

Chapter 2 Property, Proprietorship and Commerce

§ 1. Possession, Property and Ownership

The idea of 'possession' likely is as old as *H. sapiens*, those of 'property' and 'ownership' as old as civilization. Possession applies in both state-of-nature and civil environments, pertains to the tangible power of the person, and thereby pertains to his natural liberty. The concepts of property and ownership have no real meaning in a state-of-nature environment and are ideas of social convention and social contract. Modern legal terminology improperly confounds the separate real meanings of these terms. Because these concepts are central in economics, business, political science, and law, it is important to clearly understand their real meanings and their differences.

§ 1.1 Possession

The present-day legal concept of 'possession' dates back to 14th century Europe. *Black's Law Dictionary* [Garner (2011)] provides three usages of the term:

possession:

1. The fact of having or holding property in one's power; the exercise of dominion over property.
2. The right under which one may exercise control over something to the exclusion of all others; the continuing exercise of a claim to the exclusive use of a material object.
3. (usually plural) something that a person owns or controls.

There are fundamental problems with all three of these definitions because they confound the idea of 'possession' with the ideas of 'property', 'rights', and 'ownership.' The real meaning of the idea of possession is indeed "the fact of having or holding" something "in one's power." What needs to be clarified is what this something-that-is-possessed is.

Possession is a concept that does not depend on the presence or absence of a Society to give it meaning. To see this, consider the fact that we say a leopard 'has possession' of the carcass of an animal it has killed and it 'secures its possession' of this carcass by hauling it up a tree out of reach of lions, hyenas and other predators that might try to take it for themselves. Yet we do not say that the carcass is the leopard's 'property'. *To possess* something is *to be in physical control of an object*, e.g., to be holding it in your own hands. In this there is no objectively valid idea of property. In state-of-nature circumstances, possession is always insecure. That which *you* now have in your possession *another* can take away from you by force or cunning.

Furthermore, in the state-of-nature you cannot claim *with objective validity* to be wronged by such an action because *there is no justice in the state-of-nature*. Its denizens are all deontological outlaws, and an outlaw can neither commit a crime nor have a crime perpetrated on his person. This is because *there are no statute laws* in a state-of-nature. A **crime** is an intentional deed contrary to duty, and in a state-of-nature there are no duties other than duties-to-oneself. If someone takes something from you without your consent in a state-of-nature, you might be *harmed*, but you cannot claim to be *wronged*. Your choices are to seek or not seek recovery of the object and to seek or not seek revenge for the action that removed it from your possession.

These key points are summarized in the following real-explanations. *To possess* is *to actually hold and have an object in one's control*. **Possession** is *the state or fact of actually possessing an object*. In non-technical language the object possessed is often called a 'possession' but this usage is a mere transference of convenience to avoid having to say 'object possessed' when the context of the statement is understood by others. Properly, the object is an *item of possession*.

When a person lives in a civil Society in which its members are bound to one another by a social contract, possession of an object in its merely physical connotation does not suffice to describe terms and conditions of that social contract in regard to *property* and *ownership*. Under civil conditions it is necessary to distinguish *possession* from the *social* concept of *intelligible possession*. The latter is explained in the following subsection. The distinction is a distinction between a concept of sensuous physical nature and a mathematical concept tightly bound up with the context of *civil rights*.

This necessity of distinction arises because of the manifold dangers and threats confronting a person living in a state-of-nature environment. Civil Society is humankind's answer to these personal dangers and threats. Hobbes presented one of the first Western treatise on this topic:

Nature has made men so equal in the faculties of body and mind so that, though there may be found one man manifestly stronger in body or of quicker mind than another, yet when all is reckoned together the difference between man and man is not so considerable as that one man can thereupon claim to himself any benefit to which another may not pretend as well as he. For as to the strength of body, the weakest has strength enough to kill the strongest, either by secret machination or by confederacy with others that are in the same danger with himself.

As to the faculties of the mind . . . I find yet a greater equality amongst men than that of strength. For Prudence is but Experience, which equal time equally bestows on all men in those things they equally apply themselves unto. . . . From this equality of ability arises equality of hope in the attaining of our Ends. And therefore if any two men desire the same thing, which nevertheless they cannot both enjoy, they become enemies, and in the way to their End . . . endeavor to destroy or subdue one another. And hence it comes to pass, that where an Invader has no more to fear than another man's single power, if one plant, sow, build, or possess a convenient Seat, others may probably be expected to come prepared with forces united to dispossess and deprive him not only of the fruit of his labor but also his life or liberty. And the Invader is in like danger of another. . . .

Hereby it is manifest, that during the time men live without a common Power to keep them all in awe, they are in that condition which is called War, and such a war as is of every man against every other. . . . Whatsoever therefore is consequent to a time of War, where every man is Enemy to every man, the same is consequent to the time wherein men live without other security than what their own strength and their own invention shall furnish them withal. In such condition there is no place for Industry because the fruit thereof is uncertain; . . . and which is worst of all, [there is] continual fear and danger of violent death. And the life of man [is] solitary, poor, nasty, brutish, and short. [Hobbes (1651), pp. 76-78]

This is the first description in Western scholarly literature of what Locke would call *the state of nature*, which he described as 'a state of perfect (i.e., complete) freedom' a few decades later:

To understand political power, right, and derive it from an original, we must consider what state all men are naturally in, and that is *a state of perfect freedom* to order their actions and dispose of their possessions and persons as they see fit, without asking leave or depending on the will of any other men. [Locke (1690), pg. 8]

Rousseau later built on Hobbes' and Locke's reflections upon the state of nature when he wrote,

I suppose men to have reached the point at which the obstacles in the way of their preservation in the state of nature show their power of resistance to be greater than the resources at the disposal of each individual for his maintenance in that state. That primitive condition can then subsist no longer, and the human race would perish unless it changed the manner of its existence.

But, as men cannot engender new forces but only unite and direct existing ones, they have no other means of preserving themselves than the formation, by aggregation, of a sum of forces great enough to overcome the resistance. These they have to bring into play by means of a single motive power and cause to act in concert.

This sum of forces can arise only where several persons come together; but, as the force and liberty of each man are the chief instruments of his self-preservation, how can he pledge them without harming his own interests and neglecting the care he owes to himself? This difficulty . . . may be stated in the following terms:

"The problem is to find a form of association which will defend and protect with the whole common force the person and goods of each associate, and in which each, while uniting himself with all, may still obey himself alone and remain as free as before." This is the fundamental problem of which the *Social Contract* provides the solution. [Rousseau (1762), pg. 13]

It is within the context of a social contract, and *only* within it, that intelligible possession, property, ownership, and civil rights all obtain their real meanings.

§ 1.2 Intelligible Possession

Hobbes was also the first Westerner to introduce the concept of a social contract. His theory has a notable built-in problem, namely that he used the term "Right" in contexts where his use of this term can only be properly understood to mean "natural liberty." A century later Rousseau would correct Hobbes' misuse of the term "Right" by explaining how 'natural liberty' and 'right' mean two entirely different things. Bearing this correction in mind, it is instructive to look at what Hobbes had to say about the idea of a social contract:

The Right of Nature, which writers commonly call *Jus Naturale*¹, is the Liberty each man has to use his own power, as he will himself, for the preservation of his own Nature – that is to say, of his own Life – and, consequently, of doing any thing which in his own Judgment and Reason he shall conceive to be the [most apt] means thereunto.

By Liberty is understood, according to the proper significance of the word, the absence of external impediments, which impediments may oft take away part of a man's power to do what he would but cannot hinder him from using the power left to him according as his Judgment and Reason shall dictate to him. . . .

And because the condition of Man . . . is a condition of War of every one against every one – in which case everyone is governed by his own Reason and there is nothing he can make use of that may not be a help to him in preserving his life against his enemies – it follows that in such a condition every man has a Right to every thing, even to one another's body. And therefore, as long as this natural Right of every man to every thing endures, there can be no security to any man (how strong or wise soever he may be) of living out the time which Nature ordinarily allows men to live. And consequently it is a precept or general rule of Reason, *That every man ought to endeavor Peace as far as he has any hope of attaining it; and when he cannot obtain it, that he may seek and use all helps and advantages of War.* . . .

From this Fundamental Law of Nature, by which men are commanded to endeavor Peace, is derived this second Law: *That a man be willing, when others are so too, as far forth as Peace and defense of himself he shall think necessary, to lay down this right to all things and be contented with so much liberty against other men as he would allow other men against himself.* For so long as every man holds this Right of doing anything he likes, so long are all men in the condition of War. But if other men will not lay down their Right, as

¹ "natural right"

well as he, then there is no Reason for anyone to divest himself of his. . . .

To *lay down* a man's *Right* to any thing is to *divest* himself of the *Liberty* of hindering another of the benefit of his own Right to the same. For he that renounces or passes away his Right gives not to any other man a Right which he had not had before . . . Right is laid aside either by simply Renouncing it or by Transferring it to another: By *Simply* RENOUNCING, when he cares not to whom the benefit thereof rebounds; By TRANSFERRING when he intends the benefit thereof to some certain person or persons. And when a man has in either manner abandoned or given away his Right, then is he said to be OBLIGED or BOUND not to hinder those to whom such Right is granted, or abandoned, for the benefit of it; and that he *Ought*, and it is his Duty, not to make void that voluntary act of his own; and that such hindrance is INJUSTICE and INJURY . . . the Right being before renounced or transferred. . . .

Whensoever a man Transfers his Right or Renounces it, it is either in consideration for some Right reciprocally transferred to himself or for some other good he hopes for thereby. For it is a voluntary act and of the voluntary acts of every man the object is some *Good to himself*. And therefore there be some Rights which no man can be understood by any words or other signs to have abandoned or transferred. . . . And lastly the motive and end, for which this renouncing and transferring of Right is introduced, is nothing else but the security of a man's person, in his life and in the means of so preserving life so as not to be weary of it. . . . The mutual transferring of Right is that which men call CONTRACT. [Hobbes (1651), pp. 79-82]

There are problems in some of the details of Hobbes' thesis – many of which were resolved by Rousseau [Rousseau (1762)] and the remainder more recently [Wells (2012)] – but the general spirit of Hobbes' theory is more or less consistent with social-natural sociology and social-natural political science as well as with the *homo noumenal* nature of *H. sapiens*. With the introduction of mutual agreements among an aggregation of people, to ally themselves with one another, comes the genesis of a Society, social mores, meaningful justice, rule of law, and civil conventions. Only then does commerce become feasible on practical foundations.

When a Society is bound together only to the extent that its members share social mores and more or less abide by common folkways, without the additional structures of formal laws and idealistic conventions, that rudimentary form of Society is what Santayana called a *natural society*:

Natural society unites beings in time and space; it fixes affection on those creatures on which we depend and to which our action must be adapted. Natural society begins at home and radiates over the world, as more and more things become tributary to our personal being. . . . There is thus a primacy of nature over spirit in social life; and this primacy, in a certain sense, endures to the end since all spirit must be spirit of something [Santayana (1905), pg. 137].

BaMbuti Society [Turnbull (1961)] is, by and large, an example of Santayana's natural society.

When a Society advances further to the stage where *formal* concepts of justice, rule of law, and civil conventions take hold, that Society is then what Santayana called a *free society*:

Free society differs from that which is natural and legal precisely in this, that it does not cultivate relations which in the last analysis are experienced and material, but turns exclusively to unanimities in meanings, to collaborations in an ideal world. The basis of free society is of course natural, as we said, but free society has ideal goals. [*ibid.*, pg. 146]

Within Santayana's free societies sustainable commerce first appears because the ideals of such Societies, and the adherence to these ideals by its members, moderate outlaw behaviors of natural

liberty and impose general expectations for civic behaviors according to civil liberties.

All ideals originate in ideas, and it is in free societies where the abstract idea of intelligible possession is necessitated by civil conventions. Intelligible possession is an idea grounded in the ideas of civil rights that form the basis of the terms of social compacting. In particular, the idea of a civil right immediately pertinent to intelligible possession is the idea that something is *rightfully mine*, i.e., that my possession of the object is not based merely on physical possession but, instead, is based on the abstract idea that I have *a right to possess it*, this right being under the sanction and protection *of the Society* in which I am a citizen. The conventional foundation of this is deontological and pertains immediately to reciprocal Duties that establish a social compact and make it possible. It was Kant who first set out deontological conditions for the idea of "that which is rightfully mine":

That is rightfully mine . . . with which I am so linked that another's use of it without my consent would injure me. The subjective condition of any possible use in general is possession.

But something external would be mine only if I may assume it to be possible that I could be injured by another's use of it *even though I am not in possession of it*. [Kant (1797), 6: 245]

You are not in physical possession of the contents of your house while you are at work on the other side of town. If someone were to load them up and drive off with them while you were away, you would most likely hold yourself to have been injured by this action even though you are not *physically* (corporally) injured or maimed. You *would* likely say your welfare has been harmed. Physical possession by itself is not enough to explain "what is mine." For that we require the idea of intelligible possession. Kant tells us,

The nominal explanation [of what is externally mine] . . . would be: that [which is outside me] is externally mine [which is such] that to interfere with my any use of it would be an encumbrance to me (be prejudicial to my freedom that can coexist with the freedom of everyone according to a universal law). But the material explanation . . . runs thus: that is externally mine which to disturb my any use of it would be an encumbrance *even though I am not in possession of it* (not holding the object) . . .

For this very reason one justly should say not: a right of possession of this or that object, but, rather, possession of it *merely rightfully*; for the right is already an intellectual possession of an object; possession of a possession would be a nonsense expression. [*ibid.*, 6: 248-249]

The idea of merely rightful possession is no empirical concept . . . and yet it has practical reality, i.e., it must be applicable to objects of experience . . . The idea of right lies merely in reason, cannot immediately be applied to objects of experience and to the empirical idea of *possession* in general . . . but must be applied to a pure idea of understanding possession in general [*ibid.*, 6: 252-253].

