such credits if wisely extended are self-liquidating, either upon payment by the debtor, or by the creator writing off his loss if the debtor cannot pay.

But all the foregoing has nothing to do with that quite different kind of transaction — the *Five Times Principle.* In this case, there is a genuine "creation" of credit. Winder has not met this real issue.

* * *

Winder's position is a sagacious, but nevertheless inadequate, "reversion to type." He apparently wishes to go back to the gold standard; on that issue he is eminently right. He is against government deficits, on which he is equally right. He is against government domination of a central bank, or the banks generally on which all experience in human history gives evidence that he is right. He is against monetizing government debts, on which many will agree with him, even those who are unfortunately not in agreement on the subjects previously mentioned.

What Winder is for is a return to the situation before World War I, before 1914. He in effect proposes a return to an *international gold standard,* and practices in conformity with that standard. Compared with what Winder proposes, what the world has today is a wretched deterioration. He argues powerfully and conclusively for a return to a far better past. But he proposes no amendments to the pre-World War I gold standard; FIRST PRINCIPLES does, namely, the elimination of *further increases* in circulation credit. We are for the old gold standard with that amendment; Winder, if we understand him correctly, is for the old gold standard without that amendment.

How does this difference show up? For Winder the *one* great problem today is *inflation.* If today the nations go back to the pre-World War I gold standard, inflation must inescapably end. For FIRST PRINCIPLES there are instead *two* main problems today, namely, (1) inflation *and* (2) *booms and depressions.* To solve those *two* problems, two things are necessary: (1) the world must go back to a gold standard (as Winder indicates); and (2) the world in addition *must discontinue the practice of authorizing circulation credit.* Winder's program will solve the inflation problem, but not the depression problem. FIRST PRINCIPLES' proposals will resolve both the inflation problem and the depression problem.

Toward the end of his book Winder makes some references to depressions, but they are incidental. The book does not seriously relate monetary policies to depressions. To anyone sensitive to the problem of depressions, Winder's smallish treatment of it is a conspicuous omission.

Not that *every* fluctuation in business can be completely leveled out by a sound monetary policy. Fortuitous events affect business, and it is unreasonable to expect a completely even course, at any time. But the business cycle, resulting from circulation credit extension and contraction, as experienced in 1907, 1921 and 1930-1934, can be eradicated by a sounder monetary system than this country or the world has ever had.

* * *

Winder thinks and writes as an Englishman. His sources of information are English, to wit, (1) the Classical school of Smith and Ricardo; (2) the men of the so-called Banking school; (3) Walter Bagehot, the famous financial essayist of a generation ago; (4) more-modern classicists as Edwin Cannan; and finally, (5) the various "moderns" of all persuasions (including even John Maynard Keynes!). See the bibliography which the author presents on pages 173 and 174.

The ideas which apparently have influenced Winder are limited to England and are therefore, in a sense, parochial; he quotes no German authors. In his bibliography he does not mention, for example, the work of Knut Wicksell who made a conspicuous contribution to the theory of money and money rates. And even more surprising, he makes no mention of the writings of Ludwig von Mises, particularly his earliest major work, published as long ago as 1914, with the significant title, *The Theory of Money and Credit* (English translation by H. E. Batson, published by Jonathon Cape, London, 1934; republished by Yale University Press, 1953, with a new Part Four, entitled "Monetary Reconstruction"). It is Mises who has reasoned with final cogency against circulation credit, because it is *the* cause of the business cycle. This most admirable source has apparently not influenced Winder, and may even be unknown to him. FIRST PRINCIPLES, in contrast, has been decisively influenced by Mises.

Winder is heir to the Classicists and the Banking school. We are heirs of the Classicists, then of the Currency school who were the real heirs of the Classicists, and finally decisively of the Neo-Classicists (Jevons, Menger, Böhm-Bawerk, Mises). In order to have an adequate theory about money, the easiest (and best) sequence of reading (we believe) is: Menger's *Principles of Economics;* Böhm-Bawerk's *Capital and Interest;* Adam Smith's *Wealth of Nations;* Ricardo's *Principles of Political Economy;* and Mises's *Human Action* and *The Theory of Money and Credit.* We accept that part of the writings of the Classicists (Smith and Ricardo) as is reconcilable with the Neo-Classicists.

