

VOLUNTARY THEOCRACY

Divine Economy Theory

BRUCE KOERBER

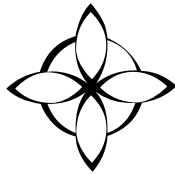


VOLUNTARY THEOCRACY: DIVINE ECONOMY THEORY

Voluntary Theocracy: Divine Economy Theory

Economics in the Classical Liberalism Tradition

BRUCE KOERBER



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10 9 8 7 6 5 4 3 2 1

ISBN: 978-1-9791-4285-4



OL26386101M

To the lovers and servants of justice from the beginning of time.

Foreword

There is something about the virtues that make them essential for predictable success in whatever human beings undertake. Predictable success is valuable because chance or an underlying order that is unknown to us may be operating as well. This is true whether or not what we are undertaking is a worthy endeavour. We even need the virtues to be predictably successful when engaged in doing the “wrong” thing. Imagine a thief that lacks determination. At the first obstacle the thief would abandon the enterprise. A gang cannot exist without loyalty; any form of betrayal is likely to end its collective nature.

It is not surprising then that virtues are central to the human enterprise. When asked “What is the purpose of our lives?” ‘Abdu’l-Bahá, the son of the Founder of the Bahá’í Faith responded, “To acquire virtues.” What is surprising is that for so long, contemporary economics have relegated virtues to buzz words like “trust in the institutions” and “consumer confidence” without the spiritual basis required to reestablish trust once it is broken or rebuild confidence once it is lost. Bruce Koerber in Book I and Book II of *Voluntary Theocracy* places the virtues where they belong: at the heart of all of our interactions.

If this had been all that he did, his work would be commendable and worthy of our attention. However, Bruce Koerber has done much more. In Book III and Book IV of *Voluntary Theocracy* he lays out the principles underlying what he refers to as the Divine Economy. For all Religious traditions it has been central to our purpose here, to come to know and love the Divine Order and the One who created it.

"I want to know God's thoughts; the rest are details", (attributed to Albert Einstein), is an acknowledgement that there is an underlying order in the world in which we live. It is the goal of science to uncover that order and to make it accessible and understandable. It is in that spirit that Bruce Koerber's *Divine Economy* is an unfolding scientific endeavour.

Not only is there an underlying order within creation but also a goal, a direction—to carry forward an ever advancing civilization. Each created being has a part to play in that unfolding plan. Each human being is born into potential with that potential, when realized, enabling us to play a unique part in a Divine Plan encompassing all humanity. As we play our parts, each of us is meant to benefit ourselves and those we interact with: sounds a lot like an economy, which it is. As Bruce Koerber aptly points out in *Voluntary Theocracy*, being productive benefits not just ourselves but also that increased productivity benefits us all.

It is the spiritual purpose of society to create cultures and systems (education, markets, etc.) that allow each and every one of us to discover our unique parts in that Divine Plan; develop the potentials that enable us to play our parts; and provide for the opportunities that allow each to make a unique contribution to the whole and be acknowledged for doing so. This would be a challenge for any society. This challenge is made more difficult if we ignore the signs and fail to read clearly the spirit of the Age in which we live.

Because of the underlying unity of the human enterprise we err if we artificially separate any part from the whole. We make this error if we separate people into classes, races, tribes, nations or any other artificial division. If we treat the cultural, educational or economic systems as separate entities governed by different principles we make such a mistake. Because of humanity's spiritual nature, when we treat religion as unimportant or fail to integrate its guidance, we make another mistake. When we separate Religion from Science we make a similar error. Rare for a scientist, Bruce Koerber recognizes the unity of the human enterprise and avoids these mistakes.

Even rarer is Bruce Koerber's realization that the greatest of our potentials, our birthright and greatest asset is our potential to acquire the Divine Virtues and Spiritual Qualities. As we develop our potentials

we develop the Virtues. As we play our respective parts in the Divine Plan and participate in the Divine Economy that is its result we are given opportunities to further develop the Virtues. As we act on the Virtues we have developed we will carry forward the Divine Plan for the benefit of all creation.

As Lao Tzu so eloquently said in the *Tao Te Ching* {The Canon of Reason and Virtue}:

Tao when nursed within one's self,
His vigour will make true;
And where the family it rules
What riches will accrue!
The neighbourhood where it prevails
In thriving will abound;
And when 'tis seen throughout the state,
Good fortune will be found.
Employ it the kingdom o'er,
And men thrive all around.

Dan Popov, Ph.D.
Co-Founder, The Virtues Project™
Canada

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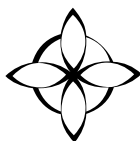
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I

MORE THAN LAISSEZ-FAIRE



Introduction: Economic Vim And Verve

Imbibing Knowledge, New and Old

PREFACE

As we walked along the path that took us into the forest we came upon a clearing and in the middle of the clearing was a fire burning in a fire pit. Drawn to it we approached this 'life force' with heartfelt interest, pausing reflectively and feeling inspired; suddenly resolved to try to make sense out of this world of ours. It was this resolve, this new quest, that was exceptional and it exhibited in us a strong sense of vitality.

Apparently we must have imbibed a spirit of enthusiasm from exposure to this 'life force' energy. With conviction we now determinedly realize that it is time to explore reality further. Filled with enthusiasm, and combining it with knowledge and wisdom, we take it upon ourselves to transform our quest into a journey. It is along this journey where new ideas are expressed and encapsulated into theory.

THE DISCOVERY

Our journey is a journey of discovery. What is remarkable is that without even taking a step we discover wonders that are awesome. The economy is everywhere. It is all around us and it is in us. Its pervasiveness is remarkable.

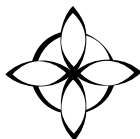
Additionally we find great potency and exuberant vitality at each point where the economy becomes manifest. To act is to bring into existence something new which coalesces with everything else that already exists. This powerful force is part of human life.

And yet few of us realize what is at our fingertips. With what enthusiasm should we embrace this inherent power that is our birthright? If we can get past being overwhelmed by such a thought then we can truly begin to appreciate this creative force. It is the mirror image of the creative force that brings together the letter B and the letter E to form the word 'BE' and it is!

THE CYCLE

The journey is part of our evolution and it is part of our maturity. What we discover during the journey is both the old and the new. From our vantage point it is the past that gives us footing, and it is the new reaches we make that take us towards the summit. But this perspective—the recognition that we are at a vantage point—is a sign of the times. We are at a special point in the cycle of human affairs.

The fact that the divine economy theory is now discovered is evidence that we are in a new cycle. At the same time this new cycle has a nature about it that requires a new theory. Reciprocally then, the discovery of the divine economy theory and the need for the divine economy theory are both important in this cycle, in this particular era of human history.



Chapter 1

Divine Economy Theory

Its Germination

PREFACE

Encapsulated within the shell of the seed coat is the theory of economics. It has set there for ages and is in direct contact with the earth and the earthly conditions. Those seeds that were not viable succumbed to the oxidizing forces of the earth. Among the viable seeds there were two kinds remaining: the weeds, and the true seeds of economic science. We want to discard the weed seeds and we want to understand the organism of true economic science, as set forth in the divine economy theory.

ACTIVATION

We will start by asking the question: What would it take to bring together the theory and the reality of the economy? The answer lies in a process similar to germination, a process which has been activated by the great forces at play in the world right now. Knowledge in the garb of newness perceptibly exists. It attracts our attention because we are remarkably entrepreneurial in spirit. At that instant a new germ begins to grow and the vital process within it has an inherent nature that transforms itself and its surroundings. Then this new and transformed knowledge of reality finds its way into theory, hence there is a union here between theory and reality.

How can our current plight and the past plight of humanity be reconciled with the human potential for good? Of course no one thinks

that humans are perfect. Errors and mistakes are clear signs of imperfection. However, relative perfection is possible and this degree of perfection occurs most readily when the flow of information is optimal. In our search for perfection each of us is attracted to those things that bring about human prosperity, which in essence is the equivalent of the 'expression of oneself.'

New insight into the economy will come shortly—as it is presented in this book—and these insights will reveal new possibilities. What has to be assumed so far from these introductory remarks is that what has germinated is a mighty apple tree that will grow stronger and stronger. And its branches will provide a sheltering canopy. The further along in its developmental stages the more it alters its own surroundings which then becomes a key feature in and of itself. As it matures its vitality becomes increasingly evident and significant.

ECONOMICS TO THE CORE

The origin of the economy is intricately intertwined with the origin of man, which is ancient and even still a mystery. It taxes all the discerning powers of historians and archeologists to discover the origin of man. Why does this veiled past have anything to do with the economy? The premise of this book is that the economy is a uniquely human institution and that without the human being there would be no such thing as the economy. Speaking in these terms it is obvious that they both appear and evolve concurrently.

The intimately woven fabric composed of both humanity and of the economy necessitates a deep examination into the nature of mankind. What we find is that the human urge to act is irresistible, and that human action stems from the same source as human reason.

Although rudimentary in the early stages of development, the early actions taken by primitive human beings were very much of the moment and yet they were also important agents of transformation. Notice the dynamic here—the spontaneity between the act and the transformation—a dynamic that conveys great meaning. One does not exist without the other and yet each spark of interplay reveals new possibilities. It is then this cumulative effect of human actions and the subsequent transformation, taken throughout time and across time, which brings to us the modern economy.

A moment of reflection is now needed for us to be able to discern what is real and foundational. As I just mentioned, the economy is a uniquely human institution. Since the human being can dwell in the world of relative perfection or imperfection the potential then exists for the economy to be in one of two states. If the higher nature of humanity is realized then the institution (the economy) that is a tool for the expression of human action will itself be elevated and celestial. Frankly, it is the divine nature of the human being which is his true reality and therefore it can be deduced that the highest potential of the institution of the economy is divine.

What is the current condition of the modern economy? It is true that the modern economy carries the cumulative effect of human actions taken over time. Errors from economic ignorance have accumulated, consequently along the way unnecessary burdens have been added. These add weight and bulk, since after all, the burdens are cumulative.

The metaphorical divine charger, because of these cumulative burdens, cannot traverse the span of contemporary history nimbly and ably. It may stumble. It may have to reverse or change courses. These burdens slow the arrival of the triumph of prosperity, which is our birthright provided we recognize and endeavor to attain our divine nature.

We must sort out the reason for the burdening or weakening of the institution (the economy) that serves to bring about our betterment. Understanding human nature sheds some light on the subject. The will to choose the higher perfections versus choosing the imperfections of our lower nature is at the crux. It turns out that ego-driven intervention is the best economic example of humans exercising their lower nature. Just as metal oxidizes and becomes corrupt, so too the economy deteriorates when it is corrupted by intervention.

THE NATURE OF THE ECONOMY

Herein lays the beginning of the problem that needs to be dealt with using economic science. The economy which is viewed as a human institution, has not been seen up until now and as I propose, as divine. The economy has a pure form to be striven towards.

How do we know what the uncorrupt economy looks like unless it is seen as having a pure form? Those who recognize that the economy

operates perfectly well independently hold “laissez-faire” up as the pure form. But they have not made any connection to the divine nature of the human being as an essential identity. This is a new thought and is worthy of consideration.

Granting that the economy is divine implies the following: that the actors are seen as expressive agents of the will of mankind, that there is no omniscience within the realm of human policy-making that can even minutely compare to the divine expression inherent in the market, and that the market is not a product of human design. The market is a divine institution that emerges spontaneously from human action. It is a social institution that forms for the sake of production. The market is the time and place where the convergence of all of this useful information transpires and where it is discovered.

THE MARKET PROCESS

Every exchange takes place in a market which makes clear the point that the word ‘market’ is most certainly universal and almost infinitely broad. As stated with eloquence by Mises:

Choosing determines all human decisions. In making his choice man chooses not only between various material things and services. All human values are offered for option. All ends and all means, both material and ideal issues, the sublime and the base, the noble and the ignoble, are ranged in a single row and subjected to a decision which picks out one thing and sets aside another. Nothing that men aim at or want to avoid remains outside of this arrangement into a unique scale of gradation and preference. The modern theory of value widens the scientific horizon and enlarges the field of economic studies.[65, p. 3]

It is clear then that subjective values are within the realm of economics. When an exchange does occur it is based on the knowledge-at-hand by the actors—the buyer and the seller. The knowledge-at-hand is relative and imperfect, yet at the same time it is fully coordinated within time and space. In other words, it could not be made more perfect as evidenced by the willingness of both the buyer and the seller to consummate the exchange, free of any coercion to do so.

There are those who object to the imperfect knowledge of the actors, insisting that they would have made a better decision if they had perfect knowledge. This objection is certainly naïve and contrary to the real world. Human beings are neither omniscient nor omnipresent. They cannot grasp all that came before nor do they know the future with certainty. All actors in the economy have only partial knowledge.

The “single mind” that has all knowledge does find expression in this new concept of a divine economy. It happens through the instrument (the market) nestled within the divine institution (the economy) bestowed upon mankind. In other words, the unique instrument of human expression that forms as the foundation of economics is the market.

Human planners of the economy are hopeless failures and can be more aptly described as oppressors. In the real economy (the divine economy) there is a ‘central planner’ who is all-knowing and all-seeing and perfectly just. It is God.

God is the creator of the economy as a human institution and His design allows the fullest expression of human diversity. In the divine economy there is decentralized planning to the n th degree, where n represents each individual or business entity that is actively interacting within the market process. The economy changes as the human race changes and yields its promised fruits conditionally—depending upon whether the current state of affairs exists as either a hampered or an unhampered market.

The state of affairs at any point in time reflects the spiritual maturity of mankind and the corresponding condition of the economy. As mankind, as a whole, matures he increasingly cares for himself and for others. The economy always fully serves at the level it is capable of as an institution with divine potential, but unfortunately it has historically been significantly constrained by human intervention.

Like all institutions the economy has the appearance of structure. Its structure in its pure form is the market, free from political intervention. The closer the economy is to a free market the greater its capacity to be a full expression of a divine economy.

Remember that there is interplay between the human actors and the market itself. There is a commingling of these two divine entities and both benefit from this dynamic process of discovery. Also there is a transforming power in this divine encounter.

This transforming power is perhaps the most essential element of the divine economy. There is a divine power—the power to transform the resources bestowed upon us into goods and services and which then enables us to serve one another as a tribute to our loving Creator.

MORE THAN MEETS THE EYE

The divine economy has the power to awaken us to our own potential, which finds expression in service to one another and to our loving Creator. That is why the progress of humanity, even for us as individuals, depends on a free market. Likewise, the discovery of the merits of the divine economy depends on the educative process—significantly derived from the market experience itself—from which proceeds the ever-advancing progress of humanity.

The critical need is to bring all of these processes of the divine economy into the realm of science. Here the groundwork has already been laid by the great minds who have described the methodology of subjectivism and who have expounded upon praxeology—which is the study and logic of human action. This great scientific heritage pays tribute to monumental thinkers such as Thomas Aquinas, Carl Menger, Eugene von Böhm-Bawerk, Ludwig von Mises, Friedrich von Hayek, and Murray Rothbard. From their work and the work that continues along these lines there is a scientific foundation that provides the tools needed to test and to advance the understanding of the processes at work.

Since human beings act purposefully the power to make the divine economy manifest rests with each individual. It rests; it resides, and becomes evident in these individual actions. Mises writes:

As long as a man lives, he cannot help obeying the cardinal impulse, the *élan vital*. It is man's innate nature that he seeks to preserve and to strengthen his life, that he is discontented and aims at removing uneasiness, that he is in search of what may be called happiness.[65, p. 882]

The power to make the divine economy manifest comes from the invisible world of thought and reason and enters the visible world through purposeful action. Since no action occurs in a vacuum each action becomes a part of the educative matrix of all actions, all of which follow the same subjective processes.

What is incredible is how the subjectivist methodology of classical liberalism allows the merging of science and religion. This subjectivist methodology can be used to discern the essential laws that apply universally to human beings when they are at the threshold of action, whether that act is an act of faith or a material act. These universal laws ultimately underlie our quest to know and to understand.

We are educated and we make advancements by the insights gained during our quest for understanding. In the realm of faith our souls progress and our nature becomes more divine. In the material realm we become more tuned in to how our interconnectedness with others can bring prosperity and how we benefit personally from that prosperity.

It is not something that we may even have to consciously make decisions about. It becomes, in a sense, just a realization. This parallels a statement attributed to the British mathematician and metaphysician Alfred North Whitehead, as quoted by Hayek, “Civilization advances by extending the number of important operations which we can perform without thinking about them.”[35, p. 528]

The divine economy is not separable from human civilization, nor is it separable from the advancement of human culture at the individual or societal level. The divine economy operates in accordance with the Will of God and it is a vehicle for the expression of the will of man. The implication of the divine economy is that there are laws and that there is order.

The power within and without the divine economy is beyond our grasp. Yet throughout history men have sought to grasp it. Examples throughout history abound. For the short while and ephemeral period that the power-hungry clutched the economy their illusion of control corrupted them, and the economy became distorted and diverted, leading to the suffering of many both near and distant. Ultimately the destiny of mankind was slowed by their intervention. Quoting Rothbard:

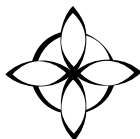
“The hidden order, harmony and efficiency of the voluntary free market, the hidden disorder, conflict and gross inefficiency of coercion and intervention—these are the great truths that economic science, through deductive analysis of self-evident axioms, reveals to us.”[77, p. 1124]

There is only One Being omniscient enough to see all that happens in the market matrix and only One Being that is not wholly

dumbfounded by what human minds see as uncertainty. The economy is divine, it is God's.

The economy provides channels through which the grace and bounty of God flow. According to the divine economy theory, the economy (itself a divine institution) is reciprocally a part of the human operating system. The sooner we learn this and trust this the sooner we can learn how to use this institution to bring about peace and justice.

The divine economy is here for our benefit. It forces us (acting man) non-coercively and by the tendencies of the forces of equilibrium to refine ourselves internally (heart and soul, spirit and intellect), and externally (human and non-human resources). And so it is that the equilibrium forces referred to in this book as the 'divine economy' direct our refinement.



Chapter 2

Divine Economy Model ©

Organic and subjective and splendid!

PREFACE

Our journey has now brought us face-to-face with another 'life force.' Unlike the fire encountered in the forest, this 'life force' is organic and subjective. Yet it is similar to the fire since it, too, is splendid. It is organic because of its symmetry and reciprocity and because it manifests characteristics of life. Its life-likeness is directly attributable to its DNA and its RNA; that is, to its foundation and its operation, which rest upon subjectivism. From this subjective nature we see what can fittingly be described as dynamic splendor.

THE CODE

Shortly I will begin to present to you a graphical representation of the divine economy model. But before we begin examining the model we will want to understand the conceptual basis of what is called the Cartesian coordinate system. In mathematics the applications of the two dimensional coordinate system and of the three dimensional coordinate system appear to be very empirical. Despite being used mostly for empirical work the Cartesian coordinate system is not restricted from more conceptual applications, as proven when it is expanded to higher dimensions, for example, the fourth dimension, the fifth dimension or even to the n th 'degrees of freedom.'

I take advantage of the conceptual potentialities of the Cartesian coordinate system and use it as a part of the design of my subjective

model. Just as the higher dimensions are abstract I make all of the dimensions of my model abstract. Referring to the Cartesian coordinate system, Bernhard Riemann in 1854 described the value of this abstraction: “Abstract studies such as these allow one to observe relationships without being limited by narrow terms, and prevent traditional prejudices from inhibiting ones progress.” In my model the two dimensional system is subjective or ‘abstract’ as is the third dimension and the fourth dimension and the fifth dimension, in other words, my model is five dimensional.

THE CONCEPTUAL MODEL

Now I will introduce the divine economy model to you. As the model is presented; its interconnectedness, reciprocity and symmetry will be discussed. One analogy that may prove useful is that of a complex organism made up of components that are more or less differentiated. Ourselves, we are made up of systems and organs and tissues and cells. Likewise the divine economy model has universal laws, foundational elements, concepts, and principles.

The center of the model is its reality and essence, summed up using the words ‘divine economy.’ These two powerful words clearly state the vital perspective of this model. These two words efficiently convey the source and the dominion. The implication here is far more magnificent than laissez-faire which merely suggests ‘not to meddle.’ The implication here is that the economy is above and beyond our human understanding and that it can be and is corrupted by human intervention alone.

The divine economy is both pervasive and subtle and its dominion reaches everyone in their daily affairs. It is basic and connected to the necessary acts of every man and woman and by its conveyance of information it allows people to function.

THE TWO DIMENSIONAL MODEL

Just as there are four cardinal directions; a north and south and east and west, the organic divine economy model has four petals. Gleaned from the knowledge and insight of many great thinkers I chose the following petals for the model: human spirit, transformation, law, and order. What we have is the model in its simplest form (see Diagram 2a).

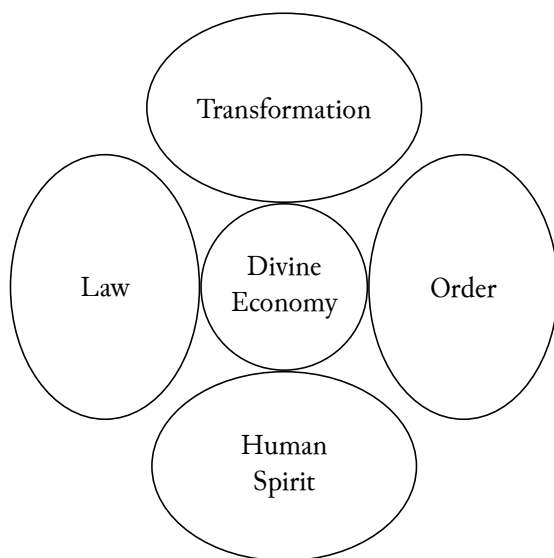


Diagram 2a: Anatomy of the divine economy

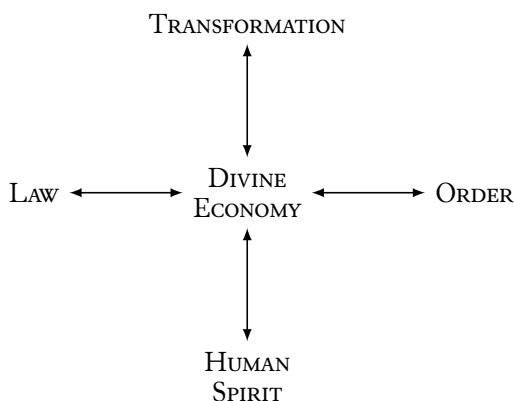


Diagram 2b: Skeletal structure of the divine economy

To the model we then add reciprocity and symmetry (Diagram 2b). From now on you will notice arrows on both ends of the lines to represent reciprocity and symmetry. The element of reciprocity adds the dimension of mutual exchange. Another way to describe what happens during an exchange is to see exchange as the fulfillment of

the double inequality of wants. I want what you have more than what I have and you reciprocate those feelings, therefore we exchange.

Proportionality and relativity manifest themselves in the world via the element of symmetry. For example, as transformation within the economy increases the other vital elements of the economy also increase and the economy as a whole increases. The model now becomes what is seen in Diagram 2b.

In this form the functionality of the model begins to emerge. It has a dynamic nature. Every point is relative to every other point and every understanding gained causes movement, advancing civilization.

To continue to improve the functionality of the model more scientific elements of the economy are added. These economic elements were discovered by great thinkers in the tradition of classical liberalism. These certain points of focus are added to the skeletal structure as intermediary potencies.

To the skeleton we add more substance making the model more realistic and bringing it to life. To the human spirit appendage we add action, purposeful action. To the transformation appendage we add capital structure. The law appendage fills out nicely with property rights and it is the market that beefs up the order appendage.

With this added substance, as shown in Diagram 2c, it begins to become evident to us how the model neatly incorporates the intermediary elements that make it operational. Using the analogies of a skeletal structure and appendages reminds us about the organic nature of the model.

This is the highest form of the two dimensional model and this is where the model begins to become complex. We will have to take a step back and examine more deeply the foundational components. Then the extremely potent intermediary elements will need to be explored.

Going back to the skeletal structure of the divine economy in Diagram 2b it is easy to see how interactive and cumulatively interactive it is. The human being has a nature that is subject to illumination. It is the human spirit that reflects that reality. Transformation is the illumination that takes place and this all comes about because we encounter the human spirit of others, directly or indirectly. The world is not a vacuum, people learn from others and from their environment.

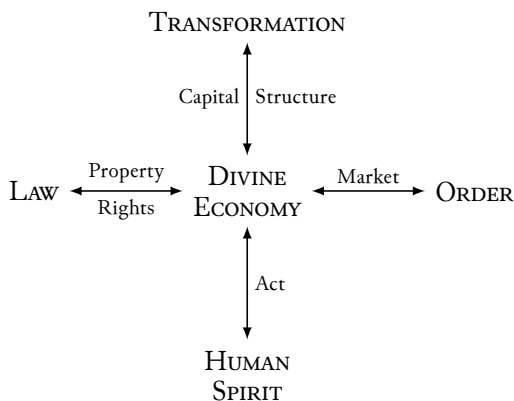


Diagram 2c: Modus operandi of the divine economy

The world has structure and incorporating structure into our lives creates order. Transformation is furthered by discovering the operational laws of that order. Completing the circle, then, the human spirit is illumined by the transformation that has taken place.

The dynamic interaction of all of these interrelated elements is certain. Already it is clear that the complexity of the divine economy is mind boggling. We have to trust in its divine nature and content ourselves with understanding bits and pieces, ever humbled by the infinite greatness of the divine economy.

Now moving on to the more complex model in Diagram 2c—the modus operandi of the divine economy—we need to spend some time educating and re-educating ourselves about these intermediary elements. It would be inaccurate and naïve to pretend that there is a common understanding of these four elements in the economic literature or in the minds of most readers.

The four scientific elements that make up the modus operandi of the divine economy are property rights, human action, the market, and capital structure. These are potent forces which universally permeate human life on this planet!

Placement of these intermediate elements into the model relative to the initial foundational components expands the foundation of the model. The model readily accommodates the fluid manner in which these eight elements all juxtapose themselves.

Property rights interface closely with human action, the market and the capital structure. Property rights are truly foundational and have a strong connection to law in the divine economy since they anchor the economy to the human being. In its most basic and primary expression, property rights are human rights. The existence of a human being grants dominion, and its peaceful expansion toward food, clothing and higher attainments all fall within the domain of property rights.

The human spirit—each one of us as a unique expression of the grace of God—becomes foundational in the divine economy through human action. Human action is the expression of the human spirit, which implies that the human spirit is the locus of communication and serves as a channel for the two-way flow of knowledge.

Understanding that the economy is a uniquely human institution means there is also cognition that the human spirit is where it all begins and human action is where it becomes manifest. Without human beings, whose nature it is to act purposefully, there would be no economy.

There is a saying: ‘It takes two to tango!’ That is what the market is. It is the place where the solitary individual becomes a social being.

By this very broad definition the interaction of parents with their children could even be considered a market. Although an argument could be forwarded against this line of reasoning such an argument does not allow this very important point to be made therefore it serves no purpose here. The purpose of this broad definition is to remove the limiting definitions ascribed to the market and to remove the prejudices about the market.

The market is where individual human action undergoes reconfiguration into a more social entity. This is part of the dynamics between the ‘act’ and the ‘transformation.’ The market is where knowledge flows to and from in a civilization. And it is from this proverbial fountain of knowledge that order emerges. See Diagram 2d.

The three scientific elements just described—property rights, human action, and the market—are inherent and found in full potential in the divine economy. The fourth element differs slightly from the others because of its very strong ties to time.

The fourth element, capital structure, is also foundational. It contains and conveys the knowledge that all things in this world are subject

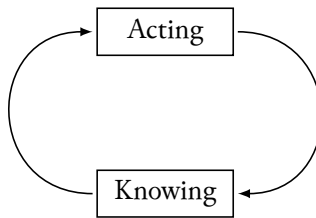


Diagram 2d: Proverbial fountain: part of the transformation process

to the law of time. Capital, the means of stretching production beyond the present, is necessarily foundational also.

Most significantly, of all factors in the economy capital is the most limiting. See if you understand why. Ponder: in the here and now—in the present—we cannot live in the future! That is our limitation. The reason capital is the most limiting is because it is what connects the present and the future in the economy within ‘our limitation.’ It is constrained by uncertainty yet its variation or structure determines the transformation that takes place in the economy.

Since capital is the most limiting factor, the movement or advancement of civilization depends heavily upon the structure of capital. This necessitates, optimally, that the capital structure needs to be a harmonious expression of the market so that it truthfully reflects the will of the people. In the divine economy fully vested human beings find and share knowledge in the market. Part of that knowledge reflects the importance of time which becomes manifest in capital and its relevant structure.

THE THREE DIMENSIONAL MODEL

The next modification of the divine economy model stretches the imagination a little by adding a depth dimension, the third dimension in this model. This can be grasped fairly easily by imagining the modus operandi of the divine economy given in Diagram 2c as submerged in a bowl of water. The water that surrounds and supports the model represents latent and active entrepreneurship. See Diagram 2e.

Entrepreneurship is alertness to one’s surroundings and the knowledge therein. This is nearly perfectly represented by the ‘submersion’ analogy. The water is what surrounds (‘one’s surroundings’) and submersion into the water introduces entrepreneurship. In this

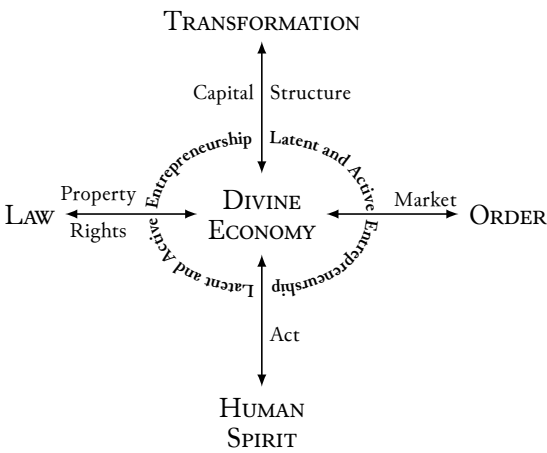


Diagram 2e: The driving force of the divine economy

entrepreneurial condition all that is within (“the knowledge therein”) potentially comes to light.

When entrepreneurship is in the latent state the divine economy and its components are in potential only. When alertness triggers a response the result is active entrepreneurship, which significantly, is the driving force in the economy.

If I am in a latent state of entrepreneurship I may simply buy a product that I like. Or I may begin to actively perceive opportunities and compare and contrast to see what other products are out there to buy or sell. Additionally I may look at the time horizon. I may weigh the various possibilities and decide to save so that I can buy a tractor because of the prospect of improved production, for example.

As an active entrepreneur I may discover discrepancies in the market that lead to inefficiencies and I may take steps to remedy the situation. When in a latent state, the water merely holds within it the divine economy. But when there is active entrepreneurship, energy is released which charges all of the elements in the water.

THE FOURTH DIMENSION

The fourth dimension of the divine economy model enters into the picture by identifying its poles. The divine economy has many

components just like the complex system of the planet Earth which has numerous components such as the water cycle, the ocean currents, the atmospheric forces, geothermal forces, and absorption of solar radiation to name a few. The Earth also can be understood more fully by examining these factors as they are influenced by rotation around its poles.

Similarly the divine economy can be more fully understood when the model includes the poles of unity and justice (Diagram 2f). It is around these two poles that the divine economy revolves. The axis of these poles represents the ‘nature and role of knowledge.’ The implication here—with this axis being centrally located within the model—is that knowledge flows throughout and that it is this free-flowing knowledge that best serves all of the divine economy processes.

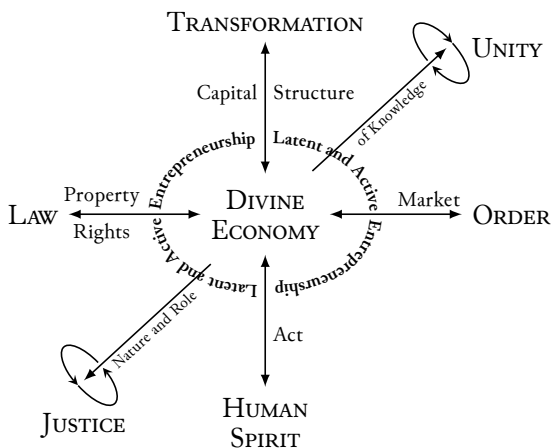


Diagram 2f: The complete Divine Economy Model independent of time

This is a key concept in the divine economy theory. It is the nature and role of knowledge that enables the equilibrium forces to maintain balance and harmony. Intervention by those with finite human understanding strikes at the ‘nature and role of knowledge’ axis—with the consequences being a condition of imbalance and disharmony and a corruption of the divine economy.