Rightful possession is not an empirical object in Nature but, rather, an intelligible one – which is to say it is an idea *applied* to empirical objects. Perhaps less immediately obvious is the fact that *possession* is likewise not an empirical *thing* but, rather, is an idea that denotes an external *Relation* between a person and some corporeal object. A bigger boy who has taken a ball away from a smaller one and is tormenting him by holding the ball just out of his reach is said to be in possession of the ball, but we also say he is not in *rightful* possession of the ball. Might does not make a *right*. *Empirical* possession is always some *Relation* between a person and the thing *said* to be in his possession. Epistemologically, it is incorrect to speak of "*a* possession" but, rather, one must speak of "*a* possessing of a thing." The latter is a practically applied concept, the former

a mere label. From these considerations follows the real-explanation of *intelligible possession*; i.e., *to justly possess*, by which is meant *to have a legal sanction, as a matter of civil right under the condition of a social contract, to hold-in-one's-control an item of property*. This takes us directly into a discussion of the idea of 'property'.

§ 1.3 Property and Ownership

The first two legal definitions of 'possession' quoted from *Black's Law Dictionary* earlier can be derived from the concept of intelligible possession combined with the concept of 'property.' What is 'property' in economic and commercial contexts?

Most people take the word 'property' to mean an *item of property*, i.e., some material thing or intangible thing of value. A stock option is an example of the latter, as is a share of stock in a stock corporation. However, *item of property* is not synonymous with *property* per se. It is merely a specification of an object of property. *Black's Law Dictionary* defines 'property' as

property

1. The right to possess, use, and enjoy a determinant thing; the right of ownership.
2. Any external thing over which the right of possession, use, and enjoyment are exercised.

The first of these definitions is an objectively valid explanation of *property*. The second is a usage of transference and its real meaning is *item of property*. In both cases, 'possession' means 'intelligible possession'. ***Property per se is a civil right***, and this places its context squarely within the context of a social contract in civil Society.

Property is a defined Object; it is therefore a mathematical Object. It subsists in particular civil rights, called ***property rights***, established by the social compact conventions of a Society. Outside of contexts of such conventions the idea of 'property' loses all real meaning because the real condition for actual *Existenz* of property is an established relationship between an individual person and the Society in which he is a member. The technical term ***jus possessus*** means *legally sanctioned holding-in-one's-control*, and so a Society's institution of conventions of *jus possessus* is the ground for all those civil rights that are called property rights.

To some all this might seem to be an exercise in hair-splitting, but, as someone once said, law is nothing but technicalities. Something can be an item of property in a particular Society only if that Society, by agreement of its citizens, *allows* it to be an item of property. Clear and general understanding of the technicalities of the idea of 'property' is essential for the legislation of *just* laws of property and rightful possession of items of property.

To use a fanciful example, air is not generally regarded as an item of property; no one is said to 'own' the air we breathe. Some people are inclined to say, "We *all* own the air," but to say so is either to say no one owns the air or else to say the air is the most universal of all *public* property items. Inasmuch as there is no universal human Society living under a single generally agreed to social contract, the latter statement is obviously incorrect and, in any case, runs into manifold complications when we consider the fact that animals also breathe this putative common air. Shall we say animals have property rights? Most people would correctly call that idea sheer nonsense.

But imagine for a moment a Society living in an environment where air is a scarce and precious resource. Such a situation might be expected, for example, when and if humankind begins to colonize the other planets and moons of our solar system and must manufacture or import the air the colonists breathe. The question of property rights to air would in such a case likely become a major legal issue. Science fiction author Robert Heinlein once considered this

question in one of his novels:

"Oh, 'tanstaaf!.' Means 'There ain't no such thing as a free lunch.' And isn't," I added, pointing to a FREE LUNCH sign across the room, "or these drinks would cost half as much. Was reminding her that anything free costs twice as much in long run or turns out worthless."

"An interesting philosophy."

"Not philosophy, fact. One way or other, what you get, you pay for." I fanned air. "Was Earthside once and heard expression 'Free as air.' This air isn't free, you pay for every breath."

"Really? No one has asked me to pay to breathe." He smiled. "Perhaps I should stop."

"Can happen, you almost breathed vacuum tonight. But nobody asks you because you've paid. For you, is part of round-trip ticket; for me it's a quarterly charge." I started to tell how my family buys and sells air to community co-op, decided it was too complicated.

"But we both pay." [Heinlein (1966), pg. 129]

In a more mundane context, water rights are a major legal and political concern in the western states of the U.S.A. Recently there was a great public furor over water rights in Detroit, a place where water rights are not usually a legal or political issue.

Most legal and political issues over property rights are centered on the question of who rightfully possesses an item of property. To stick with water rights as an example, the Idaho Constitution contains a lengthy article (Article XV) defining water rights. The seven paragraphs in this article bear the headings:

1. Use of waters a public use.
2. Right to collect rates a franchise.
3. Water of natural stream – Rights to appropriate – State's regulatory powers – Priorities.
4. Continuing rights to water guaranteed.
5. Priorities and limitations on use.
6. Establishment of maximum rates.
7. State Water Resource Agency. [Colson (1991), pp. 273-274]

Examples like these illustrate that 'property' is never a tangible thing but, rather, is always a civil right established by social compact. Property right definitions always include some rule or definition of who can *own* a particular item of property. The deontological definition of *own* is to *possess rightfully*. An *owner* is a *person who owns a specific property*, i.e., who is *granted the right to possess something*. *Ownership* is *the relationship between a person and an item of property in which the person rightfully possesses the item*.

There are issues of justice that attend questions of ownership in a civil Society. One class of such issues is found in the question of whether or not a *corporate* person is or is not to be granted any right of property. In American Society today it is usually assumed this question is long settled. It putatively is in our present legal system by means of a legal fiction called an *artificial person*. This concept is a 17th century legal invention. *Black's Law Dictionary* defines it as:

artificial person. (17c) An entity, such as a corporation, created by law and given certain legal rights and duties of a human being; a being, real or imaginary, who for the purpose of legal reasoning is treated more or less as a human being. [Garner (2011)]

Rights of property for artificial persons is long established in our legal system, but this does not mean controversies involving *justice* in regard to such rights of property do not occur. They do, and they do so with somewhat surprising frequency. A *justice system* is not the same thing as

a *legal system*. The former is one of the foundational elements of any civil Society. The latter is a secondary invention, the purpose of which is *to serve the former*. This aim, however, is not always met and there have been, and continue to be, *unjust laws*. Furthermore, not all Societies set up either a formal or an informal legal system, but people in all Societies expect and demand the protection of some institution of justice. BaMbuti Society, for example, has a justice system shaped by moral customs but has no legal system whatsoever [Turnbull (1961), pp. 110-125].

In the United States, the term "justice system" has no technical legal definition – the term is not found in *Black's Law Dictionary* – and the legal definition of "justice" is "the fair and proper administration of laws." However, this is a false definition of justice because, deontologically, *justice* is the negation of anything that is unjust and *unjust* is anything that breaches or contradicts the condition of the social contract. The United States has a legal system – i.e., a system of instituted laws, mechanisms of law enforcement, and courts – but it has no justice system. *This situation is contrary to one of the six objectives of all government in a Republic*, namely the objective *to establish justice* specified in the Preamble of the U.S. Constitution. False identification of a legal system as a justice system is a basic enormity committed in the institution of the judicial branch of government in the United States.

Is the legal fiction of an artificial person a just or an unjust concept? No general answer to this question is possible because any answer must depend on the details of how an artificial person is defined and what laws are set up in regard to it. A general answer must seek to make abstraction of all specific details but, because justness and unjustness depend on precisely these details, the idea of a general answer to the question is self-contradictory. The reason artificial persons were invented was to deal with legal issues of civil rights, but whether laws pertaining to such rights are just or unjust must seek a foundation in the Idea of the social contract. Ultimately, such a foundation must take into consideration actual people, the social atoms of all social phenomena. A starting point for this consideration is the idea of proprietorship.

§ 2. Proprietorship and Business

The term *owner* is functionally synonymous with *proprietor*: *one who possesses rightfully a particular item of property*. The operational distinction is that "owner" is a broadly applied term whereas "proprietor" more specifically denotes *an owner of a business* of some kind ². This is going to lead into a deeper examination of what a 'business' is, which is a topic I quietly passed over in chapter 1 but cannot be passed over or taken for granted now. Suppose you own the building, land, furniture, and stock-of-goods offered for sale in a grocery store. Suppose that I earn wages by working in this grocery store. Whose *business* is this grocery store? It turns out that there are rudimentary deontological and social contract issues attending possible answers to this seemingly simple question. You are unquestionably – as I will explain – the *proprietor* of the grocery store, but is the grocery store *as a business* the same thing to each of us? The distinction, if there is any, must be sought through examination of what specific items of property you rightfully possess and what items I rightfully possess. We must ask and answer, *what is a business?* before asking who owns it or even if 'a business' is a *singular* item that *can* be owned.

A good place to start this inquiry is with the legal definition of a business provided by *Black's Law Dictionary*. There we find,

² *Black's Law Dictionary* defines a proprietor as "an owner, especially one who runs a business." There is just enough equivocation in this wording to make 'proprietor' and 'owner' indistinct except for the fact that "one who runs a business" can refer to nothing other than a real person (actual human being). Ambiguity returns, however, because the person who actually "runs a business" is in some cases a manager (the Chief Executive Officer) of a business and a manager is not necessarily an owner of that business. The legal definition of 'proprietor' is insufficient, too capricious, and has at times led to unjust laws.

business:

1. A commercial enterprise carried on for profit; a particular occupation or employment habitually engaged in for livelihood or gain.
2. Commercial enterprises.
3. Commercial transactions.
4. By extension, transactions on matters of a noncommercial nature. [Garner (2011)]

Definition 1 is the root legal definition but it is ambiguous because it is stated in two ways that are not manifestly the same unless the legal meaning of the phrase 'commercial enterprise' makes them so. Does it? Because this is a legal definition (and not a real-explanation), to answer this we must look at *Black's* definition of 'enterprise'. Here the root definition is,

enterprise (1) An organization or venture, especially for business purposes. [*ibid.*]

The clause "especially for business purposes" tends to make the definitions circular but it is not a vicious circle because *Black's* defines 'venture' as "an undertaking that involves risk," and defines 'risk' as "the uncertainty of a result, happening, or loss; the chance of injury, damage, or loss." Any troublesome ambiguities in the legal definition of business are resolved if we understand the term 'enterprise' in its deontological explanation provided in chapter 1, i.e., *any undertaking actualized by an individual for reasons grounded in duties to himself or Duties to himself reciprocally with others to whom he had bound himself by Obligation. A commercial enterprise is therefore any economic enterprise involving commerce. An economic enterprise is an enterprise carried out for the purpose of obtaining a revenue income of economic wealth assets.*

With these real-explanations in hand, let us return to the grocery store example above with you as the proprietor of the grocery store and me as a wage-laborer who works in it. The first question is: what makes *you* the proprietor of the grocery store and makes *me* not-the-proprietor? The answer to this is simple: *capital investment*. You own the building, the land it sits on, the items of inventory offered for sale, and the various furniture and other instruments of the business. You are granted, by property right, ownership of these items because to obtain them you had to invest some part of your wealth-assets – in particular, some part of your capital – in order to obtain these tangible wealth-assets of real estate, grocery stocks, furniture, etc. **Capital** is *that part of a person's stock of goods in excess of what he requires for consumption in the short run and which he uses to produce a revenue of additional goods*. Your investment of capital stock makes you not only an entrepreneur but a *capitalist* entrepreneur.³

I own none of these things because I have not invested any of my capital in acquiring these tangible items for the business. Consequently, I have no *jus possessus* for those things. However, *the labor service I provide to you in exchange for wages is my enterprise*, just as the labor you put into managing and operating the grocery store is *your* enterprise. I am an entrepreneur but not a capitalist entrepreneur in this context. I am not a proprietor of the grocery store. I *do*, however, own my own stock-of-time, my labor skills, and other wealth-assets that are not involved in whatever *obligatio externa* I have committed to under the terms of our working association. **Stock-of-time** is *that part of a person's intangible wealth-assets that subsists in the use he can make of the time he has for his Existenz as a living human being but which can never be exchange in kind or obtained from any other person*. I agree to alienate *some* of my stock-of-time

³ For the moment I am neglecting the effect of *debt*. If you had borrowed *all* the capital to capitalize the store from someone else, e.g. a banker, then you are *not* a capitalist entrepreneur *nor* a *real* proprietor, although you might be designated according to law as the *legal* proprietor – a face saving legal subterfuge masking the fact you are really mortgaged to the capitalist entrepreneur who fronted the money to you to start the store. *You* don't own the store; *your banker* does. Until you pay off the debt, you are the modern day version of an indentured servant. I explain this aspect of debt in the next section.

to providing my labor services in the grocery store, but I never alienate *all* of it to your discretion as my employer. Today this might seem a trite and self-evident point, but the history of business in America tells us that it is *not* a trivial point because controversies involving working hours, overtime pay, and similar issues have been and are at the foundations of many labor strikes. It was also one of the factors at the roots of colonial laws governing indentured servitude, slavery, and injustices that existed in those institutions. Issues involving stock-of-time lie at the very roots of preservation of civil liberty. It was a major issue in America's industrial revolution and during its Economy Revolution. Only a tyrant or a predator devalues others' stock-of-time.

In the satisficing judgment of a customer who comes into the store to purchase groceries, he is content to see what we are doing as a single thing *but within this generalization of his are actually found two distinguishable things: your commercial enterprise and my commercial enterprise*. The combination of these is an **Enterprise of enterprises**, i.e., the common Object towards which *both* of our individual enterprise efforts are aimed. You are the proprietor of your enterprise **but I am the proprietor of mine**. Within the 'business of the grocery store' are found two *cooperating* enterprises. The basis of our cooperation is the fact that my personal enterprise interest and your personal enterprise interest are **congruent interests**. Our individual interests are not the *same*, but they are such that *both* can be satisfied by means of our cooperation. This is why an Enterprise gets called a *company*, i.e., a group of persons united for a common purpose.

This is a social-natural first principle of all Enterprises⁴. For the hypothetical grocery store, you and I conjointly, along with customers, suppliers, and other stakeholders, compose what social-natural sociology calls a **mini-Society**. If we bind our relationship to each another by a formal or an informal social compact, together we form a **mini-Community**. A part of this social compacting might – and usually does – require of me that I pledge myself to a duty to provide whatever labor related to the grocery store that you ask me to provide. Reciprocal to this part is a pledge by you to deliver to me the wages we have mutually agreed to and restrict yourself to expecting no more of my stock-of-time than I have agreed to alienate to our Enterprise. I enter into an *obligatione externa* to provide my labor service, and you enter into an *obligatione externa* to perform the Duties of an employer. We have each freely consented to reciprocal Duties to each other, and that makes our social relationship a deontologically *moral* relationship of *officium*.⁵

This helps to clarify the real-explanation of what a 'business' is. A **business** is a *commercial enterprise or Enterprise undertaken for the purpose of obtaining profit from its activities*.