Despite his reading apparently being limited to English writters, Winder's book is fascinating reading. Its great merit will be conspicuously apparent; and also where it falls short. None, except an extraordinary economist, could have said so much, so well, so simply, and in such small space.

* * *

The goldsmiths, long ago when they discovered that they could put out more receipts than they had gold, took to putting out false receipts. They *counterfeited* "money." Winder does not condemn it; this may be because he is too-familiar with it and because the practice was thoroughly incorporated into the English banking structure before World War I; see pages 36-39. Winder writes:

> But few doubt today that the goldsmith, in giving the world the forerunner of the bank note, performed a beneficial service to mankind.

We find it impossible to agree. This circulating credit of the goldsmith's, it should be noted, relied not on a *commodity* behind it, but merely on the receipts continuing to circulate (whence the name, *circulation* credit) *because* people trusted them; there was NOTHING behind some of the receipts except the foolish trust of the people who trusted the receipts.

* * *

That Winder, unfortunately, belongs to the Banking school of thought on money is evident from page 57. He argues in favor of circulation credit in the form of *deposit credits.* He writes about the Bank Charter Act of 1844 and the trend of economic events in the nineteenth century, as follows (our italics):

> The great increase in the supply of goods coming on to the market [in the burgeoning nineteenth century] would have met a too-slowly expanding supply of money, and the Quantity Law would inevitably have manifested itself in lower prices. That this fall in prices did not occur . . . is due to the fact that the Bank Charter Act of 1844 completely failed in its objects [namely, to end the issuance of circulation credit].
>
> It was based on the assumption that only two kinds of money existed — metal money and bank notes — whereas, . . . a third type was already acting as a medium of exchange for a very large part of Britain's trade. *Very fortunately, as we may suppose,* this third type of money [deposit credits] completely escaped the legislative net.

The ground that the author advances for favoring circulation credit is that putting out this *extra* money helped prevent prices going down. Here, for a moment, Winder seems to share the incomprehensible fear, which pervades the world, concerning *falling prices*. Elsewhere in his book he argues most excellently for fluctuating prices rather than fluctuating money; and when he does that he is most right. But here he lapses.

The *falling prices* to which he refers are not *disastrously* falling prices. The decline, if it had occurred, would have been steady, not irregular; maybe one or two percent a year. Further, every well-informed person would have expected it. Long-term contracts would have taken it into account; both borrower and lender would have adjusted interest rates accordingly. And so — just so people know what to expect — a drift of prices upward or downward is neutralized by the terms of contracts when contracts are made.

Slow trends in prices when dependent upon a natural phenomenon (such as the availability of gold) are far to be preferred over well-intentioned but unstable variations in the money supply *according to the judgment of fallible and weak men*. Nature is more stable than the judgment of men.

A long-term slow drift of prices is not a reasonable ground for tampering with the money supply. Business men are accustomed to radical changes in the prices of individual commodities. Interest rates may fluctuate 20 to 100 percent a year; stock prices on the New York Stock Exchange usually fluctuate *within one year* as much as 30 percent above and 30 percent below the average for the year; individual commodity prices fluctuate similarly. Business men, and everybody, adjust facilely to those *violent* fluctuations; it is not logical therefore to become apprehensive about slow, steady trends in prices.

* * *

Winder is complacent about booms. On page 99 he indicates that booms may be the result of unwise credits — in our language, too much *circulating* credit. He writes:

> However, the optimism of the business man is contagious, and sometimes this infection is caught by the banker. Too much money is lent, prices rise, and a boom eventuates. This susceptibility of banks has its advantages. It enables the business man to sieze a new market at the right time.