To clarify the importance of justice, it is justice that inextricably links the interests of the individual and those of society. Justice also implies non-violence and non-coercion.

Elaborating on the pole of unity; the pole of unity shines with prosperity for all. There is now an awareness of the historical and scientific knowledge that shows all of humanity as one people. As far back as A.D. 1573 Bartolome de Albornoz wrote:

Buying and selling is the nerve of human life that sustains the universe. By means of buying and selling the world is united, joining distant lands and nations, people of different languages, laws and ways of life. [15, Ch. 7, 29]

THE FIFTH DIMENSION

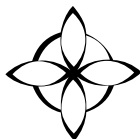
The fifth dimension of the divine economy model brings in the realism of time since there is no realism to any economic model that is static. The dynamicism of all of the elements of the model comes to life as changes take place over time (Diagram 2g).

Now that the complete model of the divine economy is defined we are ready to examine economic production. The Divine Economy Model© is conducive to the graphical and conceptual exploration of production possibilities frontiers, as you will find out in the next chapter.



Selected Exercises

1. What is it that convinces you that the Divine Economy Model© is a subjective model?
2. Explain how all of the elements in the Divine Economy Model© are affected by the equilibrium forces.



Chapter 3

Production Possibilities Frontiers

The Branches of the Divine Economy Model©

PREFACE

The structure of this organic and subjective organism is strong and its framework can withstand the test of time and the tests that come from outside forces. Growth is a main feature and a natural part of the process. Some conditions enhance and some conditions hinder this process. As stewards it is our responsibility to understand what causes growth so we can create a healthy environment for the economy.

A MACROECONOMIC TOOL

Now that the complete model of the divine economy is defined (Diagrams 2f and 2g) we can examine production. Production constraints, in general, are defined by laws such as property rights, by the order given within the market, by transformation that is molded within the capital structure, and by the human spirit which is entrepreneurial by nature and expressed as human action.

To begin we will start with the production possibilities frontier that is the most familiar. By familiar I do not mean readily understood but rather I mean that it is the one production possibilities frontier that has been examined most thoroughly in the economic literature. For example in *Time and Money: The Macroeconomics of Capital Structure* [32, pp. 40–45] Roger Garrison uses the standard production possibilities frontier (PPF) technique to illustrate the trade-offs between capital goods and consumption goods. See Diagram 3a.

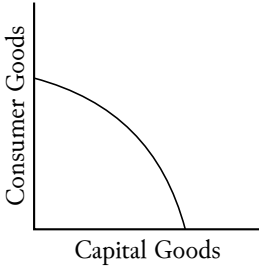


Diagram 3a: The standard production possibilities frontier (PPF)

As you can see it is an ‘either/or’ proposition. More of one ‘good’ comes at the expense of the other. In other words, to have more capital goods it is necessary to sacrifice some consumer goods. The underlying cause is that both have at least some of the same inputs meaning that the output of one channels the inputs away from the other. When we examine Diagram 3a it becomes obvious that the frontier is defined by two axes and these axes are two opposing aggregates. The relative position along the frontier is a net output. Since these are aggregates we are talking about macroeconomics.

It’s now time to see how the production possibilities frontier diagram works. At some point on the frontier the output gain over time from a certain mix of ‘inputs’ is equal to the output loss from channeling ‘inputs’ in the alternative direction. This condition represents a stationary economy, for example, consider an economy where gross investment is offset exactly by capital depreciation. Considering that capital is the most limiting factor in the economy, the consequence is a no-growth economy. See Diagram 3b.

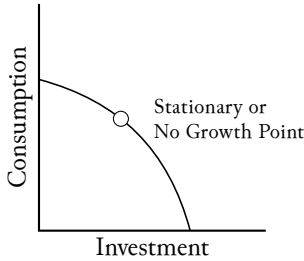


Diagram 3b: Stationary or no growth economy

This point can be viewed as a conceptual ratio of one output to the other. In our example the economy is stationary and at the ‘no growth point’ when consumption (C) = investment (I) in a symbolical sense, written in a shorthand form as the ratio of $C/I = 1$.

Let us now consider the two other economic conditions. If $C > I$ the point on the frontier lies north and west of the ‘no growth’ point. As such capital depreciation exceeds capital investment which weakens the economy. The cascading effect of this condition is economic contraction. Notice the inward movement over time in Diagram 3c.

Since capital structure is an essential part of the trans-formation process, capital is the most limiting factor in the economy.

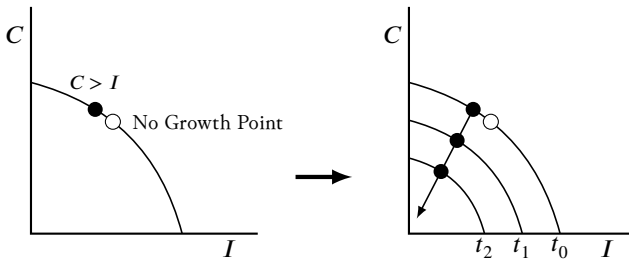


Diagram 3c: Economic contraction

Conversely if $C < I$ the point on the frontier curve lies south and east of the ‘no growth’ point. See Diagram 3d. Since capital is the most limiting factor in the economy the cascading effect of investment being greater than consumption is an expanding economy over time.

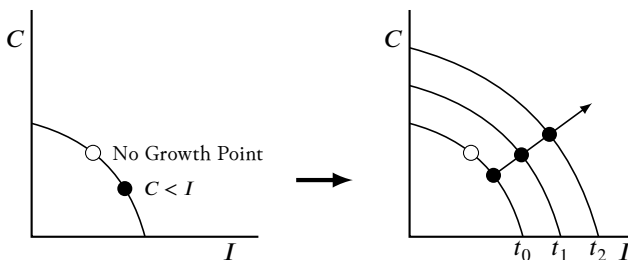


Diagram 3d: Economic expansion

Now the task becomes one of translating the production possibilities frontier into the language of the divine economy theory. Our starting point is the foundational component referred to in the Divine Economy Model© as ‘Transformation.’ The basic economic element of ‘Transformation’ is the capital structure which is also referred to as an intermediary potency. As you can see, not coincidentally, we are now able to connect the divine economy theory directly to the standard production possibilities frontier, and subsequently to contemporary economic literature, via the relationship of consumer goods to capital goods—the capital structure.

TRANSFORMATION ELEMENT OF THE DIVINE ECONOMY MODEL

This first link is sufficient to begin translating the rest of the foundational components of the Divine Economy Model© into the production possibilities frontier format for further analysis. In this first link shown in Diagram 3e (comparable to Diagram 3a) we start with ‘Transformation’ and we find that its production possibilities frontier is like a snapshot taken of the capital structure. Since this ‘Transformation’ PPF is identical to the ‘standard production possibilities frontier’ all that remains to be done is to select which divine economy component to examine next.

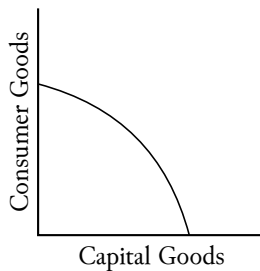


Diagram 3e: ‘Transformation’ production possibilities frontier

So next we will take a look at the most foundational of all of the components of the Divine Economy Model© and that is ‘Human Spirit.’ The economy exists only because humans exist and because they act as humans do. See Diagram 3f.

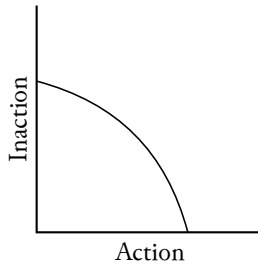


Diagram 3f: 'Human Spirit' production possibilities frontier

HUMAN SPIRIT ELEMENT OF THE DIVINE ECONOMY MODEL

The unique and challenging opportunity afforded us is to further define this frontier by identifying the equivalent point that represents a stationary or 'no growth' economy since such a point exists for all production possibilities frontiers. See Diagram 3g.

Most are entrepreneurially inactive.

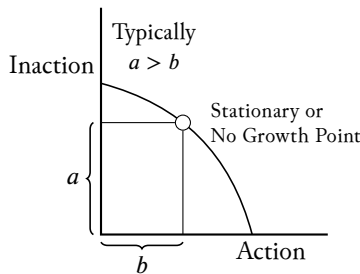


Diagram 3g: 'Human Spirit' no growth point

This 'no growth' point can be viewed as naturally occurring and as part of the response of humans to uncertainty and imperfect knowledge. The paralysis of growth at the 'no growth' point can be understood conceptually as Action = Inaction, in aggregate!

What a strange statement! What it means is that relative to a free market (or an unhampered economy) the inaction is great, so great that actions cannot offset the lost opportunities. For example, intervention increases the degree of imperfect knowledge in the market causing opportunities to be lost.

In contrast, however, if the point on the frontier lies south and east of the ‘no growth’ point, action prevails, which means the human spirit is being fulfilled. See Diagram 3h.

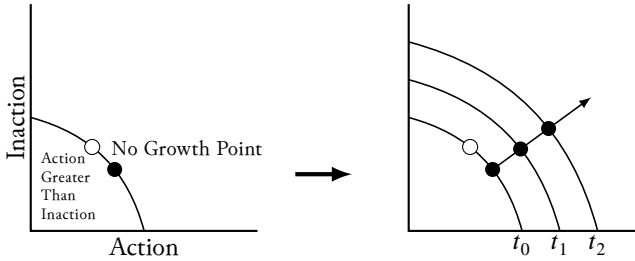


Diagram 3h: ‘Human Spirit’ expanding economy

When the point lies north and west of the ‘no growth’ point on the frontier inaction is greater than action which moves the human spirit in the direction of inertia, which is where the human spirit begins to resemble lower forms such as the animal or even a vegetative state. In other words, entrepreneurship is stifled. What could dampen the human spirit like that? The answer: Anything that creates veils so that uncertainty increases and imperfect knowledge becomes more pervasive and daunting. See Diagram 3i.

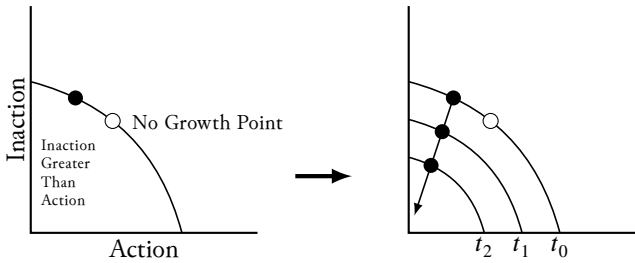


Diagram 3i: ‘Human Spirit’ contracting economy

The next production possibilities frontier illustrates how the potency of the third foundational component of the Divine Economy Model© ‘Law’—whether it is natural law or divine law or man-made law—constrains production.

LAW ELEMENT OF THE DIVINE ECONOMY MODEL

As it pertains to us humans the most basic of all rights is the human right and in the divine economy theory we have the following core identity: human rights = property rights, and its mirror image: property rights = human rights. The point on the production possibilities frontier that represents the stationary economy is where encumbrances exactly offset freedom. See Diagram 3j.

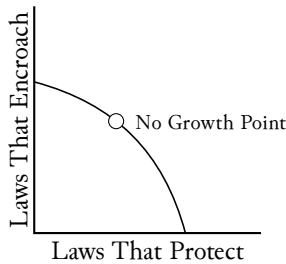


Diagram 3j: 'Law' production possibilities frontier and the no growth point

This production possibilities frontier is useful when contemplating the concept of liberty. If the point on the frontier lies south and east of the 'no growth' point then property rights are increasing and so are human rights and liberty. In an environment such as this the economy expands and people feel prosperous. See Diagram 3k.

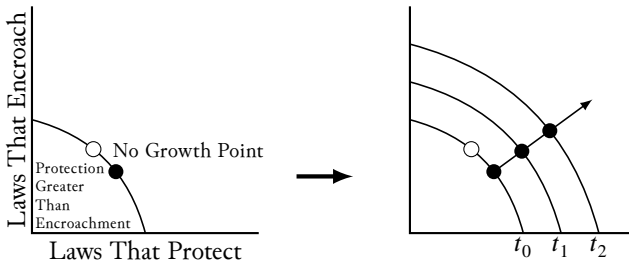


Diagram 3k: 'Law' expanding economy

In contrast, when the point lies north and west of the 'no growth' point on the frontier laws that encroach upon liberties cause their baleful effects on the economy leading to a contraction. As property

rights are whittled away, for instance, the production possibilities frontiers shrink, as shown in Diagram 3l.

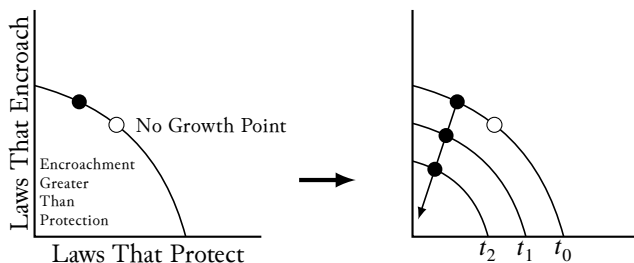


Diagram 3l: 'Law' contracting economy

The final foundational element of the Divine Economy Model[©] is 'Order.' Consider the different outcomes resulting from a system that has order and a system that is in chaos. It is in this sense that 'Order' affects production as portrayed by the following production possibilities frontier.

ORDER ELEMENT OF THE DIVINE ECONOMY MODEL

What is meant by spontaneous order is the unhampered market guided by voluntary actions. The 'no growth' point on the frontier has sometimes been referred to as a 'mixed economy' where the gains from knowledge flowing in the market are offset by losses that come from arbitrary and erroneous data caused by intervention in the economy. See Diagram 3m. For example, prices that are manipulated when the money supply is artificially altered send misleading signals throughout the market causing at the same time both over-consumption and malinvestment.

One of the great outcomes of the divine economy theory will be an economically literate humanity. Basic to such an understanding is the justice, the ethics, and the optimality of the spontaneous order of the market. A point lying south and east of the 'no growth' point is an example of movement in that direction and the result is an expanding economy. See Diagram 3n.

All interventionists, no matter how well intended, fall significantly short of comprehending the infinitely dynamic economy. Consequently

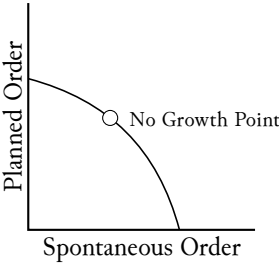


Diagram 3m: 'Order' production possibilities frontier

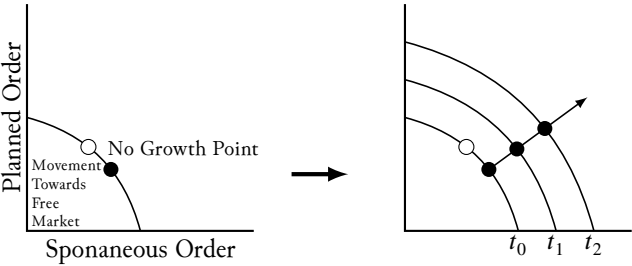


Diagram 3n: 'Order' expanding economy

all planning of the economy moves the point north and west along the production possibility frontier. The long run effects of all planning and intervention, despite the politically motivated short run results, cause a contraction of the economy. See Diagram 3o.

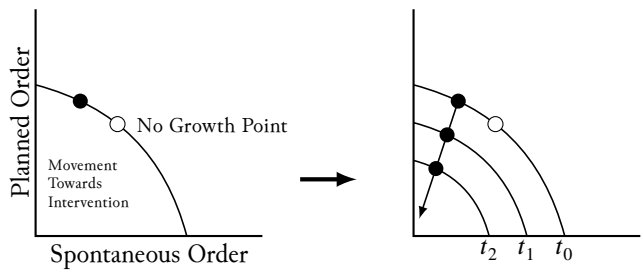


Diagram 3o: 'Order' contracting economy

I will conclude this chapter with a final thought. When conditions are right for an expanding economy the effect is universal. Similarly the effects of a contracting economy are also universal, however, the equilibrium force that is inherent in the economy naturally eliminates the deleterious effects of interventionism once the intervention is stopped at its source. It is cast ashore like the foam on the ocean and discarded as worthless. In contrast, the equilibrium force operating in the expanding economy nurtures in ways described in the divine economy theory, and that leads naturally to an ever-advancing civilization. See Diagram 3p.

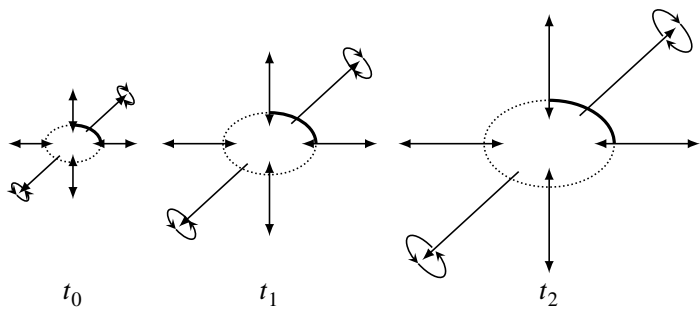


Diagram 3p: Divine economy sphere frontiers of an ever-advancing civilization

This is a good point in the book to bring to your attention the conceptual connection between the production possibilities frontier and

the divine economy sphere frontiers shown in Diagram 3p. Production possibilities frontiers are simply two-dimensional quadrant diagrams.

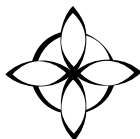
Notice in Diagram 3p the enlarging sphere for entrepreneurial discovery. Relative to the production possibilities frontier of the earlier economy (as it moves from t_0 to t_1 to t_2) there is more spontaneous order (market) and there is more law (liberty). Relative to the earlier economy the potential of transformation is greater and the capacity and potential of the human spirit is increased. Justice and unity are relatively more advanced due to the evolution of the nature and role of knowledge. These are the divine economy sphere frontiers that are a part of the divine economy theory.

And guess what, there is no reason why the relative changes of all of these potentialities cannot continue endlessly. The divine economy releases all of these energies, generation after generation. This is now a proven fact according to and given by the divine economy theory.



Selected Exercises

1. Describe the meaning of the frontiers (t_0 , t_1 , and t_2) in the standard production possibilities frontier and also in the divine economy frontiers (as shown in Diagram 3p) in terms of limited resources.
2. Contrast the difference between planned order and spontaneous order.



Chapter 4

Real World Economic Principles

The Leaves of the Divine Economy Model©

PREFACE

One of the beauties of the whole system is its reciprocity. Part of the wholesome environment that is sought comes from the health of the system itself. Leaves not only contribute to the growth but they also create a favorable microenvironment and eventually add nutrients back into the system, strengthening the roots. These real world economic principles are numerous like the leaves on a tree and their importance cannot be forgotten. Each leaf contributes in many ways to the over-all health.

A CANOPY COMPOSED OF PRINCIPLES

With the foundation of the conceptual divine economy model laid out and production possibilities frontiers sufficiently examined it now becomes possible to insert economic principles into the model—fully aware of the interconnectedness of all of the principles. The locus of placement of the principles in the model is arbitrary yet it is logical. The logic of placement into the model can be deemed as a mental exercise, forcing one to examine just how interconnected the economic principles are. I take the liberty to begin the process.

To begin I divide the model into quadrants with a fundamental element on either side of each quadrant. Dividing the model into quadrants then sets the stage for examination of economic principles that have a strong tendency towards the following characteristics:

- A. human spirit / order
- B. order / transformation
- C. transformation / law
- D. law / human spirit.

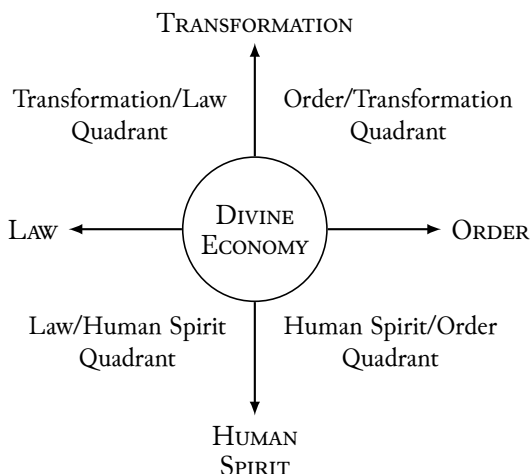


Diagram 4a: Quadrants of the Divine Economy Model ©



REAL WORLD ECONOMIC PRINCIPLES IN THE HUMAN SPIRIT / ORDER QUADRANT

I have chosen eight economic principles for placement in this quadrant. These are principles that exist in, emerge from, and complement both the human spirit and the social order. They find origin from human action and yet they also inspire more human action. They find expression in the market and are amplified in the market and at the same time they continuously emanate knowledge via the market. See Diagram 4b.

Price Theory

With regards price theory, a good starting point is the law of supply and demand. Accordingly, if the supply of a good or service increases,

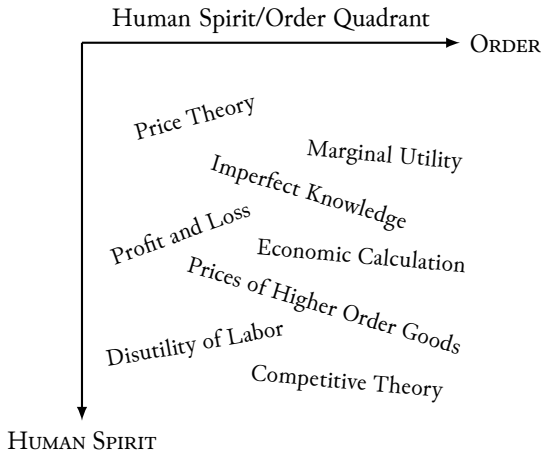


Diagram 4b: Economic principles in the human spirit/order quadrant

then the price decreases. Likewise if the demand for a good or service decreases, then the price decreases.

The price of a good or service in the real world is relative. It is relative to other goods and services and it is relative to the earlier price of that good or service itself which means that the system can be described as a floating price system. In other words, all prices are relative at the time and place of human action in the market. It is exactly that fact, that prices are relative to all others, that enables the price system to play an economizing role in decision-making.

Let us assume that you go to a marketplace with \$100, needing food and clothing and medicine but you find the market in a dysfunctional state—there are no relative prices. Only one price, \$45 for the clothing, is known at the time. Would you know how to prioritize, or whether to buy the clothing or not? A price system absent of relative prices strips the market process of its ability to function.

And now we have come to the point where there is a need to define the market to offset the commonly held prejudices against the market. The market is universal. It is a process where knowledge flows freely. The market is benevolent and its process is profoundly cooperative, and quietly consultative in nature.

The market is a conveyor of information just as is language. The following analogy is useful. Individually I can speak to myself alone or I can more fully use language and speak with others. Undoubtedly the full benefits of language as a human endowment come from its social nature. If I happen to speak vulgarly, language as a human institution should not be attacked as being harmful. In fact, the social nature of language empowers it to have a moderating and refining influence on individuals, thereby lessening the occurrence of vulgarity. The market, likewise, releases the full benefits of the human spirit and all of the associated resources. If someone acts in a crude or frivolous manner it is not the fault of the market. In fact it is the social nature of the market that will tend to moderate and refine individuals, ultimately facilitating the advancement of civilization.

The price system finds expression in the market in the form of relative prices which convey important information. For instance, factors which exhibit characteristics such as mobility or convertibility have a higher value than similar immobile or inconvertible factors. Here is another example: nominal wage rates mean little but real wage rates convey important information about wages since it is then put in terms that are relative to other prices. So even if all prices are decreasing but the wage rate is decreasing to a lesser degree then the real wage rate is actually increasing. The market is the vehicle for conveyance of this valuable information and people make decisions or choices based on it.

Business individuals active in the market assess costs and revenues and continually modify their plans due to the signals that come as a result of changes in demand and supply. These adjustments that are made as prices are influenced by demand and supply demonstrate that the price system is both dynamic and efficient.

Marginal Utility

Closely allied to relative prices is the concept of marginal utility. The market conveys information about the plethora of relative prices of goods and services but ultimately active decision-making by each person resides at the margin. The choice made is ultimately based on the subjective valuation about the perceived gain from the various choices. Whichever choice is perceived to bring the greatest satisfaction and

fulfillment at the margin is chosen. Let us assume that I am very hungry and that I can buy either a pencil or an apple for a quarter. I will readily recognize the greater marginal utility of the apple and buy it.

Imperfect Knowledge

This is an insurmountable and an inescapable reality! As imperfect knowledge is moderated by having some knowledge and having some certainty people make decisions and act.

Part of the uncertainty comes from a lack of information, and the corollary to this is the uncertainty about the other human beings on the planet and their subjective decisions and their actions. The relatively free and immediate flow of knowledge that is the potential of the market ameliorates this condition. Another part of the uncertainty comes from the time element, that is, the great unknown we call the future. The only certainties are: that there are uncertainties, that the world is dynamic, and that the market works best when it is unhampered.

Profit and Loss

Concomitantly there is no certainty and therefore there is no guarantee that any effort made by a producer interacting in the market will yield a profit. It is a simple fact that all exchanges that take place during the market process occur because of a double inequality of values. Will an exchange take place? Exchange occurs only when both parties value what they receive higher than what they give.

Involvement as an entrepreneur has risk because of uncertainty. The nature of the active entrepreneur is to be alert to opportunities, that is to say, to needs not being met or not being met as well as they could be. In the market it is possible that my perception as an entrepreneur is right or maybe it is wrong. It is possible that my perception of the resources that I happen to think are needed may combine to serve the consumer's wants better; or perhaps not.

This is a part of the constant ebb and flow that necessarily results from the uncertainty in the real world. The market encompasses all of the various facets of the economy, such as: profit and loss, entrepreneurship, communication, and knowledge; and the market conveys information in terms of relative prices.

In its earliest appearance in the primitive economy profit or loss was simply the outcome. If I raided a bird's nest I either found food or not. If my effort was not productive my failed effort represented my loss. If my effort was productive the food then profited me. The profit motive is a necessary and inherent feature of the human operating system. As humans evolved and as the economy evolved profits enabled producers 1) to provide wages and other factor incomes, and 2) to be one of the sources of the capital that encourages endeavors with lengthier production times.

Economic Calculation

Implied in the word 'calculation' is a basis of knowledge. It is then from this basis of knowledge that the next step—that of calculation—can proceed. Implied in the word 'economic' is information about the economy, which ultimately then is disseminated via the market.

But first things first! It just so happens that private property is an even more preliminary part of the market than the actual diffusion of knowledge. Values, of course, are necessary for calculation. Material and ideal 'things' are valued and are therefore sought after to be 'owned.' This 'value' is the basis of knowledge for calculation.

The economy is dynamic and composed of many trillions of needs and decisions that often change complexion. The basis of knowledge needed for economic calculation comes from the market in the form of relative prices. These prices are relative to all other prices at the current moment.

The freer the market is the quicker the information can flow and the greater the ability is for it to correct errors. Desires, needs, and resources converge in the market and find full expression in the form of relative prices. Economic calculation involves comparing and contrasting and speculating about the relative prices expressed through the market.

Any attempt to calculate economically using fictional non-market values—values arbitrarily assigned by someone removed from the market—ignores the dynamic nature of the knowledge within the market; which is tantamount to denying the human spirit. Use of non-market values is the reason why vertical production in an excessively large firm results in bureaucracy and calculation error, for instance.

This is also the reason why socialism fails, since it is an ‘error-based institution.’ What is meant by ‘error-based’ is the fact that the prices used for decision-making are arbitrary and imagined, not derived from the market process. These prices are erroneous and all decisions based on them are error-based.

Prices of Higher Order Goods

Not only does the market enable economic calculation but it extends beyond the here and now. The information in the market, the relative prices, also takes into account time. Goods which will reach the market in the future have a present value. And since they have value, so too, all of the resources needed in their production have value. In other words, factor prices also are relative prices.

However, without private property in factors of production there can be no realistic factor prices, and without factor prices cost accounting is impossible. To repeat, private property ownership is vital to the market. The economic calculation needed to realize profits, which pay the wages and factor incomes, depend on it. As decisions are made in the market—between consumer goods and higher order goods—a bridge forms between the present and the future. This bridging of the present and the future in the form of capital structure potentially leads to economic development.

Disutility of Labor

Exchange in the marketplace/market-process only happens if both parties feel that there is a gain. When an individual wishes to sell his services in the market he (she) checks to see what the relative prices (wages for example) are and then he must decide if the income is worth more than the alternatives, including leisure. What I mean by leisure is: whatever you would do instead of work if that was a choice that you could afford.

However, if leisure is subsidized in any way then less of the labor factor becomes available, which reduces the productive capacity of the economy and sends waves throughout the economy like ripples emanating from a pebble dropped in a pond. If leisure is subsidized then relative prices throughout the economy will change, leading to

a cascading of aberrant decisions. Such is the plight and blight of the 'welfare economy.'

There is nothing wrong with disutility of labor determining whether there is an exchange in the market as long as it is a true expression rather than one distorted by subsidies. There is nothing wrong with the disutility of labor; in fact, the disutility of labor is actually a motive force. It inspires alertness to choices and alternatives. Indeed, disutility of labor underlies entrepreneurship and it also underlies capital.

Competitive Theory

The natural tendency for humans is to make progress. That is what is implied in the act of exchange since exchange only takes place when both parties perceive a gain. This searching and questing and striving is part of the human operating system. That is not to say that there is not disorder in the economy, like the example just given about the disorder resulting from subsidizing leisure.

Making decisions at the margin, based on the relativities, and comparing where you are with where you want to be is natural and it is a human quality. Striving for excellence and refining oneself and one's circumstances are meritorious expressions of this human trait. The knowledge that flows from the market-process provides the individual with 'data' in the form of relativities. Judgment about what is available, what possibilities exist, and about one's current condition, hinge on information available in the market.

Competition in the market is not a negative like it is in the animal world where 'survival of the fittest' is the outcome. The economy is divinely at the service of mankind. Competition in the market among producers leads to new and better goods and services and better means of production. With this advancing prosperity there are no long-run losers.

Currently, corruption of the divine economy by ego-driven manipulators directs wealth towards favored ones and away from others. This human intervention hampers the divine economy and is what causes 'the rich to get richer and the poor to get poorer.' In contrast to the hampered economy created by the interventionists, the net efficiencies that come from competition in a free market benefit everyone.

*Human Spirit / Order Quadrant Example—
Disutility of Labor*

At a basic level each human being can distinguish between the ease or difficulty of the life task ahead. If a person is given the choice, that person will always prefer the easier of the two means of attaining their ends—as long as the task is not a recreational challenge or a personal development goal. What appears to be a non-productive urge—choosing the easy way—is actually a positive force. Disutility of labor is a sign of intelligence. It is a motivating force that leads to innovation. It inevitably causes advancement and progress.

Disutility of labor, despite being an underlying law of purposeful action, has been corrupted and turned into a negative characteristic in the economy under the current system of intervention. For instance, why work when your basic needs are met if you don't work? Or, why provide excellent service when you get paid the same either way, plus you cannot lose your job? These distortions caused by interventions pervert the inherent power of this economic law that is an inherent part of purposeful human action.

Human Spirit / Order Quadrant PPF Example

Developing production possibilities frontiers for each economic principle has never been done before! It requires contemplation and identification of the active principle and its antithesis. Let me take you through the thought process. A good place to start is to identify the meaning of the 'no growth' point. In this example—disutility of labor—the 'no growth' economy occurs when, in a relative sense, the aggregate satisfaction resulting from compensation for being non-productive equals the satisfaction resulting from compensation for being productive. See Diagram 4c.

If in aggregate the lack of productivity is rewarded the economy will contract as shown in Diagram 4d. This is why 'welfare economics' is counterproductive.

For those who say that 'welfare economics' is compassionate the end result is far from compassionate. A contracting economy, which inevitably results from this type of economic intervention, offers less goods and services, less employment, and lower standards of living. All

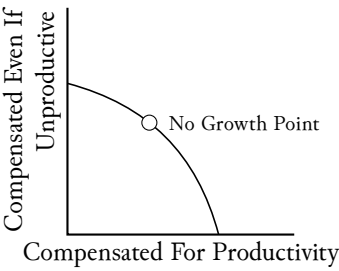


Diagram 4c: 'Disutility of labor' production possibilities frontier

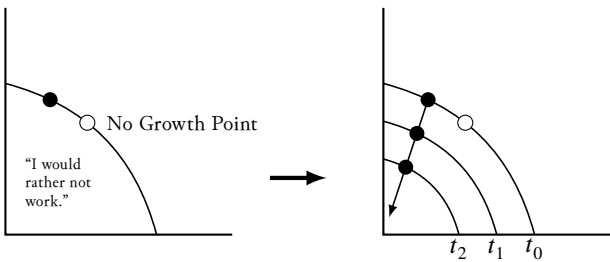


Diagram 4d: 'Disutility of labor' contracting economy

of this translates into increased human suffering so do not believe the 'so-called compassionate' ego-driven interventionists! See Diagram 4d.