Because "the grocery store business" subsists in our cooperative enterprises, this presents a small degree of ambiguity in what we are to understand by the phrase "the grocery store." Is this phrase synonymous with the idea of "the grocery store business"? The answer is: no, it is not. Here is why. Cooperation is intangible and cannot be *owned* by anyone. An Enterprise is a mathematical Object in the idea of which is represented all the people and activities going on in a common commercial venture. Objects of mathematics are abstractions and do not make up part of the *sensuous* world people can see, feel, touch, and so on; but the *store* is a *tangible* thing.

Commerce occurs only in Societies, and this means no business is ever isolated from the parent Society in which it is carried out. A consequence of this is that no business is ever operated in isolation from human interactions and the laws which govern them in a Society. However, the "reach of the law" cannot reach beyond the horizon of possible human experience and so if any business laws are to be possible at all, there must be something *tangible* for the laws to "touch." This tangible thing consists of nothing other than the tangible wealth-assets of the business, and these tangible assets are precisely those things obtained by capital investments: buildings, land,

⁴ By definition, an Enterprise always involves two or more cooperating personal enterprises.

⁵ *Officium* is the unity of Duty and Obligation.

inventory, furniture, etc. The *grocery store* subsists in these things. It is the Object in which the tangible *implements* of a business are united. The grocery store *business* is what we *do* with them.

§ 3. Debt

The situation is made more complicated than this by *debt*. The phenomenon of debt brings into consideration accounts payable, accounts receivable, and other intangible instruments by which debt transactions are actualized between a proprietor and a customer or a borrower and a lender. These all involve relationships of *obligatione externa*, and since every *obligatione externa* is an outward legal liability, laws can "touch" them because they are themselves objects of law. Law can always deal with the mathematical objects of its own accidents.

Debt is any wealth-asset owed with *obligatione externa* (outward legal liability) by one person or corporate person to another person or corporate person. Debt transactions are a peculiar form of commercial transaction (and sometimes non-commercial ones as well) in which there is a delayed exchange involving two or more transactions. One person (the borrower) receives from another person (the mortgagee or lender) some wealth-asset in either the form of a tangible asset or a service. This is the first exchange. In return, the borrower makes a pledge to later exchange some other wealth-asset (usually either a return of the original borrowed wealth-asset or some other economic good such as a service) to repay the debt. Borrower and lender are said to *make a contract* whereby that which is to be provided by the lender is specified and the terms under which the borrower receives it are specified. The lender pledges to provide that which he has agreed to provide; the borrower pledges to abide by the terms of the contract stipulating when and how the debt is to be repaid. Often, but not always, part of the stipulation is rent payment on capital (interest payments). The pledge is made with *obligatione externa* (outward legal liability) attached to the future behaviors of the borrower. This legal liability is the special feature of debt.

Obligatione externa is a liability attached to any failure to perform some action the person has pledged to perform and for which failure others can justly hold him culpable and justly compel him to negate the injustice perpetrated by his deed. In making the debt transaction, the borrower grants a legal warrant to the lender stipulating the lender is justly and legally permitted to compel the borrower to fulfill the terms he has agreed to. The lender's warrant to compel is not a civil right because it is not a right granted to every citizen. It is a *special justification* of action a lender can lawfully undertake which if taken by others would be in violation of the social contract and, therefore, be *unjust*. In effect, the borrower has agreed to temporarily alienate some of his *civil* liberty of action so that he might receive that which he desires to borrow. He has agreed, in effect, to accept hindrances to his civil liberty that other people in his Society do not have to accept. This acceptance of hindrance-of-liberty is a modern day successor, in a precisely limited form, to an older commercial institution that was known as *indentured servitude*.⁶

⁶ Indentured servitude was a commercial institution in colonial America that made it possible for many people to emigrate to the New World. For the most part, it was a civic institution without which it is doubtful that the colonies could have been successful or thrived. They almost certainly could not have successfully seceded from Great Britain if not for the population growth indentured servitude enabled. There were cases of criminal abuse of this institution and the institution itself was gradually corrupted by legislators who came to regard indentured servants more as items of property than as citizens. Nonetheless, it is unlikely the United States would exist today if not for the institution of indentured servitude in the 17th and 18th centuries. In the cities and towns, and in many rural locations as well, the apprenticeship system was also based on and tied to indentured servitude. Today that institution has vanished but indentured servitude is not illegal (although many of the terms and conditions of the colonial institution are). We don't usually think of it in this way, but active service in the armed forces is a highly respected form of indentured servitude. Today the term is often used pejoratively and as a code word for "slave" but those usages are propaganda. I do not advocate the return of the colonial institution, but I do insist the concept be

A stock-of-goods that changes hands in the first exchange of a debt transaction is usually the lender's capital stock because part of the agreed-to terms of the loan is usually a provision for interest payments. These interest payments constitute the revenue the lender expects to obtain as a result of loaning his stock to the borrower⁷. For the borrower, however, this loaned stock *is not capital* even if he uses it to acquire fixed and circulating capital goods he needs to operate a business. It is, rather, a peculiar form of stock I shall call ***virtual consumption stock*** for reasons I am about to explain.

Adam Smith provided a brief discussion of "stock lent at interest" [Smith (1776), pp. 312-320] in which he adopted the viewpoint of the lender. He makes a logical division between two forms of loans which, in modern language, can properly be called *productive loans* and *consumer loans*. The distinction is found in what use the borrower makes of the borrowed stock. Smith wrote,

The stock which is lent at interest is always considered capital by the lender. He expects that in due time it is to be restored to him, and that in the meantime the borrower is to pay him a certain annual rent for the use of it. The borrower may use it either as a capital, or as a stock reserved for immediate consumption. If he uses it as a capital, he employs it in the maintenance of productive laborers, who reproduce the value with a profit. He can, in this case, both restore the capital and pay the interest without alienating or encroaching upon any other source of revenue. If he uses it as a stock reserved for immediate consumption, he acts the part of a prodigal and dissipates in the maintenance of the idle what was destined for support of the industrious. He can, in this case, neither restore the capital nor pay the interest without either alienating or encroaching upon some other source of revenue such as the property or the rent of land.

The stock which is lent at interest is, no doubt, occasionally employed in both these ways, but in the former much more frequently than the latter. The man who borrows in order to spend will soon be ruined, and he who lends to him will generally have occasion to repent of his folly. To borrow or to lend for such a purpose, therefore, is in all cases where gross usury is out of the question, contrary to the interests of both parties [Smith (1776), pp. 312-313].

Today's widespread practice of making "consumer loans" was not at all the common practice in Smith's day. Nor does the fact that consumer loans are frequent and common today make the practice any less shortsighted and economically imprudent for the parties involved. If the lender has minimally adequate business acumen as a capitalist entrepreneur, he secures his lent capital by insisting the borrower alienate some of his property rights to the property rights of the lender sufficient so that, if the borrower fails to repay the debt, the lender has *jus possessus* to foreclose on the collateral items of property to clear the debt. Put bluntly, *I will loan you, at interest, a small amount of my capital – a fraction of the net resale value of your house – if you put your house up as collateral, thereby giving me the right to take possession of it and evict you if you fail to repay the debt according to the terms of the loan. And you may be assured that I will do that if you do not or cannot repay the debt with the agreed-upon interest. You have my word on it.*

When you borrow money that money is not *your* capital even if you spend it on, say, investing in financial securities, real estate, or your own business enterprise. It is *someone else's* capital. For you it is either *consumption* stock, if you use it for immediate consumption, or it is stock you

understood correctly and used without purposes of propaganda.

⁷ There are occasions, rare in commercial dealings but not in non-commercial situations, when a lender might make a loan without interest charges. Such exchanges are typically not made for commercial purposes but, rather, because of some purpose of interpersonal relationships between borrower and lender. When return of the loaned stock is expected, the loaned stock can be called circulating stock but not circulating capital. When the stock is loaned without expectation of it being returned, it is called a gift. A situation like this is not generally considered part of commerce and will not be further considered here.

use *in lieu of* having to convert or divert some part of your stock into capital stock. In this latter case the borrowed stock substitutes for the use of your own stock and the loan is a *virtual* revenue (virtual because at some point you have to return it with interest). It makes it possible for you to preserve your consumption stock for consumption and so I call it ***virtual consumption stock*** in relationship to the *borrower*. When you incur a debt you *voluntarily* incur an *obligatione externa* (outward legal liability) for repaying the debt and paying the interest on the debt. By borrowing you grant a warrant to the lender by which he can *justly* hold you culpable for any failure on your part to meet the terms of the loan. Furthermore, you grant the lender a warrant to justly *compel* you to suffer specific penalties for breach of repayment – foreclosure being the most typical one.

The fact that a borrower *voluntarily* agrees to grant the lender a warrant to *compel* him to fulfill the terms and conditions of the loan has an important implication for the borrower. When you borrow, what you have done is *sold part of your personal civil liberty of action* in exchange for the loaned capital. You are no longer at liberty to do some things that you would otherwise have the civil liberty to do if by doing so you default on your contract with the lender. You must instead do something else by which you remain in compliance with the terms and conditions of the loan contract. If you do not, you will suffer compulsion *by force of law*. It is in this context – that of having sold part of your civil liberty – that being in debt is properly regarded as a special form of indentured servitude. Encourage a man to borrow and you encourage him to indenture himself. You do not regain your alienated civil liberty until you clear the debt.

Now, almost every person finds it necessary at some point in his or her life, particularly in the early years of legal majority, to borrow. Most young people just starting their independency do not yet possess a stock-of-goods sufficient to satisfy basic consumption needs required to meet their Duties-to-themselves. A single borrowing event is usually without adverse consequences to the borrower provided the loan principal and periodic interest payments fall within the discretionary income level of the borrower and he can periodically pay off a part of the principal along with scheduled interest payments required by the creditor. When the borrower's personal income level is rising, additional debt may be accrued provided that the total debt load still falls within the discretionary income level of the borrower in the same way. However, because future revenue income is always uncertain, it is generally unwise to make an habitual practice of carrying more debt as income rises. A reasonable indicator of whether or not the debt load is being responsibly managed is whether or not the borrower *is also accruing savings in the form of capital* (interest-bearing savings accounts, income-yielding investments, etc.). If no capital savings are being accrued, the debt load is too high. This guideline is generally applicable to corporate persons (Enterprises) as well as to real persons.

Debt is not inherently a bad thing. There are numerous situations where the cost of an item of consumption (e.g., a car, the house you live in, etc.) exceeds what a consumer's consumption revenue can pay for while leaving a sufficient residual to satisfy necessities such as food and shelter. Consumer debt, so long as it is managed according to the precept stated above, is one of the important mechanisms of circulating capital in a Society's economic dynamics. ***Profligate debt*** – debt accrued to the point where the borrower cannot fulfill the terms and conditions of his debt contracts – is, on the other hand, something that damages a Society's economy and hinders the general welfare of its citizens. This same remark is likewise true for borrowing by commercial enterprises and governments. This is because economic transactions and relationships in a Society are bound up with other people's transactions. Mathematically, this is called the ***Enterprise-protein model*** of an economy [Wells (2013), chap. 3, pp. 70-72].

In a Society the complex dynamics of social interaction are partially determined by individual civil liberties of action. As the total amount of accumulated debt distributed among the members of the Society increases, more of the civil liberties once available in determining people's actions are likewise restricted in increasing degrees. Actions possible when the accumulated distributed

debt is small in comparison to the wealth of the Society become increasing impossible to realize by *civic* means as debt load increases. These restrictions have not only immediately local effects on the individuals involved but also propagate beyond local situations to affect a larger proportion of the population. It is implicit in every social contract that the associates who are admitted to membership as citizens are able to both: (1) take care of their own routine needs and enterprises; and (2) possess sufficient tangible *Personfähigkeit* that, when called upon, they can fulfill their Duties to come to the aid of their fellow citizens when adverse circumstances arise and these individuals need to call for help in dealing with exigencies or in warding off threats to their welfare. Debt hinders the ability of the debtor to fulfill his Duties as a citizen, hinders the ability of governments to fulfill the expectations of authority its citizens hold it to, and hinders the ability of Enterprises to sustain their own *Existenz*. In deontological terms, habitual accrual of profligate debt is a moral fault because it poses a threat to everyone's civil liberties. For a Society, habitual profligate debt is like ingesting economic arsenic into its body politic.

For the same reason, a lender who enables or encourages profligate debt habits commits a moral fault. If he has reason to believe the borrower cannot fulfill the terms of the loan, making the loan is a deontological *crime*, the loan is justly called a *predatory* loan, and the lender is justly called a social *predator*. My friend, if I think you cannot make the interest payments and repay the principal, I am not going to make you the loan no matter how palatial your house is.

§ 4. Habituated Traditions of Commerce

Rudimentary concepts of proprietorship and business have now been presented. Some people may regard these lengthy explanations as just nitpicking at objects that are so common as to seem obvious. However, this seeming obviousness is only a surface reflection. Ambiguous terminology contributes to errors in economic theory. Polanyi (1944) is one important and classic example of a thesis plagued by such errors. In chapter 1 issues attending questions of legitimate government regulation of free enterprise vs. governmental "interference" with free enterprise were raised. An action of government pertaining to free enterprise is *made* 'legitimate regulation' or 'interference' by the details of the social contract that binds together the parent Society. These all ultimately are expressed through laws, and therein considerations of *just* vs. *unjust* laws come into play. Distinctions between justice vs. injustice can only be made *with objective validity* by means of grounding them in the *homo noumenal* nature of being-a-human-being because Society itself takes its ground from nowhere else than the nature of people as its "social atoms." The issues that must be dealt with in the institution of civic commerce and civic free enterprise require these real-explanations in order to deal with issues in a way that ensures *justice for all* in Society. Central to this aim are issues of property, proprietorship, and personal enterprise.

