The Particularist Fallacy

Somewhere in The Cantos, Ezra Pound says, "we have but phenomena", and thus summarizes an important approach to reality, that is, the apprehension of the world through observation of individual, discrete things and events. This approach is the inductive method, propagated by Sir Francis Bacon, which involves the setting aside of all "mental sets", all a priori assumptions, and the pursuit of knowledge through the meticulous, methodical, exhaustive observation of phenomena.

This method is, of course, the basis of science, and is in fact indispensable to the augmentation of knowledge. It is, however, susceptible of perversion — perversion which is attended by apparently contradictory consequences.

The first of these is the confounding of method with ideology. That is, the proposition that reality can be known only through close observation of particulars (from which generalizations may be made) is converted to the dogma that these particulars must be unrelated and that no synthesis is possible. This is the "atomic" view of things, and maintains that reality is split, and infinitely splitting, as knowledge increases. Manifestations of this conversion of method into ideology abound: "pragmatic" politicians claim that each situation they must confront is unlike all the others and therefore reject any criticism of their "inconsistency"; university professors insist that the purpose of a university is the dissection of reality and scorn attempts to synthesize or integrate; several young French intellectuals have recently gained recognition in Time magazine for renouncing "ideology" (notably, Marxism) and devoting themselves, once again, to pragmatic attacks on disparate "problems"; our general reliance upon "experts" testifies to our acquiescence in a philosophy that maintains that reality is essentially fragmented. One important concomitant of this philosophy is demoralization, the feeling that it is impossible to make sense of anything outside our own increasingly narrowing sphere of detailed knowledge, and despair of doing anything about those massive areas outside our special expertise.

Paradoxically, another aspect of this preoccupation with the separateness of things involves the subversion of induction. Once the view is accepted that reality is essentially inconsistent, that there exist no organic relationships between phenomena, the temptation arises to impose artificial relationships on these phenomena. Reality, seen as a multitude of disparate elements, can be structured only by the mind of man. Thus, the mind of man busies itself building "models" of what it thinks reality should be, and tries to fit the phenomena into these new designs. The "model" (a psychological construct) now becomes the authority or presupposition which undermines genuine induction, and, say, "full employment" becomes the contemporary equivalent of the pre-Keplerian notion that all planetary motion must be circular. Not only "social policy", but also the physical sciences themselves, become the servants of this preconception.

The persistent recalcitrance of phenomena to work in terms of the models (particularly in the area of the "social sciences") is a reassuring testimony that there is something real outside the minds of "planners" that resists manipulation. And this reality is as inadequately described by "nothing but" an enumeration of infinite particulars as it is by the invention of standardizing constructs.
Our Policy

SEED aspires to fulfill a unique role transcending the functions of other magazines and journals.

Our purpose is neither to propagate in the sense of promoting some fixed point of view or body of thought nor merely to comment on current events.

Our partisanship does not extend beyond two considerations. Firstly, we believe that reality does exist; it is not a matter of opinion and will assert its authority over all opinions that contradict it. All sanctions reside in reality; opinion has none. Secondly, we believe in the desirability of extending human freedom. Genuine freedom is contingent upon our comprehension of reality, since to the extent that men disregard reality, they court personal and social disaster.

In other words, far from conforming to the modern view that value judgments are to be avoided, SEED will intentionally consist of a succession of value judgments, which will constitute the principal criterion of its success.

Man cannot approach truth without rigorous formation of value judgments and perfecting of definitions. Discovery and refinement of the correct principles for human action and association will be the focus of our attention within the field of reality. If we carry our investigation of the nature of reality far enough, we shall illuminate the way to the formulation of sound policy.

We have no delusions about the facility of the course on which we are embarking. It is possibly the most difficult course open to us. However, its value should be proportional to the efforts it requires. If the distractions to intelligence and will which characterize contemporary society are, as we believe them to be, fundamentally unsatisfying, we are confident that some seekers of truth will involve themselves in the experiment that SEED represents. Such persons are the only ones capable of responding to such an experiment.