Whereas this principle of the Human Spirit/Order Quadrant—disutility of labor as it occurs naturally in the divine economy—is an example of finding better ways to do things (Diagram 4e). Notably, it is where being productive is preferred over the tediousness of unproductive methods and habits.

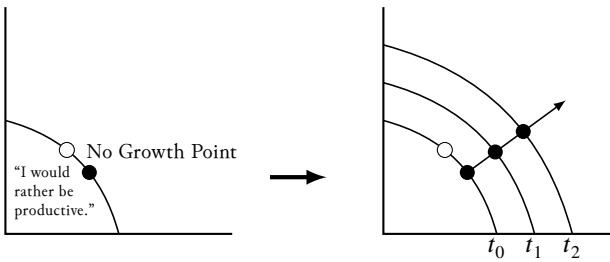


Diagram 4e: 'Disutility of labor' expanding economy

Summary of the Human Spirit / Order Quadrant

The market is a time and place where information about relative prices is discovered. It is also a process within which knowledge flows. Not all knowledge is expressed as a price, but all knowledge is relative, and it is the market where such knowledge is accessible to humans.

The market can be described as unplanned order. It is economic action in the market that creates wealth. For the sake of human enlightenment and for the sake of human prosperity the market needs to be unhampered. Human intervention in the market is inevitably a corruption and a disruption of the divine economy.

*Selected Exercises*

1. Find and describe a real world example for one of the specific principles in the Human Spirit/Order Quadrant.
2. Develop a series of production possibilities graphs that show 'no growth' and 'contracting' and 'expanding' economies for one Human Spirit/Order principle and describe the axes. Describe how the economy is affected if this economic principle is either understood or misunderstood.



REAL WORLD ECONOMIC PRINCIPLES IN THE
ORDER / TRANSFORMATION QUADRANT

I have chosen nine economic principles for placement in this quadrant. These are the principles that find expression in and emerge from both the market and its capital structure. It is through the instrumentality of capital that the order of the market undergoes transformation. Equally symmetric and reciprocal is the vital need for the dynamic flow of information from within the market-process so that capital can exist and its structure can serve everyone's needs. See Diagram 4f.

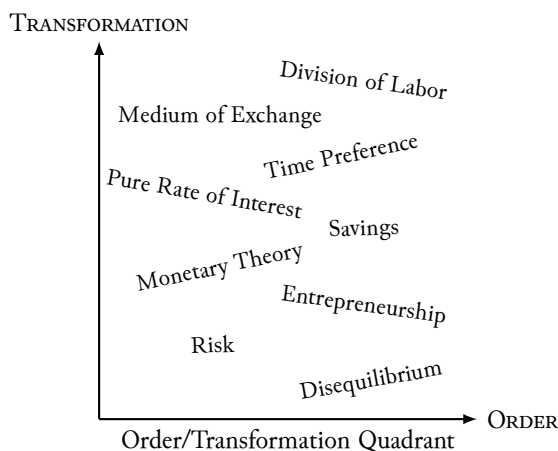


Diagram 4f: Economic principles in the order/transformation quadrant

Division of Labor

Without necessarily recognizing the concept of the division of labor, humans have operated according to this universal law. Praxeology, which can be defined as action logic, identified division of labor as a universal law of human action.

The moment a choice was made for the sake of efficiency there was division of labor no matter how primitive the historical culture. It is difficult to imagine even an early stage in the history of mankind when some degree of this law did not operate. It is as old as humanity itself and it is inseparable from humans.

These steps of efficiency and this production of wealth, this division of labor, is essentially the beginning of capital. Therefore it is a misconception to separate capital and labor since they are intricately interwoven, ‘peas of the same pod,’ and variations on the same theme.

Division of labor is expressed in the market as a type of social cooperation that comes from specialization—physical and intellectual specialization. The idea that the market process is quietly consultative in nature—which is a very high form of cooperation—implies that there is an intellectual division of labor, or in other words, specialization contained in the wisdom of each of the market-process participants. The increased wealth that results from division of labor provides incentive for such specialization.

The existence of division of labor indicates that there is a desire for more goods in the economy. Division of labor brings capital into existence, provides for diverse wisdom to enter the consultative market process, and it generates wealth which provides incentive for even more division of labor. It is an act of social cooperation. Mises concurs:

In a hypothetical world in which the division of labor would not increase productivity, there would not be any society. There would not be any sentiments of benevolence and good will.[65, p. 145]

Medium of Exchange

As the division of labor continued and the economy evolved it was discovered that certain goods were basic to human well-being and therefore commonly sought after. Some of these basic goods were relatively less perishable and relatively easier to transport which made them valuable not only as a commodity but as a means of indirect exchange.

All over the world there were a myriad of mediums of exchange that emerged from different cultures. The most universally accepted medium of exchange that naturally emerged from the unhampered market was gold. It so happens—in contrast—that artificial mediums of exchange instituted by the interventionists are highly susceptible to corruption since they only exist because of a corruption of the natural processes of the divine economy to begin with.

Just as the market historically sifted through the alternative mediums of exchange and settled on gold, the test of a good medium of exchange is that it serves the economy and leads to further efficiencies. Confidence that it has value that cannot be destroyed makes it an effective economic means of traversing the time element. Overcoming this time element in the economy brings with it new and wonderful possibilities.

Once a medium of exchange is in place and universally accepted then all goods and services produced are valued in those terms. This was a major advancement since it made cost accounting possible. Both inputs and the goods and services produced were then in the same terms. From this point forward it was possible to evaluate and to determine profit and loss.

However if there is counterfeiting of the medium of exchange of any kind then the counterfeiters, who have not contributed anything to production, cause the exchange value of the money to decrease. Subsequently, the purchasing power of the money is negatively affected and it falls. The counterfeiters get something for nothing but the productive members of society are ultimately stolen from. This is true no matter who is the counterfeiter, the guy down the street or the central bank. Additionally, counterfeiting undermines the time element efficiency gains that come from having a perpetually good medium of exchange.

Time Preference

Time preference is the praxeological law that explains how humans value time. All humans prefer to have whatever good or service they need, now rather than later. They prefer to have the needed good now so if they have to wait then a premium is assigned to the good. The present good is equal to the same good in the future plus a premium.

Time preference is high or low but always positive. One way of understanding time preference is to recognize that there is always a 'cost' involved with saving until later rather than consuming in the present. It is either relatively high or relatively low. The higher the time preference the higher the discounting applied to the future. If people foresee war or fear for the future they will have a high time preference and will save less. In their eyes it is more costly to save.

If people foresee peace and prosperity on the horizon then they have a relatively low time preference and will be more willing to save. A lower time preference has a reciprocal effect, it brings about a higher degree of prosperity. Let us assume that I see good things on the horizon, like peace and trustworthiness. That makes me feel secure and confident about the future. As a result I will save if I have income greater than my current needs. My savings will then be used to advance prosperity.

Pure Rate of Interest

The premium assigned to future goods relative to the same goods in the present would represent the pure rate of interest at the individual level. The collective expression of this valuation for each culture is the pure rate

of interest. The only way to get a sense of this expression of the cultural time preference is in the market since all real signals are sent within the market. What you find in the market is the market interest rate—which is the pure rate of interest, plus a premium to compensate for the risk incurred over time for the particular endeavor, plus a factor (that is often underestimated) which is an attempt to account for the changes in the purchasing power of the money if the money is being corrupted.

To get a realistic snapshot of the market rate of interest we look at the demand and supply of loanable funds. The amount of loanable funds available represents the supply side. The demand for loanable funds intersects the supply of loanable funds determining the market clearing price, which approximates the pure rate of interest. In brief, in an unhampered economy time preference is a major determinant of the supply of loanable funds and the demand for these loanable funds by entrepreneurs represents the demand side. See Diagram 4g.

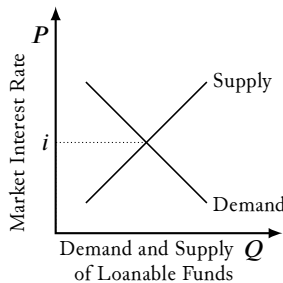


Diagram 4g: Market interest rate and loanable funds in an unhampered economy

Savings

The time element of the economy causes befuddlement among economists and non-economists alike. Savings is simply the allocation of income over time. Most understand that income is allocated among various goods and services in the present. For example, I spend some of my income on housing, food, clothing and entertainment, and that is understood. Expanding on this thought, now in addition to these I also allocate a portion of my income to a time horizon that extends into the future. This is savings. Savings then translates in the economy as loanable funds. The befuddled ones miss this point.

Economic growth is limited by loanable funds. Savings is simply another way of saying loanable funds. It is true that wealthier individuals have a larger portion of their income, in absolute and perhaps as a percentage of the total of their income, directed into some form of savings. These are the funds that people have willingly made available for use, in exchange for a rate of return based on their time preferences. Now, regardless of the current stock of savings and investment, the key to economic development is new and additional savings which releases new capital for use by entrepreneurs in already established and new productive efforts. This is what is meant by economic growth.

The market absorbs and conveys information about the present plus it conveys all of the time element information as perfectly well as is possible. Essentially, the market is in divine order.

It is one thing for the befuddled ones to miss the point that savings is simply an allocation of income over time, but it is quite another and more sinister thing for the befuddled ones to then impose acts of intervention on the market due to their ignorance of what savings is. An example of this would be lowering interest rates to encourage consumption and discourage savings. This act of interference is done because the interveners regard savings as the absence of consumption rather than as the conscious choice to consume at a later time. Intervention into this part of the economy, directed towards reducing savings, is extremely disruptive and it is destructive of capital.

Monetary Theory

Money is a medium of exchange that permits indirect exchange and brings about all the resulting efficiencies. Give consideration to these efficiencies by contrasting them with the awkwardness and impracticality of having to barter each and every time you wished to make an exchange.

One of the defining and determining qualities used when human societies chose its medium of exchange was the stock of money. Typically the medium of exchange was neither superabundant nor was it extremely rare. However once the medium of exchange is adopted in the market, because of its superior qualities and its performance as a medium of exchange, the stock of money is a non-factor. One stock

of money is as good as another. If the demand for money increases it simply causes the value of each unit of money to increase.

Prices of all goods and services are in terms of money so the relativities expressed in the market are maintained, which means that the market functions as always, conveying information about the relative prices of goods and services. The divine economy equilibrates quickly and it instantaneously adjusts itself to each market interaction regardless of the stock of money.

The stock of money circulates in the present and connects the present to the future through savings. Savings represents loanable funds which becomes capital. Capital is what enables people to get paid now for their present services even though the ‘end of the line’ fruit of their work does not make it to the market until some time in the future.

The medium of exchange that is chosen in the divine economy—due to its merits—is universally and voluntarily accepted, partially because it cannot be manipulated artificially. One such example is gold. In other words, no amount of alchemy can create gold out of thin air, which means that there is no such thing as a business cycle in the divine economy. God does not play games with the economy or with mankind. However, the interventionists are playing a monetary game with the economy by manipulating the stock of money. One of the most visible consequences of their intervention is the repeated occurrence of a business cycle. It is the mismanagement of the monetary system by ego-driven interventionists that causes these business cycles.

Entrepreneurship

The spirit of entrepreneurship is uniquely human. It is the quality of being alert to possibilities. It is the driving force in the economy and it has origins in the disutility of labor. Even though all human beings possess various degrees of capacity for entrepreneurship most of the time for most people it is only a potential, resting in latency.

It is the interactions that take place in the market, the sparks of information there, which activate entrepreneurship. The most active entrepreneurs intentionally go to the market in an alert state methodically seeking arbitrage or other opportunities. They systematically seek prospective differences between revenues and costs in excess of the

natural interest rate, taking into consideration price expectations. Some active entrepreneurs just happen to be at the right place at the right time but afterwards quickly return to latency.

There is some active entrepreneurship that is a response to a 'gut feeling' and some that comes from systematic calculation. Both are responses to opportunities perceived from the market information. The chances of success—yielding a profit rather than a loss—are greater when the entrepreneur has systematically examined the possibilities for profit or loss before taking action.

Regardless of whether it comes about from relative novices or experienced entrepreneurs the market process is driven forward by entrepreneurship. Opportunities are sought after and found. As described by Kirzner:

The entrepreneur's activity is essentially competitive. And this competition is inherent in the nature of the entrepreneurial market process. Or, to put it the other way around, entrepreneurship is inherent in the competitive market process.[47, pp. 16–17]

None of this happens in a risk-free world of certainty. In fact the exact opposite is the reality. What an entrepreneur may discover to be an opportunity may never materialize. What seems like good timing may fail in real time. Or to the contrary, the timing and magnitude and location of an endeavor may indeed satisfy the wants and needs of consumers significantly more—just as alertly discerned. Profits and losses are regulating forces and both are inherent in the market. A market that is uncorrupted by intervention—that is, a free market—allows the entrepreneur to most clearly perceive the signals needed to serve all of our needs.

Risk

Risk is an inevitable part of the economy because there is uncertainty and imperfect knowledge. But there are market equilibrating forces that moderate risk. Savings, for one, serves to mollify risk since savings can be used to meet an immediate need or it can be directed toward production for the future. If risk is of an actuarial nature then purchasing insurance will lead to a reduction of risk.

Entrepreneurs take on the role of major risk-takers and relieve others of that burden. Additionally, there is the likelihood that many of the entrepreneurs are skillful and have gained wisdom from their experiences, which skews risk towards success, lessening the degree of risk. For instance, entrepreneurs skillfully calculate economically using market information about relative prices, revenues and costs, and the availability of capital, which adds systemization and discipline to the decision-making process.

Finally, the level of charity that a society has reduces risk accordingly. If people care about one another they will give assistance when the unpredictable leads to misfortune. This lessens the risk for those affected by dire circumstances.

There is enough uncertainty and risk in the economy without more being created by the interventionists. The claim is made by those who interfere with the economy that they are reducing risk. What that actually means is that they are trying to reduce the risk for some particular favored group.

These ignorant or ego-driven interventionists do not and cannot fathom all of the negative consequences that result from their acts of interference with the market forces. Their disruption of the market process, in and of itself, increases risk for everyone, even the “protected” and favored groups. Everything becomes riskier in a hampered economy since the flow of knowledge is impeded.

Disequilibrium

The fact that there is always uncertainty and imperfect knowledge implies that the economy is constantly in flux. Errors are inherent but fleeting; are followed by fleeting inherent errors again, and so on and so on. The equilibrating forces that operate in the market—one of them being entrepreneurship—constantly purge errors.

The forces underlying demand and supply move the economy towards equilibrium. Never is the economy in equilibrium but it is always tending towards it. Disequilibrium, with powerful tendencies toward equilibrium, is the norm. If errors persist and linger that indicates that the error has become institutionalized and to some degree impermeable to market forces. All institutionalized errors are caused

by human intervention and prevent the full expression of the divine potentials of the economy.

Order / Transformation Quadrant Example—Savings

Let us examine the difference between human savings and the savings of a squirrel. Apparently both anticipate the future! The squirrel's action is very strongly driven by instinct; however if environmental conditions change significantly the squirrel will modify the size of its cache. Likewise, human savings will be modified as a consequence of conditions. Human intelligence, which can span time conceptually and which can unravel the numerous and various complexities of the world, enables humans to save purposefully. Simply stated, savings is a productive and vital aspect of life.

Under the current system of economic intervention, the proponents of intervention come to the bizarre conclusion that savings is harmful. For example, Keynesian economics—a variant of which underlies the predominant economic systems practiced worldwide—demonizes people's choice to save. Their forced incentives to diminish savings is like force-feeding the squirrels this year only to find that their essential cache for the future is completely gone, ultimately leading to disaster.

Order / Transformation Quadrant PPF Example

Since this example (savings/dissavings) is so similar to the one (the consumption/investment PPF) used when I introduced the production possibilities frontier concept in Chapter 3, I will select a different principle—different from savings—to use as the example for this quadrant. Let's look at entrepreneurship. See Diagram 4h.

The 'no growth' point is where the potential of alertness is offset by distorted signals. As more and more economic signals are distorted the economy contracts as shown in Diagram 4i.

In an expanding economy the chances of successful entrepreneurship increase because the signals are real, and vice versa, since the signals are real the chances of successful entrepreneurship are greater. See Diagram 4j.

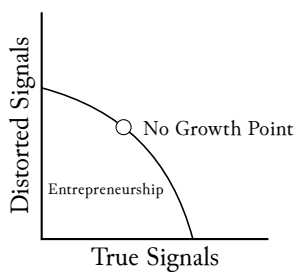


Diagram 4h: 'Entrepreneurship' production possibilities frontier

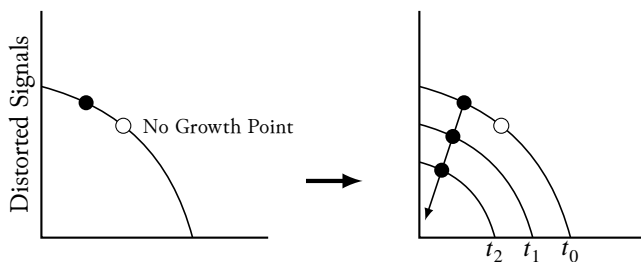


Diagram 4i: 'Entrepreneurship' contracting economy

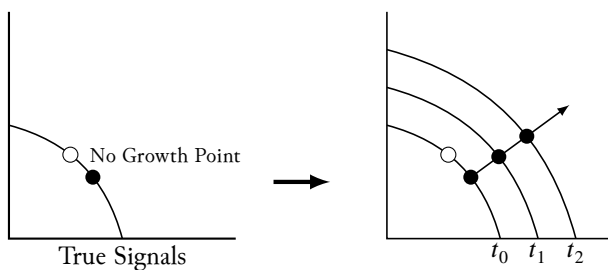


Diagram 4j: 'Entrepreneurship' expanding economy

Summary of the Order / Transformation Quadrant

Born from the womb of the economy are such specializations as division of labor and medium of exchange. Unborn—time seamlessly connects the present and the future economy via the price known as the pure interest rate. Savings, or the supply of loanable funds, is available to be used for economic development by entrepreneurs who see discrepancies in relative prices in the present and over extended time periods. It is discernment of the interactions within the market process that transforms from latent to active each hopeful entrepreneur. Human intervention into the market distorts market signals and causes dire consequences in the present and in the future. These distortions, at least the ones stemming from artificial interest rates, are called malinvestments.



Selected Exercises

1. Develop an 'Example' for one of the specific principles, other than savings, in the Order/Transformation Quadrant.
2. Identify what the 'no growth' point represents for each of the nine principles in the Order/Transformation Quadrant.



REAL WORLD ECONOMIC PRINCIPLES IN THE TRANSFORMATION / LAW QUADRANT

I have chosen eight economic principles for placement in this quadrant. These eight principles demonstrate reciprocal action within the continuum bounded on one side by capital and on the other by property rights. This is a fascinating quadrant since it attempts to bridge the role of capital as it transmutes and transforms, with the non-transmutable nature of the law of human rights. See Diagram 4k.

Willingness to Work

If we assume that there is no coercion then the first order of incentive for the human being is to meet one's own needs. Since it is possible to meet

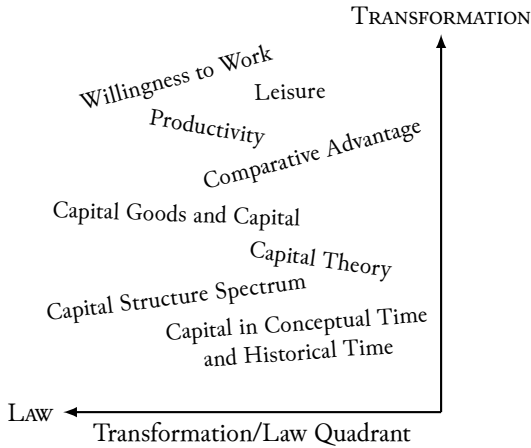


Diagram 4k: Economic principles in the transformation/law quadrant

one's own needs by taking action; that is what is done. What we acquire from our labor we are able to keep, presumably. It can be deduced that this basic property right is necessary and sufficient to make a person willing to work.

A negative corollary is that without the right to receive the fruits of one's labor there would be an unwillingness to work. Nothing destroys the willingness to work faster than removing the human right to 'reap what you sow.'

Leisure

Leisure is having the time to appreciate any wealth above basic subsistence. Leisure describes the circumstance that exists once all vital needs are met and a choice is then made to refrain from work to pursue something more pleasurable. Consider the significance of leisure. Not only does the transformation of labor into property give an incentive to work but acquisition of even a most rudimentary property right—here given as time to rest—gives one the right to make choices. As soon as there are choices there is the potential for leisure, for division of labor, for active entrepreneurship, and for the emergence of capital.

Productivity

The more productive one is the more property rights one acquires. The more property rights one has the more choices there are, which further cascades into more loci for entrepreneurial action and more diverse types of capital investments.

Technological innovation springs from these diverse types of capital investments. Guess what? All of these lead to increased productivity. Productivity, then, is an expression of individual initiative and it leads to increased real wages.

Operating within this milieu is the productive actions of businessmen and the users of capital and it is their actions that generate profits. A portion of these profits then goes towards new capital in the form of wages and factor incomes. Businessmen and women and the users of capital play a guiding role, as stated by Mises:

What produces the product are not toil and trouble in themselves, but the fact that the toiling is guided by reason. The human mind alone has the power to remove uneasiness.[65, p. 142]

This advancing productivity is thoroughly described by Reisman:

The precise nature of the work of businessmen and capitalists needs to be explained. In essence, it is to raise the productivity, and thus the real wages, of manual labor by means of creating, coordinating, and improving the efficiency of the division of labor.[72]

The cascading continues. If I am more productive then my real wage will increase which translates into more savings provided the future is perceived as hopeful. This will create new capital which will be used to increase productivity.

Increased productivity can be defined as more consumer goods per productive unit. As the supply of goods increases the price of those goods decreases, which means an increase in the standard of living in real terms. What can be discerned from this is that property rights, which underlie productivity, serve as the foundation for development. Once the connection between property rights and productivity is understood a new work ethic will emerge.

Comparative Advantage

Comparative advantage is a derivation of the concept of relativity. Regardless of absolute advantage every person or geographic unit has a comparative advantage with regards some good or service relative to their trading partners. Trade occurs only if both sides benefit, implying that there is a double inequality in exchange. Both trade partners value what they get more than what they trade away.

Comparative advantage is also a derivative of the division of labor. Trading partners will divide their labors so that each is producing and trading the good or service that enables both sides to maximize their benefit from trade. This specialization from division of labor, combined with the secondary benefits that come from both trading and from maintaining a base of productive capacity, is what captures the benefits of comparative advantage.

The resources that are uniquely mine as part of my skill set and my property rights are such that I have a comparative advantage with regards something, relative to my trading partners' skills and property rights. If we engage in trade, the fact that we do trade means that we both have gained. Therefore the gain is in some degree an advancement which then can be consumed or otherwise used to expand my property rights—possibly into capital goods—either directly or indirectly through savings. To take full advantage of the opportunities that come from trade (exchange) I will specialize in producing the good or service in which I have the relative (comparative) advantage.

Capital Goods and Capital

These are intermediate goods or producer goods which make it possible for consumer goods and services to be made more readily available and/or of higher quality. Capital goods initially require the use of capital to pay those making or using the capital goods until there is a flow of income from the 'end of the line' consumer good or service. It is easy to see that capital structurally exists in different stages of development. Some capital goods are already completed and are producing goods. Other capital is tied up in capital goods which still are not completed and still are not producing goods.

Capital is a loan of the fruits of past labor. The users of capital—capitalists—pay for the factors needed, either as wages or as factor incomes (to factors other than labor), as part of the production process. These wages and factor incomes are costs to the capitalist.

If the returns to capital are greater than the costs of capital then the capital value increases. Additionally, if new or free capital becomes available it is alertly used since capital is the most limiting factor in the economy. Capital originates from loanable funds, that is, from savings. Just as economic growth is limited by capital, consumption is limited by production. Notice the sequence for an advancing economy: savings then capital then production of goods and services for consumption.

Something that has to be addressed: there is a severe prejudice towards the word ‘capitalist.’ The historical reason for this prejudice is outside the scope of this book. In the divine economy the capitalist is seen as a real and vital agent of the economy just like time is a vital element or entrepreneurs are vital agents, or just like property rights are considered as vital.

This book makes it clear repeatedly that there is a great deal of ignorance about economics and so there are many prejudices to be overcome. Mises broadens the view when addressing productive capital:

Production is not something physical, material, and external; it is a spiritual and intellectual phenomenon. Its essential requisites are not human labor and external natural forces and things, but the decision of the mind to use these factors as means for the attainment of ends.[65, p. 142]

Education is a type of capital. The education that is necessary for remedying the problems of economic prejudice and ignorance will not come from institutions that are funded by the interventionists. This book is one of the ways to gain clarity about economics, independent of contemporary prejudices.

Capital Theory

Of all the factors in the economy capital is the most limiting. Why? Look back at the sections about loanable funds and time preference. People strongly prefer things in the present. Therefore even under the most peaceful conditions only a small proportion of their incomes

will be saved. Whereas the other half of the loanable funds market is the demand for loanable funds; and that is a function of what can be described as an intense and determined search for capital in the market.

Capital is the most limiting factor in the economy because it is constrained by loanable funds. The economy is also most limited by capital since capital is the transformational element of the economy which, of course, would make it highly sought after. Remember the earlier discussion about the efficiency gain that comes from division of labor. Well, it is capital that yields a cumulative and collective efficiency gain for the economy that dwarfs all of the other economic factors. Capital is the key to progress.

Once the primitive economy moved beyond individuals being self-sufficient but barely subsistent, capital became the means of payment to labor and other factors used in the production of goods. In reality there is no rivalry between labor and capital except in the fictional model of the world imagined by Marx and those who are like-minded, where capital is selectively excluded from the economy. Labor is intimately and ultimately the beneficiary of capital just as are the owners of the other factors of production.

Let us consider the economically relevant subject of the formation of capital. Here, disutility of labor is a motivating element, as is time preference (which determines the level of savings). Refer to the interactive three-way relationship in Diagram 41. Division of labor, a specialization that is an expression of human diversity, creates in the market loci for arbitrage and profit opportunities. This quickly draws the attention of alert entrepreneurs. Savings are then used as capital by the entrepreneurs to pay the wages and factor incomes until the time when revenues can. Sales revenue minus the money costs (wages and factor incomes) eventually yields a profit (or a loss). Some of the net income then re-enters

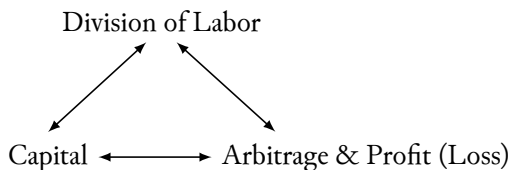


Diagram 41: Interactive three-way relationship

as loanable funds, that is, as ‘new’ capital. Entrepreneurial alertness also contributes to the identification of ways to specialize, combining with capital to augment the division of labor. See Diagram 4l.

Another interesting economic benefit from capital is the actual generation of information about both revenues and costs as a result of the application of capital in the economy. It is the involvement in the economy by capitalists that creates wages and factor prices (these are their costs) and sales revenues. These wage and factor prices serve as a source of information, enabling entrepreneurs and capitalists to calculate so they can make rational decisions. If we assume these decisions are from the market signals in a divine economy (in other words, in an unhampered, free market, laissez-faire economy), they are fully compatible with the divine concepts of unity and justice.

In a ‘Crusoe’ situation—one person isolated on an island—the initial payment for his initial work (his wage) equals his profit. He works by climbing a coconut tree and he eats the coconut (profit). At that point the wage to profit ratio is equal to one. Once there is an opportunity to specialize (trading with others in a market) and there is savings, capital enters into the scenario which potentially generates wages and factor incomes. To see how capital benefits labor, refer to Diagram 4m. Notice the intricacies that make up the economic definition of an ever-advancing economy.

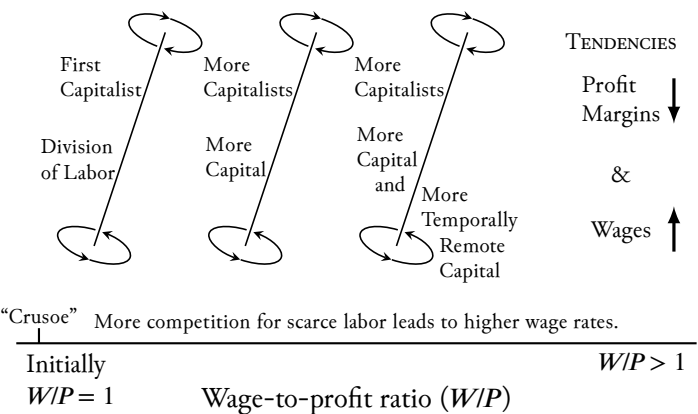


Diagram 4m: Capital benefits labor

If there are profits then that will end up creating 'new' savings. New savings means more capital which attracts those seeking capital. As the number of capitalists increases wages and factor incomes increase because there is competition for these scarce resources which puts upward pressure on the wages and factor prices.

Division of labor at the early stages near 'Crusoe' was crude but as it is directed by businessmen and capitalists, division of labor becomes more refined. The process continues. Generation of wealth not only brings more capitalists to the market but it also leads to an expansion of the use of capital to more productive, temporally remote production processes.

As the number of capitalists increases the profits tend to decrease, with each getting a smaller portion, independent of the wages and factor incomes paid out during production. In other words, wages and factor incomes tend to increase while profits tend to decrease. Additionally, every innovation and improvement that comes from this process ultimately reaches the consumers who benefit from both better products and lower prices brought about by innovation. In summary, the wage to profit ratio (W/P) increases as civilization advances.

There is a tendency toward a uniform rate of return on all capital invested which closely approximates the pure rate of interest. Mises makes a similar observation:

The history of mankind is the record of a progressive intensification of the division of labor—The operation of the principle of division of labor and its corollary, cooperation, tends ultimately toward a world-embracing system of production.[62, p. 234–5]

Business cycles do not occur in the divine economy since none of the signals in the market are distorted. The market interest rate truly reflects the amount of savings that people have, creating a balance throughout the capital structure between the present and the future. When an artificial interest rate is created by the deceitful practices associated with fiat currencies the entrepreneurs allocate capital incorrectly—in both the amount invested and the capital invested temporally across the time horizon—which leads to a business cycle.

If we make an assumption—that there is only a single act of intervention—then all the malinvestments would be purged by the

divine economy during the passage of one business cycle. But since resources are allocated across a span of time and across a spectrum of capital structure, a business cycle is not merely something that happens at one specific point in time. The negative consequences manifest themselves over many time periods or until all the malinvestments are purged for the duration of that cycle.

If consumer credit is extended in the market artificially, which means that it is unmatched by existing savings, capital is consumed. What is happening is that consumption is in excess of the productive capacity. Productive capacity in the economy is supported by the level of savings and the subsequent capital. The only way to now consume more is to use current savings, which was to serve as the loanable funds for 'new' capital and economic growth. This is the equivalent of consuming capital which consequently will cause the economy to regress, the typical consequence of intervention.

The important point to note here is that the divine economy heals itself and cannot be destroyed. All disruption and disorder in the economy comes from corruption caused by human intervention. Equilibrating forces begin to clear these afflictions almost immediately after intervention is halted. Rest assured that the power of the divine economy is indestructible and self-healing.

Capital Structure Spectrum

Production of all types requires capital. Some capital may be needed for a short time like a day or a week or a month. Other capital needs to suffice production for years. The picture that emerges is a wide array of production, funded for varying lengths of time, all of which makes up the capital structure funded by savings.

The starting point of an endeavor is very significant. If there is plenty of capital available at the beginning then the scale of production can be of a greater magnitude. Likewise, if there is plenty of capital the temporal remoteness from the consumer good can be greater. In other words, there can be more research and development when capital is relatively plentiful, which ultimately makes the possible fruits of that endeavor greater.

The concept of originary interest[65, p. 526] is closely related to time preference but it can be used to explain a different aspect of the economy. Originary interest is another of the praxeological laws that describes how humans act. People act in such a way that demonstrates that they value present goods higher than those same goods in the future, in relative terms.

In and of itself originary interest explains why people take action in the present. Without this conceptual reality operating in the human psyche there would be no consumption since there would be no preference for anything now. Humans devoid of originary interest would have no motivation to eat now, in the present, which would cause the species to go extinct. Needless to say, human beings do, indeed, place a high valuation on the present.