The real-explanations of enterprise, entrepreneurship, ownership, proprietorship, and business just presented have deontological implications for employer-employee relationships in a Society, especially in a Republic. They also hold implications for relationships between members of an Enterprise and other stakeholders such as external capital investors, creditors, and others who have rightful interests in a business. These implications have great practical significance for the success or failure of businesses and for Order and Progress in the Society in which they operate. Many of these implications are at odds with long-held attitudes and prejudices towards business, commerce, and the politics of governance.

Economic dynamics in a Society constitute one of the most important aspects of social life. That deontological implications are of vital importance is empirically demonstrated by the fact that major and sometimes seemingly insurmountable controversies have existed and continue to exist in the United States. These controversies pit what are usually called pro-business factions against what are sometimes called populist factions and sometimes called anti-business factions.

The simple facts are that an industrialized Society such as ours cannot exist without business and commerce, that every citizen has both local and remote interests in commercial economics, and that therefore these controversies are indicators of unjust or even antisocial practices in our habituated institution of commerce. These practices produce socio-economic-political *Toyndbee challenges* that threaten us all with the breakdown of our Society. What these major challenges are and what justice in a Republic demands be done about them are topics that most of this book is dedicated to addressing. The first step toward these discussions begins with understanding how we arrived at the present state of our institutionalized habits and practices.

Our present day institutions of commerce did not spring into being overnight. They are results of centuries of habituated traditions and practices. Some of these are civic and promote civic free enterprise. Others are uncivic, antisocial, and productive of uncivic free enterprise. If we are to modify and evolve our commercial institutions to perfect civic free enterprise and hinder uncivic free enterprise, it is important to understand the genesis of those practices which are uncivic and to understand what it is in human nature that *makes* them uncivic. Toward this end, it is wise for us to take a brief look back at the history of commerce in America. Here there are two distinct eras to explore: (1) the era prior to the American Economy Revolution of 1750 to 1800; and (2) the era that followed upon this revolution. In this examination, the most attention is paid here to those situations and developments that produced injustices and uncivic free enterprise.

§ 4.1 American Commerce Prior to 1750

When colonial America was first established in the 17th century, the colonists quite naturally imported many habits, traditions, presuppositions, common laws, customs, mores and folkways they had known in their native countries. Because the colonies were predominantly populated by emigrants from Great Britain, British importations became socially dominant. Most of these remained unchanged; some of these underwent experimentation because of special environmental and socio-economic challenges encountered in the divers colonies.

For example, the colonists of Plymouth in 1620 briefly experimented with communism. They abandoned the experiment in 1623 [Jernegan (1929), pp. 120-121]. The Plymouth colonists were forced to abandon this flirtation with communism because it is at root an economic system that contradicts human nature in regard to Obligations-to-Self. A similar flirtation in Virginia likewise failed and for the same fundamental reason [Nettels (1938), pp. 222-225; Galenson (1984)]. This is why communism and Owen-like socialism [Muravchik (2002), pp. 31-59] always fail. In the latter regard, it is interesting to note that a small but growing number of proprietors, who are today attempting to force their employees to comply with imposed restrictions about smoking, drinking, how much they weigh, and other personal matters, are – presumably in ignorance – attempting to repeat Robert Owen's early 19th century experiment in socialism. This makes them socialists, and court rulings that find in their favor are likewise socialist. As Muravchik's study demonstrates, socialism has failed repeatedly in the past; it will fail again this time. You can take that to the bank. There is a lesson in this: ignorance promotes the rebirth of stupid ideas.

Professional historians are in agreement that colonial America's economic foundation was "private enterprise" – proprietorship and individual conduct of business enterprise. In point of fact, it was also *capitalist* enterprise since it was based upon capital assets, beginning with land ownership [Nettels (1938), pp. 222-225], although many historians fail to call it that because of the propaganda contexts that corrupted the term 'capitalism' in the 19th and 20th centuries⁸. One of the most striking features of colonial America was the westward expansion of settlers into new

⁸ In effect, 'capitalism' came to be interpreted to mean one had to be an Andrew Carnegie or J.P. Morgan to be a 'capitalist.' This is utter hogwash. The term means what Adam Smith described, not what Karl Marx corrupted it to mean. If you own a certificate of deposit or have a savings account, *you* are a capitalist.

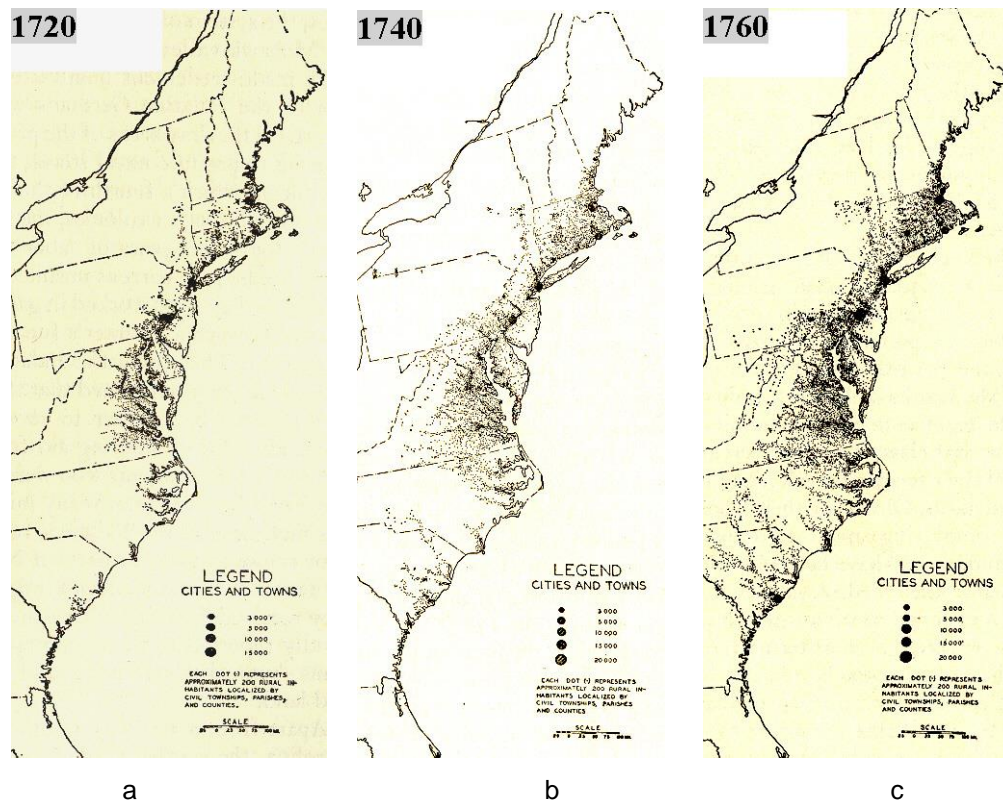


Figure 1: Distribution of population in colonial America: (a) 1720; (b) 1740; (c) 1760. Each small dot represents approximately 200 rural inhabitants. Source: Nettels (1938), pp. 394-396.

lands over which they could acquire ownership. Figure 1 illustrates this expansion. Legally the lands to the west of the original colonial sites had to be purchased, although there were in the later 17th and most of the 18th century a significant number of individuals in the Piedmont region and western Pennsylvania who simply occupied vacant or Native American lands, successfully defying rather tepid efforts by colonial governments to force them to either pay for these lands or vacate them. These pioneers were known in the eastern regions of the colonies as "squatters." They were the reason for the eventual (1855) introduction of the legal term "squatter's rights" – the right to acquire title to real property by adverse possession or by preemption of public lands. The squatters, in the strictest sense, were entrepreneurs who acquired their initial capital by force.

A striking feature of the distributions shown in figure 1 is how few cities and towns there are. At the time of the Revolution, America had only six major cities: Philadelphia, New York, Boston, Salem, Baltimore, and Charleston [Morison & Commager (1930), pg. 170]. Their combined population in 1790 was less than 3% of the population of the United States. Colonial America was an agrarian nation but this does not mean it lacked industrialization. Industrial production took root in the colonies almost from the very beginning. Nettels remarks,

The colonial settler was determined not only to retain his European way of life but also to improve his economic condition as much as possible. Because a rising standard of living entailed an increasing utilization of manufactured products, the procuring of such goods was a paramount interest. These the settler purchased partly in England, but due to his limited buying power he had to produce many commodities with his own labor. Two types of industrial production developed during the seventeenth century. The more prominent was household manufacturing – the making of articles by members of the family, primarily for their own use. The second – commercialized industry which produced goods to be sold

at a profit in a general market – made slow progress before 1700. The open frontier drew laborers away from the older settlements, thereby creating a labor shortage that kept wages two or three times as high as in Europe and hence retarded industries dependent upon hired workers. . . . Above all, the market of the colonies was too small to nourish large-scale enterprises. . . . By and large, colonial industries merely converted raw materials into crude products. [Nettles (1938), pp. 237-238]

Shortage of wage-earner laborers was a dominating feature of the American economy until the 1750s. It meant that the vast majority of business enterprises in America were proprietorships. It also meant colonial America was overwhelmingly capitalist. The specific industries and occupations varied by region because of variations in physical and social conditions.

Agriculture was an industry in all three regions (New England, the Middle colonies, and the Southern colonies) but, like the other colonial industries, it varied in its nature from region to region. There is a peculiar prejudice found not infrequently in urbanized Society that tends to underplay agriculture's industrial nature in comparison with urban industries. Farming was necessary in colonial America because without it the Americans would starve. But the colonial farmer was rarely the simple "sodbuster" contemporary city people seem to widely assume. He was a land owner/capitalist and his enterprising interests extended as far as the tangible power of his person permitted him to extend them. The capacity of the tangible power of an individual determines whether he is at liberty to be: a small merchant making just enough revenue from his operations to support himself and his family; a middle class artisan practicing a skilled craft within the division of labor but operating as an independent entrepreneur; a plantation or mercantile aristocrat; or any of the other gradations possible. We are, I think, too much misled today by romantic Jeffersonian notions of simple and rustic agrarian life, a life Jefferson himself never led. From the beginning American farmers were agribusinessmen; only that *terminology* was absent in colonial times. **Industry** is *diligent activity directed to some purpose* and the diligent activity of the colonial farmer was just as much an industry as was the Carnegie Steel Company's gigantic Enterprise. Only snobbery reminiscent of the so-called Gilded Age of Carnegie, Morgan, etc. pretends it is otherwise. One can only speculate how much of a drag on the general welfare of Americans that particular and rather stupid form of vanity produces.

In New England agriculture was an intensive rather than, as elsewhere, extensive industry. Farms were small, worked by the labor of the family, and produced hardly more than what was sufficient to feed the family. The principal commercial industries in New England were: fisheries; forest products; the manufacture of linen, wool, and cotton cloth; inter-colonial trade; export trade in codfish, forest products and rum; and import trade in molasses, European manufactured goods, sugar, and slaves [Jernegan (1929), pp. 171-175]. New England commerce in the so-called "triangle trade" (rum to slaves to molasses) is one obvious commercial interest that combined with traditional European tolerance of slavery and widespread racial prejudice [Morgan (2000), pp. 31-34] to make slavery "acceptable" in colonial America after Great Britain introduced its institution in 1619. More will be said about this institution below.

In the Middle Colonies agriculture was a principal commercial industry, as was export trade in wheat, flour, beef, pork, and furs. Import trade, particularly in wine, sugar, and various manufactured articles, was also a notable commercial industry in the Middle colonies [Thwaites (1910), pp. 225-226; Nettles (1938), pp. 229-230].

In the Southern Colonies,

While agriculture was the main support of the southern colonies, many other industries were carried on for profit or because of necessity. These industries included first those having for their primary purpose production in large quantities for export. In this class belong the naval stores, lumber products and provisioning, based principally on the forests,

and the raising of livestock. Home manufactures supplied necessary immediate needs not sufficiently provided for by trade with England. In the interior or back country regions local manufactures were even more necessary because of the high cost of imported articles and the lack of good roads.

Manufactures were of slow growth because of lack of capital, skilled artisans, and machinery . . . For artisans would not work for a daily wage when there was the opportunity to obtain one hundred acres of land at small expense. [Jernegan (1929), pp. 91-92]

Artisan enterprises also existed in the colonies. Nettles tells us,

Between the commercialized industries and the household crafts there was an intermediate form of industrial organization represented by skilled artisans. In a new, sparsely settled community such specially trained craftsmen traveled from farm to farm where they labored in the household on materials furnished by the farmer, receiving their pay in board, lodging, and produce or money. Chief among such traveling artisans were shoemakers, chandlers, carpenters, weavers, blacksmiths, and masons. As a community became more compactly settled the traveling artisan established a permanent workshop. . . . He commonly owned a plot of ground sufficient to supply him with fruits, vegetables, meat and dairy products. The crafts represented by the settled artisans in New England and the middle colonies during the seventeenth century included brick-making, leather tanning, weaving, fulling and dyeing, shoemaking, candle making, blacksmithing, and the manufacture of pottery, paper, and hats. [Nettles (1938), pp. 249-250]

There is only so much an individual or an individual family can accomplish by themselves. The scarcity of what Salinger and others call "free labor" – that is, a population of wage-earner entrepreneurs who are not proprietors in the Enterprise from which their wages are drawn – motivated colonial American proprietor-entrepreneurs to respond to limitations it imposed on their enterprises in two distinct ways: the institution of indentured servitude and the institution of slavery. *Indentured servitude* is the condition of a person who has through a personal act of civil liberty placed himself under an obligatione externa to another person according to stipulated terms and conditions not proscribed by the laws of his Society for a specified and limited amount of time established by contract. *Slavery* is the imposition by any person on another person of impediments of coercion that deprive that person of liberty to determine his own actions independently of the inclinations of others. 'Slavery' is a deontological term derived from Kant (1784-5), 25: 1354. Both institutions were established in every colony. Indentured servitude was an institution imported directly from Great Britain by the colonists themselves. Slavery in the colonies was an institution that was introduced by the Crown government of Great Britain in 1619⁹. By 1630 cargoes of African slaves brought to the American colonies were on the increase and after 1660-1670 the slave trade grew into an institution that the economy of the Southern Colonies became dependent on [Morgan (2000), pp. 29-31]. In the 17th and 18th century there was also a significant but unquantified amount of human trafficking masquerading as indentured servitude but constituting actual slavery [Morgan (2000), pp. 44-65; Jordan & Walsh (2007), pp. 127-136]. Such is the character of what happens when uncivic free enterprise is tolerated.

