

Western Civilization and Classical Economics: The Immorality of Austerity

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When a civilization abandons its morality, no rationalization can be devised to justify its continued existence. It is likely that many reasons can be given for this abandonment in the Western world, although I am convinced that one predominates—the expansion of law. Law once governed various kinds of behavior. It has now encroached upon various kinds of speech and is even being applied to the realm of belief. When someone is accused of having done something wrong, the reply offered usually is something like, “What was done complied with all legal requirements.” But “right” has never been defined as “conforms to law,” because thoughtful people have long noticed that the law itself can be a great crime, and the worst criminals in a culture can be its lawgivers, as the people of Ireland, Portugal, France, Spain, Greece, and Great Britain are now finding out. Americans will soon find it out too.

Numerous critics of classical economists over the past two centuries have argued that it is immoral when judged by any of the recognized moral codes. Major aspects of it clearly violate the Golden Rule. It violates many, perhaps all, of the Ten Commandments. It conflicts with various teachings of Jesus. Aristotle’s *Ethics* can be used to demonstrate its viciousness. It violates Kant’s Categorical Imperative and Mill’s Utilitarianism. Yet some of its proponents continue to argue that *The Wealth of Nations* is not inconsistent with moral principles. Clive Cook and Gavin Kennedy recently made such a [claim](#), but what they cite as evidence doesn’t withstand scrutiny.

First of all, they base the claim on Smith’s earlier book, *The Theory of Moral Sentiments*, in which he argues that conscience results from observing the condition of others, generating sympathy, which then serves as the basis of moral judgments.

Although I have no doubt that different communities view this book differently, the philosophical community has generally considered it sophomoric. In my decades as a professor of philosophy, not once did I see the book included in the standard philosophical curriculum. Most philosophy professors I knew had little knowledge of the book’s existence. So even if someone could cogently argue that *The Theory of Moral Sentiments* and *The Wealth of Nations* are philosophically consistent, that argument would have little bearing on whether classical economics is moral.

Smith has never been recognized in philosophical circles as a major thinker. As a matter of fact, he’s hardly recognized at all. And even some economists have noticed the sophomoric nature of his thinking. One highly respected, renowned economist, whose name I shall let the reader guess at, said this: “His very limitation made for success. Had he been more brilliant, he would not have been taken so seriously. Had he dug more deeply, had he

unearthed more recondite truth, had he used more difficult and ingenious methods, he would not have been understood. But he had no such ambitions; in fact he disliked whatever went beyond plain common sense. He never moved above the heads of even the dullest readers. He led them on gently, encouraging them by trivialities and homely observations, making them feel comfortable all along.”

Yet Kennedy lists the elements of morality that Smith included in *The Wealth of Nations*. “[Smith] was no libertarian. . . . His idea of ‘natural liberty’ was almost the opposite of what it is usually taken to mean (namely, ‘do as you wish’). He was at pains in both books to emphasize the importance of self-control, of regard for the opinions of others, and of an expansive role of government in providing security, rule of law, and economic infrastructure. Way ahead of his time, he was even in favor of compulsory schooling.” An interesting list, but not one that justifies the view that Smith’s view of the economy is moral. A moralist would have expected to see something about poverty, hunger, and suffering, all of which are absent.

A serious, irrefutable proof of the immorality embodied in *The Wealth of Nations* and classical economics in general is easily devised.

Classical theorists like Smith aver that products derive their value from the labor that goes into producing them, and that labor, itself, is bought and sold. Wages, which are the price of labor, have a natural price which is the price needed to enable labor to subsist and to perpetuate itself without either increase or decrease. These dogmas are known as the labor theory of value and the subsistence theory of wages respectively. Some revealing implications can be derived from them.

First notice this oddity: labor produces products and the amount of labor expended determines their value. But labor is paid not the value of the products it produces but merely a subsistence wage. I defy anyone, economist or not, to justify that principle on moral grounds. Can Cook or Kennedy find an application of sympathy in this principle?

Second, the subsistence theory of wages describes a condition similar to that used by animal husbands in dealing with livestock. Classical economics treats labor as animal husbandry treats cows. Can treating a fellow human being as a farm animal ever be morally justified? Where is sympathy found in this? Working people, labor, those who create all the culture’s wealth, are nothing but farm, factory, and when necessary, cannon fodder.