After considering all of these points it becomes clear that capital structure is really a spectrum. The most immediate end of the spectrum is current consumption: say, ice cream about to be selected from the freezer at the store. The more roundabout means of production, those that are temporally remote from the consumer, are located towards the other end of the spectrum. Capital is heterogeneous and inherent, beginning with consumption goods at the most immediate end of the capital structure spectrum. See Diagram 4n.

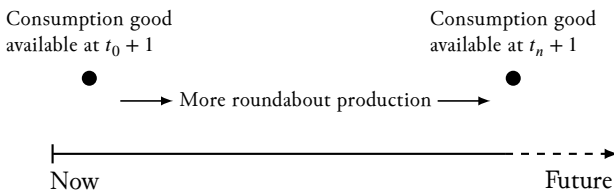


Diagram 4n: Fruits of the capital structure spectrum

The capital structure spectrum is a conceptual representation of the various fruits of capital (consumption goods) over time. This idea of one spectrum for all the various forms or structures of capital serves as another proof of the inseparability of capital from the consumption choices made to sustain and satisfy life. There is nothing evil about capital, in fact, capital is simply a vital element of the economy.

Capital in Conceptual Time and in Historical Time

When there appears to be no time other than the present ($t = 0$) the originary interest tells us that all consumption would be immediate. There would be no savings. When the time horizon expands ($t + 1$) the originary interest tells us that priority is given to the present time but that a pool of funding will begin to form unless, that is, the economy is in a primitive condition of basic subsistence. Of course the concept of time implies that there is a future. Thus, conceptual time shows that capital inevitably forms.

When the economy began in its simplest form, which let's say occurred at $t = 0$, the effort made just for survival meant that the gain (profit) was equivalent to the compensation for the labor (wage). In other words, the hunger was satisfied or the thirst was quenched. As the economy evolved ($t + 1$) and progressed past subsistence due to the development of division of labor, capital became available to pay wages and factor incomes (money costs) and the capital structure formed. Then the 'revenues minus costs' information brought about the ability to calculate which then enabled entrepreneurs to drive the economy forward. Historical time shows that capital emerges and serves to continually increase the wage-to-profit ratio. Notably, labor and productive factors are the beneficiaries of capital.

Transformation / Law Quadrant Example— Comparative Advantage

Comparative advantage operates in human society because human beings are complex and they have a plethora of needs and wants. To some extent geographic distances act as a limitation. Since there are numerous trading partners with a great diversity of special skills and talents, all of whom also have a great number of needs, the law of comparative advantage operates without fail.

This law can be violated causing great harm to all and especially to those whose alternatives are the most limited. One example of intervention that does this type of damage is any kind of trade barrier, for example, tariffs. A regional, simple economy may need to have free access to markets for their comparative advantage to be realized. Tariffs may destroy the feasibility of its comparative advantage, depriving this

simple regional economy of the ability to transform itself. Without such interference the law of comparative advantage would activate all the agents of prosperity: division of labor, then trade, and possibly savings, capital, and entrepreneurship—that is, if we assume that property rights exist.

Transformation / Law Quadrant PPF Example

The ‘no growth’ point in this example (Comparative Advantage) is where free trade and division of labor are offset (negated) by trade barriers. See Diagram 4o.

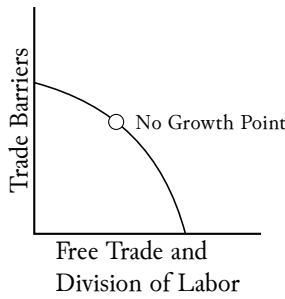


Diagram 4o: ‘Comparative advantage’ production possibilities frontier

As more trade barriers are raised there is less ability to take advantage of the division of labor. The result is a contracting economy. See Diagram 4p.

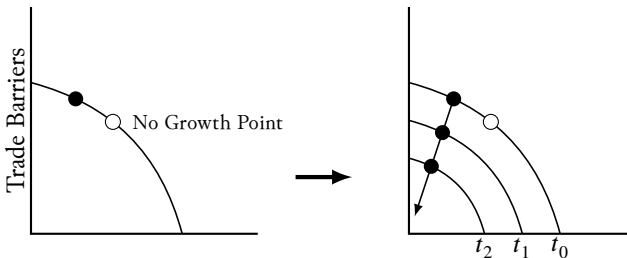


Diagram 4p: ‘Comparative advantage’ contracting economy

Free trade increases the division of labor which leads to wealth-generating specialization and capital formation. In this environment the economy expands. See Diagram 4q.

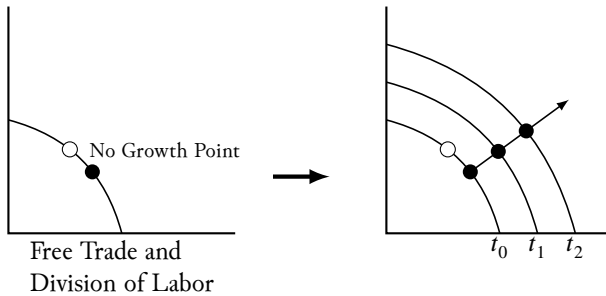


Diagram 4q: 'Comparative advantage' expanding economy

Summary of the Transformation / Law Quadrant

The divine economy rests firmly on property rights. In contrast, what suffers most in an economy hampered by weak property rights is people's willingness to save and the ability for capital to accumulate. The economy then loses its power to transform. The divine economy has an intricate capital structure which acts as an agent of transformation leading to economic development. Built into the divine economy are all the incentives that encourage movement towards more choices and towards the use of capital.



Selected Exercises

1. Identify the 'no growth' points for each of the eight principles in the Transformation/Law quadrant. Compare them in a simultaneous equations format and come to at least one conclusion.

Examples of simultaneous equations:

From last section:

Entrepreneurship + True Signals = Expanding Economy

From this section:

Free Trade + Division of Labor = Expanding Economy

2. Now state the conclusion that you arrived at in exercise one in terms of a non-interventionist policy.



REAL WORLD ECONOMIC PRINCIPLES IN THE
LAW / HUMAN SPIRIT QUADRANT

I have chosen five economic principles for placement in this quadrant. See Diagram 4r. What we have here is the blending of the human spirit as it operates according to the universal laws inherent in the human operating system; blended with a legal framework that is based on the divine principle of justice. At the heart of the divine economy is the transcendental property right—transcendental because there is no real separation between property rights and human rights. As presented by Rothbard:

In the first place, there are senses in which property rights are identical with human rights: one, that property can only accrue to humans, so that their rights to property are rights that belong to human beings; and two, that the person's right to his own body, his personal liberty, is a property right in his own person as well as a 'human right.' [76, p. 113]

All the various forms of human rights are merely different types of property rights and serve as a protection of the human spirit. Enforcement of law is within its proper bounds when it is limited to the defense of person and property against all types of violent and coercive intervention.

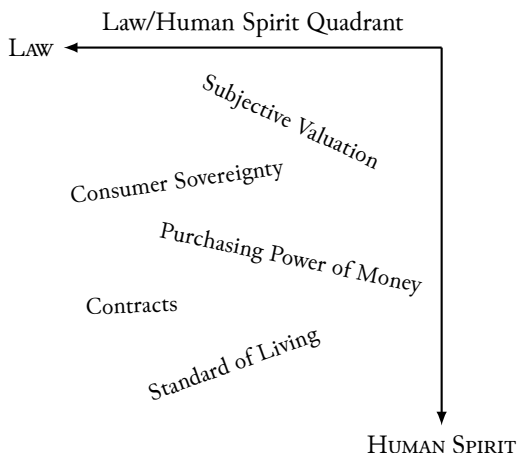


Diagram 4r: Economic principles in the law/human spirit quadrant

Private ownership of the means of production benefits everyone since the fruits of those means of production go to everyone via the market. This is part of a continuous and progressive process and it translates into what can be described as a rising standard of living. Prosperity, which can be defined as an ever-improving standard of living for everyone, is the outcome of exercising property rights in an unhampered market.

Subjective Valuation

Each person is unique and has unique interests—that is, both in the array of interests and the degree of interests. Each choice made is a reflection of that person's subjective valuation.

Subjective valuations do not have an empirical nature to them. There is no number that represents your like or dislike of an orange. Nor is there a need for such a representation since the market perfectly handles each subjective choice instantaneously and in conjunction with all the other relative and subjective choices. Subjective valuation is a human right emanating from the human spirit.

Consumer Sovereignty

Human beings are created noble, created in the image of God. The world and all of its wonders are for the glory and exaltation of humanity. In the end, all things in this world serve mankind. When a desire is manifested as a choice there is an opportunity for some of the resources of the world to be directed towards meeting that desire.

In a sense all forces are mobilized to answer the command of the king—the consumer. The entrepreneur, by nature, is alert to these opportunities and perceives the signals sent in the market. The motion set in order by the entrepreneur moves resources towards whatever means are needed to satisfy the consumer—the king.

Production of goods and services to satisfy the king—the consumer—necessitates that the producers hire labor and other resources. This consumer oriented production employs people directly or indirectly. In that way all of the 'subjects' benefit from the producers' service to the 'king.'

Wherever in the economy the consumers spend more the profits rise and this stimulates economic competition; followed by specific

investment and production. In other words, the pattern of investment and production follows the consumer spending pattern, in obedience to the 'king.'

What if a righteous person notices that the consumers are choosing foolish things? Although the divine economy is always in operation, the degree of the maturity of humanity is always in a state of imperfection. The present position of the ever-advancing economy along the spiritual maturity spectrum (Diagram 4s) is due to the state of perfection that mankind has reached and due to the amount of hindrance of the divine economy by intervention. Relative to the future humanity at the present is immature, but relative to the past humanity is advancing toward higher ideals and values. See Diagram 4s.

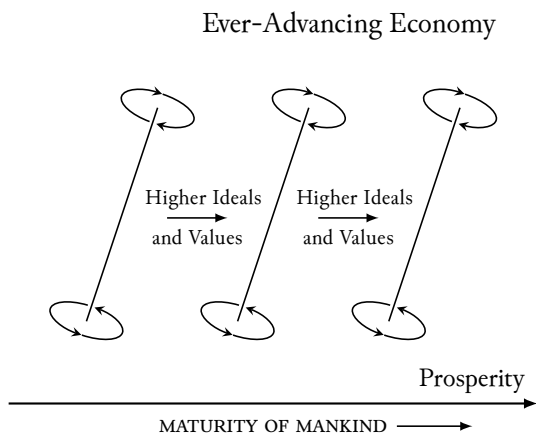


Diagram 4s: Maturity of mankind

The divine economy is not to be blamed for the present shortcomings evident in humankind. Instead, intervention needs to be removed so that information can flow freely and so that the divine virtues inherent in human beings can be more readily discovered and 'acquired' and polished.

Purchasing Power of Money

Money is the medium of exchange that enables the benefits of indirect exchange to permeate the market. It has value relative to all the other goods in the economy. The value of the money that I possess is my

property, in other words, it is a property right of mine. If I can expect to get 2 pounds of sugar for one dollar but instead, surreptitiously, I receive only one pound it is clear that there has been a theft. The equivalent value of fifty cents was quietly taken from me.

Likewise if the money is debased by deliberate actions, everyone who uses the money is a victim. Stealing incrementally from everyone who uses the money (and necessarily in ways that favor those with ties to the interventionists) does not make such an act, the debasement of the money, a just act by any righteous definition.

The value of money finds its real definition in the market relative to other goods and services but it is based on the demand for money and the supply of money. If there is the ability to print money (counterfeiting and central bank inflation, as examples), then by increasing the supply of money without respecting the property rights of all those who have money, the purchasing power of money—its value—will decline. All holders of money will then have their property rights violated.

Contracts

The purpose of contracts is to provide a legal framework for protecting private property and market operations. The gains from trade and exchange extend into the economy by the ensuring of both payments and delivery as accorded by contracts. This contractual protection of private property encourages savings and the accretion of capital across the time horizon which raises the standard of living for everyone.

Ownership: There can be only one person (or any of the larger business entities of ownership) that has the exclusive rights to a particular physical piece of property at the same time.

Rent and Interest: Ownership of land or of a durable good or of loanable funds confers the right to portion it out to others and to charge them for its use. Ownership does not necessarily equate with use. Use does not define ownership.

Insurance: The providers of this type of contract define the risk groups and discriminate between risk groups and establish a contractual relationship with the client based on actuarial data.

Standard of Living

A standard of living needs to be measured in real terms, not in nominal terms. In real terms the standard of living increases as capital increases and as division of labor takes place. To see how capital, incrementally new capital, leads to an improved standard of living refer to Diagram 4t. In other words, as productivity increases real wages increase even while market competition is pushing the economy towards a uniform rate of return on capital.

Ever-Advancing Economy (Also Showing How It Is Interfered With By Intervention)

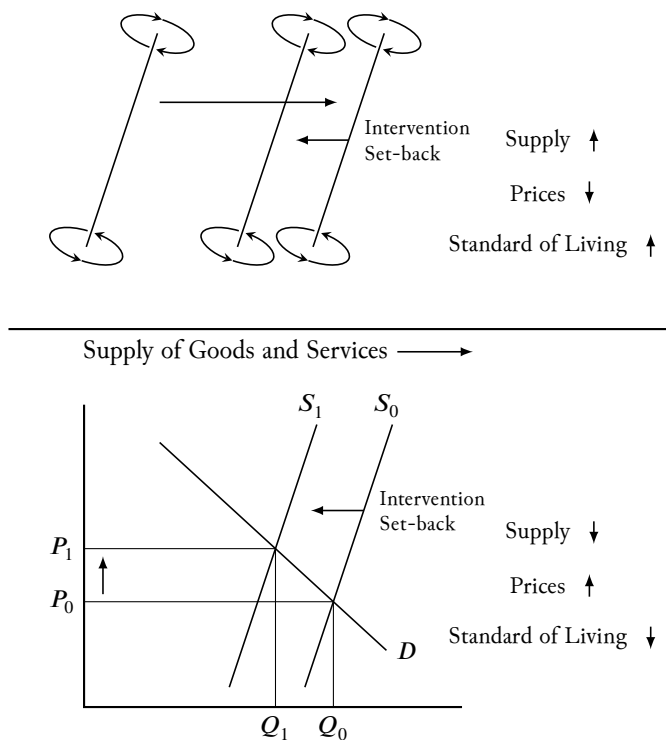


Diagram 4t: Capital advances standard of living but intervention does not

Now here is the vision of the standard of living that is possible in an unhampered economy, the divine economy. As capital increases productivity increases, which causes the supplies of goods and services to increase, thus causing their prices to decrease. And since productivity is increasing, in turn, real wages are increasing which means, overall, that the standard of living is increasing. As the standard of living increases the perception of hope and prosperity increases which means that the time preference lowers. A lower time preference translates into more savings which brings us back to the beginning stage of this 'standard of living' cycle: that is, an increase in capital resulting from an increase in savings. Notice the trends—capital increases productivity, prices decrease, real income increases, the standard of living increases and prosperity increases. (Contemplate the ever-advancing economy by studying Diagrams 4m, 4s and 4t.)

Increases in nominal wage rates without increases in productivity (which occurs in a hampered economy) are attributed to inflation of the money supply and this anomaly can be traced back to the interventionists. In the long run the standard of living decreases in real terms despite nominal increases. In other words, the supply of goods and services do not increase while prices do increase, because of inflation, which lowers the standard of living. See Diagram 4t.

Law / Human Spirit Quadrant Example— Subjective Valuation

The divine economy rests on the foundation that each and every human being is created in the image of God and that each one is unique. Unique in the sense that there are no two alike, never were and never will be. How could there be anything other than subjective valuation in the human realm, then, by definition? If we are all different in the array of qualities of spirit and fabric then necessarily we will always intellectually function subjectively.

This is not a problem scientifically as long as the proper methodology is used. Applying the objective methodology of the natural sciences, as if we operate like atoms within a molecule, is inappropriate. Many of the economic fallacies, today propagated as economic facts, were derived from trying to use an objective methodology upon a creature which is subjective by nature.

Only the subjective methodology can accommodate free will. Free will is another foundational piece of the divine economy since all of the actors in the economy have free will. Free will is also a foundation of the creation of humankind; it is part of human nature. It manifests itself in the independence of each decision made within the mind of each person—which is subjective valuation. Each decision is unique to the circumstances deemed important by each individual, who are themselves unique and therefore subjective.

Law / Human Spirit Quadrant PPF Example

The ‘no growth’ point in the subjective valuation production possibilities frontier is where creative gains, in aggregate, are offset by the stifling that comes from restricted choices. See Diagram 4u.

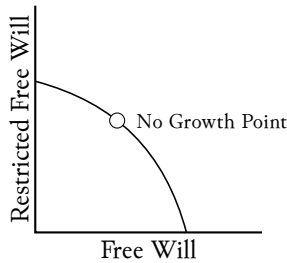


Diagram 4u: ‘Subjective valuation’ production possibilities frontier

As free will is restricted and as subjective valuation is unappreciated the economy contracts. See Diagram 4v.

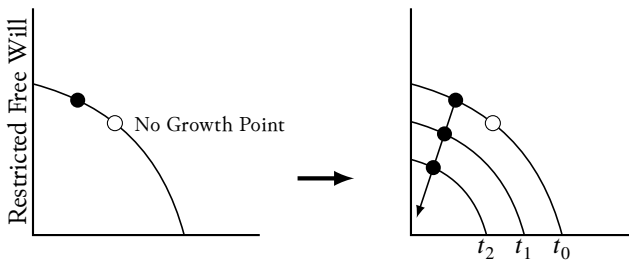


Diagram 4v: ‘Subjective valuation’ contracting economy

As non-violent free will is honored the information about what

people value becomes known in the market and subsequently the economy expands. See Diagram 4w.

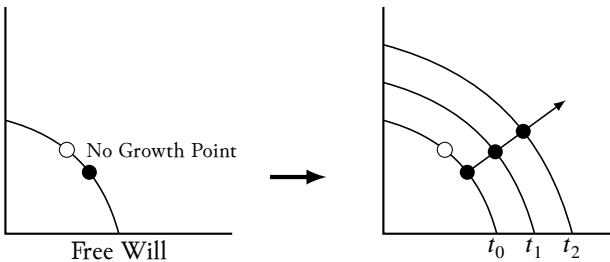


Diagram 4w: 'Subjective valuation' expanding economy

Summary of the Law / Human Spirit Quadrant

The really important part of this quadrant of the model is that there is a link to law: laws that provide a legal framework to support property rights; and laws of human action. The legal framework that supports property rights recognizes the importance of contracts and regards wholesale theft, such as the inflation of the money supply, as a crime just as it does any other violation of contract.

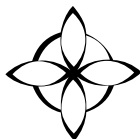
From a legal point of view there is a way to protect the economy from fraudulent practices. Individuals or individuals collectively can seek clarity and justice by refining the definitions of property rights and then by insisting that they are protected.

Inherently and in accordance with the laws of human action, the divine economy allows the diverse expression that comes from individuals exercising their free will non-violently; and it also satisfies human needs, and it leads to an ever-advancing prosperity.



Selected Exercises

1. Imagine equilibrium acting like a pendulum, always bringing external forces back to the center.
 - a. In your first diagram put ‘consumer sovereignty’ at the center position and imagine the forces that would cause movement away from consumer sovereignty. Describe these forces.
 - b. In your second diagram put ‘contracts’ at the center position and describe the forces that move the economy away from contracts.
 - c. Use the terminology of the divine economy theory to describe this tendency towards equilibrium.
2. Describe how the tendency of equilibrium is always present and yet at the same time the economy can still be ever-advancing.



Chapter 5

Economic Policy

The Fruits of the Divine Economy Model©

PREFACE

For all things there is a purpose and the purpose of the leaves and the branches and the purpose within, of creating a healthy microenvironment, is to yield fruit. This culmination once attained, and indicating maturity, continues over time and brings about prosperity. What we need to realize is that the fruit can be made more plentiful and more delicious when the system is balanced and wholesome.

HARVEST TIME

How do we get from the history of economic thought to useful steps for improving the economy? How can a model which is built upon recognition of the spiritual nature of man be of value in the real world? What good is it to tie economic principles to the modus operandi of the divine economy if there are no practical fruits? This is where policy comes in. It is a bridge between the theory and the application.

There are two things that I tried to clearly present about the divine economy. One is that it is powerful and transcendent, yet ever-present and nurturing. The other point of clarity is that the divine economy can be put into a corrupted or diseased condition by human intervention. The divine economy can never be destroyed, as evidenced by its equilibrating forces, but knowledge can be stifled and signals can be distorted by ego-driven intervention into the market process.

Knowing that the full potential of the divine economy can only be reached when intervention ceases may lead one to think that there should be no intervening policy. Contrarily, knowing that the justice that is inherent in the divine economy can only be reached if the market is free may lead one to think that there are policy steps to take to protect the divine economy from intervention, for the benefit of all mankind.

POLICY #1.

WELL DEFINED AND CONTINUALLY REFINED PROPERTY RIGHTS

It is clear that everything rests on property rights, which are mirror images of human rights. Not a single thing can happen that honors a person's human rights without acknowledging that these are also his or her property rights. Once this most basic right, the human right/property right, is defined the market process begins. As the property rights are refined the divine economy will empower human civilization to advance. See Diagram 5a. Without secure private property there will be little savings and investment and therefore little prosperity.

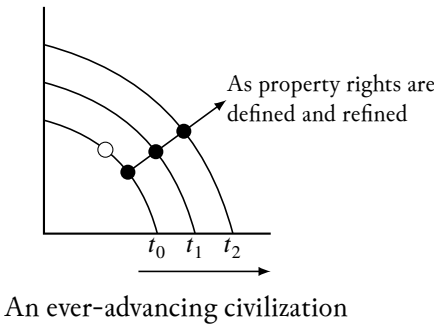


Diagram 5a: Production possibilities frontiers of well defined and continually refined property rights

What is the seed of property/human rights? The significant clue comes from Immanuel Kant: "Freedom ... is the only original right belonging to every man by virtue of his humanity." [44] When put into the context of the divine economy theory the uniqueness of each individual finds expression subjectively in one's choices, free choices

that end up manifesting the characteristics of property in some form. As property rights are defined and refined the divine economy moves from t_0 to t_1 in Diagram 5b.

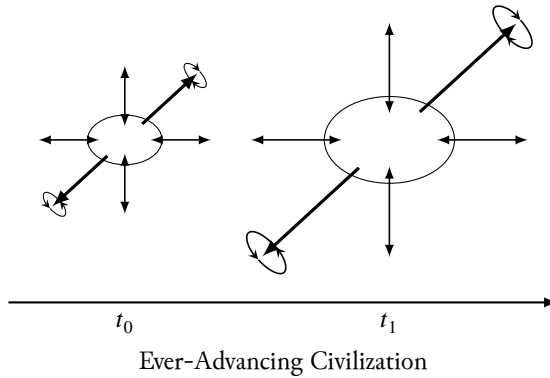


Diagram 5b: Well defined and continually refined property rights advance the divine economy

POLICY STATEMENT: A rational and just policy would be to develop discovered laws that specifically define, refine, and protect property rights in terms such that they are treated and considered as basic human rights.

POLICY #2. THE RIGHT OF SECESSION

At the social level the corollary of freedom implied in individual property rights is the right of secession. For a jurisdiction to guarantee its prosperity it will have to be able to protect property rights which may mean removing itself from the yoke of the oppressor, moving from t_0 to t_1 as shown in Diagram 5c.

It is time to bring back into common use a term that is understood in the classical liberalism tradition. That word is subsidiarity. It is the necessary complement to federation. Without subsidiarity even the logic of federation is thwarted, thus becoming potentially tyrannical. The guarantee of the maintenance of the balance brought about by the complements of subsidiarity and federation is the right of secession.

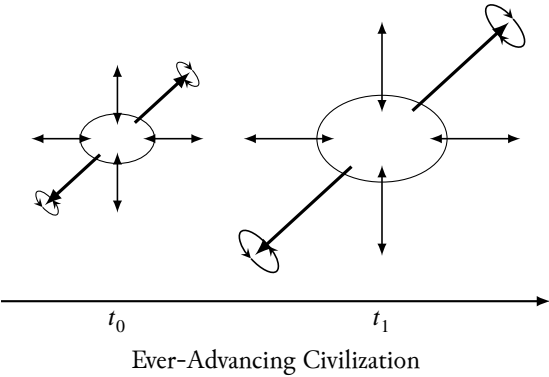


Diagram 5c: Benefits from decentralization

Policies that release individual creativity by protecting liberty increase the awareness of knowledge and the awareness of how this knowledge activates in others the desire to know. As the realization of the rights to secede is internalized people will act with more confidence, and creativity will increase. This can be seen in Diagram 5d as the divine economy moves from t_0 to t_1 and beyond. Starting with the visualization of the complex divine economy model in mind we will then go to a shorthand version of the divine economy over time. The shorthand version focuses on the Justice/Unity axis which emphasizes the nature and role of knowledge in human civilization. See Diagram 5d.

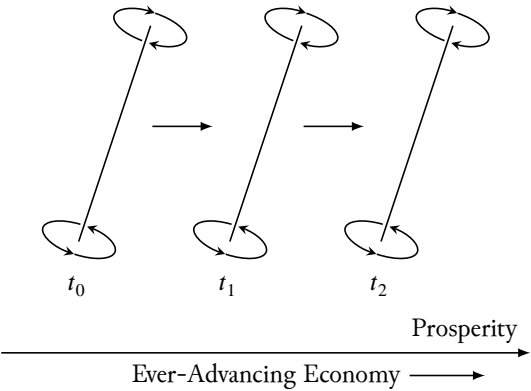


Diagram 5d: The right of secession advances the divine economy

POLICY STATEMENT: A rational policy would be to develop discovered law in such a way that a jurisdiction would not have to accept any intervention that a larger jurisdiction tried to impose upon its economy.

POLICY #3.

MARKET FORCES WILL MODERATE BUSINESS SIZES

In a market free from intervention firms can naturally become only so large. The inefficiencies of bureaucracy limit their sizes. For example, if a firm is vertically integrated—originally expanded in this manner to capture efficiency—but it becomes excessively large, then it begins to lose the ability to rationally allocate resources. Wages and factor prices in the internal (in-house) market begin to have no connection to the real market, become distorted and unrealistic, preventing the firm from being able to calculate. Smaller firms without these errors will begin to out-compete these overly bureaucratic firms.

When interventionist laws protect certain types of business ownerships by limiting the liability of the owners, it artificially encourages these firms to become very large since they are protected from the costs associated with damages to the property rights of independent third parties. In other words they are too large an entity to fight a legal battle against, plus finding out who exactly is responsible is very, very difficult. Therefore, limited liability for corporations causes distortions. Protection of property rights will ultimately make the economy serve the whole of mankind with justice rather than favoring institutions that are created by vested interests and which use intervention in an attempt to circumvent the forces of equilibrium. See Diagram 5e.

POLICY STATEMENT: A rational and just policy would be to remove the institutionalized barriers that prevent property rights from being protected, and to remove the special privileges that artificially protect any entity from the equilibrating forces of the divine economy.

POLICY #4.

ENFORCEMENT OF PROPERTY RIGHTS

The main policy recommendation derived from the divine economy model is to continually refine the definition of property rights. The corollary to this is to strengthen the legal system such that it can enforce property rights.

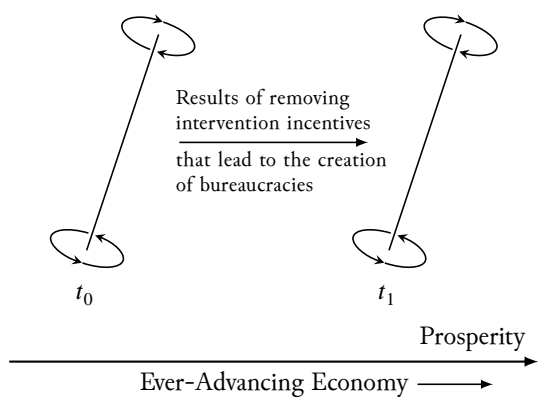


Diagram 5e: Allowing market forces to moderate business sizes advances the divine economy

The best means to protect private property rights is to strengthen the role of private enforcement providers since there is often a conflict of interest when the State is involved in protecting private property rights.

Both the definition of property rights and the ability to enforce property rights are currently weak, even weaker than they were 100 years ago. Needless to say the direction of that trend is wrongly oriented, away from progress, and needs to be set aright. See Diagram 5f.

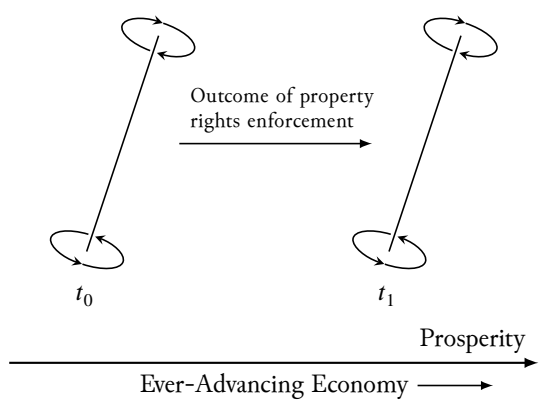


Diagram 5f: Enforcement of property rights advances the divine economy

POLICY STATEMENT: A rational policy would be to initially begin enforcing property rights at the level of the individual, and then to learn how best to refine property rights from these efforts. Within each community this right and responsibility exists and needs to be given due attention. The proper role of government is to protect its citizens from fraud or acts of violence by enforcing property rights, however, competition by private providers of legal protection will ensure that the best means of enforcing property rights is always available.

POLICY #5.

EDUCATION ABOUT ENTREPRENEURSHIP

Another policy that surfaces from looking at the divine economy model is to educate people about latent and active entrepreneurship. The purpose of educating people about entrepreneurship is basically to encourage and foster the acquisition of the skill of discernment. This comes from learning about the learning process in humans. The more discernment and alertness there is in the market the more quickly knowledge will flow and the more quickly will it be acted upon. This leads to an advancement of the market process and to prosperity. If the market is in an inefficient condition the solution is to educate people about entrepreneurship not to corrupt the divine economy by imposing arbitrary restrictions through intervention. See Diagram 5g.

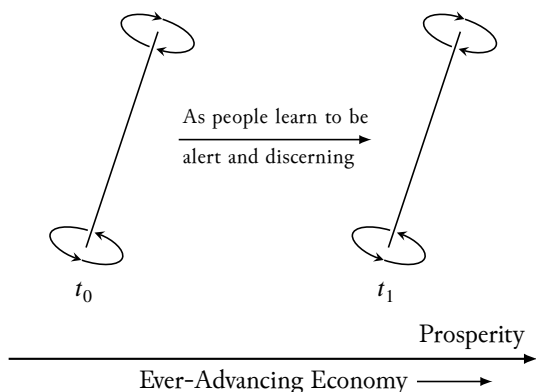


Diagram 5g: Education about entrepreneurship advances the divine economy

POLICY STATEMENT: A rational policy would be to encourage all providers of education to acknowledge the role of entrepreneurship in advancing prosperity and to teach any and all skills that help to make people discerning and alert.

POLICY #6.

WAR AND INFLATION VIOLATE PROPERTY RIGHTS

Another policy that emerges from the divine economy model places emphasis again on education. It is clear from the concepts in the divine economy model that if people can trust the future they will have lower time preferences which will amplify the transforming capability of capital.

There are very specific interventions into the economy that strongly influence the level of trust. If there is a tendency to choose war as the main or even as a viable alternative to diplomacy then the lessened trust that such an act engenders atrophies the economy. Or if there is a medium of exchange that can easily be debased by a central bank (for example, when there is a fiat currency) then the horizon of the time preference shortens, stifling prosperity. Both of these acts of intervention—war and inflation by the central bank—violate the property rights of humanity. See Diagram 5h.

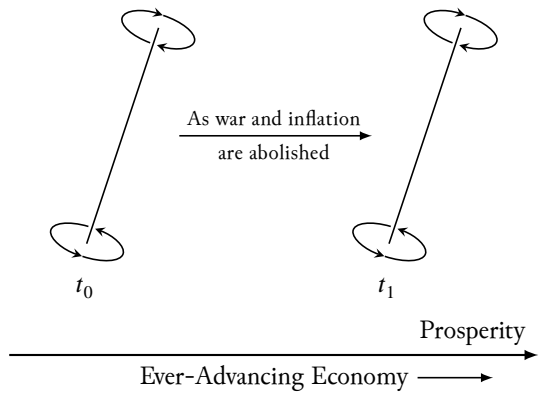


Diagram 5h: Abolishing war and inflation advances the divine economy

Those things that foster trust and trustworthiness need to be given particular emphasis as part of the learning process in the

education system. The pivotal nature of property rights needs to be made crystal clear.