⁹ It is part of colonial American folklore, dutifully repeated by most historians, that the first ship carrying 20 African slaves that arrived in Jamestown in 1619 was a Dutch warship. That ship did fly the Dutch flag but she was in fact the *White Lion*, an English privateer captained by an Englishman, John Colwyn Jupe. Because the captives aboard her were brought here by force and sold as "indentured servants," they were slaves in the technically correct usage of the term. Earlier in 1619 there were also 107 homeless children rounded up on London streets and forcibly shipped to Virginia to be made "indentured servants" [Jordan & Walsh (2007), pp. 75-87]. Three hundred children legally kidnapped by the Crown were forcibly shipped to Virginia between 1619 and 1622. Twelve were still alive in 1624. Although the term "slave" was not yet in use, this English practice was slavery regardless of whether the enslaved were African or European.

Indentured servitude was a form of civic free enterprise and always involved debt transactions. The indentured individual signed a contract of indenture as his means of repaying a debt he had taken on, typically to procure passage to America. Instances of criminal abuse of the institution occurred, but to decry the institution because it was sometimes abused is no different than to decry the institution of banking because some bank officers embezzle. The nation does not exist which does not have deontological criminals masquerading as citizens within it.

Closely related to indentured servitude was apprenticeship. Apprenticeship was primarily an education institution in the colonies. It usually did involve a commercial transaction between the father of the prospective apprentice and the "master" who would accept the apprentice into his household, provide him food and clothing, and see to it the apprentice received a basic education that included reading and writing. The formal arrangement was made by a contract between the parent and the "master." It was usually required that the apprentice himself had to agree to all this but this was not always enforced very well. For one thing, a typical apprentice was age fifteen or younger when his apprenticeship began and was therefore regarded and treated in that peculiar netherworld between age-of-majority adulthood and minority childhood. Orphans and children of indigent parents could be forcibly indentured by local government officials "for the good of the child" to ensure the child would learn a trade and, at the same time, so that his welfare support would not be a burden on the community. These apprentices were the most vulnerable to abuses.

Slavery is always an uncivic institution. Its basis is always coercion and coercion establishes no social contract between slave and enslaver. Rather, the relationship is fundamentally a state-of-nature relationship. It may be in some cases that this relationship is embedded in some way within a broader Society framework that moderates the state-of-nature relationship by imposing its own limitations of social contract. However, even when that is the case – a 'mixed' social environment – any such moderation does not change the fact that the slave-enslaver relationship is based on coercion and the person enslaved commits himself to no Duties to his enslaver. This point has been often debated in Western history, and there have been those who held the view that slavery could be a contract relationship. However, this argument was conclusively refuted on objectively valid grounds by Rousseau [Rousseau (1762), pp. 7-10]. In its beginnings in colonial America, the institution of slavery was likened to that of indentured servitude in every colony on the basis of the sorts of arguments Rousseau later refuted. But deontologically it was, from the very first, an uncivic institution. A slave is a person who is said to be "in" a Society but not "of" that Society; he physically resides in its community but is not a citizen of that Society. Persons in this situation are said to constitute a *Toynbee proletariat* [Toynbee (1946), pg. 11fn]. Because no civil relationship exists between slave and enslaver, the term "free enterprise" ***cannot properly be used at all*** to describe their relationship because this relationship is not being conducted within a civil Community, much less with any relationship to a social contract.

A Society that condones or accepts *any* practice of slavery within itself condones an enterprise by the enslaver that introduces an uncivic element – the Toynbee proletariat – into the structure of the enslaver's Society. This can never be done without introducing legionary dangers and challenges to the parent Society itself. The record of history demonstrates this beyond any reasonable doubt. Its evidences are found in the records of fallen civilizations from Mesopotamia and Egypt to Europe and Asia [Toynbee (1946)]. For that reason, slavery enterprise must always be held-to-be uncivic enterprise *even if the laws and customs of the Society condone or permit it*. No Society at any scale that has permitted slavery enterprise to exist within it has ever survived in the long run. Instead it falls (and falls from within), disappears, and is eventually replaced by some new Society. This includes the peculiar form of mini-Society that is formed as a commercial business Enterprise [Wells (2010), chap. 10].

To recapitulate, there were four economically and socially distinct classifications of people in the American colonies: proprietors, indentured servants, indentured apprentices, and slaves. There

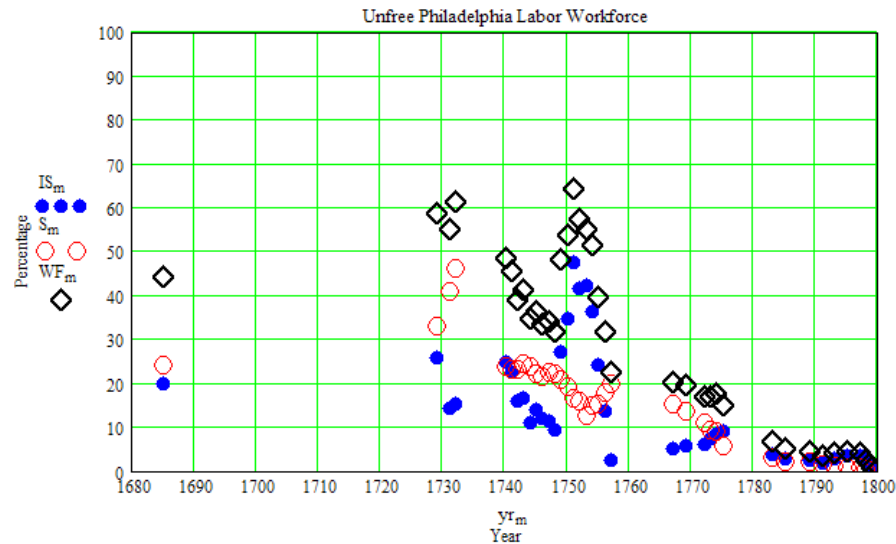


Figure 2: Percentage of the Philadelphia workforce comprised of "unfree labor" (indentured servants and slaves) from 1685 to 1800 according to Salinger. IS = percentage comprised of indentured servants. S = percentage comprised of slaves. WF = total percentage comprised of indentured servants and slaves. Source: Salinger (1987), pp. 178-183. Arithmetic errors in computing WF in Salinger's data table have been corrected in this figure. Other researchers, notably Grubb (1988), dispute the accuracy of these figures.

was one aim indentured servants and apprentices all had in common with one another: the aim of becoming proprietors themselves. Labor service was the intangible capital good they invested (stock-of-time investment) in order to acquire other forms of capital they needed to establish themselves as proprietor-entrepreneurs later. A college student does something like this today by attending a community college or a four-year college to acquire skill in some profession. Indeed, for many college students there are notable parallels between being a college student and being an indentured servant insofar as a student is required to perform peculiar forms of unremunerated labor (study, class attendance, homework) in exchange for a credential (a diploma) used later to market his labor services. One peculiar difference is: students are made to pay for their servitude.

It is instructive to take a look at relative populations of proprietors and indentured servants. Data for numbers of voluntary migrants to the colonies and the percentage of these migrants who arrived as indentured servants are somewhat problematic. Figures have to be estimated from surviving records kept by less-than-thorough record keepers. Different historians arrive at different estimates. One interesting local estimation is provided in figure 2, which graphs data estimated by Salinger depicting the percentages of indentured servants and slaves in the city of Philadelphia from 1685 to 1800. The steep plummet in "unfree labor" seen during the decade of the 1750s marks the onset of the American Economy Revolution from circa 1750 to 1800 [Wells (2013), chap. 5]. This same period also saw the decline of the colonial apprenticeship system. Prior to 1750 the remaining percentages of the Philadelphia workforce are almost entirely comprised of proprietor-entrepreneurs. After 1750, the declining employment of "unfree" laborers was replaced by increasing employment of paid wage-earner laborers, a situation that persists to this day and is the chief economic and social characteristic of the post-Economy Revolution era.

Looking at the broader picture one finds significant variation between different researchers' estimates. A.E. Smith put the fraction of indentured servants at "one-half to two-thirds" of all white emigrants to the colonies from 1630 to the American Revolution [Smith (1947)]. Many other researchers, e.g. Galenson (1984), cite or use Smith's estimate.

Table 1Tomlins' Voluntary Migration Estimates
during the 17th century

Arrival Point	Total number of Voluntary Immigrants (thousands)	Est. Percentage of Indentured Servants
the Chesapeake	108	80%
New England	24	16.5%
Delaware Valley	15	35%
the Lower South	8	40%
New Netherlands	6	55%
Total	161	63.4%

Table 2Tomlins' Voluntary Migration Estimates
during the 18th century by nationality

nationality	Total number of Voluntary Immigrants (thousands)	Est. Percentage of Indentured Servants
German	840	46%
Irish	91.1	36%
Scottish	60.3	21%
English & Welsh	55.6	66%
other	6	0%
Total	297.5	40.7%

Source: Tomlins (2001)

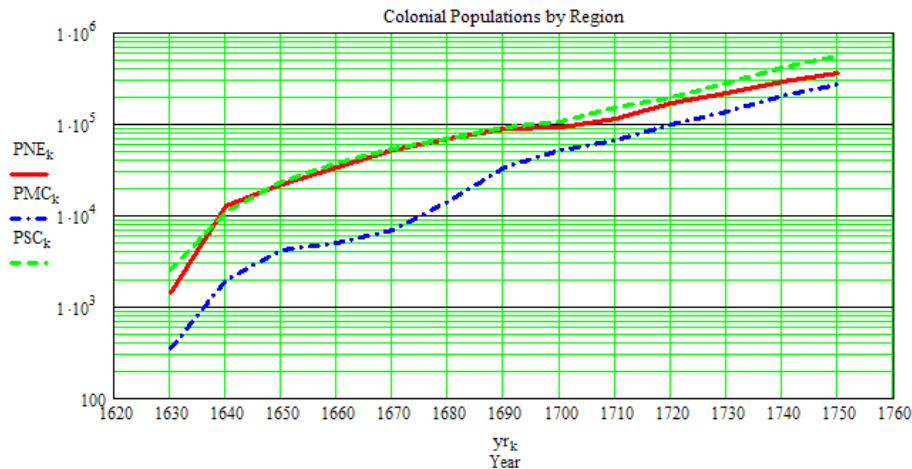


Figure 3: Colonial populations by region from 1630 to 1750. PNE = population in New England; PMC = population in the Middle Colonies (New York, New Jersey, Pennsylvania); PSC = population in the Southern Colonies. Source: Bureau of the Census (1976), chap. Z, Series Z 1-19, pg. 1168.

Other researchers provide more detailed estimations. Tomlins (2001) divides the colonial period into the 17th century and the 18th century up to 1775. Table 1 details his estimate of 17th century voluntary migrants (in thousands) according to their arrival point in the colonies. He also provides estimates for the percentages of these migrants who arrived as indentured servants. He breaks down the 18th century data according to migrants' nationality of origin. The raw numbers of voluntary migrants is without context unless one also has figures for the overall colonial populations. This is provided in figure 3. These figures make it clear that immigration by voluntary migrants was an important factor in overall colonial population growth in both the 17th and 18th centuries. Tomlins' data tells us that indentured servants comprised a large fraction of this immigration. For those of us whose ancestors arrived in America prior to 1750 there is a high likelihood that somewhere in our family genealogies an indentured servant will be found. In the case of your author, that person is Henry Wells, who arrived in Philadelphia in 1685, at age 13, from Bradfield, Berkshire, England. According to Galenson (1984), the majority of indentured servants migrating to the colonies were between the ages of 13 to 24; indentured servitude was a young person's venture.

Morgan provides somewhat different estimates for emigration to America from 1680 to 1775.

He writes,

Recent estimates suggest that 307,400 white emigrants came to the thirteen British colonies in North America in the first three-quarters of the eighteenth century. Some 151,600 (49.3 percent) were free immigrants. A further 52,200 (17 percent) were transported convicts. The remaining 103,600 (33.7 percent) consisted of indentured servants. These people were much more ethnically diverse than seventeenth-century settlers coming to America, who were overwhelmingly of English stock. The composition of emigrants to America by geographical background for the period 1700-75 was as follows: 35.3 per cent were Irish, 27.4 per cent were German, 23.8 per cent were English or Welsh, 11.5 per cent were Scots, and the remainder came from elsewhere. The Scots were the only group that did not contribute a significant portion of the unfree migrants: almost three-quarters of emigrants from Scotland were free settlers. . . .

The exact total of English and Welsh indentured servants who relocated in North America is unknown but they numbered about 27,200 between 1700 and 1775. On the eve of the American Revolution, 79 per cent of these servants went to the Chesapeake colonies, the same destination as in the seventeenth century. Pennsylvania was the next colony favored by these migrants. Irish emigration to colonial America centered on the Delaware Valley, where there were well-established trade connections between the main Irish ports and Philadelphia. . . . From 1730 to 1774 almost 52,000 emigrants left Irish ports for Philadelphia and New Castle, Delaware. . . .

German migration to America was heavily focused on Philadelphia. Some 80,969 German-speaking immigrants passed through that port between 1683 and 1775. This comprised 73 per cent of the flow of German migrants to America in that period. . . . German settlers in colonial America were partly free passengers and partly 'redemptioners': a form of [indentured] servitude [Morgan (2001), pp. 44-45].

Comparisons between Morgan's estimates and Tomlins' estimates provide a rough indication of how wide the disagreements are between estimated statistics reported by various authors. Those transported convicts, as well as those legally or illegally kidnapped and transported, are properly to be regarded as slaves even though, being white, they were called 'indentured servants' by colonial government officials and owners. Unlike Africans, their slavery was not permanent.

Uncertainties also exist in estimates of the number of slaves imported from Africa. Colonial record-keeping tended to not distinguish between 'slaves' and 'negroes' in census figures from the period. However, because voluntary migration from Africa to the colonies was nil for all practical purposes, the population of slaves from Africa or of African genealogy can be upper bounded by the total population of 'negroes' reported in colonial census figures. Figure 4 graphs these upper bounds by region from 1630 to 1750 as a percentage of the total colonial population.