But economists will say that these aspects of classical economics are not paid much attention any more. Perhaps, but what economists pay attention to and what goes on in the economy are different things. The Wall Street Journal’s [report](#) that 70 percent of people in North America live paycheck to paycheck demonstrates conclusively that the subsistence theory of wages is still being applied; our economists are just not honest enough to tell us about it.

If a subsistence wage is all that this economy pays working people, how would the culture determine how to treat those people not in the workforce—the aged, the infirm, and the handicapped, even the unemployed? Classical economics has no answer to this question because classical economics does not exist to provide for people generally. Classical economics divides the populace into two groups—capital and labor. Anyone not in one of these groups is somehow irrelevant, which explains why the President and other

governmental officials always speak of the upper class and the middle class but never mention the lower class. Yet no one seems to notice that speaking of an upper and middle class without speaking of a lower class is meaningless.

The upshot is that if the dogmas of classical economics are applied consistently, there is no need for any people not capable of functioning in the workforce. So, in keeping with this implication, Andrew Mellon, President Herbert Hoover's treasury secretary recommended that Hoover fight the depression by "*liquidating* the farmers, *liquidating* the workers, and driving down wages."

Of course, if this were openly advocated, the outrage would be uncontrollable and the system would be torn asunder. So this fact is obscured by the provision of "safety nets" that provide little safety, since what they are comprised of cannot exceed or even equal the subsistence wage. So Americans have social security which provides no security, unemployment compensation which is too meager to subsist on, welfare which is really illfare, and chancy access to healthcare at best. Yet those who promote this economy can, it seems, always find money to buttress business, create killing machines, and fight continual wars. What few seem to realize is that these consequences are logical implications of the dogmas of classical economics and come straight out of Adam Smith's *Wealth of Nations*. Livestock, when unneeded, are routinely shipped to slaughter.

The United States and much of the so-called Western World are wallowing in widespread budgetary and sovereign debt crises, and the world's financial elite are forcing many European nations into severe austerity programs much to the chagrin of European peoples. Some of these nations have been referred to by the acronym PIGS, which is apt since pigs are a species of livestock. So what we have, of course, is swineherds sacrificing their livestock for the benefit of the international financial community which cares nothing for people or even the nations they reside in. These financiers validate Jefferson's view that merchants have no country. They also have no morality, not even a smidgen. Neither do the economists who promote this economy.

Signs that the American swineherds are preparing to abandon their own herd by imposing an austerity program on it are displayed in the report of Obama's Deficit Reduction Commission and the insistence of our Republican Congressmen that spending on "entitlements" either be reduced or paid for while spending on wars, foreign aid, and the military be allowed to continue and even increase without any provisions whatsoever for paying for them. The only conclusion that can be drawn is that warfare and foreign aid are necessary economic principals while the American people have fallen into that group of economically irrelevant people that those like Andrew Mellon would have the government liquidate. So the unemployed should be allowed to starve, and the ill should be allowed to perish—both of which principles are perfectly consistent with the "morality" of classical economics.

Yet the most difficult thing to understand is what the proponents of this economy believe the purpose of it all is. What is the goal of all of this destruction, suffering, and killing? Does it give them some kind of deranged pride? Does a banker really feel good when he is told his bank evicted hundreds of families in the past week? Does a general rejoice when he is told that dozens of the enemy and scores of his own troops have been killed in the battle just fought? Does a legislator drink a toast to progress when it is learned that hundreds of children in her/his district go to bed hungry each night? If so, what kind of human beings are they? If not, just what can they possibly be thinking?

All the moral codes mentioned in this piece are Western in origin; yet none now plays a role in how the people of this civilization behave. When a civilization abandons its morality, no rationalization can be devised to justify its continued existence. It is likely that many reasons can be given for this abandonment, although I am convinced that one predominates—the expansion of law. Law once governed various kinds of behavior. It has now encroached upon various kinds of speech and is even being applied to the realm of belief. If there is a single aspect of human life that is not now circumscribed by law, I do not know of it. So when someone is accused of having done something wrong, the reply offered usually is something like, “What was done complied with all legal requirements.” But “right” has never been defined as “conforms to law,” because thoughtful people have long noticed that the law itself can be a great crime, and that the worst criminals in a culture can be its lawgivers, as the people of Ireland, Portugal, France, Spain, Greece, and Great Britain are now finding out. Americans will soon find it out too.

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The Global Economic Crisis



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