POLICY STATEMENT: War and its exorbitant costs and the associated destructiveness, and inflation of the money supply by the central bank, are unacceptable violations of property rights and those who try to impose either of these should be held accountable by legal means. Authority to take these actions needs to be specifically assigned so that there is specific and definite accountability.

The legal liability for such acts needs to take precedence over the act itself. The government-created veils of self-protection and inculpability need to be removed so that property rights can be protected.

POLICY #7.

GOLD PASSES THE MARKET TEST

Inflation reduces the purchasing power of money: and it causes the redistribution of wealth towards the ones favored by the interventionists. Both of these represent theft of private property and both are acts of injustice. The free market chose gold as the medium of exchange simply because of the following: it optimizes the characteristics determined in the market to be necessary for a trustworthy medium of exchange. The ability to strongly prevent dishonest and untrustworthy acts by the interventionists is certainly one of those characteristics and is a good reason to return to the gold standard.

Free banking, where banks compete against each other for the trust of their customers, is almost completely sufficient to safeguard against fraudulent banking practices. Combined with refined and enforced property rights it is wholly sufficient. Having a strong and honest banking system has the advantage of encouraging savings.

Free banking is a very important component of a divine economy since it has the merits of self-regulation, and since it serves the people by providing a storehouse for capital. This is in contrast to the current banking practices which mask the insolvencies of banks and promulgate a system of capital consumption and wealth redistribution. See Diagram 5i.

POLICY STATEMENT: Clear the banking system of all of its barriers and restrictions—these are acts of intervention designed to control the

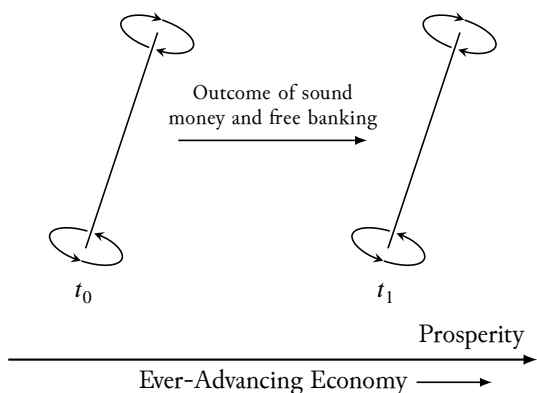


Diagram 5i: The gold standard advances the divine economy

economy and direct wealth towards the favored ones of the ego-driven interventionists—and let the market process determine if the current system is a viable one or not. Legal tender laws are unnecessary in a divine economy where the medium of exchange is universally recognized simply because of its independence from monetary intervention along with its other merits.

POLICY #8.

COUNTERACT THE MISINFORMATION ABOUT CAPITAL

There is a very difficult educational task ahead to counteract the institutionalized prejudice against capitalism. Capital has been maligned and misunderstood for so long that most people feel that capital is not really a part of themselves—that it is outside of themselves. One goal of the educator will be to help people to see that every choice or act to improve oneself is capital in process and capital made manifest. And the improvement made is then an advancement and the starting point for the next step.

Appreciation of capital, when seen as honoring one's own progress, will go a long way towards reversing the poisonous bigotry directed at capital which permeates the world today. The anti-capitalist mentality is a malady emanating from Marxism, socialism and much of empirical economics. It stems from a combination of atheism and the adherence to an incorrect methodology for the social sciences, and it leads to a

removal of capital from its proper place in the human psyche. Our inherent nature declares capital to be a vital part of the human operating system—and the divine economy itself, which is entrusted to us, shuns such an ill-fated attempt. See Diagram 5j.

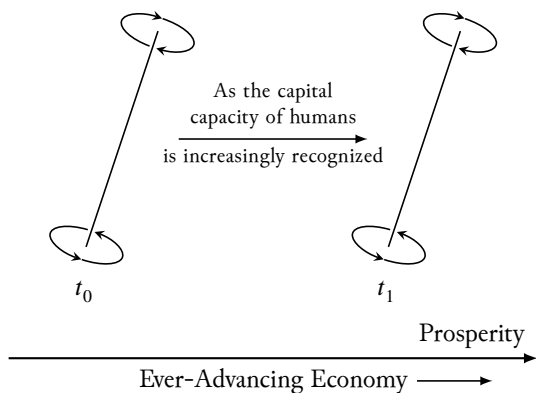


Diagram 5j: Understanding capital advances the divine economy

POLICY STATEMENT: Encourage providers of education to recognize that every improvement an individual makes—their education, for example—is a form of capital. Then instead of spreading negative impressions about capital the education system will compliment itself for being a contributor to capital formation around the world and will empower the next generation with knowledge about this factor—capital. This is a significant contribution to an ever-advancing civilization since capital is the most limiting factor in the economy.

POLICY #9.

NEW CAPITAL IS A GOOD START

Assuming that some of those who use this book will be concerned about an economy that is undeveloped (although this principle operates in more advanced economies as well), the first steps taken should be to encourage and nurture capital. Unprotected property rights are very often the reason people do not save. Any steps that secure property rights and foster trustworthiness lead to the emergence of new capital. New capital advances productivity and then the development process begins. See Diagram 5k.

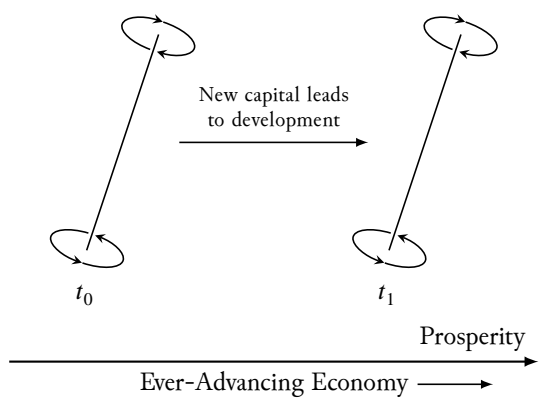


Diagram 5k: New capital advances the divine economy

POLICY STATEMENT: Recognize that having secure property rights leads to savings and then to new capital which then begins the advancement towards prosperity.

POLICY #10.
INTERNATIONAL FREE TRADE

Another self-evident policy recommendation is to recognize that the divine economy works at all times and it works regardless of scale. The same benefits that come to an individual when taking part in exchange in the market occur with trade at the international level. Only international free trade allows the prosperity of the divine economy to be fully released. Artificial and imaginary boundary restrictions are simply interventions that lessen the prosperity that can come from the divine economy and these interventions do damage to the advancement of civilization. Only international division of labor under a system of secure property rights and free trade brings the resources of the world to the market efficiently and with justice — for all to enjoy. See Diagram 5l.

POLICY STATEMENT: All trade barriers interfere with the divine economy and cause unnecessary suffering. ‘Free trade’ agreements are really acts of intervention and therefore are a misnomer. Free trade, in reality, is action not words and it will occur automatically if the ego-driven interventionists are removed from the picture.

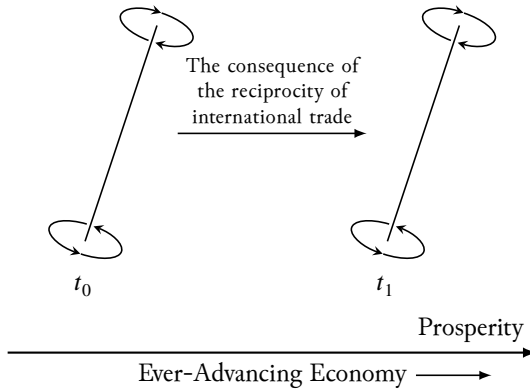


Diagram 5l: International free trade advances the divine economy

POLICY #11. MINIMAL TAXATION

If you go back and look at the Divine Economy Model © you will notice that taxation does not appear to be present at all in the model. What this means is that, theoretically speaking, taxation is not necessarily present in a divine economy. Taxation is not necessarily absent either.

Economics is the study of the means to obtain the ends chosen. If some type of taxation is the best means for achieving order in a cooperative society that protects life and liberty then taxation serves a purpose and it is present. See Diagram 5m.

In a society where property rights are well-defined, and refined, and protected, taxation will be either minimal or absent. As long as taxation is restrained by laws that protect and enforce property rights then taxes will be held to a minimum. The law and order of the divine economy is a reflection of life and liberty which means that taxes need to be zero or minimal so as not to disrupt the flow of knowledge inherent in the free market process. See Diagrams 5n and 5o.

POLICY STATEMENT: Since under most circumstances taxation is a deterrent to private production and employment there is no sound economic reason to generate tax revenue to support a government beyond its purpose. The purpose of government is to protect life and liberty.

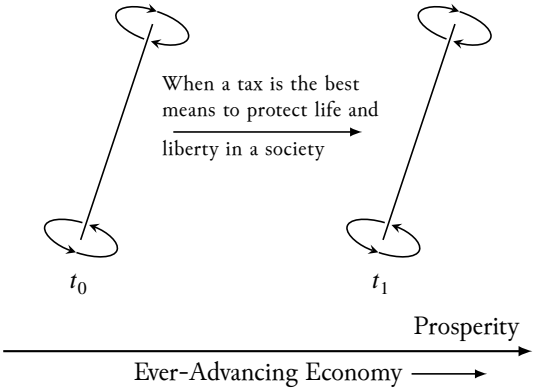


Diagram 5m: Minimal taxation advances the divine economy

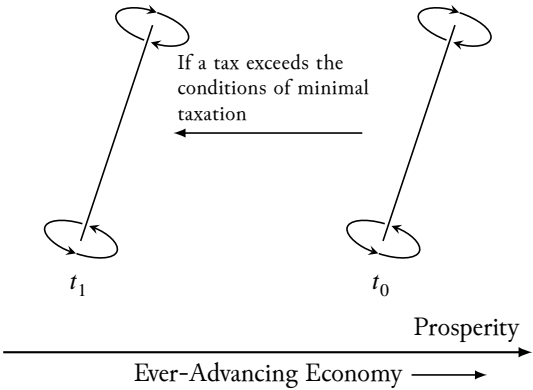


Diagram 5n: Contracting economy caused by taxation

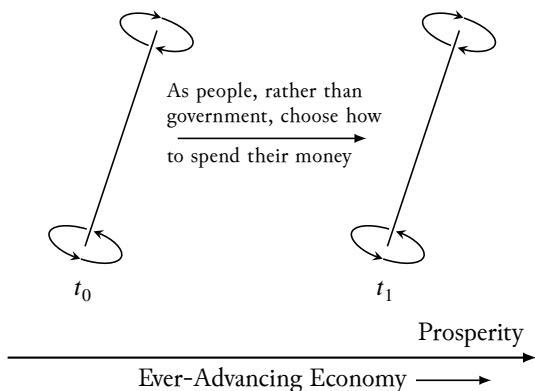


Diagram 50: When the economy reflects the people the divine economy advances

THE OVERARCHING POLICY— THE MORAL AUTHORITY OF THE DIVINE ECONOMY

To quote Ludwig von Mises: “The first condition for the establishment of perpetual peace is the general adoption of the principles of laissez-faire capitalism.” [58, p. 137]

I would like to modify his recommendation slightly. First, we can rest assured that the prosperity of an ever-advancing civilization emanates from the divine economy. Second, we can trust in the equilibrating power of the divine economy. Third, we can trust in the divine justice that comes from protecting property rights and that comes from recognizing that property rights are human rights.

Those who fail to admit their own limitations and then expect others to believe their assertions that they can comprehend all that is going on in the economy—thereby giving them the right to interfere—these are the ones who are now without authority. It matters not what position of influence one holds or what degree one has or what record of publication one has. There is no human act of intervention in the economy that is not feeble-minded when compared with the omnipotent and omnipresent nature of God.

All interference with the economy is necessarily ego-driven; and it lacks moral authority. The economy is a divine institution in the domain of human action and all human action emanates from the human operating system, which is divine—created in the image of God.

Using the concepts and graphics of the Divine Economy Model© we can focus our attention on policies that lead to an ever-advancing civilization. But first we have to understand the moral authority of the divine economy. As humans perfect themselves physically, intellectually and spiritually the divine economy expands and matures (moving from t_0 to t_1) as shown in Diagram 5p. Policies that support and sustain liberty and property rights as human rights allow the divine economy to move towards fruition.

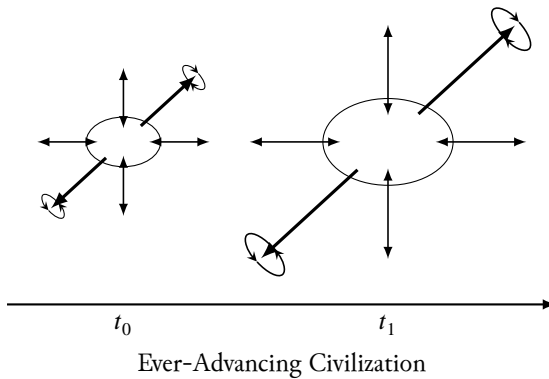


Diagram 5p: The divine economy expands

The driving force of the economy is entrepreneurship. It is the entrepreneurial spirit within humans that discovers betterment. See Diagram 5q.

Policies that convert latent entrepreneurship into active entrepreneurship and policies that encourage alertness and discernment expand the overall potential of entrepreneurship in the minds of all. When market information is free from the distortion caused by intervention the divine economy is in a charged state releasing an increased power of human creativity as shown in Diagram 5q. Policies that are conducive to building a link between capital and entrepreneurship complete the transformation implied and described by the recurring designation 'Ever-Advancing Civilization.'

One thing is for sure and that is that the economy is dynamic, not static. It is always somewhere along a dynamic spectrum (Diagram 5r), either regressive or progressive.

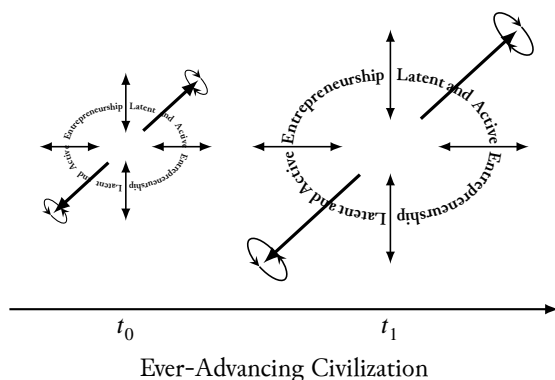


Diagram 5q: Expanding entrepreneurship in the divine economy

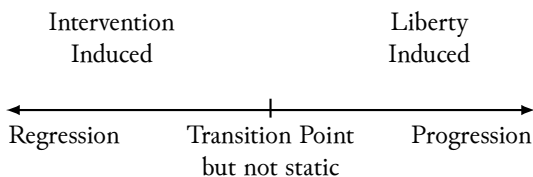


Diagram 5r: Dynamic spectrum of the divine economy

Policies that foster the nature and role of knowledge in the individual and in the market carry forward an ever-advancing civilization. Implied in the ‘nature of knowledge’ is the refinement and progress of human learning. And implied in the ‘role of knowledge’ is economic communication by the means of market prices and voluntary world-wide trade.

Policies that promote justice and unity (Diagram 5s) universally stem from the preservation of both the nature and the role of knowledge; that is, preservation and protection from those who have ego-driven motives. It is the ego-driven who try to interfere with the nature of knowledge since they are the ones who benefit from the existence of prejudices, superstitions, and ignorance. Likewise it is the ego-driven who try to manipulate the economy through intervention, all for the purpose of benefiting themselves directly or indirectly.

Each of these eleven simple policies given in this chapter fall within the overarching policy of the moral authority of the divine economy and

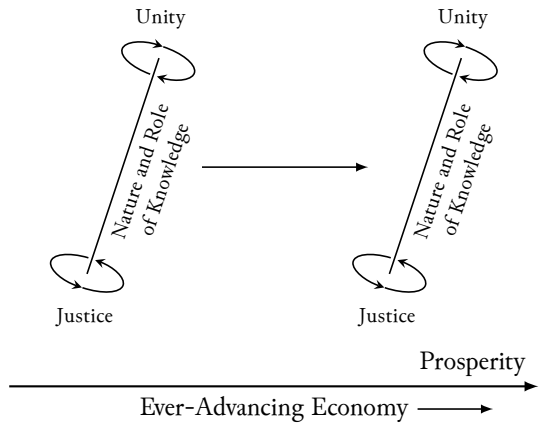


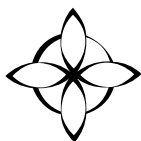
Diagram 5s: Divine economy and the ever-advancing civilization

will effectively promote an ever-advancing civilization in various ways. All of them also compliment each other. Of keen interest is the fact that all of these policies represent positive changes that have been brought to the forefront of our attention by the divine economy theory.



Selected Exercises

1. Which of these eleven policies do you understand the most? The least?
2. Why is the right of secession supportive of human rights and minimal taxation?
3. Compare and contrast the moral authority of laissez-faire economics with the moral authority of the divine economy theory.



Epilogue: Economic Transition

The Seeds of the Divine Economy Model©

PREFACE

Once the luscious fruit is discovered and its source and foundation is nurtured the time comes for its propagation. The advantage of propagating by seed is the ease of its ability to be distributed. It is something that starts small and it permits the steward to become more knowledgeable over time. It comes with a guarantee: if it is planted in the soil of inviolate private property rights it will survive and flourish and bring great prosperity.

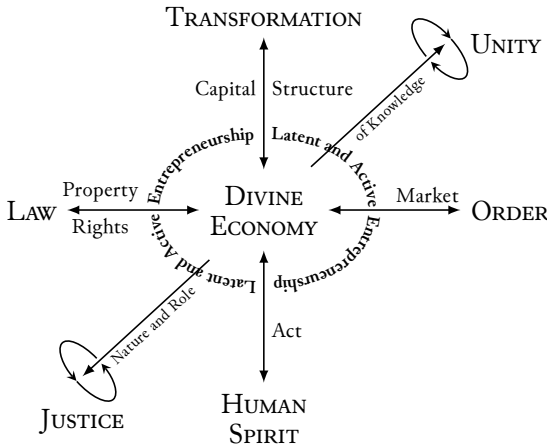
PLANTING THE SEED

The divine economy model introduced in Chapter 2 is a gem and a germ. It is a powerful tool for bringing economic principles into the light for further examination.

From this point forward I propose to you that the science of economics, which is often referred to as the ‘dismal science,’ is instead seen as a bright and hopeful study of purposeful human action!

I have written this book to uncover what seemed to be hidden and to connect it to the vast economic knowledge that emerged from the tradition of classical liberalism. My goal with this book is to make clear much of the mystery about how the economy works and to also make it clear that there is no justification for human interference.

I have played a useful role by creating, in this work, a palatable and moral economics model as suggested by Ludwig von Mises:



The flowering of human society depends on two factors: the intellectual power of outstanding men to conceive sound social and economic theories, and the ability of these or other men to make these ideologies palatable to the majority. [65, p. 985]

During the current period of economic transition that we live in, this book and other contributions to the divine economy theory^{1,2,3} are the seeds waiting to be planted in the fertile minds of the economists of the future. These seeds will germinate once they are watered with the pure water of subjectivism and fertilized with an ardent search for an understanding of divine reality.

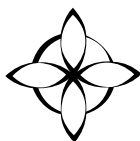
1. *HUMAN ESSENCE of Economics* (2009)

2. *ETHICAL ECONOMICS for today and tomorrow...* (2010)

3. *Liberty & Justice of Economic Equilibrium* (2011)

II

THE HUMAN ESSENCE OF ECONOMICS



Introduction: A Fine Gift!

Receiving It Graciously!

PREFACE

Wise travelers from a distant time and place find themselves mesmerized by the arrival of a long awaited event. Before they set out on their journey they devote all of their resources to the long trip and to capturing the exquisite simplicity of the honored gift. Traversing the sands of time and moving perceptively nearer and nearer to their destination a feeling of exhilaration and exaltation seizes the bearers of this priceless gift. After much sacrifice and toil the travelers finally approach the vicinity of the consummation of the consecrated task. At the threshold of the exchange all the surroundings are electrified with indescribable joy and wonder. A fine gift is presented and graciously received.

THE GIFT OF THE ECONOMY!

The wrapped gift is received. Do we really see it or are certain things hidden from our sight? Frankly, even if we gaze upon it we still may be unable to fully perceive what it is that is in front of us.

Blindfolded, or not, I can hold the gift in my hands and still not know what it is. Its surface may have a certain texture detectable to the touch. Whatever it is it has a certain weight to it. Even without a blindfold there is only so much I can be sure of, such as the color of the fabric that is wrapped around the object that is inside.

With all of our faculties fully available to us it is still a mystery. The economy is like this gift, wrapped in a fine and exquisite tapestry.

The gift is the whole thing: the beautiful covering and the undiscovered object of great value still concealed. These two parts of the gift are inseparable just like the economy is inseparable from that which makes it appear in the world—all the human beings in the world—like you and me.

Full appreciation of the gift comes from enjoying its wholeness without others imposing expectations on us. Those expectations would diminish the whole experience. What expectations have been tacked onto the economy, diminishing its value to us? We are told and expected to believe that the economy causes us to behave in certain ways, for example, some suppose that the economy beckons us to become rich and to bowl over others to achieve that goal.

This is the reverse of what is the true reality of the economy. Sure, we see such things happening in this manner but it is ultimately because the ego-driven interventionists are using the economy to benefit themselves. What we are seeing is this: we are seeing what the economy looks like when it is in a corrupted state, and like it or not we happen to be living in a time such as this. Correcting this error can be considered as our great challenge.

THE GRACIOUS ECONOMY!

In truth the economy is a reflection of human cooperation. It is that and more. The economy has the potential to reflect all of the inherent qualities of mutuality and reciprocity residing in humankind. The economy exists because human beings exist. Its potential is their potential! “Acting and thinking man is the product of a universe of scarcity in which whatever well-being can be attained is the prize of toil and trouble, of conduct popularly called economic.” [65, p. 236]

The economy is whole. And there is no separation within it. Those who try to carve it up are interventionists and their acts corrupt the economy. We see nations trying to carve out their piece of the economy, acting like mercantilists and ignorant of the destructive nature of their actions. How then can we expect a corrupted economy to bring about prosperity?

It is our great challenge and our responsibility to dispel this ignorance; and the reason we must do this is because it affects us very deeply, every day and everywhere. This omnipresent impact stems from

the universal nature of the economy. Our permitting and tolerating of intervention affects ourselves, and it affects everyone.

What does it look like to have no intervention? Some see it as a free market economy. I see it as that and more. God created human beings and endowed them with His names and attributes. Using these, and developing these in conjunction and along with our fellow human beings, creates the sparks in time and place when there is the appearance of the economy in the world. Since the potential of human beings is divine—i.e., the possession of and manifesting of the attributes of God—so also necessarily is the economy.

It is the appearance of human virtues which acts like a lodestone. When a person exhibits truthfulness, all the relationships that depend on truthfulness—business and personal—are drawn to that person. It is the appearance of these virtues, and the attraction that they create, that bring about both justice and unity. These divine qualities that are inherent in human beings are ultimately the source of prosperity.

And it follows that taking notice is the key. First of all, taking notice is one of the defining characteristics of a human being. Humans take notice because they are always seeking: seeking what is best. Secondly, taking notice is an incredible power and a motivating force. It is what causes us to seek loyal friends, honest partners, creative teachers, etc.

This inherent drive is all about being alert. Seen in this way it is evident that even entrepreneurship is essentially an exercise of a part of our spiritual reality. Those who exhibit praiseworthy characteristics will be found. And it is the desirability of human virtues that will continually move human civilization towards prosperity.

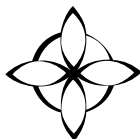
For centuries we have tried to direct the economy. It is now time to recognize the economy as a divine institution that encourages human development and brings about prosperity. The other way—intervention—is divisive and its failure is all around us and is progressively worsening. This shortcoming is necessarily so because intervention causes a corruption of the divine economy.

At the most basic level what we are talking about is a spiritual solution of the economic problems. By definition, a ‘foundation’ is what everything rests upon. Void of the spiritual qualities—the attributes of God—what kind of foundation is the economy built upon? It is clear that now is the time to leave the outworn ideas of intervention

behind because they offer no foundation and also because acts of intervention disrupt the flow of information and corrupt the potential of the divine economy.

In this book I find a logical starting point, despite the disparate views within economic circles. Next I build a model that allows you to be directly engaged in the process of the merging of science and religion. This will be a truly a remarkable experience for you since it is a brand new concept in the world, never done before, and you will be among the first to go there. Then I offer you, the reader, a strong economic foundation to counter the naysayers—and there will be naysayers!

Next, what follows in the book is a practical connection of theory, and of the model, and of how our economic life works, with examples that demonstrate how values originate. And finally I show that it is the entrepreneur who emerges, rising like a phoenix, as the one who activates all of the powers in the economy.



Chapter 1

What's Inside?

Is it a Gem?

PREFACE

The gift is wrapped and for this reason we do not know what is inside the wrappings of the beautiful tapestry. There really is only one way to satisfy our curiosity. Unless and until we faithfully unwrap the covering no amount of imagining will make it real. As soon as the contents are revealed by disrobing the gift, a whole new reality bares itself and everything changes.

In parallel how can it be regarded as satisfactory to have economic theory that does not fully encompass human nature or adequately serve humanity? Until there is such a comprehensive theory it can be said that economics still is in its infancy.

Until economic theory achieves that pinnacle it will continue to be inadequate and everyone will suffer. However, once that pinnacle is attained it will be like the monumental difference that occurred in medical science after the acceptance of germ theory compared with before. It's like knowing what is inside the wrapping.

WHERE DO WE GO FROM HERE?

Once that important threshold is reached, new vistas will open up. Try to imagine the difference! In economics it will be like the difference between being considered 'the dismal science' and being considered the science of human action—and even more monumental—being

considered the science of purposeful action by spiritual beings! The excitement builds! What is inside?

Imagine the difference in your life and the life of your children when what will be understood as the source of prosperity for you and for everyone is the acquisition of noble traits. The economic ills associated with contrariness will disappear. Imagine the effect on business ethics and consider the high attainment of civilization when entrepreneurial alertness is directed towards refinement of human virtues. Maybe what is 'inside' us is just as much a mystery and just as much a gift!

Although at first it may seem like a contradictory objective, it is the goal of this book to look at the real world and its circumstances in order to gain an understanding of the divine microeconomy. The choice of this goal is motivated by the search for an understanding of the economy that is logically whole. Getting there will require an effort to either find a bridge or to build a bridge between the spiritual foundation of the human being and the economy, and then to show how that foundation manifests itself in the realm of action.

"Acting man is always concerned both with "material" and "ideal" things. He chooses between various alternatives, no matter whether they are to be classified as material or ideal. In the actual scales of value material and ideal things are jumbled together. Even if it were feasible to draw a sharp line between material and ideal concerns, one must realize that every concrete action either aims at the realization both of material and ideal ends or is the outcome of a choice between something material and something ideal.

Whether it is possible to separate neatly those actions which aim at the satisfaction of needs exclusively conditioned by man's physiological constitution from other "higher" needs can be left undecided. But we must not overlook the fact that in reality no food is valued solely for its nutritive power and no garment or house solely for the protection it affords against cold weather and rain. It cannot be denied that the demand for goods is widely influenced by metaphysical, religious, and ethical considerations, by aesthetic value judgments, by customs, habits, prejudices, tradition, changing fashions, and many other things. To an economist who would try to restrict his investigations to "material" aspects only, the subject matter of inquiry vanishes as soon as he wants to catch it." [65, pp. 233-4]

WHAT ARE THE BASICS?

To start we will consider demand theory which can be described more accurately by the designation 'consumer demand theory of value.' The reason this is an important clarification is because it identifies the consumer as the source of demand and indicates that it is the consumer who determines value. And since each human acts as a spokesperson for himself or herself it can be said that we make decisions subjectively.

It's decision time! When the time and place comes for a decision to be made it occurs at the margin, and it pertains specifically to a marginal unit. For example, an individual knows the value of an apple but is not concerned with the total value of all the apples in the world.

It is also true that each of us prioritizes our needs. If you are hungry, you will value an apple more than a pencil. This prioritizing is done ordinarily not cardinally so, at the time and place of action, it matters not if the apple is twenty times or two times more valuable than the pencil—the apple is simply, subjectively, and ordinarily preferred.

How do we do it? There are certain resources that serve as the means to be used towards the goal of achieving your ends. Economics is the "science of the means to be applied for the attainment of ends chosen." [65, p. 10] Humans like you and I take courses of action, using various means, which lead to an improved state of being. The applied science of economics pertains to productive efforts of any kind that are made to attain ends that seem to be within the realm of possibility.

What is the lingo? The scientific terminology that describes the operating power of the microeconomy is equilibrium and its tendency. That is what moves it! For example, the price system works like the governor of an engine. If the engine begins to run too fast the operating power of the governor slows the engine. The same moderating effect occurs if the engine is being bogged down and strained, with the governor accelerating it to bring it into balance. If the price for a good is too high the demand will lessen causing changes in the system until demand and supply are balanced.

Let it be stated that there is some compatibility between contemporary microeconomics and the new idea which is presented in this book. The new idea about to be introduced in this book is the divine microeconomy. But before I introduce more about the divine

microeconomy I need to make sure that you understand that there are conflicting views in the economic literature and the economic profession about how to approach the subject of economics.

WHICH APPROACH TO TAKE?

The standard version is what is called the contemporary price theory, the version of microeconomics that adopts the neoclassical methodology of empiricism. It is the present day school of thought that follows a lineage of Adam Smith, then Ricardo, Mill, Marshall, and Chamberlain. It was out of this tradition that the idea to dissect the economy came from. The economy was separated and partitioned into different parts and subsequently into micro and macro.

The predominant characteristic of contemporary price theory is its empirical equilibrium analysis. Out of this approach sprung the labor theory of value and the familiar Chamberlainian models of perfect competition, imperfect competition, oligopoly and monopoly.

What is overlooked and forgotten is that these Chamberlainian models are built upon specific mental constructs. The starting point for all of these empirical models is the assumption of equilibrium. They are in the state of equilibrium. In other words, nothing is moving them away from where they are!

Consequently and ironically there is no competition for the consumers' choices in the 'perfect competition model' (no deviation from the practices of the other producers) since supply equals demand in this balanced state of equilibrium. In these models the entrepreneur is seen as a *profit maximizing decision-maker* which leads to the conclusion that the entrepreneur is *responsible for the appearance of a monopoly*. With all due respect these are two examples of the economic fallacies (italicized in the previous sentence) that stem directly from the use of the empirical methodology, a methodology which, frankly speaking, is not suited for economic science.

The alternative approach which evolved concurrently from different minds is the science of economics that developed within another lineage. That lineage is comprised of the Spanish Scholastics and the French and Continental economic thinkers—a branch of economic thought which is regarded as the classical liberalism tradition. In the mid to late 1800's

there was a rekindling of this tradition. The lineage of this rejuvenated tradition extends to the present: beginning with Menger, continuing through Böhm-Bawerk, Mises and Kirzner; which brings this school of thought to the current microeconomic theory of classical liberalism—a theory best described as competitive entrepreneurship.[47]

The principal characteristic in competitive entrepreneurship is its analysis of the economy in disequilibrium since the economy is always in disequilibrium—tending toward equilibrium. In contrast to the neoclassical theory, the forces of equilibrium are unsettled and in disequilibrium and are always active, moving, and pressuring the economy. The application of the methodology of classical liberalism introduces the concept of subjectivism which then permits the study of economics to proceed as a qualitative science rather than a quantitative one. After all, economics is a philosophical science not a mathematical one.

You and I know what we value. The value scale that people use in real life is subjective. It reflects the subjective value of the marginal utility derived from each good and it reflects the ordinal (rather than cardinal) nature of value.

From this subjectivist perspective it is the entrepreneurs who are seen as the persons acting upon their awareness of price discrepancies within the economic system. The firm is seen as a combination of the entrepreneur and the resource owner. From this perspective it is understood that it is the resource owner that is responsible for monopoly.

Notice the vastly different conclusions (specifically how these two approaches regard the role of entrepreneurs and the cause of the origin of monopoly) that result from these different perspectives! These total incompatibilities make it clear that only one approach can be correct.