The data in this figure show that slavery was instituted in all three colonial regions. Slave population was lowest in New England. It was highest in the Middle Colonies until around the mid-1680s, when it was overtaken by the Southern Colonies. This decennial data clearly shows the growing economic addiction to slavery the Southern Colonies were undergoing after around 1680. As the institution of slavery became more commonplace and widespread, this, along with non-British emigration in the 18th century, had a notable effect on colonial moral custom and the institution of indentured servitude. In turn, this carried the colonies into the Economy Revolution of 1750 to 1800.

§ 4.2 American Commerce After 1750

Human beings are satisficing problem solvers. This general characteristic of the mental physics of judgmentation exerts a strong influence on the development of moral customs to either

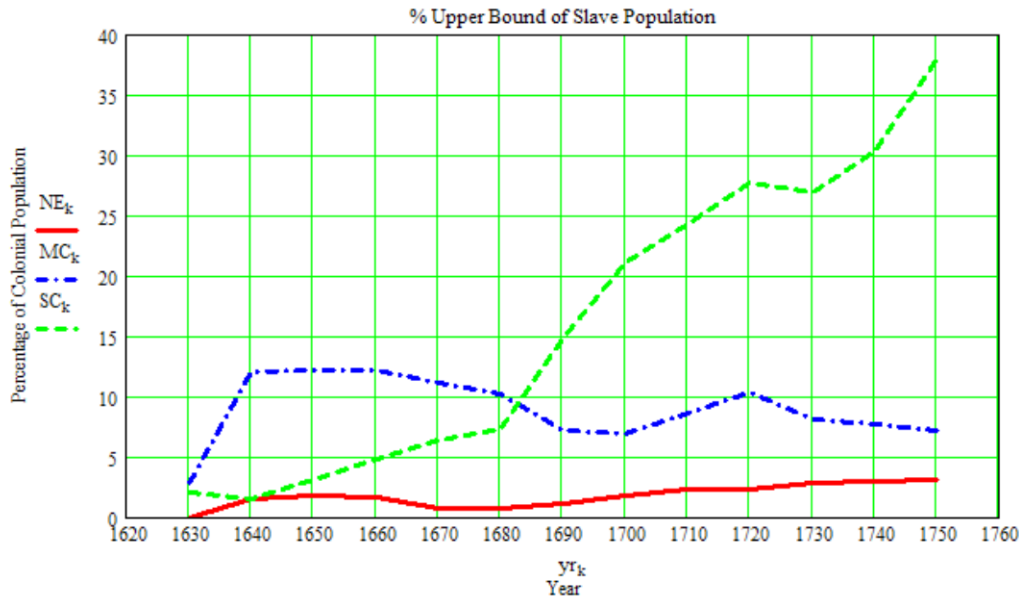


Figure 4: Decennial estimated upper bounds of slave populations as a percentage of total colonial populations by region from 1630 to 1750. NE = New England; MC = Middle Colonies (New York, New Jersey, Pennsylvania); SC = Southern Colonies. The Southern Colonies' growing economic addiction to slavery after 1680 is evident. Source: Bureau of the Census (1976), chap. Z, Series Z 1-19, pg. 1168.

the benefit or the disbenefit of Societies. The introduction of uncivic institutions in any Society tends to lead to changes in that Society's moral customs that lead to the acceptance of even more uncivic behaviors and institutions until at last the Society breaks down and disintegrates. Class, caste and ethnic divisions, and prejudices constitute major well known examples of this. These phenomena are reflected in an empirical observation long known to anthropologists:

We have knowledge of sometimes highly diverse cultural solutions to the challenges of human existence. The question often arises, Which is best? Anthropologists have been intrigued to find that all cultures tend to see themselves as the best of all possible worlds. This is reflected in the way individual societies refer to themselves: Typically a society's traditional name for itself translates roughly into "true human beings." In contrast, their names for outsiders commonly translate into various versions of "subhumans," including "monkeys," "dogs," "weird-looking people," "funny talkers," and so forth. We now know that any adequately functioning culture regards its own ways as the only proper ones, a view known as **ethnocentrism**. [Haviland *et al.* (2008), pg. 323]

Even prior to the Economy Revolution, introduction of the institution of slavery came to have a pronounced uncivic effect on the way many colonial capitalist entrepreneurs regarded indentured servants and how they later came to regard and treat wage-earner employees in the Enterprises they founded. This regard never quite achieved the malignantly antisocial degree characteristic of slavery, but it did promote social customs productive of class divisions based on: the types of labor different people provided in their personal enterprises; on differences in education; ethnic differences; and differences in ancestral backgrounds. These antisocial customs took originally-British class and social standing prejudices as a starting point and reinforced them as antisocial attitudes that still work to the disbenefit of the general welfare of American Society to this day. At the center of many of these antisocial customs are developed customs immediately related to notions of proprietorship, ownership, and commerce that developed in the Economy Revolution.

I think it is necessary to repeat something I said earlier. Prior to the Economy Revolution the

institution of indentured servitude was, in the main, a civic institution that cannot properly be equated with the uncivic institution of slavery. A number of authors, including Jordan & Walsh, Morgan, and Salinger, tend to present their theses in manners that emphasize criminal abuses of the institution. To some degree this is understandable when one considers that one source of data for studies of this kind is found in court records from the period – and a court case almost always involves an abuse. The reader can easily be left with a subjective impression that indentured servitude was a fundamentally uncivic institution. It is, after all, not record-worthy to note that "John Smith completed his term of servitude, cleared his debt, and has taken up farming on 50 acres of land given to him in fulfillment of the terms of the contract." But, as Jernegan noted, such was the general practice [Jernegan (1929), pg. 85]. The reader must exercise some degree of wariness in reading theses that inject a significant element of subjective bias against indentured servitude. In contrast, with the Economy Revolution and the shift from indentured servitude to hired wage-earners, economic circumstances for non-proprietors took a decidedly antisocial turn.

The seeds for this turn were sown gradually. Because the colonies were founded in different years, this turn also followed its own local timelines in the different colonies. It had its roots in the evolution of social, moral, and legal developments in the indentured servitude system as well as in the development of the institution of slavery. There was, however, a qualitative similarity in it among all the American colonies. To understand its development, it is instructive to look at its evolution in Virginia. Virginia was not only the oldest colony; it was also the one most closely patterned after English Society in terms of customs and common law, and it reflected the English systems of class and aristocracy rulership. Through the Anglican Church – which is the official church of England and held religious primacy in England prior to the English Civil War of 1642-1651 because of its backing by the king – even religious views and customs in Virginia were the most similar to England's found among the different colonies.

One excellent source on the history of this evolution is provided by Ballagh. His accounting of it focuses a great deal more on people and a great deal less on legalism and what William James called "vicious abstractionism" than do many more recent works. To Ballagh's credit as a scholar, it also keeps his subjective judgments to a minimum and concentrates on objective historical facts. His "people focus" is especially important in studies of social-natural phenomena because social-natural phenomena all have their root *causative* explanations in human *homo noumenal* nature. This is something present-day social "sciences" largely forgot or ignored in the 20th century.

Ballagh logically classifies the evolution of the institution of indentured servitude in Virginia into three stages:

1. the initial period, 1619-1642 [Ballagh (1895), pp. 43-49];
2. the middle period, 1642-1726 [*ibid.*, pp. 49-65]; and
3. the final period, 1726-1788 [*ibid.*, pp. 65-67].

As you might guess by the number of pages he devotes to each period, it was the middle period that had the greatest long-term effect on developments during the Economy Revolution.

During the initial period the institution in Virginia was largely informal, developing along lines consistent with English common law and indenture practices in England. Ballagh tells us,

After the Assembly of 1619, until near the middle of the century, very little direct legislation appears in regard to servants, but in this interim there grew up many customs recognized by the tribunals which affected very seriously the personal rights of servants. One of the earliest and most important customs was the right assumed by the master to assign his servant's contract whether he gave consent or not. [Ballagh (1895), pg. 43]

Like all customs, this one of assigning (selling) a servant's contract to another "master" with or without the servant's consent grew out of earlier customs and precedents. In this particular case, the precedent was the government's practice of renting the labor of their tenants and apprentices to planters. What primarily instigated the assignment custom were cases of breach of contract by indentured servants – failing to perform the labor agreed to in the contract, running away so as to escape performance of contract terms altogether, and so on. Some "masters" had sustained financial injury because of breach of contract by servants and the custom developed as a means to correct this particular sort of injustice.

The objectionable feature – in the view of those who find it objectionable – was the provision that the contract could be reassigned without the consent of the servant. In fact there were considerable objections to that provision raised in England. Ballagh notes,

The practice [of assigning contracts without consent of the servant] was loudly condemned in England and bitterly resented on the part of the servants, but the planters' . . . legal right to make the sale seems never to have been actually called into question. Assignment of contracts for the whole or unexpired term became from this time forward very common. . . . [The servant] became thus rated in inventories of estates and was disposed of both by will and deed along with the rest of the property. [*ibid.*, pp. 43-44]

By "will" Ballagh means the document expressing a deceased person's wishes for the disposition of his property after his death. By "deed" he means the document of ownership when a master sold his estate to someone else. In the case of non-human objects – land, houses, livestock, etc. – we take it for granted that an owner is at liberty to sell or otherwise assign his items of property. But the colonial master did not own his servants; he owned the right to their *labor service*. I think it is clear enough that "assignment" is a very practical issue inherent in labor contracts. Suppose, for instance, that a master died and passed along his household property to his son. Should not the son likewise inherit the right to the servants' labors in clearing their debts? Would not the liability owed still exist? When a company is bought out, are not its employees "assigned" to the buyer?

But, on the other hand, should the servant not have the right to object to assignment of his contract when that assignment passes his liability from a "master" with whom the servant had a close and friendly relationship to one with an unsavory reputation? Contracts are made by *mutual* consent and assignment would seem to do away with this primary characteristic of *voluntary* consent. There is a modern-day homologue to the situation. Suppose you wish to take out a home mortgage in order to purchase a house. Suppose further there is a mortgage lender who you know personally and who has a good reputation for being an "honest lender." You and he agree to the mortgage contract, he lends you the money, and you purchase the house. Now suppose that, for whatever reason, that lender sells the debt you owe him to a different lender who perhaps has an unsavory reputation for being unreasonable, quick to foreclose, or even for being "crooked." Would you not object to having your liability passed on to someone you would never have chosen to do business with in the first place?

In fact, this practice is not uncommon in the mortgage lending business today. Is it just or is it unjust? Questioning this practice is not usually debated, but it is an issue that was lodged near the center of the lending crisis that erupted in the U.S. and triggered the great recession of 2008. Debt and debt liability matters are really never as simple as people often presume in terms of questions of justice and injustice, although they are often very simple as matters of law. But the fact that a practice is *legal* does not necessarily mean it is *just*.

Deontologically, intentional breach of contract is always a crime. Additional customs also developed in the first period covering matters we might label as "crime and punishment." In the 17th and 18th centuries, corporal punishment was a common practice and this, too, developed as

one of the customs characterizing indentured servitude. Similarly, servants' liberties to marry, conduct their own side-enterprises, etc. came under, first, customary and then legal restrictions because of cases of breach of contract by servants [Ballagh (1895), pp. 50-59]. Some of the legal penalties enacted by later legislation constitute sentences people today regard as reprehensible by modern standards of moral customs. However, such customs and legislation can only be regarded *without ethnocentrism* according to standards of English custom and common law of the time.

I take up this matter again in the discussion of the second period below. First let us complete the discussion of the initial period. Ballagh wrote,

But aside from these conditions of property which attached to the condition of the servant, his position before the law was very little different from that of the freemen of the colony. . . . The courts carefully guarded his contract and effected speedy redress of his grievances. [*ibid.*, pg. 44]

One can sometimes get the impression from recent books about indentured servitude that breach of contract was widespread among indentured servants and that, therefore, the more odious instances of conducts and behaviors these books seem to dwell upon were the commonplace. If that were so, it would be a rather unsavory indictment of the character of the English people. In point of fact, though, it was not so. Normal civic relationships simply aren't all that newsworthy in comparison to the relatively much rarer instances of crime. Does your local news outlet lead off its nightly broadcast with, "Joe Smith, owner/operator of Joe's Diner, did not cheat any of his customers today"? Adversarial relationships are the norm in law courts but not in day to day life in a community. Writing about Pennsylvania during its initial stage of indentured servitude, Salinger tells us,

Pennsylvania labor passed through three stages from the founding of the colony until the turn of the nineteenth century. . . . The first stage of indentured servitude began with the founding of Pennsylvania in 1682 and lasted until the 1720s, when immigration into the colony accelerated. Like all Pennsylvania servants, the individuals who were bound owed the first four to seven years of their labor to their masters and had few choices about their lives until they had served their time. However, throughout this initial phase, indentured labor in Pennsylvania was a personal institution. Servants, like their masters, emigrated overwhelmingly from England and often possessed skills. For many masters, indentured servitude was a means of helping poorer relatives and friends make the journey to Pennsylvania. Bound laborers were occasionally related to or at least acquainted with their masters before they left the Old World and in many cases found themselves on board the same ships as they traveled to the New World. As a result, these first servants were bound by more than their labor contracts and tended to serve people they knew personally or who were known to their families. . . . During this initial stage, recognizable qualities of indentured servitude had been imported from England and indentured labor was a benign and paternalistic institution. It not only provided servants with tickets to the New World but launched them on post-servitude careers that, although not uniformly successful, were better than those that future servants would experience. [Salinger (1987), pp. 2-3]

In that fine old tradition of muddling through change that is one of the most notable and sometimes most endearing quality of the English people, things drifted along in this fashion until the number of court cases and complaints about uncivic incidents began to pile up before colonial tribunals. Then government officials did what government officials do; namely, they tried to bring more order, stability and uniformity to the diversity of complaints and suits that had to be dealt with by the legal system. This marked the beginning of the second stage. In Virginia,

From the year 1642 the statute books began to fill with legislation concerning servants, mainly confirming or modifying such rights as had been already developed and subjecting

the system of servitude to more uniform regulations. [Ballagh (1895), pg. 49]

This is when servants' liberties to marry, conduct independent enterprises, etc. underwent legal restrictions placed on their free enterprise activities. The impetus for mounting restrictions came from breach of contract cases. The challenge always facing legislators is this: legal codification always involves an attempt to set some sort of general rule on the basis of a limited number of empirical cases. Even when competent legislators are chosen who are deeply knowledgeable about human nature and have well-honed understandings of the principles fundamental to the social contract binding their Society together, it is an extremely daunting challenge to erect "universal" laws that are *just*. When a legislator is not so qualified, it is a challenge that proves to be beyond his intellectual capacity. Human relationships are complex well beyond the scope of simple-minded legislation to treat with uniform justice. When ignorance of the *homo noumenal* nature of social contracting is widespread among legislators, injustice is more often the product of their codifications. If this in turn brings about unjust institutions, the fault does not usually lie with the concept of the institution but rather with legislation that tries to force all cases to fit a special case too narrow to contain them by means of James' 'vicious abstractionism'.