Here the author accepts the proposition that granting of unwise credit — "*too much* money is lent" — causes booms. The "too much" is always circulation credit. But the inevitable consequence of a boom is a depression, unless the alternative, namely, permanent inflation, is adopted (which is even worse, and to which Winder is adamantly opposed).

Unless capitalism rids itself of booms and depressions, caused by variation in circulation credit, it will probably be more and more surrendered in the direction of socialism and tyranny, by citizens who are alarmed by and irreconcilable to booms and depressions.

* * *

Winder says that the British Treasury controls the policies of the Bank of England. The Bank of England in turn dominates the commercial banks. British banks, he writes, are no longer free and virile.

A parallel statement can be made for America. The exigencies of the government of the United States determine the issuance of bills and bonds of the United States. The Federal Reserve Board cannot effectively resist such action by the United States Treasury. The Federal Reserve Board dominates the regional Federal Reserve Banks and through them or directly the commercial banks. The banks here are no longer free either, any more than they are in England.

What the public in England and in the United States knows as *banks* are merely branches, in the final analysis, of the central bank, and the central bank is a finance tool of the government.

* * *

The book has many striking and accurate statements, for example, page 145:

> The power of Governments to control the quantity of bank loans may be described as an attempt to substitute a flexible supply of money for a flexible price-and-wage structure.

That, indeed, is the choice: free markets versus a flexible money supply, which latter always means at least bad booms *and* depressions; or even worse, inflation. FIRST PRINCIPLES is for free markets and opposed to a flexible money supply managed by mortal men.

* * *

Chapters toward the end of the book, beginning with the twentieth, entitled "The Cause of Inflation" are written with extraordinary clarity and force.

Withal, a most remarkable book. Read it. Whoever does not understand money does not understand the problems of the age. This book will be very helpful — *with the one exception that it fails to condemn circulation credit, the cause of booms and depressions.*

"Love" In Christian Ethics Should Not Be Used To Designate A Sentiment

In Hebrew-Christian ethics the term, *love,* refers to an unsentimental, profound policy for conduct, rather than to an affection of any kind.

Love, in a legislated ethical sense in the Scriptures, does not refer to *affections* as between husband and wife; or parents and children; or between friends. It refers instead to *rules of conduct* between *all* people — those fond of each other as well as those not fond of each other; friends and enemies; lovers; parents and children; white and negro — everybody.

Love in the Scriptures does not mean to *like* and does not depend on *liking,* because liking is a relative term, and the minute *love* (as a term describing policy) is debased into *liking,* then the issue arises of liking *equally,* which is sure to become a preposterous demand and sanctimony.

A difficulty is that the word *love* means so many things, even in Scripture, such as, (1) unlicensed sex and infatuation, (2) liking, (3) preferential treatment, and (4) profound policy.

As an example of *love* in the first sense, namely, unlicensed sex, consider II Samuel 13:1:

> And it came to pass after this, that Absalom the son of David had a fair sister, whose name was Tamar, and Amnon the son of David *loved* her.

After feigning illness and getting everybody else out of the way, Amnon proceeded to ravish Tamar. Nobody will call this act of Amnon *scriptural love,* or declare that love in this case means something that is in conformity with the Law of God.

As an example of love as *liking* consider the relation between David and Absalom, (I Samuel 18:1):

> And it came to pass, when David had made an end of speaking unto Saul, that the soul of Jonathan was knit with the soul of David, and Jonathan *loved* him as his own soul.

This is a case of one person genuinely *liking* another. The *affection* in this case does not refer to a profound, universal policy, but a sentiment, a free act of the will, in a field where the will should remain unbound, namely, whom to like; and also whom to like more and whom to like less.

As an example of love as *preferential treatment,* consider Elkanah, the father of Samuel, and how he treated his two wives, Peninnah and Hannah. Peninnah bore Elkanah children, but Hannah did not. When going up annually to Jerusalem Elkanah gave "portions" to Peninnah and her children, (I Samuel 1:5a):

> But unto Hannah he gave a double portion; for he loved Hannah.