We approach our undertaking in the spirit of making an offering that will call forth latent creative capacities. If the ideas that SEED disseminates have validity and settle in good soil, they will grow. Moreover, their growth will be progressive and cumulative. SEED will serve as a medium permitting the cross-fertilization of adventurous intellectuals, thereby diminishing the effects of the entropic phenomenon that paralyzes development by compelling men to struggle to find truths that they have lost sight of and had to rediscover repeatedly during the past.

If our project is conducted correctly, it will at least generate a new conceptual vigour among a segment of the community — and perhaps even result in the formation of new men.

Statistical Freeze

Readers of monthly bank reviews, Statistics Canada projections, Economic Council of Canada reports, and like figure-laden compilations will be familiar with the psychology that panics at a hint of deviation from a statistical norm. A fall in Gross National Product sets the economists in a tizzy; an increase in inventories stimulates palpitations in many a banker's heart. An effort now seems to be being made to spread this psychology among the general public.

Every month newspapers and television reports carry some such message as the following: "The food basket as a whole is up by half a percent over last month; however, consumers will be happy to know that the change is partially compensated for by substantial declines in prices of oyster shells and shoe polish." Clearly, we are expected to react. But how? With gloom about the basket and rejoicing over the polish? Should we leap to our feet boding one and cheering the other? And, when we receive our "dose" a month later, only to learn that the villains and heroes of the economic piece have all changed roles, are we to reverse all our attitudes accordingly? That people should be expected to follow and react to these month-by-month, week-by-week, day-by-day fluctuations is insane — at about the same level as watching a professional wrestling match.

Nevertheless, bombardment by this statistical effluent is infinitely preferable to the state of affairs to which some statisticians (and their paymasters) apparently aspire — namely, one in which their projections will actually hold. This vision of a frozen hell — a life void of drama and adventure — approaches even now. Already, statisticians are telling us how many children we will have, how long our marriages will last, in what kinds of activities we will pass our lives, how many calories we will consume, etc., in future years. And the clinicians, legislators, sociologists, and diagnosticians, straining under their "social responsibility" and with no other light to guide them, set busily to work to realize what "the best wisdom going" has ordained.

One of the conspicuous effects of this "statification" of society is a mounting pressure towards conformity. We have been hearing for years that we eat too much and should share with the starving millions of (continued p. 9)
Economics from the Bottom Up
by Geoffrey Dobbs

A commentary, written after an informal seminar with economists of the 'Austrian' or Libertarian school, at Menlo Park, California, on July 26, 1977.

I

I would stress that none of the economic discussion I have heard, or read, concerned itself with the real situation, as distinct from the monetary situation, which is assumed to correspond to it, but, in my view, manifestly does not. The confusion may arise in the two senses in which the word 'real' can be used. Many people would say that money is the primary 'reality' in their lives, in so far as it 'actually' controls them more than does anything else. But this I should describe as a secondary, or human-imposed 'reality', of the same sort as that which requires me to have a ticket if I wish to travel on an airline, and a passport if I wish to enter countries other than my own. Libertarians will, I hope, agree that this paperwork is a great convenience in facilitating the legitimate actions of people in using the resources available, but that it ought to be strictly limited to that function. In the U.S.S.R. neither the tourist nor the citizen may travel without a permit stating where he may go, which has no relation to the travel resources available, but is a 'reality of life' there, notwithstanding, but what I have called a 'secondary reality' because it is imposed by men.

I have looked in vain in the literature of 'accepted' academic economics for the basic concept of real credit, which has been defined (by an engineer) as: 'a reasonably correct estimate of the capacity of any economic group (firm, society, nation) to deliver goods or services of the description desired, as, when and where wanted'. If we agree that the sole primary purpose of production is consumption, the function of the monetary or any other paperwork system becomes entirely secondary to this. It is to facilitate the distribution of products to the consumers in response to their real wishes, up to the limits of the real credit. The trouble is that most economic terminology, and hence the thinking that goes with it, assumes that this is what the monetary system is doing, so that the possibility of perceiving the difference between what people want, and what they can be induced to pay for, has been eliminated — except among people who look at economics from the outside.