Generalization can only be accomplished by ignoring differences. The tendency to generalize through legislation is a natural one arising from the mental physics of judgment dynamics that involve satisficing by means of type- α compensations (what mental physics calls ignorance, pronounced ig-NOR-ance) [Wells (2009), chap. 11, pp. 444-445]. Overgeneralization occurs when factors are ignored that cannot be ignored if the judgment is to be empirically robust. In the case of second period legal codifications, the seed for injustice was planted by overgeneralization of acts of legislation that tried to cover cases dealing with *both* indentured servitude and slavery:

The influence of slavery is also to be traced in the disposition to regard the servant as property and subject to the same property rights as the rest of the [master's] personal estate. [*ibid.*, pg. 64]

The distinction between a master's ownership of labor *services* vs. ownership of the *laborer* is fundamental to justice. Superficially, the slave and the servant both provide labor services. But the conditions under which these services are provided could not be more different. Yes, an indentured servant is in some ways "like a slave" and a slave is in some ways "like a servant"; but in ways essential to justice the difference could not be more pronounced. Ignorance of these differences in acts of legislation began an antisocial legal trend that evolved into a social *custom* of viewing indentured servants themselves as "property" rather than viewing only the service owed as such. The legal changes did not come all at once. The erosion of justice in the institution was a gradual one. But such erosion is precisely one of the dangers inherent in a Society that chooses to accept antisocial and uncivic institutions as part of its social environment. The danger is usually not evident to casual observation when the uncivic institution is begun but it always lies inherent in all antisocial institutions. This can have only three possible outcomes as injustices begin to be effected in the social dynamic. Toynbee identified these as follows:

Ideally, no doubt, the introduction of new dynamic forces [in a Society] ought to be accompanied by a reconstruction of the whole existing set of institutions; and in any actually growing society a constant adjustment of the more flagrant anachronisms is continually going on. But *vis inertiae* tends at all times to keep most parts of the social structure as they are, in spite of their increasing incongruity with new social forces constantly coming into action. In this situation the new forces are apt to operate in two diametrically opposite ways simultaneously. On the one hand, they perform their creative work either through new institutions that they have established for themselves or through old institutions that they have adapted to their purpose; and in pouring themselves into these harmonious channels they promote the welfare of society. At the same time, they also

enter, indiscriminately, into any institution that happens to stand in their path – as some powerful head of steam which had forced its way into an engine-house might rush into the works of any old engine that happened to be installed there.

In such an event, one or the other of two alternative disasters is apt to occur. Either the pressure of the new head of steam blows the old engine to pieces, or else the old engine somehow manages to hold together and proceeds to operate in a new manner that is likely to prove both alarming and destructive.

To translate these parables into terms of social life, the explosions of the old engines that cannot stand the new pressures . . . are the revolutions which sometimes overtake anachronistic institutions. On the other hand, the baneful performances of the old engines which have stood the strain of being keyed up to performances for which they were never intended are the social enormities which a 'die-hard' institutional anachronism sometimes engenders.

Revolutions may be defined as retarded, and proportionately violent, acts of mimesis. . . . Revolutions are violent because they are the belated triumphs of powerful new social forces over tenacious old institutions which have been temporarily thwarting and cramping these new expressions of life. The longer the obstruction holds out the greater becomes the pressure, the more violent the explosion in which the imprisoned force ultimately breaks through.

As for the social enormities that are the alternatives to revolutions, they may be defined as the penalties which a society has to pay when the act of mimesis, which ought to have brought an old institution into harmony with a new social force, is not simply retarded but is frustrated altogether.

It is evident, then, that whenever the existing institutional structure of a society is challenged by a new social force, three alternative outcomes are possible: either a harmonious adjustment of structure to force, or a revolution (which is a delayed and discordant adjustment) or an enormity. It is also evident that each and all of these three alternatives may be realized in different sections of the same society . . . If harmonious adjustments predominate, the society will continue to grow; if revolutions, its growth will become increasingly hazardous; if enormities, we may diagnose a breakdown. [Toynbee (1946), pp. 280-281]

By "mimesis" Toynbee means copying something else to the extent of using it as a model of analogy to apply to situations engendered by the new social forces. For example, guerilla fighters – Ché Guevara for instance – seeking to overthrow their own governments tend to adopt as their model ideology whichever ideology is most opposite to that of the government they seek to overthrow. Speaking of the Third World in the mid-twentieth century, Gwynne Dyer remarked,

In fact, the guerillas had mostly adopted a Marxist ideology because they could scarcely be expected to adopt the dominant ideology of the imperial powers they were seeking to expel. Thus they opted for the expedience of espousing the leading opposition ideology prevailing at the imperial center, Marxism, much as an earlier generation of anti-imperialist revolutionaries in China, Iran, Turkey and Mexico had taken up the then predominant opposition ideology of liberalism a half-century before. The Third World Marxist revolutionaries of the fifties and sixties learned their Marxism in London and Paris, not in Moscow. [Dyer (1985), pp. 162-163]

In the Southern Colonies, many of the injustices perpetrated on indentured servants during the second stage were redressed in the third period [Ballagh (1895), pp. 65-69]. This period saw a number of legal reforms that operated to the benefit of indentured servants by withdrawing legally sanctioned powers previously granted to masters in the second stage as consequences of indentured servants coming to be viewed as items of property. However, it would be a mistake to

suppose altruism or a belated sense of justice was the predominant factor in making this what-Toynbee-would-call "harmonious adjustment" of the institution. In point of fact, by this stage the economic importance of the indentured servant was in steep decline and the services he had first provided were being taken up by slaves who had been given skills training that allowed them to replace indentured servants in many labor services. Simply put, indentured servants were no longer important economic factors in relationship to masters' Duties-to-themselves.

The situation was different in New England and the Middle Colonies. There the institution of slavery was of lesser importance to masters' Duties-to-themselves and that of indentured servitude was of greater importance. As Ballagh had done for Virginia, Salinger likewise classified three periods of indentured servitude in Pennsylvania. Her first period, 1682 to the 1720s, overlaps Ballagh's first and second stages. I have already described this period above.

Her second period, from the 1720s to the 1750s, socially and legally resembles Ballagh's second stage in Virginia. We see here an example of Toynbee's different alternatives being realized at different times in different sections of a Society. The second Salinger stage is characterized by depersonalization of the master-servant relationship and a gradual loss of distinction between labor service liability and the servant himself as an item-of-property. It was also characterized by a shift from English emigrants to German, Scot, and Irish emigrants, which brought into play old bigotries. Salinger commented,

By the middle of the eighteenth century a second stage [in Pennsylvania] had been reached, and it was at this time that the colony of Pennsylvania imprinted its own stamp on the system. English servants no longer emigrated to Pennsylvania in significant numbers, but a great influx of German and unskilled Scots-Irish swelled the servant population. The indenturing process became impersonal and servants came to be thought of as valuable commodities in a lucrative transatlantic transportation business. Only rarely did masters utilize indentured servitude to bring friends and family to the New World. Rather, the institution became another means for merchants to stuff their pockets with specie and masters to satisfy their needs for workers.¹⁰ The market replaced familial contacts. In addition, as the Philadelphia population grew and the city became the commercial center of the Delaware River Valley, the demand for labor became most intense among urban artisans and merchants. . . . Pennsylvania masters . . . now required workers for a host of urban jobs, from clerks and carters to carpenters and stevedores. As unfree labor became a vital part of the city work force, social tensions mounted, manifesting primarily in the form of servant runaways. [Salinger (1987), pg. 3]

I judge Salinger's rhetoric here to be too strident in places, but in fact the second-period of the Philadelphia institution did in a number of ways resemble Ballagh's second stage in Virginia with one important difference. In the South the economic significance of indentured servitude faded in the third stage as the South's economic addiction to slavery increased. In the North, there was a different economic factor in play, brought to a head when the labor shortage began to give way to a labor surplus. This ushered in Salinger's third stage, the stage of the Economy Revolution. With this came a pronounced shift from reliance on indentured servants to reliance on wage labor [*ibid.*, pp. 3-4]. For a number of economic reasons, this shift was probably one that was inevitable. Adam Smith wrote,

¹⁰ Salinger's own subjective judgments and moral prejudices are in evidence in what she writes here. Merchants "stuffing their pockets with species" is blatantly pejorative. She is perhaps referring to a growth in the number of European agents who were resorting to uncivic deceptions to persuade poor Europeans to emigrate, and this did increase during this period. But to characterize the whole of the institution this way is unsupported by actual documentation. It is true that masters sought to satisfy their need for labor, but masters had always been doing this. They would never have expended their capital on labor service contracts otherwise. Salinger over-generalizes motives here, and that is careless scholarship.

The wear and tear of a slave, it has been said, is at the expense of his master; but that of a free servant is at his own expense. The wear and tear of the latter, however, is, in reality, as much at the expense of his master as that of the former. The wages paid to journeymen and servants of every kind must be such as may enable them, one with another, to continue the race of journeymen and servants according as the increasing, diminishing, or stationary demand of society may happen to require. But though the wear and tear of a free servant be equally at the expense of his master, it generally costs him much less than that of a slave. The fund destined for replacing or repairing, if I may say so, the wear and tear of a slave is commonly managed by a negligent master or careless overseer. That destined for performing the same office with regard to the free man is managed by the free man himself. . . . Under such different management, the same purpose must require very different degrees of expense to execute it. It appears, accordingly, from the experience of all ages and nations, I believe, that the work done by freemen comes cheaper in the end than that performed by slaves. It is found to do so even at Boston, New York, and Philadelphia, where the wages of common labor are so very high. [Smith (1776), pp. 71-72]

Well, yes, sometimes "the wear and tear of the freeman" is as much at the expense of the master as it is of the freeman; sometimes it isn't. A great labor surplus is one of those times when it isn't necessarily so. A time of economic recession is another.

Some authors – Salinger for instance – ascribe poverty and hard economic conditions among wage laborers to simple greed and avarice of proprietor capitalists. This is a simple minded view-point and usually it is also hogwash. In the case of the Economy Revolution, it is both. Major socio-economic changes like the colonial Economy Revolution do not happen without conditions that severely impact people's Duties-to-themselves. As a socio-economic natural phenomenon, the Economy Revolution was very complex and to properly understand it one must take a look at broad circumstances prevailing at the time. I think a very instructive way to view the situation is to look at it from the backdrop of the wars of the 18th century and their effects on colonial economy. One documented data record reflecting this is colonial international trade.

I think it is not too much of an exaggeration to say that, for Europe, the 18th century was a century of warfare interrupted from time to time by outbreaks of peace. Britain invariably ended up at war with France and these European conflicts tended to expand into world wars. Table 3 is a

Table 3

European Wars and American Involvement: 1689-1814

European War	American Involvement
War of the Palatinate: 1689-97	King William's War: 1689-97
War of the Spanish Succession: 1702-13	Queen Anne's War: 1702-13
War of the Austrian Succession: 1740-48	King George's War: 1744-48
Seven Years' War: 1756-63	French and Indian War: 1755-60
War of American Independence: 1775-83	American Revolutionary War: 1775-83
French and Napoleonic Wars: 1792-1815	War of 1812: 1812-14

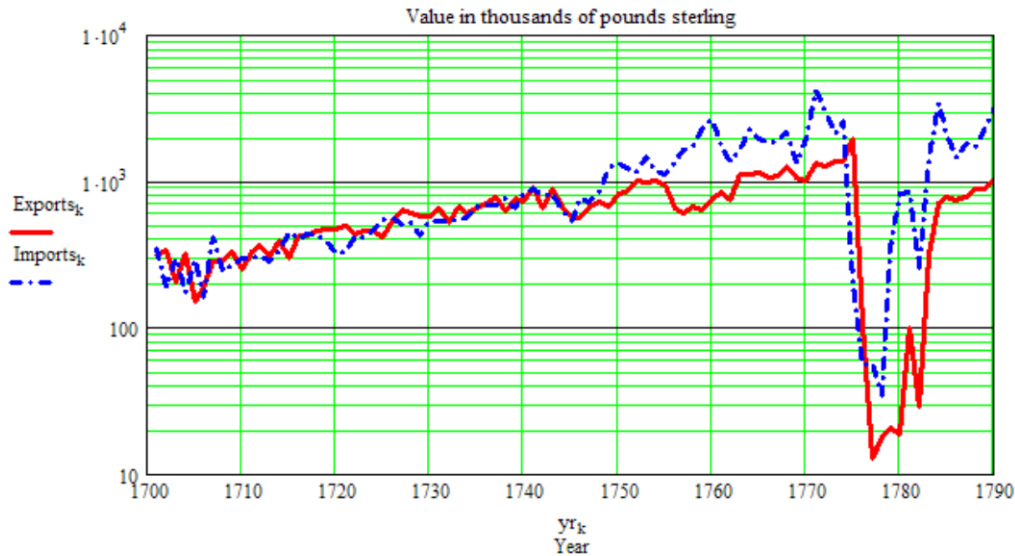


Figure 5: Colonial export/import trade (in thousands of pounds sterling) from 1701 to 1790. Source: Bureau of the Census (1976), chap. Z, pp. 1176-1177, Series Z 213, 214.

summary of the European wars of the 18th century. With the exception of the American Revolutionary War, they began in Europe and spread to America. The Revolutionary War is an exception only because, in its case, the war began in America and then spread to Europe.

Beyond the death, maiming, and destruction that characterizes warfare, most wars also wreak severe economic effects detrimental to the general welfare of people in the combatant nations. On occasion this might not be so. For a long time wars of conquest benefited the public treasury of the Roman Republic. The United States came off rather well economically in the world wars of the 20th century. But to think, as some do, that wars always economically benefit the victors is demonstrably false. The wars of 18th century Europe were all textbook examples of *everyone* coming out badly damaged economically. One indicator of their effects on the colonies is provided by figure 5, which graphs exports from and imports to the colonies measured in thousands of pounds sterling from 1701 to 1790. Its significant observable is the *balance of trade*.