Traditions tend to be adhered to but not all traditions are valid. Contemporary price theory (Marshallian/neoclassical) treats competition and entrepreneurship in an unsatisfactory manner. Contemporary price theory adopts a fictitious 'economic man' (*Homo oeconomicus*) to facilitate the use of its mathematical models. *Homo oeconomicus* is a simple one-dimensional entity that (not *who*) maximizes material wealth. This one-dimensional entity can be traced directly to the use of an empirical methodology and its equilibrium analysis.

The belief that economic science has to be empirical to be valid is at the heart of this approach. This stems from the time when all the

sciences were newly developing in the 1800's and when social scientists had what can be called 'physics envy.' These positivists believed that only by adopting the methods used in the natural sciences, such as physics, could the social sciences develop.

But science has since moved on. No unbiased thinking person sees business firms in the real world as passive price takers, operating in a state of 'perfect competition' where they are locked into a world where nothing changes. It is erroneous to depict 'perfect competition' as a market packed full with no room for anyone else and where each participant is too weak to effect any change in price. Competition means the exact opposite in the real world!

Does contemporary price theory meet the market test? Equilibrium is the tendency but the never-arrived-at-state, so why pretend otherwise? Humans are active and creative rather than passive, automated and mechanical. We want realism in our science so why not analyze the economy as it is, rather than as an imaginary and unrealistic model?

What we know to be true is that human beings act purposefully and that human beings are social creatures; so they cooperate. Which begs the question: What about action? "Action always is essentially the exchange of one state of affairs for another state of affairs." [65, p. 194] It is always our intention to remove uneasiness and to become better off and to improve. However:

"Strictly speaking, people do not long for tangible goods as such, but for the services which these goods are fitted to render them. They want to attain the increment in well-being which these services are able to convey." [65, p. 233]

The objective, the goal of improvement is the attainment of an 'end.' Generally there are many ways and means available to use to reach those ends and so the natural tendency is to pursue the means of division of labor, which is what enables everyone to contribute in the economy. Isn't this how you function: finding the best way for you to achieve your personal goals?

Economics is the study of the ways and means to attain the ends. Even at this most basic level it is clear and evident that 'purposeful acts' and 'improvements' are not restricted to material goods and services and go beyond mere dollars and cents. There is a qualitative aspect

to all human action that is not subject to quantification. Empiricism cannot go there.

This is the reason why the divine microeconomy model, unveiled in Chapter 2, is so significant and powerful, and I must say, timely. And so the truth of the matter is—economics goes beyond the numbers, and even the subjectivist approach to economics continues to advance just like all good science does.

The underlying force of the subjectivist methodology is deductive logic. Deduction moves from theory to facts, from cause to effect, from general law to a particular instance and it is independent of observation.

Subjectivism is the appropriate scientific methodology for the social sciences since you and I make decisions subjectively. For example, the subjective theory of value states that economic goods are “valued subjectively in terms of the satisfaction that the user expects to derive from the incremental use.”[84, p. 7]

It is from the exercise of deductive logic that it can be said that: 1) all economic propositions are demonstrably true; 2) that the conclusions are arrived at by working from something that is already known to be true or self-evident; and 3) that they are empirical in the sense that they say something about *real* things.

The best way to prove that an economic theory is about real things is to put it to the market test. We know that the economy is always in disequilibrium tending towards equilibrium. The status quo for disequilibrium is imperfect knowledge and uncertainty. Simply stated, imperfect knowledge and uncertainty are the reasons why the economy always has to be in disequilibrium.

As described by Nobel Laureate F. A. Hayek: information exists “solely as the dispersed bits of incomplete and frequently contradictory knowledge.”[35, p. 519] Yet it is our encounters with these bits of knowledge that trigger our responses. Then through a series of systematic changes in the matrix of market decisions the market process manifests itself. A sequence, a process, ensues.

The market process is the appearance of this disequilibrium in an active form. It becomes manifest and evident in the form of a price. Manifestly, “the ultimate source of the determination of prices is the value judgments of the consumers. Prices are the outcome of the valuation preferring *a* to *b*.”[65, p. 331] In other words, people give things value.

Why is it so relevant to compare and contrast these two micro-economic theories? To address the relevance of examining the two different approaches to microeconomics I offer the following analogy to emphasize the contrast between contemporary price theory and the competitive entrepreneurship theory. Here is the analogy. The trajectory of a bullet is greatly affected by having the correct bearings at the start. If the bearings are incorrect at the beginning the bullet will miss widely.

We have been considering the realism of these two theoretical approaches, doing so by applying both the market test and logic. If the methodology used is inappropriate the end results will be way off. Real world competition is in no way represented by the 'perfect competition model' which was mentally constructed to just sit and be at rest in the state of equilibrium. In contrast, competitive entrepreneurship is intensely present in the 'real world' state of disequilibrium, as confirmed by the market test. Logic and the market test both make it clear then that the disequilibrium approach is the one that started by using the correct bearings.

The disequilibrium view of the economy, discovered by using the subjectivist methodology, shows that it is the 'market process' where communication and coordination takes place. And it follows logically that acts of intervention impede rather than improve the market process. Notably, those persons who are involved in conducting business and also the entrepreneurs; it is they who are the gems in the market process since they decipher the market information and activate production. Everyone, themselves included, need to know that what they do is extremely beneficial to humankind.

It is my proposition that there is a more insightful definition of, and term for, 'equilibrium' and its irrepressible tendencies. That designation is 'divine economy.' This new designation acknowledges the inherent divine nature of the human being. And it is this divine nature expressed as purposeful action which serves as the building block for the new model.

Consider the logic of a circle. It has no beginning and no end. It is self-contained and whole. Its dimensions are in balance and it is symmetrical. These qualities are symbolically compatible with the concept of equilibrium.



Diagram 1a: New designation for equilibrium

Circles are seen throughout creation, occurring naturally in organic and inorganic forms. Throughout history humans have attributed much significance to all of these qualities of the circle. Now I am using a circle to symbolize the core, the nucleus of the economy. Although the force of equilibrium has no boundaries, unlike the line representing the circumference of the circle, the concept of the centrality of the force of equilibrium in the economy is the dominant feature in the simple model shown in Diagram 1a.

Because of its infinite nature I have chosen to designate the force of equilibrium by a new name. I call it the divine economy.

The economy is a uniquely human institution and the economy works according to its inherently divine nature and its inherent divine power. Implied by this definition, therefore, is that all intervention is artificial and a source of corruption. The equilibrating tendency of the divine economy will eventually destroy any and all of these artificialities.

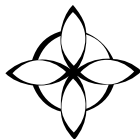
Before examining in more detail the divine microeconomy model I want to return to the logic of deduction. In my first book in the divine economy theory series, *MORE THAN LAISSEZ-FAIRE*, I introduced the Divine Economy Model©. The Divine Economy Model© is broad and general relative to the model that is newly introduced in this book—the Divine Microeconomy Model©. Following the deductive process I take the Divine Economy Model© and individualize it by going through a series of derivation steps, steps that define the Divine Microeconomy Model©.

In any real sense there is no separation between macro and micro, however, *deducing* by *reducing* takes the model closer to the realm of individual actions, to the realm of our immediate surroundings. And as a consequence new vistas open, as you will see.



Selected Exercises

1. How does contemporary price theory differ from competitive entrepreneurship regarding equilibrium and entrepreneurship? Can they both be correct?
2. In what way does tradition contribute to science and in what way does it stifle science?



Chapter 2

The Essence

Divine Microeconomy Model©

PREFACE

Inside the vessel that was carefully wrapped in the tapestry is a tinted liquid with a slightly viscous nature. It adheres slightly to the vessel walls as it is tilted back and forth. The impression given is that as soon as the stopper is removed a magical fragrance will waft through the air like an aromatic cloud. Excitement builds! No longer able to resist the urge, the stopper is purposefully extracted from the vessel and all of a sudden it is like an olfactory paradise. So palpable is the ecstasy caused by the released essence that the mind seems to register birds warbling their melodies and thunder rumbling in the distance! All things appear as new and organic.

DIVINE MICROECONOMY MODEL ©

This will be a model building experience for you. You may have never had an opportunity before to proceed step by step in an economic model to reach a coherent end. Additionally remarkable, this will be your chance to see first hand how to build a bridge between science and religion. Take your time and enjoy the process.

To begin I need to extract the Divine Economy Model©, Diagram 2f from Chapter 2 in the book entitled *MORE THAN LAISSEZ-FAIRE*. [48, p. 21] In this book that you are now reading, *The HUMAN ESSENCE of Economics*, I will not go into the details about how that divine economy model was formed and developed.

Our starting point will be the same as Diagram 2f entitled “the complete Divine Economy Model independent of time.”

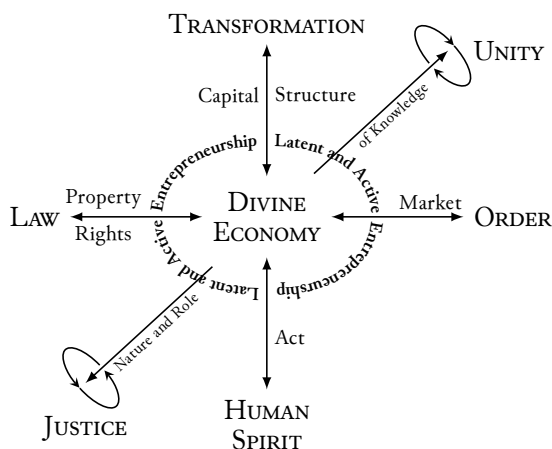


Diagram 2a: The complete Divine Economy Model independent of time

This is quite a complex and dynamic model in all of its applications but what we will take note of here, in particular, is that it is more than a two dimensional model. I now call your attention to the description of the model; notably when the model was transformed from the “Modus Operandi” stage to the “Driving Force of the Divine Economy Model” stage in the process of the unfoldment of the Divine Economy Model ©.[48, pp. 19–20] It is clear from the following description that it is more than a two dimensional model: “The next modification of the divine economy model stretches the imagination a little by adding a depth dimension. This can be grasped fairly easily by imagining the modus operandi of the divine economy . . . as submerged in a bowl of water. The water that surrounds and supports the model represents latent and active entrepreneurship.”

A more traditionally geometric way to see how the divine economy model takes on a higher dimensional nature comes on pages 20 to 23[48] when there is the addition of the axis called “The Nature and Role of Knowledge.” You are probably familiar with three dimensional graphics which show what results from the addition of a z axis to a two dimensional graphic with an x and a y axis.

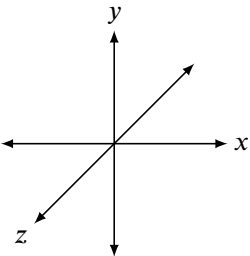


Diagram 2b: A standard three-dimensional figure

In this case we will assume that the “Nature and Role of Knowledge” axis is the z axis and imagine again that the three dimensional model is submerged, immersed in a matrix of latent and active entrepreneurship.

We will now begin assessing the divine economy model from specific vantage points for the purpose of achieving the objective, which is to create the divine microeconomic model. The vantage points will be the end points of each of these principal vectors; x, y and z, looking toward the center of the model. The center of the model represents the equilibrating power which in this model is referred to as the ‘divine economy.’

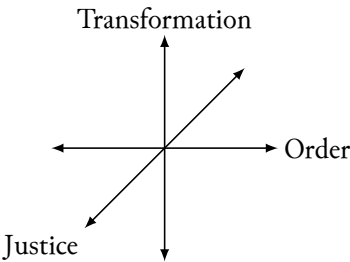


Diagram 2c: x, y, and z vectors of the Divine Economy Model

Looking toward the center from the vantage point of the end of one vector, opens a vista of a two dimensional plane defined by the other two vectors (see Diagram 2d).

This two dimensional plane can be seen not as different from planes that are very familiar to us such as a canvas of a painter, a tablet for verses, or a tapestry of fabric. Now is the best time to mention that all good science comes when science is artfully applied.

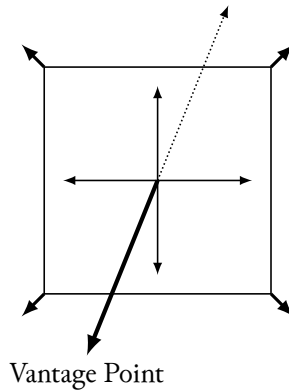


Diagram 2d: Vantage point view of the two-dimensional plane

The best in their fields of expertise are those who know both the art and the science of their profession and apply it wisely. This tapestry concept for the two dimensional plane is a reminder that there is an art to the application of economic science.

I will now introduce the first stage—the Vantage Point Planes—of the divine microeconomy model. This first stage will show the model as a tapestry from a series of perspectives, as mentioned earlier; perspectives from the ends of each of the six vectors: $-x$, $+x$, $-y$, $+y$, $-z$, and $+z$.

The x axis in the divine microeconomy model is represented by Law ($-x$) and Order ($+x$). The plane designation corresponds with the vantage point, so the Law/Order planes are seen in Diagram 2e.

The y axis in the divine microeconomy model is represented by Human Spirit ($-y$) and Transformation ($+y$). The Human Spirit/Transformation planes are seen in Diagram 2f.

The z axis in the divine microeconomy model is represented by Justice ($+z$) and Unity ($-z$). The Justice/Unity planes are seen in Diagram 2g.

Notice the pattern that I chose for labeling the planes, first one plane then the second one separated by a forward slash (e.g. Law/Order Plane). Although arbitrary to some extent, this naming pattern is motivated strongly by an understanding of cause and effect. Not in an absolute sense do things proceed in this manner but nevertheless there is a very real tendency for this pattern to be the dominant one. For example, if there is justice, unity can be established.

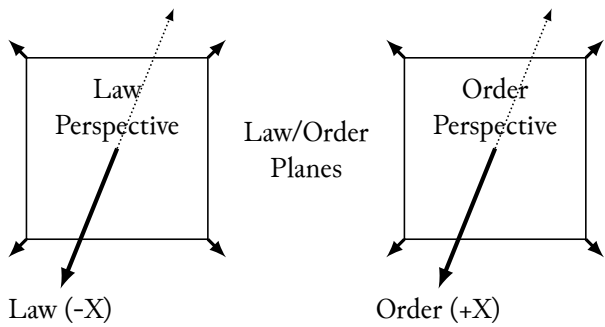


Diagram 2e: View of Law/Order planes

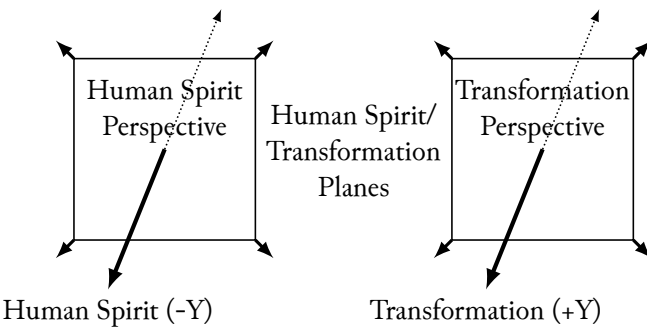


Diagram 2f: View of Human Spirit/Transformation planes

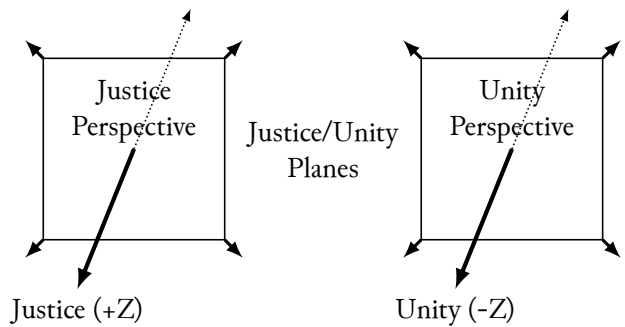


Diagram 2g: View of Justice/Unity planes

What is woven into the fabric of each of these tapestries? What is written upon these tablets? What is painted upon these canvases? The answer: human virtues!

The second stage of the divine microeconomy model, Virtues Akin to the Vantage Point, will be gone into more detail in Chapter 4. Suffice it to say that all these planes are the seats of the human virtues akin to the name of the vantage point. For example, those virtues which reflect the ideal of unity reside on the Unity Plane.

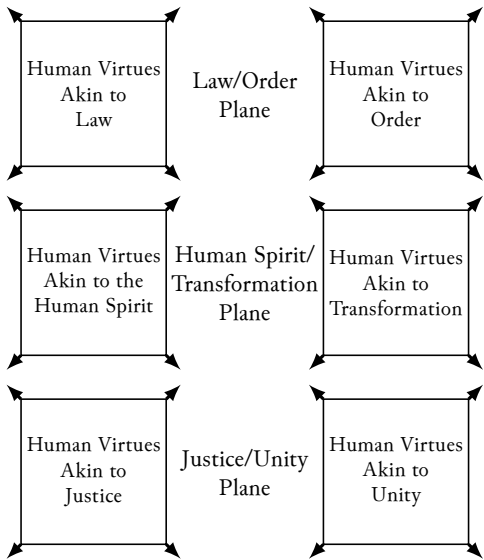


Diagram 2h: Virtues akin to the vantage point

The third and final stage of the divine microeconomy model, which is a divine microeconomic tapestry, incorporates two concepts that are deeply rooted in the human psyche. Our human logic and our understanding of the nature of the origin of things make these two concepts an essential part of human existence. One concept is cause and effect. The other concept is east and west. Both of these concepts appear to be strongly directional; from cause to effect, from east to west. However, the fact that new cycles can and do begin from the end-result shows an important degree of reciprocity.

Stage three introduces cause and effect, and east and west, by adding the element of service to the element of virtue. The symbolism of

east and west is compatible with the cause and effect, producing the following pattern: virtue leading to service (or product) which then may stimulate a new cycle. The idea that the acquisition of a virtue (cause) leads to service or a product (effect), which may *inspire* a *desire* to *acquire* more virtue(s) or service, fits the purpose of this model.

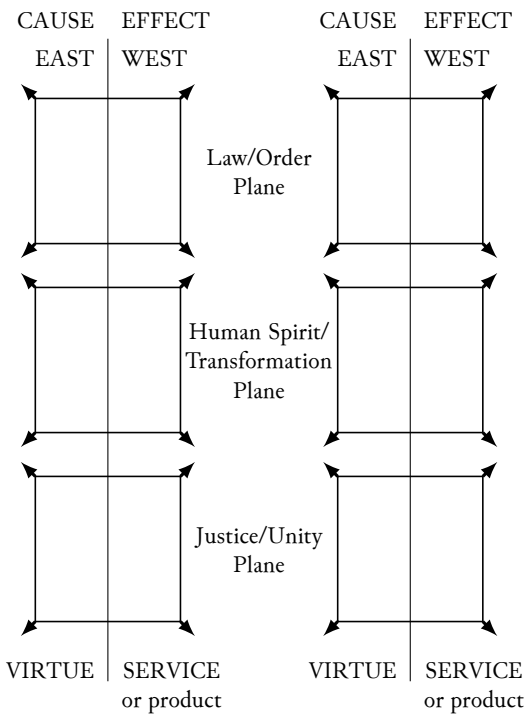


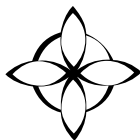
Diagram 2i: Divine Microeconomic Tapestry (also called the Divine Microeconomy Model ©)

Just like the Divine Economy Model ©, this Divine Microeconomy Model © is a complex and dynamic model. Its symmetry and reciprocity carry its essential simplicity forward, making practical applications of the model a real possibility. In essence this is a very powerful economic model!



Selected Exercises

1. Look at Diagram 2a for a moment or two and imagine it as something dynamic and organic. Now align yourself so that you are positioned to look directly along one of the vectors towards the center of the model. Which plane have you chosen to examine?
2. Ponder a moment and then name a virtue that would reside on the plane that you chose. What service to humanity that is valuable in a contractual society emanates from the virtue that you identified to be on the plane that you chose?



Chapter 3

Strands of the Fabric

Core Economic Concepts

PREFACE

Remembering how silky soft and fine the tapestry wrap felt to the touch we return to examine it more closely. Instantly, and also after thorough examination, the delicate nature and fairness of the silk strands intrigues us. If the strands—the most basic element of the tapestry—are nearly perfect in quality then the potential value of the tapestry must indeed be irrefutably very high. Such is the case with this loving gift.

THE ELEMENTS

We are about to closely examine how it all works—in the language of economics. The purpose of this chapter is to lay a foundation that cannot be refuted by those who may want to claim that there is no scientific economic rationale behind my model.

I included this rigorous exploration of economic concepts to combat the naysayers. My examination of the core economic concepts is organized in a different manner than usual, and so for this reason, you may find it quite interesting. If you want to stay engaged in reading this book but do not want to go deeper into basic economics, jump directly to Chapter 4 at this point!

As humans we share a pool of knowledge that holds certain concepts and motivations as true. For example, we perceive time as omnipresent and we recognize that our lifetime represents a scarcity of time.

Another way to describe this is to consider our wants. Our desires or wants are unlimited, however time is limited. We find that all of our wants are competitive with each other yet there is a scarcity of means. Nevertheless, whatever it is that we desire, whether it is a material thing or something else, these still remain the object of our quest.

This pursuit—our quest—is selfish (subjective) even if it happens to be a noble deed such as an act of generosity, since we are the ones that know our own selves and we act in our own behalf. Even if we can change our minds about what we consider to be the most valuable ‘thing’ to us, nevertheless, always what we value is undeniably given a subjective value by us.

In this matrix of people, time, and other resources—the economy—there exists the very great spark of human intelligence. Economic events are causal and complex but the laws that operate in this matrix are simple and universal.

Where do we begin this examination? Everything is so interconnected and interwoven. Wherever we start there will be abundant and continual overlap.

Our goal will be to try to focus and refocus on the individual, to keep ourselves in the microeconomic realm. This is not as easy as it sounds since humans are social beings and prosper in a cooperative society, a contractual society. The prosperity that applies at the level of the individual—like the benefits of voluntary exchange—applies in a comparable manner at the macro level where it would appear as the benefits of trade.

Nevertheless we can and will stay focused. We will accomplish this by adopting the vantage point of the entrepreneur. It is from that point that we will view the microeconomy.

The reason the entrepreneur is the key player in the economy is because of imperfect knowledge. It is the entrepreneur who *seeks information* through the experience of active and alert participation. This is significant since the market process is a discovery process, unfolding through time. The entrepreneurs are the driving force, always moving the economy towards equilibrium.

I dedicate Chapter 6 to entrepreneurs everywhere, by setting it aside to explore their action logic. Now the task at hand is to examine the core microeconomic elements. The core elements are: the individual, demand and supply, prices, production, and profit and loss.

THE INDIVIDUAL

Nothing could be *more* at the *core* than the individual. It is from the very essence of the human reality that both human reason and human action flow since they are ‘different aspects of the same thing.’ [65, p. 39]

Action is taken at discrete times and places and circumstances rather than in infinitely small intervals along a continuum. Each action rests upon a subjective valuation which is why subjectivism is the appropriate scientific method of analysis.

Individuals progress day by day and moment to moment. This is all a part of the learning process. As a consequence of the learning process there is a pattern of change in an individual’s decisions. The unfolding experience of the decisions themselves becomes part of the learning process with the goal being to remove uneasiness and to make oneself better off, that is, to survive and to prosper.

There is a conscious effort aimed at the attainment of the goal. Subjectivism recognizes that the seat of power rests with the individual. Every act of choice or preference entails a sacrifice, an opportunity cost. This subjective valuation is the origin and source of value for all things. Each marginal unit is given a subjective value and each additional unit of a specific good has diminishing utility and therefore diminishing marginal value.

Implied in the action at the margin to achieve one’s goal is the use of means. It is the goods or the means capable of satisfying our wants that we value not the wants themselves. These goods and means are used to exchange one state of affairs for another.

This can happen by barter but the truth of the matter is that we are in a relatively modern era of economics for the simple reason that a more efficient method of the means of exchange—money—predominates.

Once money was developed to facilitate indirect exchange, prices emerged. But don’t be fooled by prices. Know what they represent. Subjective values are ordinal not cardinal so the exchange price is sufficient for the exchange to occur, but it is not an objective valuation. Exchange takes place because there is a double inequality of wants between the trading partners. Each market participant values what they get more than what they give up. This interconnectedness with others brings about relative prosperity resulting from maximizing exchange transactions for mutual benefit.

Exchanges also represent valuable learning experiences. This learning process is more formally described as the market process, which is the 'place' where people embark on a knowledge gaining series, *each one more competitive than the preceding period*. It is impossible to have an economy without the market process.

In this marketplace world there is division of labor; individuals acting as resource owners and entrepreneurs and capitalists and laborers. Individuals exercise their property rights, they voluntarily exchange, and by taking human action they convey to the rest of the world their sovereignty as consumers—to be served by the market.

So despite the fact that there are latent elements in the economy and that sometimes resource owners and consumers are price-takers, the market operates—thanks to those who are the alert to opportunities. The consequence of this competitive entrepreneurship is the connecting of the desires of the consumers with everything needed to satisfy those desires. Take a moment to think deeply about the following statement: resource prices or 'costs' are derived from the expected prices of the consumers' goods that the resources were used to produce. In other words, all values throughout the market are attributed to the values ultimately given by consumers.

One thing we know for sure is that everyone prefers to have lower prices and better quality. Not coincidentally this is the direction of the forces of competitive entrepreneurship. Immediately it becomes clear that competitive entrepreneurship serves everyone by bringing about lower prices and higher quality.

Competition and entrepreneurship are analytically inseparable in the market. The entrepreneurial alertness to these hitherto unnoticed opportunities is almost always exercised throughout the economy by many individuals at the same time. It is not the entrepreneurs who are generating the opportunities *per se*, but rather, alertly responding to opportunities is their function in the market.

The individual, referred to in the economic literature as '*Homo agens*' is endowed with the propensity for alertness. Alertness is why the market is universally a learning experience and why fresh goals are continually surfacing and why previously unknown resources are discovered.

And finally let it be known that individuals are at the beginning of it all, their subjective value is at the origin, and it is their decisions

about what to consume that is ultimately the sovereign mandate. Business firms do provide a vital function but ultimately it is the individuals who need to protect economic freedom. That is their right and their responsibility.

DEMAND AND SUPPLY

Proceeding now into another aspect of economic science we will examine the law of demand. The demand curve is 'falling' because it is rooted in marginal utility. As you and I—consumers—see it: as the number of units of a particular good increases each one satisfies a lower degree of want so the chance that the marginal utility of a good exceeds the price of a good is greater as the price lowers. As prices go down the quantity demanded goes up. Translation: people prefer lower prices!

Demand is not the same as wants. Wants are unlimited whereas demand is a function of purchasing power. Therefore demand ultimately comes from productive effort and the income derived from that effort. Demand for a good indicates the preference for acquiring a good or service at the various prices. The demand then is a representation of the response to price. The lower the price the more will be purchased. It is the quantity demanded that changes as prices change.

Supply, on the other hand, is what is necessary to overcome scarcity. Since the wants are unlimited but the means are limited it is production that ameliorates this condition. In other words, production is the source of supply. Changes in demand and supply manifest themselves in the market as the dynamic and ever-present disequilibrium.

At any specific point in time production has already occurred and there is a certain market price where exchanges are taking place which means that, right then and there, the supply curve is vertical. The 'snapshot' taken at that specific point in time is not realistic in terms of it being economically comprehensive, but it will nevertheless prove to be instructive. See Diagram 3a.

Ultimately it will be market demand that determines prices but consumers' preferences are dynamic, ever-changing. As a result, market demand is always veiled in uncertainty but the best way to find out more information is to enter into the marketplace. Producers do just that and they enter with a price in mind (not knowing the true market price), an

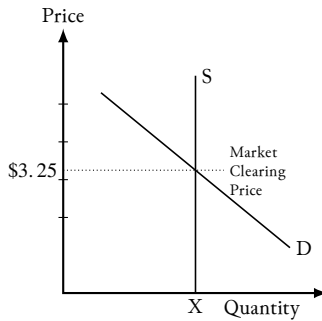


Diagram 3a: Snapshot of the demand, supply, and market price

estimated price that indicates to the producer that a profit opportunity exists. Thus a production plan is set forth in terms of the expected price per unit and the estimated number of units to produce.

Once the production program is completed the finished product will enter the market. Here is the snapshot of the market as faced by the producers for that particular planned sales period:

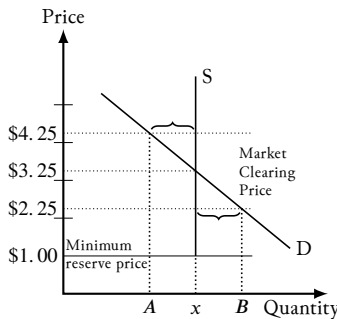


Diagram 3b: What is the market telling you to do?

The market clearing price is the price at which all of the product would be sold by the end of the 'planned sales period.' [80, p. 191] The minimum reserve price assumes that the product is non-perishable and could be put in storage for future sale if prices in the market are too low right now. In other words, no producer is willing to sell any units of the product below that minimum reservation price during this sales period.

Firms selling their product at the market clearing price of \$3.25 will be able to sell all of their products within that sales period. Now looking at Diagram 3b we can see what happens if the producer estimates the market demand incorrectly. Firm A expected to be able to get \$4.25 per unit but at that price not all units will be sold. There will be 'x minus A' number of units unsold ($Q_s > Q_d$).

The firm(s) selling at \$2.25 per unit will sell out before the end of the selling period ($Q_s < Q_d$). The shortage is represented by 'B minus x' with x being the units sold but B being the units needed to be sold in that sales period at that price.

If firms experience surpluses or shortages it is because they chose a disequilibrium price in their ex ante estimate. Ex post the market demand ultimately confirms or refutes the ex ante estimates of price and quantity. Adjustments need to be made and they are made.

Trying to portray a more realistic picture necessitates consideration of market disequilibrium and all of the systematic alterations in the pattern of prices and quantities, and also the systematic alterations in the pattern of product types and qualities, in an environment of competitive pressure. For instance, "a variety of product qualities may be produced for no other reason than that equilibrium has not been reached." [47, p. 115] Crucial to understanding this series of systematic changes in the interconnected network of market decisions is recognizing how the competitive nature created by entrepreneurial alertness brings about changes in the buying, selling, producing and consuming decisions that make up the market process.

All of this dynamic action cannot be fully captured by a line graph. So what then is the relevance of the demand and supply curves to the

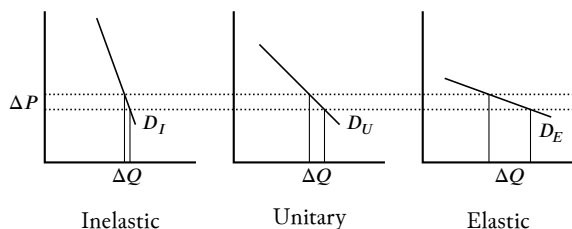


Diagram 3c: Demand elasticities

real world? The demand curve is a representation of the response to price. The more responsive to price, the more elastic the demand is said to be.

If the demand is inelastic there will not be much of a change in the quantity demanded if the price changes. If there is unitary elasticity the change in the quantity demanded will be proportional to the change in the price. If the demand is elastic the quantity demanded changes quite dramatically if the price changes.

The more choices there are in the minds of the consumer the more elastic the demand is to price. Necessarily the price elasticity faced by a firm is greater than for an industry. This is true because there are other competing firms to buy from, in other words, there are more choices.

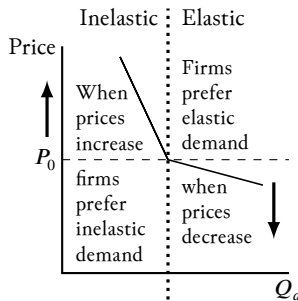


Diagram 3d: The ideal price elasticity from the perspective of the firm

Price elasticity reflects the complex interaction of close substitutes, competition, size of its relative price (e.g., consider the impact of a price cut on a high-priced item), the relative importance of the item (ones with strict minimum requirements), and the existing stock on hand; but it is consumers and not the firms that ultimately determine elasticity.

A businessperson, by the trial and error of changing prices (Table 3a), can get a sense for the degree of price elasticity within a certain price range associated with a particular product at a specific point in time. This very specific information—revealed as a total revenue schedule for that segment of the demand schedule—may have value in some cases.

The total revenue equals price times quantity ($TR = P \times Q$). Sometimes total revenue may not remain the same when the price changes. If a firm lowers (or raises) its prices the total revenue may

increase, decrease or remain the same. Refer to this equation, $TR = P \times Q$, when reading the next sentence. If P (price) decreases (causing quantity demanded to increase) yet total revenue decreases then there is relative inelasticity. The following table shows these relationships.