Elkanah apparently found it impossible to have *equal* affection for his two wives. His *preferential* sentiment toward Hannah is called "love." But preferential sentiment is not *love,* in its ethical, legislated meaning in the scriptural Law of Love.

In the New Testament, *affection* is enjoined upon the members of the church *among themselves.* This, too, is called *love,* but it is not the same thing as the profound policy derived from the Mosaic Law, correctly interpreted. Christ declared, in the Gospel of John, Chapter 13:34-35:

> A new commandment I give unto you, that ye *love* one another; even as I have loved you that ye also love one another. By this shall all men know that ye are my disciples, if ye have love one to another.

This is not universal legislation either, but group legislation, and the meaning of *love* here refers to favorable sentiment *among the brethren;* the quotation obviously *segregates Christ's followers from those who are not.*

* * *

In contrast, it should be noted that in the Sermon on the Mount Christ required that men *love* their enemies, but that does not refer to an affection for them but a policy toward them, namely, the universal policy taught in the Mosaic law. The content of that universal policy for conduct has five basic ingredients:

(1) Complete freedom in all inter-relations according to a man's own judgment, indeed according to his sovereign caprice, EXCEPT

(2) No freedom to coerce, debauch, steal or deceive anyone; PLUS

(3) A limited amount of charity, according to the judgment of the giver and not according to an enforceable claim on the part of a potential recipient; PLUS

(4) Patient and steadfast forbearance, that is, an adherence by you to number (2) foregoing, despite any other person doing to you those same forbidden things and thereby harming you; no revenge; no ill intent; and no action by you *except to help and correct him;* PLUS

(5) Educating the neighbor in the full import of the gospel, namely, endeavoring to persuade him to get *all* of his thinking straight on life and death, creator and creature, justice and mercy; but this gospel to be strictly education and no more — never any coercion to get it accepted.

Those are the constituent elements of *love* in the ethical legislation about *love* in Scripture. Such love pertains to *policy,* not sentiment.

* * *

The *great* elucidation of the Mosaic Law of Love by Christ in the Sermon on the Mount pertained to the item numbered (4) in the foregoing. Whenever Christ uses the word *love* in the Sermon on the Mount, He means by the term everything that the Law stood for historically plus something wholly distinct from affection, to wit, patience, forbearance, absence of revenge and existence of good will, that is, *a utilitarian approach to the "enemy" in order to help him to reform.* The word *love* is used in *that* sense only in Matthew 5 and 6. Again, it refers to *policy;* not to *affection.* (Contrarily, in John 13, love refers to affection among the brethren, and self-sacrificing conduct between them.)

* * *

The Law of God requires you to "love" me, but it does not require you to like me. And it certainly does not demand that you like me *equally* with all others. It will be a messy world if the *love* required in Matthew 5 and 6 is extended to include the emotion referred to elsewhere in Scripture as love; imagine your neighbor extending the meaning of love in Matthew 5 and 6 to the meaning in II Samuel 13:1, and treating your sister according to Amnon's demonstration of "love."

When there is reference in First Principles to *love,* it refers to a *universal policy for conduct* and not any sentiment of liking, whether noble or ignoble, sexual or preferential.

Th Hebrew-Christian religion is too wise to command that all men *like* each other, or worse still that they like each other *equally* — a proposition that is ridiculous and that properly breeds contempt for any religion which teaches it.

The Mess In Corinth

The Apostle Paul, in the first century of the Christian church, established a congregation in Corinth, Greece, and he subsequently wrote them two letters, known in the Christian scriptures as the First and Second Epistles to the Corinthians. In I Corinthians 13 there is an apparent paeon, or glorification of *love.* Two aspects of this paeon will be discussed: (1) Why was it interjected into the epistle? and (2) What is meant by the term *love* in this chapter; does it refer to a sentiment of affection or a policy of conduct?