In order to understand the significance of figure 5, one must also understand the backdrop of local economics in the colonies as well as in Great Britain. At first glance it might seem that all was quite wonderful because the graphs trend upward from left to right until 1775. But all is *not* well if the upward trend is due to inflation and debt, and those are precisely the primary drivers of the trends in these graphs. In point of fact, the period from the mid-1740s up to the outbreak of the American Revolution was a period of one of the worst economic crises in American history [Skrabec (2015)] featuring widespread recessions, currency crises, and staggering American debt.

The stage was set at the end of the 17th century by King William's War (1689-1697), which was the war in America provoked by the War of the Palatinate in Europe. To pay for this war, the colonial governments were forced to issue fiat money in the form of "bills of credit." Fiat money is currency – usually some form of paper money – deriving its exchange value from government regulations or laws without necessarily having any backing from commodity money (money tied to a tangible commodity such as silver or gold). Fiat money artificially increases the circulating money supply in an economy and, historically, often produces inflation or even hyperinflation. Inflation, of course, is a persistent increase in the general level of prices for economic goods and services. The fiat money issued to pay for King William's War touched off an inflationary trend in the colonies from 1710 until 1740. Figure 5 reflects this trend.

The upward rise in export/import values from 1710 to 1740 is about 3% per year and because this gives a loose upper bound on the rate of inflation, the period is not excessively inflationary. Furthermore, the colonies maintained more or less balanced international trade during the period. A nation's balance of trade is the difference between its exports and its imports. Trade deficits, i.e. when a nation is importing more than it is exporting, are not in and of themselves either good or bad for its economy because whether they are helpful or harmful depends on the business cycle and the local economy. A trade deficit is generally harmful during a recession but helpful during an economic expansion. In the present case, the neutral balance of trade from 1701 to 1740 was neither helpful nor harmful to the colonial economies.

However, in the 1740s additional issue of fiat money, because of King George's War, resulted in a financial crisis of enormous magnitude, producing both hyperinflation – especially in New England – and severe depreciation of the fiat money. The 1740s crisis featured: periods of inflation running as high as 19% in Massachusetts; a widespread shortage of specie (coin money backed by silver); and major trading problems with Great Britain. One indicator of these problems is exhibited by the rapidly growing trade deficit that began in the mid-1740s and continued until the outbreak of the American Revolution. The situation produced local economic turmoil and recession in the colonies. A major factor in the sharp increase in import value was due to depreciation in colonial fiat currency, which caused British merchants to raise their prices in compensation for this. Colonial merchants and farmers began incurring heavy debt loads at this time. The economic hardships experienced by proprietors provided the first nudge into the changes in socio-economic relationships that characterizes the Economy Revolution.

Then came the Seven Years' War in Europe (the American part of which was the French and Indian War). Both the British and the colonial governments incurred huge war debts. The colonial governments responded by issuing what proved to be excessive amounts of fiat money. This worsened inflationary pressures and drove up the costs of goods in the colonies. At first the Seven Years' War created what appeared to be an economic boom in the colonies, but this turned out to be fool's gold. Like most Americans today, 18th century proprietors knew little or nothing about macroeconomics and fell victim to the inflation-driven illusion that rising prices presented business opportunity. Many of them began carrying increased debt loads in order to cash in on the opportunity while it was hot. But, at the same time, proprietors would have been very aware that their own household costs – which included the costs of their resident indentured servants – were rapidly rising too. Indentured servants were becoming unaffordable.

The end of the war brought about the collapse of this illusory boom. New England commodity prices had risen 44% from 1755 to 1762 and now the fiat currency underwent severe depreciation in value. Shortages of specie prevented landowners from paying their taxes – and this led to foreclosures. Merchants found themselves unable to sell their goods because buyers lacked specie to buy them. Many proprietors went bankrupt during this period. The overall effect was one of the worst recessions in American history. Britain, which also had huge war debts to pay off, further compounded the American crisis by imposing new taxes on the colonials – and we all know where that went in the end.

In short, Salinger's remark about "merchants stuffing their pockets with specie" could not be farther from the truth. Many proprietors were in survival mode – a rather urgent sort of Duty-to-onself – and one of their responses to this was to replace household indentured servants with wage laborers. This was a socio-economic revolution in personal enterprise relationships ushering in the era of the hired wage laborer. Let us take a closer look at his socio-economic situation.

One of the things characteristic of recessions is decrease in demand for laborers. This can be enough all by itself to turn a labor shortage into a labor surplus even if the population is fixed. If that population is growing, the development of a labor surplus is accelerated. The result is rising

unemployment, and this severely hinders capitalism. For most people – including newly arriving immigrants and people who had just completed the term of their indentures – the most common situation was that they lacked capital to invest in their own enterprises. The most common way to acquire capital is through employment as a non-proprietor wage-earner and reserving part of one's wage income to use as capital. For a young person especially, this requires a person to adjust his consumption – what we today call his 'standard of living' – in order to be able to reserve part of his income for capital purposes and forego a 'higher standard of living' until his capital resources produce an income revenue large enough to effect one *without depleting his capital stock*. This is what Clason meant by his aphorism, "Ten percent of all you make is yours to keep" [Clason (1955)].

However, in the presence of a labor surplus, and especially during a recession, many people find this avenue closed to them. First, if a wage-earner position can be found at all, the wages it pays may be too low even to meet bare consumption necessities – especially if there are no social bonding relationships between laborer and proprietor. *Every person defines for himself his own personal society* [Wells (2012, chap. 11, pp. 396-404)]. When a person is preoccupied with his own Duties-to-himself and to others already bonded into his personal society, he is disinclined to add to his own burdens by bonding new people into that society.

Second, in an environment of laborer surplus, a person might not be able to find a wage earner position at all. If he has no capital reserves, that generally spells disaster for his personal situation. Competition for employment between himself and others who are in a similar situation generally tends to become internecine between the competitors because each is urgently driven by his needs to satisfy his own personal Duties-to-himself. Under such conditions, ideas of Duties-to-others are quickly sacrificed. Adam Smith provided an overview description of the situation:

But it would be otherwise in a country where the funds destined for maintenance of labor were sensibly decaying. Every year the demand for servants and laborers would, in all the different classes of employments, be less than it had been the year before. Many who had been in the superior classes, not being able to find employment in their own businesses, would be glad to seek it in the lowest. The lowest class not only overstocked with its own workmen but with the overflowings of all the other classes, the competition for employment would be so great in it as to reduce the wages of labor to the most miserable and scanty subsistence of the laborer. Many would not be able to find employment even upon these hard terms, but would either starve or be driven to seek a subsistence either by begging or by the perpetration perhaps of the greatest enormities. Want, famine, and mortality would immediately prevail in that class, and from thence extend themselves to all the superior classes till the number of inhabitants in the country was reduced to what could easily be maintained by the revenue and stock which remained in it and which had escaped either the tyranny or calamity which had destroyed the rest. [Smith (1776), pg. 64]

Under conditions such as Smith describes here, a Society breaks down and begins to disintegrate into ever-more-raw state-of-nature relationships among its people. In 18th century America, the result of this social disintegration was eventually expressed by the American Revolution.

Another characteristic of recessions, closely related to the points just raised, is that they curtail the successful startup of new commercial enterprises. In the first place, most people lack capital required to effect such a startup. In the second, even if he can set up a new commercial enterprise, its chances of achieving a revenue stream sufficient to maintain itself are greatly reduced for lack of buyers who themselves have adequate stocks of money or other goods to exchange for those the new enterprise offers. Failing to achieve a minimally sufficient revenue income, the enterprise itself cannot continue.

As the largest city then in America, Philadelphia can be expected to provide a good example

of what sorts of changes in the social chemistry of its Society were taking shape and which would come to characterize the Economy Revolution and its aftermath. In the first place, as the largest city Philadelphia's Society would also be the most easily granulated Society because most of its inhabitants would be strangers to one another. In the second place, because it offered the largest local market, the division of labor would be in the most advanced state there. Thirdly, as one of the principal ports in America, it would have had a great deal of involvement in both international and inter-colony commerce.

Let us begin with new division-of-labor changes that immediately affected the proprietors. Salinger observes:

As master craftsmen moved away from consistent use of unfree labor, their roles within their establishments changed. Prosperous Philadelphia master craftsmen donned their leather aprons and picked up their tools less often. Instead, they became primarily employers and merchant capitalists. This transformation began in the late colonial period and extended into the nineteenth century.

Colonial craftsmen tended to make their products on custom order. This bespoke product was crafted with the artisan's own tools within his work space, and production centered around household labor. As craftsmen moved away from custom work, they purchased labor either in the form of servants and slaves, or occasionally, in the form of journeymen. If the shop produced a surplus, the role of the master craftsman shifted subtly as he combined his craft skills with the jobs of retailer and employer. The productive unit remained within the household, but now combined under the workshop roof were perhaps an apprentice or two, bound servants, maybe a slave, and family members, wife, sons, and daughters. In the final stage of production before the emergence of a factory system, successful master craftsmen spent increasingly less time at the workbench and more effort buying and selling. And as the supply of free workers became more plentiful and less expensive, masters paid wages to the employees more often than they purchased the time of a servant or slave. Many master craftsmen moved to the status of employer and merchant capitalists. [Salinger (1987), pg. 154]

And the unsuccessful master craftsmen? What did they do? The answer is fairly obvious because it is documented elsewhere, particularly in Scotland and England: they were compelled to close their shops and *become* wage laborers. They contributed to "the supply of free workers becoming more plentiful and less expensive" than indentured servants. There probably isn't a small city in America today where you could not find cases of this sort of occurrence. I have seen it myself many times from my boyhood right up to the present day. This is not an *aftermath* phenomenon of the Economy Revolution; it is one of the factors contributing *to* that revolution. And the people involved do not have to be artisan craftsmen. Shopkeepers and store owners of every variety are subject to this same change in personal circumstances. I happened to revisit my hometown during the Reagan recession of the early 1980s and was struck by the sight of a solid row of boarded up buildings on Main Street where once there had been thriving retail stores that had been familiar to me through all the years I was growing up there. It was a gloomy and depressing sight.

One of the natural consequences of the shift from household-based Enterprises to what was to become the typical business establishments of today was a weakening of social-chemical bonding between employers and employed. When indentured servants live with the employer's family in his house, such close and daily personal contact almost inevitably is conducive to social bonding, without which no ideas of reciprocal Duties and no maxims of reciprocal Obligations form. What had in earlier times been a tight mini-Community of individuals gradually dissolved into granulated and increasingly asocial relationships – which are not conducive to forming social-chemical bonding relationships and reciprocal Duties and Obligations. In the absence of any real cognizance of the nature of social compacts, terms and conditions by which a civil Community is

bound together are at best remote interests for people living in a common mini-Society, and so do not enter into moderating the satisficing judgments by which people self-determine their actions. Deontologically, as a Society becomes more asocial so too does it become more amoral. I think there can be nothing quite so futile as appeal to moral arguments made to people who do not share common moral maxims of reciprocal Duties or common practical maxims of reciprocal Obligations. In such a community, personal Duties-to-self and Obligations-to-self dominate.

Salinger also notes that

Capitalist wage labor¹¹ altered productive relations in significant ways, had an enormous impact on the work environment, and exacerbated the effects of an uneven economy since a larger share of the workforce worked for wages. Scattered evidence from artisan shops suggests that the post-revolutionary workplace was characterized by higher turnover than its colonial counterpart. Certainly wage earners existed in the city throughout the colonial period. However, as they dominated labor, work conditions changed. In the late colonial and early national periods, most wage earners never stayed at one job long enough to develop a close working relationship with their masters. . . . Transience characterized the journeymen's experiences in smaller workplaces as well. . . . Such turnover not only precluded stable work relationships but helped define labor as a commodity to be hired and fired as consumer demand dictated. [*ibid.*, pp. 155-157]

The last line in this quote encapsulates a basic judicial factor distinguishing civic free enterprise from uncivic free enterprise. Institutionalized habitual attitudes pegged to "defining labor as a commodity" in the sense that Salinger intends to convey here effects a logical division between individuals' remote interests in the socio-political Society, which provides security and environment to personal enterprises, and individuals' immediate interests in those enterprises. The sorts of antisocial institutions which logically follow (through satisficing judgments) from this artificial division are institutions that eventually lead to the breakdown and disintegration of a Society and to the failure of Enterprises.

§ 5. Free Enterprise After the Economy Revolution

The Economy Revolution fundamentally altered the economic dynamics of the United States and set patterns for commercial behaviors that have endured ever since. These alterations took place in *ad hoc* ways as individual entrepreneurs (both proprietors and wage-earners) struggled to deal with their own individual circumstances. The revolution followed no master plan, benefitted from no scientific insight into or guidance of social-natural consequences, and was determined in its entirety by individual acts of satisficing decision making. People groped for solutions and when they found solutions that were at least temporarily expedient for their own purposes, they stuck with the practices they discovered until they became habitual and were made part of common law presuppositions and socio-commercial habits.

It should surprise no one that this muddling through economic change produced consequences quite inimical to the possibility of civil Community and to the nation's general welfare and state of domestic tranquility. Indeed, adverse consequences originally flowing from this *ad hoc* revolution still trouble our Society today and are frequently found at the core of passionate and sometimes violent disputes. It is something of a testimonial to the intelligence of our ancestors that their solutions worked as well as they did in terms of the wealth of the nation, but this in no way is to say that the circumstances it produced are sustainable in the long run.

¹¹ The phrase "capitalist wage labor" is redundant. Wages are always paid from capital stock in every commercial Enterprise. "Capitalist wage labor" is redundant because in any commercial Enterprise there is no other kind of wage labor. Any hint of moral scolding attached to this phrase is feckless.

The chapters which follow delve into more detailed examinations of the practices and traditions we have inherited from the Economy Revolution and its early aftermath. The purpose of this is to bring to clarity objectively valid social-natural principles necessary for the possibility to achieve better Order in Society in regard to domestic tranquility and to make Progress in the general welfare of the citizens of our nation.

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