It is one of the points which I do not seem to have got over that, if 'free market economists' continue to insist that the monetary medium is simply a neutral record of economic events, recording the demand of the public on their productive capacity, then socialism of some sort, involving redistribution of money demand from 'rich' to 'poor' becomes unavoidable. We still live in the shadow of the 1930's Depression, when traditional, 'classical' market forces were allowed to have their way to a far greater extent than at present; and those who can remember it will also be aware that that situation of monetary frustration and gluts, not only of actual products, but of unused productive capacity, was so intolerable that any alternative was felt to be preferable, and the way was opened for Keynesian economics and welfare socialism. "If that was a 'self-adjusting economy', then let us have a 'planned' one", was the reaction of most people.

Now that inflationary socialism has got us into a worse mess even than deflationist capitalism, people who do not remember it may be willing to look back nostalgically to the latter, and to indulge in ingenious technical excuses for its shortcomings. But unless certain fundamental facts about the changed situation are faced, with their implications, a return to the status quo ante bellum would be disastrous. These include: the change from commodity money to accountancy money, issued as debt, which superimposes a new, centralising and directional flow, with a built-in infla-

*Editor's note: Although this commentary is addressed to adherents of a particular school of economic philosophy, and therefore makes special reference to their assumptions, its scope should make it of interest to all our readers.
tionary tendency, upon the savings-and-investment cycle; the one-way technological tendency towards the lengthening of the structure of production; the enormous and ever-growing cultural inheritance of scientific and technological knowledge and its ever-wider diffusion, resulting in the progressive (though unequal) elimination of manual and routine mental labour as a factor in production; the consequent corresponding growth in the real credit of all industrialised societies, as demonstrated, for instance, by war production, and the extreme wastefulness of our current civilization, and its tendency to produce vast surpluses whenever the accountant arrangements permit; and finally, as a consequence of the foregoing, the necessity for a radical change in attitude towards the concept of full or maximum employment as an economic or political objective, and the re-thinking, also, of a good many basic economic axioms, such as, for instance, that new capital investment necessarily implies saving, and that monetary demand necessarily reflects real demand.

So long as economics continues to be thought of as the study of the uses of scarce resources, economists will be uninterested in any sort of abundance, except as a potential source of scarcity which will bring it into the field of economics! I should be much happier if they thought of themselves as students of the economical use of all resources, including human time and energy, i.e., their efficient use in the supply of genuine (i.e., not induced or stimulated for irrelevant monetary reasons) human wants. Most economists would claim that this is indeed their purpose—the socialists by planning the economy so that what they deem to be those wants are most efficiently met, the capitalists by defending the free market in which people can decide their own wants and make their own choices.

I have talked to both sides in this endless dialectical confrontation, and find that they have more in common than they differ, especially in the instant rejection of anything incompatible with their basic assumptions, but neither will admit the element of truth in the other's case. Thus, anyone except a socialist can see that only people themselves, if anyone, can find out what they really want. On the other hand, anyone but a free market economist can see that, until the primary wants for the necessities of life are in some fashion satisfied, the individual cannot enter the market at all, except as a species of slave. It is certainly not a 'free' market so far as he is concerned, and all the concepts of 'marginality' in choice, utility, and so on, upon which so much economics is based, are so much nonsense where we are dealing with moneyless men and women. Until 'capitalists' will face the fact that it was 'capitalism' which created a proletariat of moneyless, employment-dependent men, which in turn gave us 'socialism', they will have no effective answer to the socialists—as events have been proving all too well. For as Adam Smith pointed out, 'Self-preservation, and the propagation of the species...are not entrusted to the slow and uncertain determination of our reason...but directed by original and immediate instincts' (Theory of Moral Sentiments, 152).

Until the proletariat is being abolished, which is now perfectly feasible owing to the multiplication of wealth by technology, there can be no effective free market, and no effective resistance to socialism. However much nonsense and sentimentality has been associated with phrases like 'social justice', and however cynically they have been used in the promotion of socialist power, at the bottom of them are the fundamental and invincible instincts associated with self-preservation. Against these an intellectual case for a free market which excludes a growing proportion of people whose labour may not be required, stands no chance whatever. Socialism has at the complete proletarianisation of the population, i.e., the reduction of everyone to a condition of employment-dependence. The alternative is to move in the opposite direction towards a genuine free market in which all can participate, which means the elimination of wage-dependence, to the extent—not neither more nor less—that human invention enables solar energy (direct or indirect) to replace human labour.