The Unwarranted Insulation Of The Thirteenth Chapter

Unfortunately, the First Epistle to the Corinthians has been subdivided by editors into chapters and verses, thereby obscuring its coherence and *divorcing the chapter from the context.* The context includes, in this case, two long chapters surrounding chapter 13, namely, the 12th and the 14th. Without realizing the significance of the context, people read chapter 13 *in abstracto,* as if it were an unattached and universal idea. Whenever that is done, the chapter is inescapably misread and becomes irrational.

Chapter 12 describes a bad situation in Corinth. Chapter 14 contains a reprimand. Chapter 13 is sandwiched between for two reasons; first, the lamentable situation at Corinth was a violation of a sound idea of *love,* as a profound policy for conduct; and second, Chapter 13 sugar-coated the bitter pill which Paul administered in what is chapter 14.

The Corinthian Mess

Paul covers many subjects fast in his Epistle. Ignoring the earlier subjects, in what is chapter 11 in present-day Bibles, he writes about the hair-do of women (a not too profound subject for a widower or bachelor to discuss); and he deplores very bad practices, including drunkenness, at their communion celebrations.

Then he comes to what is known today as chapter 12, and he there describes the turbulent meetings of the Corinthians. One person, believing himself to be a prophet, shouted prophecies; another, considering himself inspired, muttered gibberish — a phenomenon which was known in Corinth as "speaking in tongues"; Paul makes it unmistakably clear that this "speaking in tongues" was not understandable, a chaos of sounds; then there were faith healers, who had the "gift of healing"; others who taught "wisdom" and "knowledge." However marvelous — or imaginary (everybody is entitled to his own opinion) — these "gifts" were, they apparently had a common characteristic, they did not do other people much good; or, if they did not, the possessor of the gift apparently did not care much about it. He apparently went on teaching "knowledge," healing in his style, prophesying, uttering ununderstandable sounds — all on his hown. There was a lack of proper order, edification or coordination.

The 12th chapter (which must be read with the 13th in order to understand the latter) *teaches cooperation* by means of a homely and appropriate illustration. Corinth obviously lacked real cooperation, and Paul urged genuine cooperation. To make his point, he comments on the *cooperation* between the parts of the human body. He says that each part of a human body needs the other part; they must *cooperate:*

> *I Corinthians 12:12-25:* For as the body is one, and hath many members, and all the members of the body, being many, are one body; so also is Christ. For in one Spirit were we all baptized into one body, whether Jews or Greeks, whether bond or free; and were all made to drink of one Spirit. For the body is not one member, but many. If the foot shall say, Because I am not the hand, I am not of the body; it is not therefore not of the body. And if the ear shall say, Because I am not the eye, I am not of the body; it is not therefore not of the body. If the whole body were an eye, where were the hearing? If the whole were hearing, where were the smelling? But now hath God set the members each one of them in the body, even as it pleased him. And if they were all one member, where were the body? But now they are many members, but one body. And the eye cannot say to the hand, I have no need of thee: or again the head to the feet, I have no need of you. Nay, much rather,

> those members of the body which seem to be more feeble are necessary: and those parts of the body, which we think to be less honorable, upon these we bestow more abundant honor; and our uncomely parts have more abundant comeliness; whereas our comely parts have no need: but God tempered the body together, giving more abundant honor to that part which lacked; that there should be no schism in the body; but that the members should have the same care one for another.

Paul calls attention to what all good observers note sooner or later, and what Socrates and Plato had also noted, that people differ in talents. There is *no equality* in creation. To the contrary, an outstanding characteristic of the world is diversification of abilities. Such diversification can enrich life, *if each person becomes an expert in the field where his interests and talents lie, and leaves other fields to others with other talents, and if the various experts then exchange their surplus production obtained from their own specialization.* There was specialization in Corinth, but inadequate cooperation. The activities were semi-useless and the subjective attitude was apparently such that an *exchange of real services* was not possible. This was especially true of the Corinthian gift of "tongue" which consisted purely in emitting meaningless sounds. Chapter 14 makes that clear:

> *I Corinthians 14:1-9:* Follow after love; yet desire earnestly spiritual gifts, but rather that ye may prophesy. For he that speaketh in a tongue speaketh not unto men, but unto God; for no man understandeth; but in the spirit he speaketh mysteries. But he that prophesieth speaketh unto men edification, and exhortation, and consolation. He that speaketh in a tongue edifieth himself; but he that prophesieth edifieth the church. Now I would have you all speak with tongues, but rather that ye should prophesy: and greater is he that prophesieth than he that speaketh with tongues, except he interpret, that the church may receive edifying. But now, brethren, if I come unto you speaking with tongues, what shall I profit you, unless I speak to you either by way of revelation, or of knowledge, or of prophesying, or of teaching? Even things without life, giving a voice, whether pipe or harp, if they give not a distinction in the sounds, how shall it be known what is piped or harped? For if the trumpet give an uncertain voice, who shall prepare himself for war? So also ye, unless ye utter by the tongue speech easy to be understood, how shall it be known what is spoken? For ye will be speaking into the air.

Then Paul admonishes them to be less puerile, less childish, and urges them to grow up (verse 20):

> Brethren, be not children in mind: . . . but in mind be men.

Later, in chapter 14, Paul writes (verse 23):

> If therefore the whole church be assembled together and all speak with tongues, and there come in men unlearned or unbelieving, will they not say that ye are mad?

In order to hold down the extent of the disorder he writes (verses 27 and 28):

> If any man speaketh in a tongue, let it be by two. or at the most three, and that in turn; and let one interpret: but if there be no interpreter, let him keep silence in the church; and let him speak to himself, and to God.

In verses 18-19 of chapter 14 Paul delivered himself of strong words of thanks to God:

> I thank God, I speak with tongues, more than you all: howbeit *in the church* I had rather speak five words with my understanding, that I might instruct others also, than ten thousands words in a tongue.

Apparently, Paul himself did not speak in "tongues" in public. Finally, his toleration shows up again, in what are the two last verses in chapter 14 (our italics):

> Wherefore, my brethren, desire earnestly to prophesy, and *forbid not to speak with tongues.* But let all things be done decently and in order.

An ordinary missionary would probably have thrown up his hands in disgust about the situation in Corinth, and turned it loose to its own end. Drunkenness at communion, incest tolerated among members, chaotic disorder at meetings — none of these things daunted the great Apostle.

Whereas chapter 12 outlined the problem and in a metaphor stated the solution, namely, *genuine cooperation,* chapter 13 describes the character of the cooperation — and it is that practical *cooperation,* not sentiment, which is called love (or *charity*); further, chapter 13 follows the universal practice of talking about something nice before the truth is plainly told, and so chapter 13 cushions the heavy blow to their pride that Paul was intending to administer to the Corinithians in what is chapter 14. In short, chapters 12, 13 and 14 are an *inseparable* unit. What is taught refers to a specific situation, and should not brashly and indiscriminatingly be generalized.

Love (or Charity) In I Corinthians 13

Chapter 13 contains 13 verses. The first thing to do is to remove the verses which do not describe what love is.

The first three verses are not description but refer to that Corinthian extravagance, known as "speaking in tongues," and hence they begin as follows:

> If I speak with the [meaningless sounds] of men and angels, but have not love [cooperation], I am become sounding brass, or a clanging cymbal.

This is a shocking way to put it, but it fits the context. The idea that *tongues* here refers to sound sense or grand oratory, or celestial music, does not fit, although that *is* the way it is usually interpreted.

At the end of the chapter, verses 8-13 do not define either. The basic idea in these verses is the same as in chapter 14: please grow up, and get rid of ridiculous and childish actions.