Price Change	Change in Q_d	Change in total revenue as an indicator of the degree of elasticity of demand	
$P \downarrow$	$Q_d \uparrow$	$+TR$	If Elastic
		$-TR$	If Inelastic
		No Change	If Unitary
$P \uparrow$	$Q_d \downarrow$	$-TR$	If Elastic
		$+TR$	If Inelastic
		No Change	If Unitary

Table 3a: How is total revenue affected by demand elasticities?

Here is another point of relevance: since firms face a more elastic demand curve than does an industry the equilibrium forces inherent in the market economy would tend to break any attempt to form a cartel. This is because: if a firm charges a lower price than the cartel price the result would be a significant change in the quantity demanded from the firm (drawing buyers industry-wide) and total revenue would increase for the firm. The increased total revenue is an irresistible incentive, enticing a firm to break the cartel.

PRICES

People value things. The things they value, and also the resources (factors) that are needed to produce those things, are valuable because they are scarce. Prices and scarcity are interrelated and interdependent but ultimately prices are determined by market demand.

Each thing is assessed independently, based on its marginal utility. The value of each thing is subjectively ascribed to it by individuals and is reflected in their purchasing decisions. Relative prices emerge as a result of this process in the market and they are the most widespread aspect of the market.

What does this process represent? “The market prices tell the producers what to produce, how to produce, and in what quantity.” [65, p. 258] It is the fact that people value things determinedly that leads to a fulfillment of their valuations.

Fulfillment of this valuation process is a description of what the market does. It is impossible to have an economy without markets. The market process is where the real world risks and uncertainties characteristic of the state of disequilibrium are overcome by the mechanism of prices and profit and loss, leading to the satisfaction of people’s needs and desires, even to the extent of capturing the non-price influences.

What is price? If I see the price go down for one of the goods that I desire, to me that is a good thing. A variant to this but still a ‘price’ is: if I see the quality of a good go up yet I still only pay the same price as earlier, that is a good thing. Both of these ‘prices’ are driven by equilibrium forces; the result of the forces of supply and demand. Decisions to buy and sell are pegged to this pivot, the price, the carrier of information.

Competitive pressures that occur in the dynamic state of market disequilibrium cause adjustments to be made in the pattern of prices and quantities but also in the pattern of product types and qualities. These pattern pressures influencing both price and quality are inseparable and analogous. The influence of the market forces affects prices, quantities and product qualities, styles, sizes, color, packaging and so on.

Prices also convey information to the seller. Their product is offered on the market at a speculative price but if the price is not ideal (equilibrium) the market feedback mechanism will send signals of disequilibrium. Unless the seller’s chosen price happens to be the market clearing price (equilibrium) potentially there will either be a shortage or a surplus of that good for that planned sales period. Price adjustments will need to be made.

In the real world, entrepreneurs and businesspeople are concerned with ‘prices’ because they affect total revenue ($TR = P \times Q$). In the real world, successful market clearing (optimal total revenue) is due mostly to good fortune. What are the chances that the entrepreneurial plans of the producer coincide exactly with the objective market conditions? Most of the time price adjustments will need to be made.

Resource prices (or costs) are proportional to the expected end value of the consumer good that comes at the end of the production cycle. “The prices of the goods of higher orders are ultimately determined by the prices of the goods of the first or lower order, that is, the consumers’ goods.” [65, p. 333] If the consumer doesn’t value some thing enough it will not be produced, neither will factors be used for that purpose. There are prices throughout the system and they all convey vital information.

Prices coordinate the system throughout all stages of production and at the end stage of consumption. From the end point the consumer demand infuses prices backward throughout the system. Ultimately, it is the consumers that determine prices and also the price elasticities of all goods and services.

It is towards consumer sovereignty, meeting their needs and wants, that producers must orient themselves. The firm enters the market with a price in mind but not knowing the true market price. Accordingly this producer has already committed to producing x units in this particular production cycle. This is the beginning of the drama that unfolds. In this opening act adjustments will need to be made. As the drama unfolds we encounter the unpredictable features of the market: uncertainty and changes taking place over time. It is an unending drama, richly human.

In a free market the equilibrium tendency drives the expected price of a good in the future (minus the pure interest) towards equalization with the price of a good in the present. There is also a tendency toward the establishment of a uniform price for the same good throughout the world which includes wage rates for the same degree of ability. These tendencies necessarily exist due to arbitrage which comes from awareness of price discrepancies and then action to capture the margins.

The ratio of the proportional difference between the expected price of a good in the future and the price of that good in the present, apart from uncertainty and risk, is also a price—pure interest—and it is an estimate of the time preference of that culture. It is this price ratio expressed as a percent that is a representation of time preference. The greater the time preference the greater is the pure interest rate. Time preference limits the investment of time, labor and land and therefore it limits the amount and structure of capital.

To continue to understand how prices coordinate the system throughout all the stages of production consider the difference between a good now and the same good a year from now. The price of the good one year from now equals the present price + costs of storage + allowance for the going rate of profit on the capital (based on the cultural time preference) that must be invested in storage.

Prices are infused throughout the economy and across the time horizon. As a result of competition and entrepreneurial action prices are imputed to each factor according to its marginal value product, which means—according to its productive share of the whole. Price formation in the market economy is the means of measuring the goodness of a good.

PRODUCTION

Producers serve either directly or indirectly. Production has value attributed to it subjectively by consumers because it ameliorates the condition of scarcity. Scarcity exists because humans have limited means but unlimited wants. Ultimately the purpose of production is consumption.

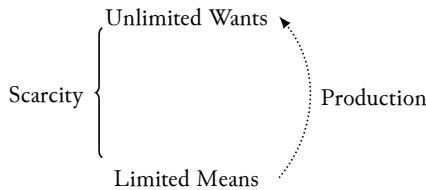


Diagram 3e: Scarcity and what alleviates it

Economics is the study of the means to attain the ends; so needless to say, production is a major economic topic. For goals to be met scarce resources are needed. Production is the conversion of resources into specialized goods and services through the division of labor. Goods produced either satisfy wants directly (meaning the actual consumption of the good) or indirectly by facilitating the production process, ultimately towards consumption.

The impetus behind production is the consumer's desire for better quality, more choices and lower prices. Of course, production is prior

to consumption. Consumers have the power to change the course of production by changing their spending patterns. Prices for factors come backwards from consumption and all of these market prices tell the producers what to produce and in what quantity. Being alert in this competitive environment, it is the producer who serves as a 'built-in' entrepreneur.

Production that leads to more choices, to better quality and/or lower prices raises the standard of living. Production will be either for direct use or a part of the market division of labor. Production that yields an increase in capital goods leads to a higher standard of living in the future.

One omnipresent limitation is time! Production takes time. And since production is a time consuming process it aligns itself with the time preferences of the consumers. Time preference for present goods manifests itself as a restraint on future goods, that is, on any and all such investment of time, labor, land and capital. Prices throughout the economy serve to convey this differential information.

The producer, acting like an entrepreneur in a competitive environment, searches high and low for profit opportunities. The producer (*as if it is easy*) merely needs to know where to buy resources at a price worthwhile to produce, such that the product can be sold at an attainable price in the future! Once found the producers' actions signal that a discovery was made.

The first stage of production just after this 'discovery' is *ex ante*; estimating, speculating, planning and investing. The second stage follows, which is the act of physical production signaling that a previously unperceived revenue possibility may indeed have been found. This is the 'announcement' made by beginning production.

As part of the production process there is what is called a derived demand for factors of production. Resource owners who find the payment offered by producers sufficiently attractive to make them willing to sell their resources do so. Wage earners fit into this category. Resource owners can also play the role of a capitalist if they are willing to sell their resources under an agreement which promises them revenue only at some time in the future.

Once labor is added to other resources it becomes either a capital good or a final consumption good. What is a capital good, or another

variation on that question, what is capital? “Capital is a way station along the road to the enjoyment of consumers’ goods.” [77, p. 52] Seeing capital as ‘works in progress’ demonstrates that capital has time structure.

Production requires investment. Capital is savings and investment that pays resource owners now even though there is no revenue yet. However, capital is not an independent productive factor since it depends on land, labor and time for any and all capital to accumulate. Again, saving and investing are necessary to build anything.

The time market, where the interest rate is the all-important price, permeates the entire production structure. Since there is alertness to all price discrepancies, the interest rate will tend to be uniform within and across the various stages of production (when there is no intervention). There are competitive pressures that cause this tendency; and these competitive pressures come from the purchasing of producers’ goods and services of any and all kinds at any point throughout the production structure of the economy. It turns out that this type of credit—taking advantage of the capital made available by these resource owners—is an even more important use of the ‘time market’ than the loan market.

Practically speaking there are two types of productive endeavors in the economy. Either long processes that are more productive or short processes that are less productive. These have to be chosen from and it is a relative abundance of savings and investment which makes it possible to choose the processes that take a long time.

There are three types of production for use-value. The first one is production for a more useful *form*. The second is production for the *place* more preferred or more valued. And finally there is production that is made available at a more desirable *time*. Capital and especially the combination of capital and storage make time production feasible. Producers’ goods are examples of time use-value.

Due to the equilibrating power of arbitrage the economy operates and is characterized by the tendency towards the principle of uniformity-of-profit. This is what keeps in proper balance the production of all types, and of all of the different items that are directly or indirectly necessary for our survival.

If in any one period the competitive process comes to a halt it does not mean a failure of the process. Disequilibrium—the real world condition—is characterized by widespread ignorance, meaning that

despite all the alertness that market participants have they still are unaware of all of the opportunities that exist. In this sense the competitive process is in a 'potential' state but as soon as the opportunities are perceived they will be pursued in a most competitive way.

From beginning to end what does production look like? "The production process of a typical 'commodity' consists of raw materials which must be gathered and worked on. Machinery and other factors used in production must be obtained, set up, repaired, etc. When the final product emerges it must be insured, transported and kept track of. It must be advertised and retailed. Records must be kept, legal works must be done, and the finances must be in good order." [26, p. 166]

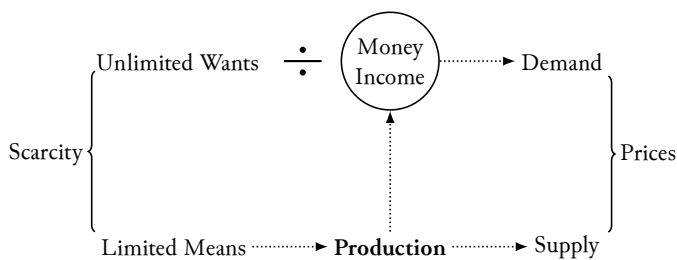


Diagram 3f: Production as the progenitor

The producer estimates the selling price and the numbers of units to produce for the first planned sales period. As the results in the market become known adjustments are made to minimize disappointment before the end of the planned sales period. At the same time a new strategy is formulated for the next time around, fully aware that the market is always changing.

Some empiricists try to dissect production for the purpose of examining 'efficiency' but we already covered how it is the equilibrating tendencies and forces in the economy that make it inherently efficient. Examples of these forces at work are arbitrage and competitive entrepreneurship.

There is a seamless nature to production. Everyone along the way contributes, everyone along the way is a 'middleman.' The process of production includes every step, all the way up until the good is consumed, including making the consumer aware of the availability of the product and the desirability of the product. Everywhere along

the production line someone playing this particular role of a middleman will perform this service. All of these 'selling costs' are all a part of the process.

Since consumers are often passive entrepreneurs it is the producer who must complete the production process by taking active steps to get the potential customers to know about these purchase opportunities. Producers reduce the uncertainty of the total supply on the market by product differentiation but this then suggests that the producer needs to educate the consumers about the product.

If the price signals have not been tampered with and if the producers correctly assessed the situation, then all the costs of production will have been initially anticipated. Production began because the producer anticipated that the consumer would value the product more than the sum total of all of the costs of production. To complete our understanding of Diagram 3f we need to remember that only production is the source of income and only production is the source of the supply of goods and services that can reduce or modify scarcity.

In the real world of uncertainty and imperfect knowledge there are no guarantees. The market process ultimately determines the selling price and the market price determines all costs. (Remember the backward reaching effect of derived demand?) In the end the result may be a profit or it may be a loss. And since production can continue only if it yields positive results (i.e., yielding a profit) there are limits to production. Unequivocally, it must be clearly stated that there is nothing evil about profit. It is what motivates production despite the uncertainty!

PROFIT AND LOSS

This is the climax, the culmination. Individual action—captured in demand and supplied by production at the price that brings into harmony demand and supply—is for the sake of generating income so the good(s) desired can be purchased. Profit, directly or indirectly, is the prime generator of incomes.

It is inaccurate to describe human beings as merely profit maximizing economizers! First of all, decisions made by humans are not simply monetary. There is a psychic cost, the lost 'utility' of the next best alternative that one has to forgo, to every action taken. And there is

a psychic revenue that results from the increase in happiness that comes from the action chosen.

In this sense profit is purely subjective and cannot be measured. Even if we were speaking about both monetary and non-monetary profit, profit maximization is a fleeting thing since the real world is always in a state of disequilibrium, never really reaching equilibrium.

Prices that are stated in the terms of the medium of exchange do facilitate the recognition of what is valued. Once the economy evolved to the point of adopting a medium of exchange all things were expressed in those terms. This major advancement of the economy took us out of the barter economy and made it possible for another innovation—accounting—and opened the door to a better understanding of profit and loss.

We humans, endowed with the propensity for alertness and classified as *Homo agens*, act upon the information about what is valuable. Some are passive, only finding ways to increase their own happiness. Others are out there as profit seekers, and their actions benefit everyone.

These profit seekers try to identify the relevant ends-means framework and how to make it more efficient. Through their efforts to discover price differentials throughout the economy and along the time horizon they bring to the surface market knowledge. Their actions benefit themselves but also everyone else.

What we have are price searchers; not the imaginary price-takers conjured up by the empirical economists. What is sought are the price terms and other contractual terms that work best given the constraints of the preferences of the consumers and given the competitive offers being made by alternative suppliers.

It is in this competitive and entrepreneurial condition where the profit seeker perceives something special, like when a good can be sold at a price higher than that for which it or the sum of its precursors can be bought, given the time preferences of the consumers. If that perception turns out to be true there will be a profit. If not, a loss.

The fact that some will make a profit, that some will just break even, and that some will take a loss is not problematic. First of all, the scale of the endeavors is widely various so that no one has to be tested beyond their abilities. Second, there is freedom to either be actively or passively alert to what is going on in the market. And third, the

continual and dynamic process of the selection of the fittest makes sure that it is primarily the most efficient entrepreneurs who are offering their services for the benefit of all.

Profit seeking is just that—seeking. There is no guarantee. The profit seeker is a risk taker that uses market prices to determine what to produce or what can be produced more efficiently. The risks taken to initiate new production or improved production will yield various outcomes such as: lower price, better quality, and/or product differentiation.

The enticing wonder of the discovery of a profit opportunity, which keeps the entrepreneur coming back and entering into the market process, is the discovery of something obtainable for nothing at all. It is the same as the quest of the explorer and the artist and the scientist and the philosopher—to discover something never known before. The profit seeking motive is this same motivation, this same human phenomenon. Therefore as you can see, the profit seeking motive is part of the human operating system, something to be appreciated—not to be condemned as an evil.

The ‘nuts and bolts’ of profit and loss is $TR - TC$ (total revenue minus total costs). If changing the price increases the total revenue, then because of the profit motive, that is what will be done. If changing the product quality improves profitability then that is what will be done. If making production more efficient (lowering total costs) makes the endeavor more profitable that is what will begin to happen.

These types of exploration for improved profitability constantly and perpetually motivate the profit seekers. If someone decides to stop their exploration, then someone else will make the discoveries and will capture the profits.

In the real world it is the producer who most often takes on the role of perceiving and making changes, motivated by profit opportunities. Many of the opportunities for more efficient use of resources simply go unnoticed by non-producers because only those who are involved in the production process actually encounter them or understand them. Often these opportunities are the result of imperfect coordination between transactions in the resource markets and in the product markets. By involvement in the market process profit seekers create the possibility of greater cooperation between otherwise disconnected segments of the economy.

Profit seeking has a revelatory effect in the economy. Seeking profit opportunities by examining them relative to each other, reveals what people want. This continually directs resources towards the production of those particular goods and services. The reason differential profits are possible in the real world is because not all firms are equally innovative or even able to mimic the innovation of others. In the real world innovation is an advantage, yielding differential profits because there is a lag time before others can catch up. The talents and creativity within firms is not equal and so part of the competitors' strategy to catch up with the innovator is to lure away key personnel, along with intensifying both market research and product research and development.

As a consequence, profit seeking advances the tendency towards homogeneity, ironically offsetting the tendency for product differentiation. Necessarily, the tendency is for the rate of profit among close competitors to become equalized. Economy-wide profit-seeking leads to the tendency for profits in all of the different fields of endeavor to equalize in the market.

All investors face the reality that the return on their investment is uncertain. Will the skilled worker get a return on the investment made to acquire those skills? Will the capitalist get a return on the savings invested?

Despite the constant changes in prospective earnings and related changes in capital values there are those who can successfully discount future prices. A premium is placed on the individual or the firm that is able to successfully read the uncertain future. Working back from a profitable expected selling price in a way that incorporates the sought-after profit margin and that determines the limit to factor outlays (per unit) is no easy task. Investors are looking for the firms that can do this successfully.

Market demand is out there. The profitable firms hold onto consumers' demand by the means of product differentiation, and they innovate, lowering costs and prices. All of this catches the attention of investors. Since investors prefer profitable firms more capital is made available to them. Alert firms that command sufficient capital funds will be the ones that fill the market demand gaps.

Any decisions by the profit seeker to proceed, to go forward with production plans, is a declaration that there is an opportunity to convert

the upcoming expenditures into a profit, once the future revenue stream begins to flow. These alterations, newly added to the market, set in motion systematic changes in the interconnected network of market decisions. The new knowledge infused into the market process alters the conditions of uncertainty and imperfect knowledge as it necessarily cascades throughout.

Armed with the knowledge that the expected benefit in the forecasted future warrants incurring today's costs, the endeavor begins. The significant test will be the market price itself which serves as the testing ground for sales and profit expectations. Facing the actual state of demand—the market price—the producer is then in the *ex post* and making adjustments most successfully depends on having some knowledge of the elasticity of demand.

In the *ex post* it is time to be alert to the sales status for the planned sales period. If sales are as expected then the market price is the same as the estimated market clearing price and profits will be optimal. If instead there appears to be disequilibrium outcomes—a shortage or a surplus—then the ability to adjust to the market conditions will determine the income fate of all participants in the production process.

But already the producer needs to prepare for the next planned sales period, the next time around (NTA). [80, p. 199] Based on the *ex post* results of the prior planned sales period, if a surplus is projected at the 'current price *A*' there are three choices, all designed to *maximize profits by minimizing losses*. The producer could lower the selling price but what this means is that to be able to maintain the present profit

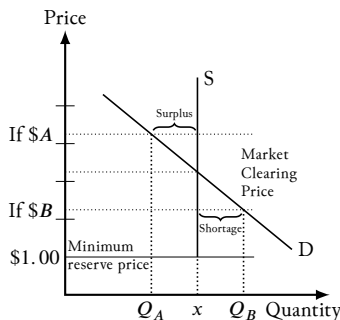


Diagram 3g: Maximizing profits by minimizing losses

margin costs must be cut. This could mean job losses. Or the producer could reduce the supply by cutting production. This could also mean the loss of jobs. Another option would be to try a combination of these, with the goal being to maximize profits by minimizing losses.

To adjust to a projected shortage for the next time around the producer could raise the price and face the social taboo associated with raising prices or he or she could increase the supply via an influx of capital investment thereby improving the production process and lowering marginal costs. Of course there are risks due to the uncertainty of the market demand. Enlarging productive capacity to increase the supply and to lower the unit costs may not prove to be necessary in the long run.

Why take the risk? The margin between the selling price and the per unit cost of a product, the price spread, is enticing as long as it is equal to or greater than other opportunities, such as earnings from investing in financial assets instead of production. Since production is the most basic of all endeavors it is always a prime candidate for investment. Potentially, profits emerge from production.

Profit has three components. The pure interest component is shared alike by production for profit and by other investments earning interest. What is expected for sacrificing present consumption for future consumption is the pure interest component. It is an expression of the natural time preference. No action would be taken if this pure interest component is not present.

The second component is entrepreneurial profit which comes about because the future is unknown. Ex ante estimates for production and price are educated guesses, with a certain amount of entrepreneurial profit potential. Astute entrepreneurial perception may lead to a lessening of the risks taken despite the uncertainty faced. Alertness then to the market reaction—ex post—is mostly where the entrepreneurial profit component is captured. For instance if excess demand is discovered early in the selling period a raising of the price would lead to increased profits making the entrepreneurial component of the profits larger. Of course also, a lack of entrepreneurial perception could lead to losses.

The third profit component is the purchasing power spread. This element is mostly seen nowadays as a phenomenon of monetary intervention which causes the purchasing power of the currency to decrease

due to inflating the money supply. A profit margin has to be built into the ex ante price because it takes time before the product reaches the market. Ex post the purchasing power will have declined when there is inflation making real profits significantly less than nominal profits.

The 'loss' half of 'profit and loss' occurs when there is a negative return on the investment. In general, the greater the potential of gain (or loss) faced by the investors the greater the risk. Losses in a market economy are just as necessary as profits since they also serve to allocate limited resources. This is what happens efficiently in an unhampered market economy.

Since profit is the prime generator of other incomes the destructive effect of monetary economic intervention on interest rates and on both entrepreneurial profit and the purchasing power component of profit have repercussions and reverberations throughout the economy. Other types of economic intervention (e.g., regulations) also constrain prices or production causing either shortages or surpluses that cannot be remedied by the natural market processes because of the coercive characteristics of the intervention. This is what happens in the unnatural condition of a hampered economy because it is being subjected to this type of political corruption of the economy.

Back to the unhampered economy, notice that most of the time the ex ante expectations need modified during the planned sales period. In other words, producer/entrepreneurs are trying to maximize profits mostly by minimizing losses. This is a little different from the ideal, the real objective, which is to reach the point of optimal profit which occurs when $MR = MC$.

Market information is very elusive because demand is fickle since it is a function of the subjective valuations of consumers, which can and do change over time. Of course this makes market information difficult to ascertain. Only engagement within the market process reveals this information for each selling period. Profit maximization is more a result of minimizing losses by entrepreneurial actions than actually attaining the point on the graph!

Those who are removed from the market and who are out of touch with how production needs to change to meet the demand cannot contribute anything. These are the empirical economists! They assume away the essential characteristics of how demand really operates in

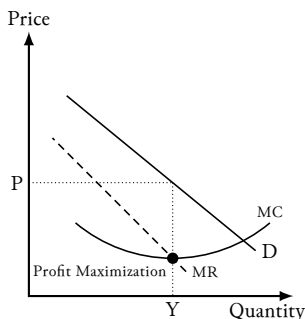


Diagram 3h: Demand and marginal revenue and profit maximization

the market—that it is intimately tied to subjective valuation. That erroneous fantasy is the starting point of their arbitrary and destructive economic intervention.

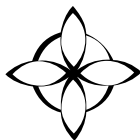
In the unhampered free market we have individuals, demand and supply, prices, production, and profit and loss all working beautifully to allocate limited resources to meet the unlimited wants as best as possible. Ultimately then, it is the profit motive of the profit seeker that acts upon the market process, stimulating production to increasingly meet the needs of the consumer. Therefore it can be said that the profit motive serves as an agent of continuous economic progress.



Selected Exercises

1. Regarding the individual, *Homo sapiens* indicates that humans are wise and *Homo agens* indicates that humans are agents of alertness. Describe how competitive entrepreneurship fits the economic behavior of individuals.
2. Regarding demand and supply, describe the disequilibrium in the market and how supply initiates knowledge of the state of affairs in the market.
3. Regarding prices, use language as an analogy to describe how prices work throughout the market and across the time horizon.
4. Regarding production, what would happen to production if speculation is restricted in any way because of ill-informed economic intervention?

5. Regarding profit and loss, how human would we be if the artist or the explorer or the scientist was deprived of the act of discovery? Describe why the discovery of a profit opportunity is a beautifully human act which benefits everyone.



Chapter 4

Weft And Warp

The Harmony of Economic Science and Religion

PREFACE

Why was the gift wrapped in an exquisite silk? For practical reasons the vessel carrying the essence needed to be protected and this was accomplished very well by the tightly woven silk strands of this fabric. The interlocking fibers added much beauty and the binding together of the weft and warp added strength, elasticity and durability, guaranteeing its integration with the vessel and adding to the integrity and the value of the gift.

Tightly woven together at the microeconomic level are thoughts and ideas, and the threads of human action. The fabric of the realities—the virtues—makes the divine microeconomy tapestry a source of prosperity for everyone.

EPISTEMOLOGICAL PURSUIT

It is not my intention to delve deeper into microeconomics—and to go to soul-stirring depths—simply because it may be fashionable, neither is it because it may be unfashionable. I am a scientist seeking high and low, seeking everywhere, along the path of truth—wherever it leads.

Science loses its power and purpose if it cannot go beyond the familiar. I disagree with the direction of some contemporary thought: “It is no longer fashionable in political science to refer to ‘self-evident principles.’” Indeed, any reference to self-evident or axiomatic propositions is taken to be evidence that a scholar is leaving the realm of science and entering

a mysterious netherworld consisting of tautologies, definitions, and metaphysical statements.”[16]

According to the above statement, limits are placed on science. However, the scope of human science encompasses more than observation. It has a philosophical basis. The branch of philosophy which investigates the origin, nature, methods and limits of human knowing is called epistemology. Epistemology is worthy of any attention given to it in the past, in the present, or in the future.

DUALISM

Dualism is part of the nature of the human being. There is the body and there is the mind. What about the dualism implied with regard both good and evil? How can opposites be a part of the same thing? It is the concept of dualism that allows humans to be described as both physical and spiritual.

Whatever direction a person is going, they are alive, having sentience and therefore they are an embodiment of change. Human beings are dynamic not static. In terms of moving in a direction, individuals progress day by day, moment by moment.

What about an assessment of progress? Necessarily there is dualism in the assessment also. To the human being, which has more value: a sumptuous dinner alone or a simple sandwich and soup with dear friends? If I value the love of my spouse it must be true that I consider it real, mustn't it?

Because human beings know things that are physical and know things that are spiritual both are seen as realities. Interestingly, as the lower aspirations—which tend to be physical needs—are fulfilled, higher aspirations are sought. The higher aspirations like love, loyalty, and friendship are not physical things; nevertheless they are the realities, the realities of human beings who are in a state of higher aspirations.

Methodological dualism defines the seemingly insurmountable bridge between “the external world of physical, chemical and physiological phenomena and the internal world of thought, feeling, valuation and purposeful action.”[65, p. 18] The cusp of social sciences is always near this enigma. The exploration of the human mind is the task at hand and it will be a task of primary importance for the foreseeable future.

Consider one evident manifestation of dualism: the act of rational self-interest that ultimately leads to the well-being of all. This is the very essence of the divine economy! As you can see the divine economy must be profound indeed!

THE VIRTUES PLANES

To begin the work of bridging the gap between science and religion at the microeconomic level I chose the 52 universally recognized virtues identified in *The Family Virtues Guide*[45]. My placement of these fifty-two virtues into the various Vantage Point Planes is arbitrary and is itself potentially a learning exercise for anyone who makes such an attempt. The outcome is quite revealing as you will soon see in Diagram 4b.

Meanwhile, Diagram 4a reveals that there is symmetry and reciprocity that extends across the aperture that exists between science and religion.

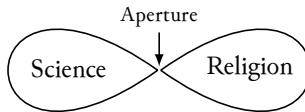


Diagram 4a: Trying to grasp infinity (∞)!

Identifying the human characteristics behind the actions, as part of the attempt to better understand economics, is not without precedent. In *Human Action* Ludwig von Mises writes the following:

“The buyer must always rely upon the trustworthiness of the seller. Even in the purchase of producers’ goods the buyer, although as a rule an expert in the field, depends to some extent on the reliability of the seller. This is still more the case on the market for consumers’ goods. Here the seller for the most part excels the buyer in technological and commercial insight. The salesman’s task is not simply to sell what the customer is asking for. He must often advise the customer how to choose the merchandise which can best satisfy his needs. The retailer is not only a vendor; he is also a friendly helper. The public does not heedlessly patronize every shop. If possible, a man prefers

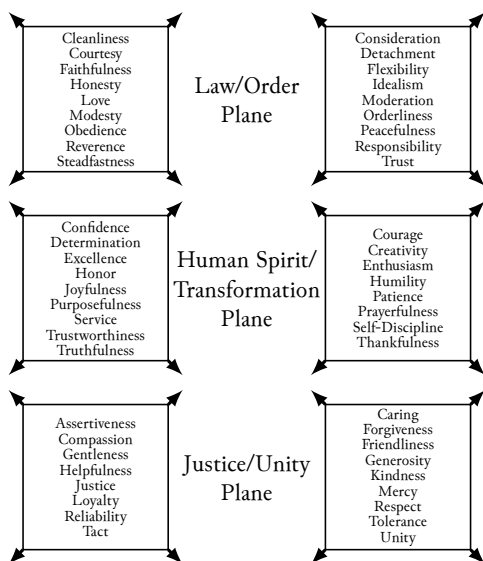


Diagram 4b: Six planes and fifty-two virtues

a store or a brand with which he himself or trustworthy friends have had good experience in the past.

Good will is the renown a business acquires on account of past achievements. It implies the expectation that the bearer of the good will in the future will live up to his earlier standards. Good will is not a phenomenon appearing only in business relations. It is present in all social relations. It determines a person's choice of his spouse and of his friends and his voting for a candidate in elections. "Catallactics" [see quotation on the next page for a definition], of course, deals only with commercial good will.

It does not matter whether the good will is based on real achievements and merits or whether it is only a product of imagination and fallacious ideas. What counts in human action is not truth as it may appear to an omniscient being, but the opinions of people liable to error. There are some instances in which customers are prepared to pay a higher price for a special brand of a compound although the branded article does not differ in its physical and chemical structure from another cheaper product. Experts may deem such conduct unreasonable. But no man can acquire expertness in all fields which are relevant for his choices. He cannot entirely avoid substituting

confidence in men for knowledge of the true state of affairs. The regular customer does not always select the article or the service, but the purveyor whom he trusts. He pays a premium to those whom he considers reliable.”[65, pp. 379–80]

Restating that last point again, “He pays a premium to those whom he considers reliable.” Notice the clear assertion that a ‘premium,’ a price, is ascribed to the practice of the virtue, in this case ‘reliability.’ In other words, there is a commercial aspect to the virtue. It is a ‘traceable’ market phenomenon.

“Catallactics has accomplished its task only when it has succeeded in this process of generalization, only when it has *traced the formation of prices back to the point where acting man makes his choice* and pronounces his decision: I prefer A to B.

However, economics also stops here. It does not go further back.”[67, p. 221]

Who knows what advances in the social sciences will come in the distant future, whether the limit for economics identified above by Mises will always remain. But economics can advance beyond where it is now by approaching the limit that Mises defined. That is the objective of this book.

VIRTUES / SERVICE EXAMPLES

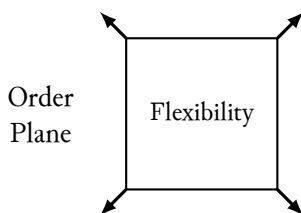
Given the precedent that already exists in the economic literature and following the example of Mises, I will proceed along similar lines. I will begin to exercise the Divine Microeconomy Model© by selecting one virtue per vantage point plane and then I will systematically look at the economics taking place at the micro level, at the level of the individual. Keep in mind the reciprocity and symmetry shown in Diagram 2i on Page 123 between the virtues and service.

Example One—‘Flexibility’ in the Order Plane

Each of us knows that having flexibility as a part of the order of things makes life much more enjoyable. Flexible order in our lives makes it easier for us to adjust to changes—the inevitable changes that occur in our lives.

Employers who provide an environment that incorporates flexibility will tend to have a ‘happier’ workforce that most likely will translate into a more productive and a more stable workforce. Also, customers appreciate having flexible and various options available to them if a product doesn’t exactly meet their needs.

Flexibility incorporated into the production process—providing more options to employees and customers—leads to higher productivity and customer satisfaction, both of which are good for business.



Virtue Illustration 1: ‘Flexibility’ in the Order plane

Here we have customer satisfaction as one possible example of the ‘tangible goods and services’ emerging from flexibility.

Example Two—‘Courtesy’ in the Law Plane

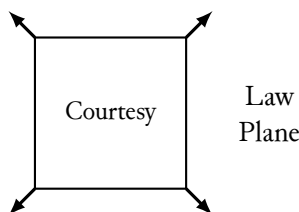
No one is offended by being treated with courtesy. It inspires greater respect for oneself and, most definitely, greater respect for the courteous person.