Here we come up against the old, futile, confrontation between the puritan worker-ethic and its opposite pole, the 'layabout' attitude that 'society owes me a living'. It doesn't! But it does owe me my share in the common cultural inheritance which has magnified the product of both the worker and the entrepreneur, both of whom assume more credit than they are entitled to when they deny this. For in refusing to recognise that the consumer also has inherited a share in the product, they penalise themselves also, and furthermore assume responsibility for the maintenance of everyone not participating in the market, by deduction from their
own earnings, whether as voluntary 'charity' or compulsory taxation, or both.

If I understood them rightly, economists of the 'Austrian' school believe that, if Government interference were removed, the free market would provide employment for all, supplying the genuine desires of the people by the latest and most efficient methods, on and on, for an indefinite period. This seems to imply that human material desires and acquisitiveness are unlimited, in a world in which everything else, as they insist, is limited. This I would strongly deny, but would also point out that it is a reflection of their defence of the money-medium as a part of the reality of the market, whereas, in fact, being a form of numerical symbolism, it has no natural limits. Once, therefore, that the possession or control of money passes the natural limits set by normal desire for marketable goods or services, further possession becomes irrelevant, but control becomes important, for it carries with it control over the lives and choices of other people, which is the enemy of the free market. The end-term of this development is the Communist Worker-State, in which all are wage-dependent workers who can be employed forever on bureaucratic pseudo-work, which is without limits. But unless 'free marketeers' will take account of the fact that the concentration of monetary power under capitalism in banking and big business has gone well along the same path, and is visibly merging with governmental power of the same sort, they are beating the air with their theories.

The dilemma, therefore, seems to be this: so long as human knowledge and invention is cumulative, and is allowed to increase the productivity of labour, insistence on wage-dependence for all (or all who lack the capital to set up their own enterprises) must involve an ever-growing proportion of people in unnecessary, unwanted, and even undesirable labour imposed by the need to obtain money. This can take either the form of naming the bureaucracy of the State and of large corporations, or, of pursuing the dreary goal of an endless titillated hedonism on the part of the consumer; or both, as is now happening. Any approach to efficiency in production must mean getting rid of most of this 'negative unemployment' in favour of the positive kind. But that means an ever-growing burden, either of 'charity' or taxation, or both, to support the unemployed, which will deprive the 'employed' of much of the return from their labour: which must result either in continuous wage-inflation, and/or destroy the real credit by sabotaging the will to work (as is now happening in Britain). In any case, most countries in the Western World, including the U.S.A., are already well on the path towards the Welfare State, and if they turned their backs on this, I do not think that private 'charity' could possibly support, not only the present unemployed, but the great numbers of 'welfare' bureaucrats who would be thrown upon it, in conditions of business depression which would make the 1930's look like a picnic. In fact, I am pretty sure that this is the opportunity which the communists are waiting for, in order to launch their revolution and take over.

II

I put these considerations forward, hoping that they would be discussed, considered, and perhaps result in some constructive proposals from professional economists, and even contribute something to the development of free market economics by bringing in the different, but relevant, point of view of a consumer and an ecologist, and drawing attention to certain broad facts which have not, in my view, been fully taken into account. It was, I thought, premature and irrelevant to put forward any proposals I might favour until we had discussed and come to some agreement about the situation they would be designed to meet, and in any case I was interested in their proposals, not mine.

My audience, however, after instantly rejecting all assertions of fact which might lead them to reconsider their theoretical position, insisted on trying to extract from me the details of suggested methods of dealing with what, they were convinced, was a non-existent situation. I was, I am afraid, rather grudging about this, since it seemed a waste of the limited time available, but on second thoughts, and especially after getting a helpful reaction from two of them, I should like to take it a little further:

1. In the world of real production, with which I am familiar, owing to a long connection with agriculture and forestry, the cost of a product is the consumption involved in the process of producing it.