That leaves the inbetween verses, from 4-7 which describe aspects of love (or charity), the aspects that should be learned and heeded in Corinth. (There is no evidence that this was a *general* definition of love.) These verses read as follows:

The Text:	The Virtue Referred To:
LOVE:	
suffereth long	patience (not an affection)
is kind	not vengeful (not an affection)
envieth not	good will
vaunteth not itself	modesty
is not puffed up	modesty
doth not behave unseemly	good order
seeketh not its own	modesty (not outshouting another)
is not provoked	patience and forbearance
taketh not account of evil	forbearing
rejoiceth not in unrighteousness, but rejoiceth with the truth	appreciation of good sense and morality
beareth all things	patience
believeth all things	kind interpretation of the failings of fellow Corinthians
hopeth all things	optimism that things will improve
endureth all things	forbearance
never faileth	perseverance in well-wishing and well-doing

The emphasis throughout is on *objective virtues* rather than subjective sentiment.

No part of the foregoing can be interpreted as living *for* others as distinguished from *bearing up under the shortcomings* of others. In an earlier *negative* statement the Apostle had said (I Corinthians 13:3):

> And if I bestow *all* my goods to feed the poor, and if I give my body to be burned, but have not love, it profiteth me nothing.

Giving up life and property for others is here described as not being the *love* to which Paul refers.

In the context, what Paul means by love is *cooperation* among men, which consists in two elements (1) it must be useful, so that (2) it can be exchanged. As the hand is useful to a body, or an eye, so the activities of individuals must be useful to each other.

This exchangeability, resting ultimately on the natural diversification of talents among people, becomes profitable in proportion to the *proper* exercise of special talents by each. This is nothing else than a nontechnical statement of what was later formulated as an economic law by David Ricardo, and which is known by the name of Ricardo's Law of Association (see Volume IV, page 200ff.). Underlying this law are the basic elements of the Hebrew-Christian Law of Love which were summarized in the preceding article.

There is in I Corinthians 13 no reference to violence, theft, or fraud. There *is* reference to envy. There *is* reference to charity, in the sense of alms. There *is* reference to giving evidence of good will and getting thinking straight; consider the Apostle's admonitions in the preceding and succeeding chapters.

But is chapter 13 a paeon of praise of an emotional sentiment of affection? Not as we read it. The *subjective* element that would constitute an attitude is here reduced to *objective* significance by recommending cooperation, consisting (1) of being useful rather than a fool, (2) of judging all action in a pragmatic way — is it any good to others? (3) of being patient and forbearing with those who fail to live up to (1) and (2); and (4) by kind admonition urging them to grow up, be less childish, and be men.

I Corinthians 13 contains a very limited definition of *love,* and boundless generalizations about love based on this chapter are unwarranted.

The Testimony Of St. Augustine On Miracles

Montaigne wrote the following about St. Augustine:

> When we read in Bouchet the miracles of St. Hilary's relics, away with them: his authority is not sufficient to deprive us of the liberty of contradicting him; but generally and offhand to condemn all such like stories, seems to me a singular impudence. That great St. Augustine testifies to have seen a blind child recover sight upon the relics of St. Gervaise and St. Protasius at Milan; a woman at Carthage cured of a cancer, by the sign of the cross made upon her by a woman newly baptized; Hesperius, a familiar friend of his, to have driven away the spirits that haunted his house, with a little earth of the sepulcher of our Lord; which earth, being also transported thence into the church, a paralytic to have there been suddenly cured by it; a woman in a procession, having touched St. Stephen's shrine with a nosegay, and rubbing her eyes with it, to have recovered her sight, lost many years before; with several other miracles of which he professes himself to have been an eyewitness; . . .
>
> — Montaigne, *That It Is Folly To Measure Truth And Error By Our Own Capacity*

Catholics and Protestants alike lean heavily on St. Augustine. Montaigne elected to accept the testimony of St. Augustine on miracles, but to reject that of St. Hilary. In effect, Montaigne here argues for liberty of judgment on these matters.

"The only purpose for which power can be rightfully exercised over any member of a civilized community, against his will, is to prevent harm to others. His own good, either physical, or moral, is not a sufficient warrant."

— John Stuart Mill

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