2. When the final product arrives, the costs have already been paid, i.e., the materials, energy, la-
bour, etc., expended, and there is no debt extending into the future. The system is automatically balanced and self-adjusting.

3. If a money economy is to correspond with this reality and be self-adjusting, the full purchasing power to buy the product must be distributed by the work accomplished in producing it, not by work in progress, unless the economy is so simple that the difference is negligible.

4. With the great lengthening of the structure of production, the time-lag between the distribution of the product and of the means of paying for it, imposes a continuous need for 'work in progress' to pay for the product of 'work accomplished', leaving accumulating costs to be met in the future. Moreover, the progress of technology in continually complicating and lengthening the structure of production, makes this a one-way and accelerating process, the reverse tendency being quite minor.

5. This process could never have achieved its enormous acceleration but for the invention of fractional reserve banking, which has now substituted an accountancy money, issued as debt through the production system, for the obsolete commodity money. This enables completed consumables to be distributed at the cost of continuous expansion of production of non-consumables, with corresponding progressive inflation; with the threat of disastrous depression, with gluts of unpurchaseable produce, as experienced in the 1930's, if the inflation should be actually stopped. As a consequence we are now experiencing 'stagflation', with manipulation of various ratios in different countries between unemployment with suppression of purchasing power, and inflationary employment to provide it.

6. This system has created an enormous increase in wealth during the phase of free expansion over a largely unexploited planet, but at the price of creating a landless proletariat, with its political consequences. It is now visibly breaking down, and needs a radical modification.

7. The nature of the correction urgently required if we are to escape the destruction of a free market under socialism under the impact of persistent monetary crisis, is to make such adjustments to the directional flow of credit as to ensure that consumers are, collectively, receiving the means of purchase at the same rate as the processes of production are generating costs, which have to be met in prices. At present the rate of flow of incomes from businesses to the consuming public is always much less than the rate of generation of prices: e.g., according to Professor Phelps Brown, in 1972, for every £1000 of output, British Industrial and Commercial Companies distributed £330 in personal incomes, of which 84% went to wages, 15% to profits.

8. This means that, when the public buys the output at the full price which should completely cover the cost of production, nevertheless, out of every £1000 paid by the consumer, £670 of it remains, mainly as wage-costs from work in progress, to be met in future prices.

Another way of putting this is that, when a consumer buys a product, he pays far more than the real cost of production (including profit), i.e., the money-cost of the actual consumption which resulted in the product. He is paying not only the interest, but also for the repayment of the principal, of the bank-loans created to finance any stage in the production. He is also paying for the postponement of this repayment by the investment of savings, i.e., the re-borrowing of bank debt which has reached the consumer and is re-cycled, creating another series of costs without cancelling the original ones. (Incidentally, when Keynes made this secondary cycle his main one, he was just being disingenuous; one does not become a Lord or a Great Economist by drawing critical attention to the ultimate power of credit creation!)

On top of all this, the wretched consumer has to pay, in prices, for a vast deal of waste and unnecessary pseudo-work, imposed by the dire need for everyone to force his way into the production process somewhere to get a livelihood, whether or not his work is needed, and to retain his job somehow, whether or not by union pressure, and to extract, somehow, a 'living wage' to cover increasing leisure, paid holidays, etc., all of which is charged into price. This also includes the increasing employment of women, forced by price inflation to 'go out to work' instead of providing, in the home, a money-cost-free addition to the family's real income.

And finally, as if all this were not enough, over and above it all is the fantastic burden of government interference—book-keeping, restriction, bureaucracy
and taxation, which so monopolises attention that it tends to smother and obscure the more basic causes which largely gave rise to it. Let me draw attention to two aspects of this: one is the time-factor, since money is not a 'quantity' but a rate, or better, in the really useful sense of purchasing power, a ratio of two rates. How much money-time is lost in the useless movement of accountancy money from business firms and people through the tax bureaucracy and government departments back to people again without performing any real economic function? I cannot even guess, but it must represent a major loss to the economy. The other aspect is the relation of a universal debt-money, which, mathematically, cannot be repaid with interest without either contracting the economy or generating more debt, to the need for compulsion. Banks will not create credits except for 'credit-worthy' customers, who, they estimate, will be able to extract the loan from the rest of the community and repay it with interest, but as the total debt outstanding grows, the most 'credit-worthy customer' must increasingly become the Government which commands the power of compulsion with priority over that of competing for voluntary purchase. This is another reason why 'free market economists' should really bend their minds to these very fundamental considerations, based, not upon theory but upon prolonged observation and experience of the facts of economic life.

9. We cannot undo the past, or do without the accountancy-money on which our whole economy is based. Professor Hayek's interest in 'free currencies' shows evidently that he thinks that something radical is needed; but in restricting his criticisms to governments, and stopping short of the power to create and direct the flow of credit, I submit that it is not radical enough, since this also can control governments through debt to exercise compulsion. Yet I wonder whether any sort of free financial institution could begin to apply the adjustment needed to remove the causes of inflation and State-pauperism by a calculated counter-debt issue designed (a) to reduce price to real production cost plus profit, and (b) progressively to replace wages and tax-doles with dividends to the extent permitted by the real credit so that the consumer can perform his essential role in the market, whether or not he sells his labour? I am the last to pre-

(continued p. 8)
Freedom and Inflation
By Bryan W. Monahan

Inflation has been officially (for example, by Lord Rothschild and President Ford) designated an "enemy. Of course, it is nothing of the sort. Inflation is an instrument of policy, and the enemy is the group ultimately responsible for the policy which is producing disaster and threatening catastrophe. The technical solution to inflation is quite simple, and is undoubtedly understood but opposed in higher financial circles whence international monetary policy originates—a position of immense power. The elimination of inflation requires a challenge to that power. The essential facts concerning the mechanism of inflation, and the accountability modifications which would eliminate it, are outlined in the booklet Freedom and Inflation. If this can be brought forcefully to the attention of business leaders and others obviously concerned with the ridiculous and dangerous situation developing daily in what should be this increasingly prosperous and happy land, and if it can be made known to politicians that the excuse of mismanagement will no longer suffice as chaos increases under the pretense of "mismanagement", the fate now so imminent may be averted. Totalitarianism is inevitable unless informed public opinion becomes effective.

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("Economics", continued from p. 7)

tend that I understand the full complexity of the economy; and I appeal to professional economists to give their minds to these matters.

("Freeze", continued from p. 2)

the world. Of late, another chorus has begun denouncing the bearing of children in numbers surpassing a certain "norm" as anti-social activity, because it adds to the burden on the allegedly over-taxed resources of the world. Underlying such arguments are the assumptions that the numbers are right, that the numbers bear a valid relationship to reality, that unforeseen events will not significantly alter this relationship; and, finally, that differences among people are "problems" to which "levelling" is the infallible "answer". With respect to more and more theses based on statistical analysis, these assumptions cannot be granted. Yet the process of enslaving mankind to the deductions of these officially respectable numerologists continues.

The statisticians are trying to "fix" us, as the lepidopterist fixes a butterfly in his display case. The latter cannot study or show the insect as he wants while it is fluttering about a field; therefore, he controls it—in this case by killing it. Similarly, the statistician cannot seriously aspire to projecting the actions of free individuals; therefore, he encourages the placing of controls on them. It helps his prognosticatory success rate.

Most of us may not be slated for killing as a method of control (although this possibility should not be dismissed out of hand); however, our opportunities for "fluttering in the sunlight" will quite certainly be reduced.

R.E.K.

We see daily how men that have lost their goods and be fallen into poverty become anem robbers and thieves; which would not have been such, if poverty had not brought them thereto. How many a thief then were like to be in this land, if all the commons were poor. The greatest surety truly, and also the most honour that any come to a king, is that his kingdom be rich in every estate. For nothing may make his people to arise but lack of goods or lack of justice. But certainly when they lack goods they will arise, saying that they lack justice. Nevertheless, if they be not poor, they will never arise, but if their prince so leave justice that he give himself all to tyranny.

—Sir John Fortescue, showing "What Ham Would Come to England, if the Commons Thereof Were Poor" in The Governance of England, written about 1475.