Since the market is the embodiment of social cooperation, courtesies become the norm. If it is courteous to be on time that becomes the standard, ‘out of courtesy.’ And each time these courteous practices are applied the social relationships advance to new levels of mutual respect. As a consequence cooperation and coordination improves.

Here we have market cooperation and coordination as examples of the ‘tangible goods and services’ emerging from courtesy. By acquiring and practicing courtesy, work relationships will change and there will be a tremendous increase in productivity since cooperation and coordination will increase.

Example Three—‘Excellence’ in the Human Spirit Plane

As an expression of my will to live and love life, I show a particular keenness towards the things that I enjoy. It follows, then, that I will

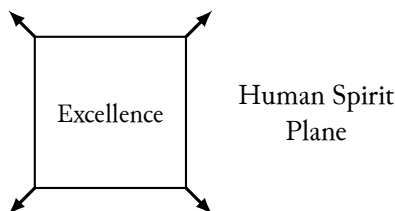


Virtue Illustration 2: 'Courtesy' in the Law plane

continue to strive for excellence in that pursuit, whatever it is.

Matching the right task with the right person to perform the task is one key to productivity and entrepreneurs are alert to this prospect. If those who are producing a good or service excel at it then everyone in the entire economy benefits, ultimately.

Imagine yourself having to choose between various products of similar prices but you happen to know that one company has a reputation for excellent production standards. This attribute is known as product quality and it is a major factor in decision-making. Of course you, as well as everyone else, will choose the best product.



Virtue Illustration 3: 'Excellence' in the Human Spirit plane

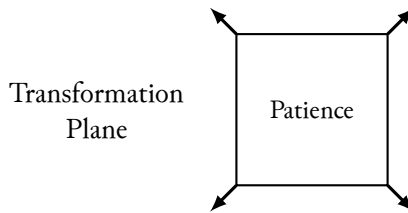
Here we have product quality as an example of the 'tangible goods and services' emerging from excellence. By acquiring and practicing excellence there will be a more refined division of labor which will translate into greater productivity.

Example Four—'Patience' in the Transformation Plane

There is no way that everything can be understood instantaneously. Processing and understanding takes time. Those who are patient are known for their wisdom, a wisdom that partially comes from the practice of patience.

The same is true for production. It takes time. The goods and services that people want need to be generated and those who can envision and nurture the production process patiently over time render a great service.

Everyone can participate in this patience-requiring production process by exercising patience themselves—exhibited in their lives by saving. This saving and investment then converts into the much needed capital used in production processes, which can be seen as the economic equivalent to patience since capital represents goods for the future.



Virtue Illustration 4: 'Patience' in the Transformation plane

Here we have capital as an example of the 'tangible goods and services' emerging from patience. By acquiring and practicing patience, errors from short-sighted decisions will decrease and the savings necessary for economic growth will more likely be available.

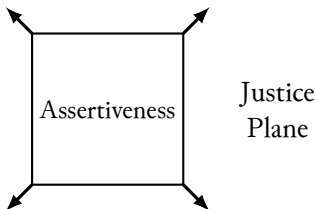
Example Five—'Assertiveness' in the Justice Plane

Nobody can read your mind. If you take it upon yourself to make sure that others know what is important to you, then you can claim to be assertive.

The market is a dynamic process and it requires some assertive behavior to function properly. The alert entrepreneurs are actually assertive about the discrepancies that they find and they are assertive in applying their subsequent action.

It is this dispersal of knowledge that results from the actions taken by the entrepreneurs that keeps the whole system working and keeps knowledge flowing. Assertive and active entrepreneurs are, therefore, major contributors to the elimination of ignorance.

Here we have entrepreneurship as an example of the 'tangible goods and services' emerging from assertiveness. By acquiring and practicing



Virtue Illustration 5: ‘Assertiveness’ in the Justice plane

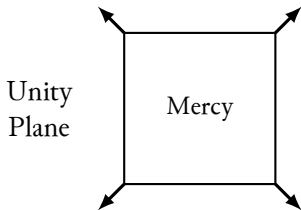
assertiveness the speed and accuracy of the flow of knowledge will improve, leading to the discovery of more opportunities.

Example Six—‘Mercy’ in the Unity Plane

The world is a testing ground for our souls. Tests and difficulties exist and have to be dealt with.

How can we truly show that we care without a capacity for mercy? Those who feel blessed in plenteousness often show their feelings of mercy by contributing to or participating in some kind of charity. Charities channel peoples’ mercy to those in need.

Mercy is one of the keys to prosperity. It is through the act of being merciful that one begins and continues to recognize the reasons to be thankful, and the act of being merciful also makes one feel prosperous. It is through mercy that those who are suffering are given their much needed sustenance which, too, is a prosperous feeling indeed.



Virtue Illustration 6: ‘Mercy’ in the Unity plane

Here we have the feeling of prosperity as an example of the ‘tangible goods and services’ emerging from mercy. By acquiring and practicing mercy the extremes of wealth and poverty will lessen and a greater sense of prosperity will be felt by all. Those who show mercy will be

recognized for this noble and valuable trait. A price, a 'premium' in some form, can be ascribed to the practice of 'mercy.' In other words, there is a commercial aspect to the virtue. It is a traceable market phenomenon.

THE ART AND SCIENCE OF ECONOMICS

Notice, this is another duality! The way to bring together, in practice, the art and science of economics is to keep in mind the symmetry and reciprocity of all things, both the 'ideal' and the material.

It is the non-directional nature of both virtues and service which makes the microeconomy divine. Virtues lead to service and service leads to the acquisition of virtues. No matter where you are in this cycle—acquiring a virtue or applying the virtue in some type of service—there is a continuous potential for inspiration that further energizes the cycle.

It is the directional nature of cause and effect that makes the human being economic, always seeking the best means to attain the ends chosen.

It is the combination of both the non-directional and the directional natures of the microeconomy, blending them together as a human expression and experience, which constitutes the art and science of economics. It is, also, the recognition that both means and ends have the potential to be either 'ideal' or material which broadens the scope of praxeology and begins to bring about a merging of the art and science of economics.

Here are a couple of examples. Entrepreneurial alertness is interfered with by ignorance yet by definition it helps to alleviate ignorance. If a person who is prejudiced tries to serve as an entrepreneur, will that entrepreneur correctly be able to find all of the opportunities? Will the role of knowledge as defined in the divine economy be fully exercised? No, not fully.

Here is another example; virtues and service are highly valued. Even though they are 'ideal' they can and are given value. These ideal goods and services are assigned values in terms of the medium of exchange thus making them comparable to material goods and services.

The art and science of religion and economics merge when the medium of exchange is seen as a way to represent the value of the virtue.

That is true whether the virtue is being exchanged for indirectly —because it is a part of the total product (most of the time)—or whether the virtue is directly the product. If I am trustworthy I will be compensated in some manner for possessing that quality as it finds integral ways to contribute to the production process. And perhaps I may even receive a direct payment, a tip for instance.

Of course the process of the divine microeconomy works positively on the minds and hearts of mankind. Progress begins the instant someone enters into the market process. Progress begins with the inevitable exposure to the flow of knowledge, which eventually leads to personal conviction, and then that newly acquired knowledge is put into practice.

This process has a pattern: new knowledge, conviction, and practice. Each step is remarkable and uniquely human.

The condition that must be met for each step to proceed is the same. The condition that must be met is the independent investigation of truth. As it turns out independent investigation of truth is not a difficult condition to be met, since it is simply a part of our human operating system. Learning how to learn is directly related to the ability to unleash this power. Alertness, awareness, and purposeful action are all a part of the process.

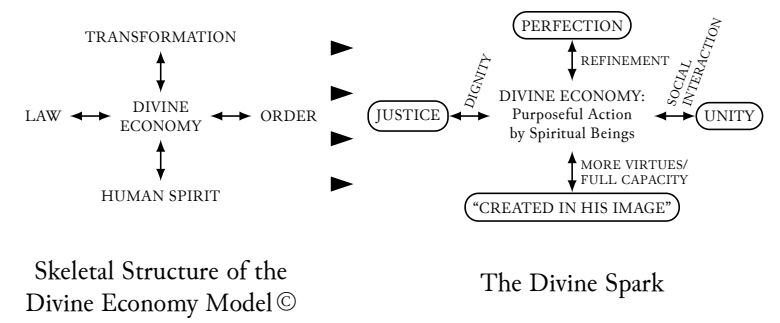


Diagram 4c: Derivation from the skeletal structure of the Divine Economy Model all the way to the Divine Spark

Again we are talking about something that is dynamic and ever-changing. The divine spark is dynamic and ever-changing. Once ignited it takes on the quality of ardor. In the Divine Microeconomy Model © there are four incentives that intensify the ardor. These are: Justice, Perfection, Unity and “Created in the Image.”

The omnipresent flint for the spark and the fuel for the ardor is purposeful action by spiritual beings. The economy exists because ‘man’ exists. The economy serves human existence. Its equilibrating power guarantees that it will fulfill its purpose.

As it turns out, individual virtues (the attributes of God) are at the heart of all actions. This process is dynamic, exciting, fulfilling, effective, inspiring and divine. As an art form the ‘spark’ has radial symmetry (one half is the mirror image of the other half) just like the human temple has radial symmetry.

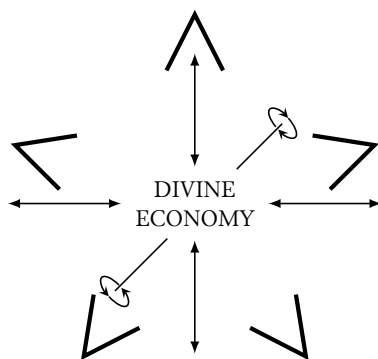


Diagram 4d: The symmetry of the Divine Spark

The spark, lying in potential in all human beings, is what leads to the manifestation of economic progress. It becomes manifest as purposeful action. The economy is the matrix where the flow of action becomes the flow of the grace and bounty of God, as depicted at the micro level in Diagram 4e.

Consider the complexity of this model. All these vantage point planes are actively in progress at the same time and all the virtues lying in those planes are more or less energized. The infinite scope of all of this resides within each individual from one moment to the next.

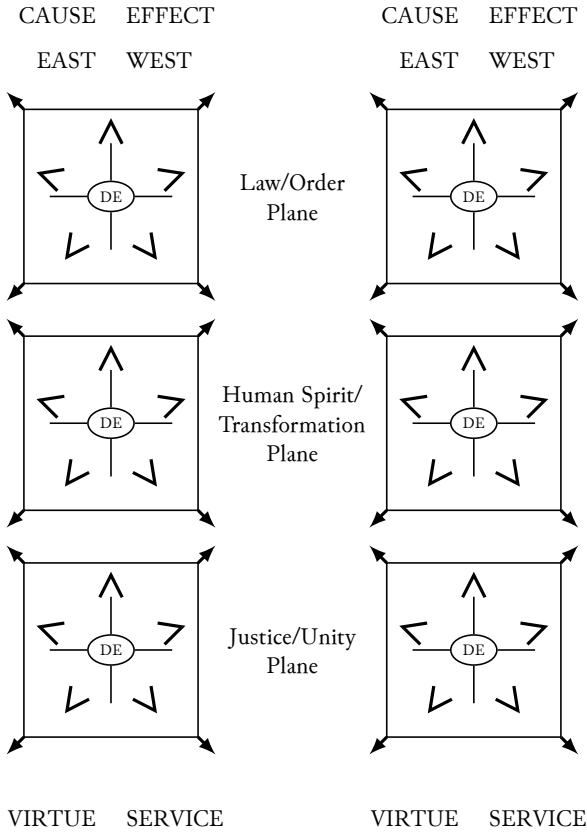


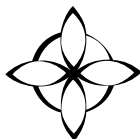
Diagram 4e: Divine Microeconomy Model with the Divine Spark

Then there are the inevitable encounters with others in the market process which further defines the divine economy. The complexity of the microeconomic model does not simply end there because these market encounters become a part of the market process which seamlessly extends across the time horizon and extends outward to affect everyone on the planet. In other words, at every instant the divine microeconomy is occurring within the divine economy. These simple yet complex models—the Divine Economy Model© and the Divine Microeconomy Model©—attempt to portray this exquisite symphony.



Selected Exercises

1. Select a vantage point and find a virtue on the plane that you want to develop into a virtues/service example. Describe the economic applications and outcomes.
2. Spend some time examining Diagram 4c. How can you describe in your own words what makes the divine spark an important economic entity?



Chapter 5

Twill

Connectivity Between Macroeconomics and Microeconomics

PREFACE

With the tapestry now unfolded and fully exposed it is not possible to fully appreciate it without spending time closely examining it and feeling its rich texture. There is a palpable depth to it, revealing yet another aspect of its marvelous complexity and artfulness. The texture of this tapestry is very much a perceptual treat which allows for new and different perspectives and further uncovers another layer of its overall complexity and connectivity, adding even more value and merit.

A SLIGHT DEMARCATION

What brings together the tapestry of economics as a whole—no matter which perspective it is that you are envisioning from—is its purpose. It is the study of the ways and means to attain the ends, whether the ends are societal or personal. Both means and ends are chosen subjectively in accordance with human nature.

The methodology of subjectivism gives us the power to discover new economic insights at the micro and macro levels. The same essential economic institutions serve as the foundation for both micro and macro considerations. These are: private property and private ownership of the means of production; savings and capital accumulation; the division of labor; voluntary exchange and money; financial self interest and the profit motive and economic competition; and the price system.

The market process is a required and necessary condition for the economy to even exist. The equilibrating power inherent in the divine economy will ultimately destroy any artificiality imposed on it. Quickly all intervention will be erased once the impetus ceases, with the market process re-emerging, purified and ready to go.

Across the entire horizon spans the economy. There is no distinct beginning or ending for the micro and macro portions since the economy is *entirely seamless*.

There are those in economics who have made distinctions and separated micro and macro in their artificial mental constructs. For instance the empiricist Irving Fisher in the 1920's claimed that price stability should be the macroeconomic goal (which is nothing more than price fixing when seen from the micro level)—which led to a bias against price deflation.

However, if prices go down it simply indicates that there is either greater productivity and/or a greater supply relative to the demand. This is a good thing, just like at the micro level where lower prices are desirable to you and me. This discrepancy between the micro level and the macro level promulgated by Fisher stands out as flawed logic. In other words, in the real world the economics at the level of micro and macro are always compatible and not at odds.

The deductive thought process that serves to identify the universal principles that operate holistically (macro) applies equally well at the level of the inspired acts of individuals (micro). There is however a small distinction that is detectable. Using deductive thinking, what may be better described as a 'fold line' rather than a 'seam' can be detected.

Microeconomics looks closely at the individual and the interaction of the individual with the market itself. Macroeconomics focuses on the market process and the market foundations.

MACROECONOMICS

What are the market foundations? To state it in broad terms: one, the desires of the populace are infinite; two, production is ultimately for consumption; three, production takes time; four, an increase in goods leads to an increase in the standard of living; and five, an increase in capital goods leads to a future increase in the standard of living. And

finally, making exchanges—as in trading—is made possible by and leads to specialization and the division of labor.

The market process is a series of systematic changes in the interconnected network of market decisions. It is where prices act as the signals and are used to put things together. It is this market process that serves to overcome imperfect knowledge and uncertainty. Prices emerging from the market are stepping stones through the unknown complexities of demand and supply.

In parallel, capital is like a bridge spanning the time horizon and the structure of that capital bridge is heterogeneous. It is heterogeneous in the sense that capital in the form of capital goods stretches all the way from savings through production, and continuing through distribution to the end points—which are the final goods and services. It is the profit-seeking entrepreneur who finds the ways and means to facilitate all of the cooperation that needs to happen in the economy for production to be successful across the time horizon.

Equally as important to understand, the market foundation has relevance because of purposeful human action and it rests upon property rights. By the design of the ego-driven interventionists the macroeconomic factors of capital, property rights, the market, and economic liberty receive the brunt of all of the economically harmful acts of intervention. Prosperity and peace suffer as a result of all intervention.

Economic intervention begins at the macro level and it trickles its way to the micro level and is very disruptive at both the macro and micro level. Interventionism starts at the macro level by interfering with the processes that bring order, or by obstructing the transformation processes. Not only that but laws are converted into legal codes for easy manipulation, and the attempt is to collectivize the human spirit when the economy is subjected to interventionism. These are all corruptions.

Artificially dissecting the economy into macro and micro is what makes interventionism possible. It follows the strategic plan of attack by the ego-driven enemy: divide and conquer! But macro and micro are one whole, inseparable. Separating them is a corruption.

MACRO/MICRO

What does it mean that the divine economy is seamless? Replying succinctly—the equilibrating power is always in operation throughout the economy, at both the micro and macro level.

Another way to answer the question is to recognize that there are no internal disciplines, no fields or subfields. There is no abstract separation from historical events or from politics; they are all happening within the economy. Nor is there a time zone where you enter the long run ‘time zone’ and leave the short run ‘time zone.’ It is an all-inclusive continuum.

Since the economy is one whole, there are no non-integrated portions exclusively studied by ‘experts’ that require special tools or devices. Praxeology, a general theory of human action, is the universal tool that can be applied by novice or master to understand the economy.

Playfully though, we will entertain ourselves by trying to discover the distinctions between micro and macro! Microeconomics focuses its attention on profit and loss by focusing on prices whereas macroeconomics broadens that view to look at the role of money as a medium and facilitator of exchange. Demand is a function of purchasing power and purchasing power is supposed to be a function of money. Calculation of profit and loss in each successive short run contributes to the functioning of the market process, which in the long run manifests itself as economic growth. So macroeconomics seems to be about the long run and about business cycles.

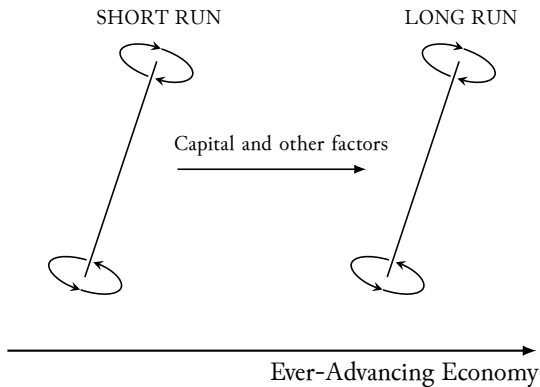


Diagram 5a: Economic Growth

Graphically translated we can represent economic growth and the long run as movement to the right of the axis of the nature and role of knowledge, as depicted in Diagram 5a. We can also graphically

represent the long run (notice that it is movement to the left) that occurs as a result of an intervention-induced business cycle, as depicted in Diagram 5b. These two diagrams are very similar to and derived from Diagram 4t which originally appeared in *More than Laissez-Faire*[48, p. 75].

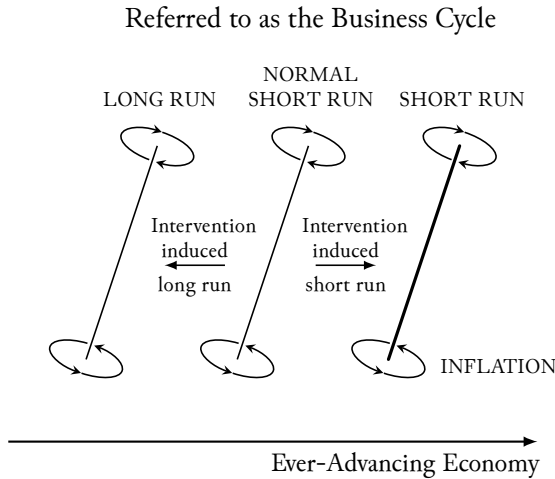


Diagram 5b: Hampered long-run economic growth

Notice in Diagram 5b that the consequences of intervention in the short run from the macro viewpoint may seem rosy but ultimately the long run economic growth ends up being hampered (when the bubble bursts). From the microeconomic viewpoint the trickle down effects of economic intervention are also destructive. As an example, when the money supply is increased it causes the purchasing power of money to decline. This is what makes nominal prices higher than real prices, which means that nominal total revenues are higher than real total revenues. Profits, necessarily, will be overestimated.

Now combine that with the effect on capital over time. Estimates used to decide whether production is a viable option will be distorted since the purchasing power of money will unforeseeably decline. Capital will not be accurately depreciated and the return on investment in the form of paying factors of production now for an investment return later will be less than expected since the money will be worth less in the future.

Additionally economic intervention in the monetary system makes the banking system inherently fraudulent and insolvent. In a centralized banking system it is through the banks that the inflated money enters and circulates. It is through the banks that the money supply is further inflated in a fractional reserve banking system.

In this way all sources of credit—from banks and also capital from firms and individuals—are subjected to theft due to the diminishing purchasing power of the money at pay back time. Business calculations are distorted—profits and returns on investments are overestimated, costs are underestimated—contracts are rendered increasingly meaningless and the ethics of the whole system fizzles out. As you can see human civilization recedes rather than advances as a result of intervention. Intervention causes the standard of living to decline. In this case the example of intervention was inflation of the money supply.

One definition of macroeconomics that then emerges is as follows: **it is a study of those factors and conditions that lead to the long run advancement of the standard of living for everyone on the planet.** By definition, then, economic intervention is bad economics.

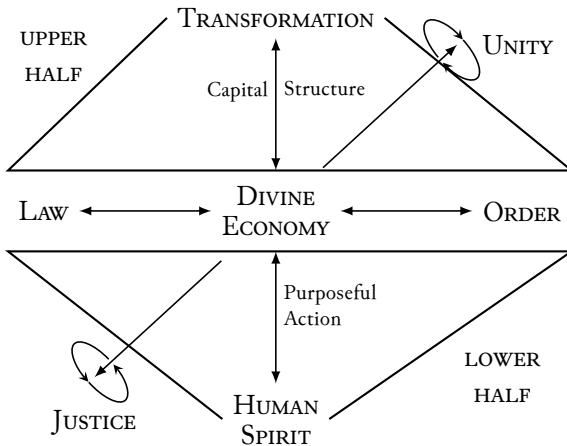


Diagram 5c: Macro and micro tendencies seen in the Divine Economy Model©

Another playful representation of the distinction between micro and macro looks a little closer at the upper half and the lower half of the Divine Economy Model©. Examine Diagram 5c and you will see

that the upper half seems to ‘speak of’ macroeconomics while the lower half ‘speaks of’ microeconomics.

Notice the upper triangle (macro portion) of transformation, law and order shares its base with the lower triangle (micro portion) of human spirit, law and order. Sharing the same base tends to blur the distinction between micro and macro—true to reality. In other words, the divine economy is seamless!

Regarding the upper half, the capital structure is a principal intermediary element in the model and it brings about transformation. Since capital is a significant feature of the long run time horizon the upper half has strong macroeconomic characteristics. Regarding the lower half, the human-spirit-motivated purposeful action is a principal intermediary element in the model, giving a strong indication that it is the microeconomic level of the individual—as a consumer, a producer, a resource owner, an entrepreneur, a capitalist, or part and parcel of some of each—that is being represented.

MICROECONOMICS

There is not much need to go into this since it was covered in detail in Chapters 3 and 4. Suffice it to say that for the individual, each interaction with the economy is a learning experience. Each experience in the series of market interactions—that are necessarily a part of life—leads to a furtherance of knowledge.

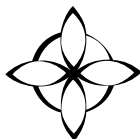
One definition of microeconomics that then emerges is as follows: **it is a study of how individuals discover and react to information in the market as part of their division of labor to produce and to earn income, so as to meet their personal desires for goods and services.**

Each experience in the series of knowledge gaining experiences is more competitive than the preceding period. In other words, we are constantly searching for ways to make things better for ourselves. And since competition and entrepreneurship are analytically inseparable these experiences act to stimulate our entrepreneurship. That is very good news indeed since releasing our potential, by changing our entrepreneurship from latent to active, leads to prosperity.



Selected Exercises

1. Use yourself as an analogy! Assume your personality is the microeconomy and your life is the macroeconomy. Comment on the empirical economists' attempts to separate the two.
2. Notice the horizontal 'fold line' in Diagram 5c. Even though there is no real separation what insights do you have after considering the definitions of microeconomics and macroeconomics given in this chapter?



Chapter 6

Potency of the Essence

The Praxeology of Entrepreneurship

PREFACE

What is the cause of the volatility of the olfactory elements within the essence? There is some activation that occurs due to the clashing between elemental factors and the environment. Whatever it is, the activator makes everything else about the essence—its true qualities and nature—come bursting into existence. The essence would be devoid of its true reality without the activator.

THE ESSENCE OF ENTREPRENEURSHIP

The *praxeology of entrepreneurship*! Hold on to your hats! These are two very powerful words! An alternative description for this chapter is—Entrepreneurship: The Premier Fruit for the Study of Human Action.

First we need to understand praxeology. It is the study of human action logic. It is action logic that takes into account time and causality. It is logic action in the passage of time. The notable characteristics of praxeology are time and causality and human action.

What emerges from this reflection is the consideration of the difference between a priori and a posteriori reasoning. A priori is from cause to effect, is based on something known—such as natural law—and it is valid independently of observation. A posteriori is based upon actual observation or upon experimental data, starting there and working back to their causes. Speaking about the power of science and the power of appropriate methodology, Mises says: “What makes

natural science possible is the power to experiment, what makes social science possible is the power to grasp or to comprehend the meaning of human action.”[64, ch. 1, section III]

Understanding human action is the goal of social science. Embedded, implied in human action is the learning process. Just like the ultimate competitor faced by an athlete is his own self or her own self, the learning process is competitive, with each learning experience topping the previous understanding.

Praxeology studies the form and the structure of human action. Human action occurs in the worldly condition of radical uncertainty. The urge to act is irrepressible, yet because of the uncertainty the consequences of the action are not known. This is part of the human condition—we act purposefully in an uncertain world.

Homo agens—us—we are endowed with the propensity for alertness toward fresh goals and the discovery of as yet unknown resources. This is the perfect complement to the matrix of our world, a world composed of uncertainty and imperfect knowledge. From this matrix, through the channel of alert human action, comes entrepreneurship.

If the economy ever reached a sustainable equilibrium there would be no need for alertness. But the real world is dynamically in disequilibrium, perpetually driven towards equilibrium. Alertness therefore is a main ingredient. This human propensity towards alertness shows up in two ways. Goals are pursued efficiently in a constant search to find the following: 1) which ends to pursue, and 2) which means are available.

Alertness is the entrepreneurial element in human decision-making. Now it is “possible to explain the pattern of change in an individual’s decisions as the outcome of a learning process generated by the unfolding experience from the decisions themselves.”[47, p. 36] Decisions are made based on what was learned from previous decisions.

The keys to understanding entrepreneurship are that the entrepreneur discovers opportunities, responds to opportunities and generates opportunities by bearing uncertainty. This process is a competitive process which exists when there is freedom; freedom for those with better ideas to pursue their ideas, and freedom for those with a greater willingness to serve to then go ahead and serve the needs conveyed via the market process.

As a result of competitive entrepreneurship the movement of the ‘knowledge axis’ is to the right, as shown in Diagram 6a, which is in the

‘ever-advancing’ direction and which can be attributed to the human propensity for alertness.

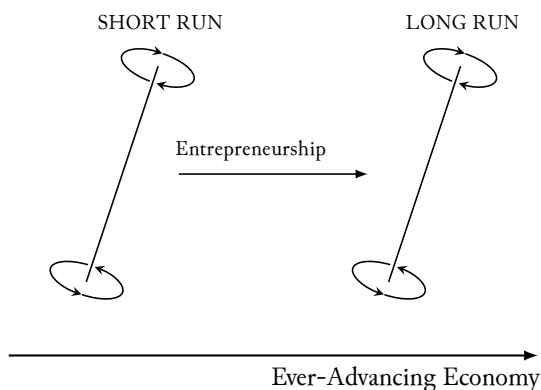


Diagram 6a: Entrepreneurship moves the knowledge axis to the right

Successful identification of the relevant ends and means is what ultimately determines whether a decision is right. If it is ‘right’ the axis moves to the right! The advancement of the market process and of the divine economy and of civilization is the motive; albeit hidden deep within the human reality.

There is no way to separate alertness from the competitive environment since they are parts of the same process. Superior awareness is the natural mode of operation and is potentially striven for by everyone.

Since the entrepreneur acts upon the economy, the entrepreneur is part of its dynamic character. This ever-changing character of the economy makes instantly obsolete any attempt to view the economy as static. What enables the subjective methodology to incorporate the instantly ever-changing economy into theory is the emphasis it gives to the praxeology of entrepreneurship.

FORM OF ENTREPRENEURSHIP

The first part of our praxeological study of entrepreneurship will look at its form. The action of entrepreneurs drives forward the tendency towards equilibrium and it generates a process which is competitive by nature.

It is truly competitive. One bit of evidence confirming this is the existence of purely entrepreneurial activity, pure arbitrage, which requires no resource ownership. In other words, there is no barrier to entry into the market since alertness is the only requirement. In this dimension of pure entrepreneurial activity the discovery of a profit opportunity represents the discovery of something for nothing at all.

Why are there unnoticed opportunities? One reason—imperfect knowledge. For example, resource owners and consumers are often passive in the very dynamic economy. What ‘unnoticed opportunities’ means is that there will necessarily be more efficient ways to coordinate transactions in the resource and product market. Whoever steps forward as an entrepreneur and bears the uncertainty inherent in the market will be the one who is in the position to capture these opportunities.

Moment to moment any market participant can become an entrepreneur or not, either now or later, or over and over again. And even though economic roles are multiple—yet still they are distinct. For instance, resource ownership and entrepreneurship are completely separate functions; nevertheless the same person may be an entrepreneur, a resource owner and a capitalist and yet still perform these functions independently.

It is in the competitive market where the entrepreneur plays a critical role. Paradoxically, as it happens, the market process is competitive because it is entrepreneurial. Market information is acquired through the experience of market participation. And entrepreneurial action is taken in response to the changes that occur in the market data, assuming that the changes are detected. So it is that prospective decisions of buyers and sellers at every step in the production process are subjected to this competitively alert scrutiny.

The entrepreneur discovers a profit opportunity when the prices of products somewhere in the production process are not properly adjusted to the prices of the resource services in the factor markets. A keen eye for assessing the marginal value product of each factor, relative to the final price of the good consumed, helps the entrepreneur determine whether its ‘productive share’ is undervalued (or overvalued).

Lower prices, higher quality, and more products to choose from are what people want so entrepreneurs are also striving for these and deserve the credit for bringing them about. Along the way the

profit seeking entrepreneur brings about new cooperative arrangements between previously disconnected parties. For example, resource owners may be made aware of a profit opportunity and then decide to take on the role of a capitalist. Another example, as a result of entrepreneurial discovery producers may begin working with new resource owners or they may begin producing for a different group of consumers.

Before leaving the examination of entrepreneurial form let us reconsider the fact that resource owners and consumers are often passive. They act as if the prices they see are 'equilibrium' prices. These errors yield opportunities for profitable activity.

'Enter the producers!' since they are never immune from competition. They inevitably and significantly take on the role of entrepreneur. The drive for producing the best products at the lowest prices, subject to competitive pressures, makes the producer a natural candidate for keen alertness.

STRUCTURE OF ENTREPRENEURSHIP

To examine the structure of entrepreneurship we will combine its form with the price system. If there ever appears to be a lull in entrepreneurial activities—and there happens to be no intervention—it simply means that the market participants have not yet become aware of the opportunities or are not willing to bear the uncertainties that are there. However, competitive entrepreneurship guarantees that the discovery and pursuit of the opportunities is on the near horizon.

Market participants will allocate resources to the investments with the highest present value and then to the next highest, successively, discounting the expected future value. In the real world economy this reckoning of the time horizon is of great importance. In a world like we have nowadays, most production processes are time consuming which means that entrepreneurial profit opportunities typically require capital, so it is that, capital is part of the entrepreneurial structure.

What is the nature of the forces that bring about changes in the existing market patterns? It is the successful identification of relevant ends and means.

With the goal being to successfully sell the product; all the costs incurred by the entrepreneur are for this purpose. This differs from 'pure' arbitrage in that input prices attributed to resource ownership precede

output sales. In this production process the entrepreneur ‘guesses’ that the future product price—the market price or the selling price—is not fully synchronized with today’s input prices. It is an educated guess, a risk, since the product prices do not exist at the time production begins. If the assessment proves true, this is what causes profits to emerge since the astute entrepreneur will have judged the future prices correctly across the time horizon.

The keen entrepreneur is able to forecast demand and costs in the competitive environment of the market. Very often entrepreneurs use capital to pay workers now and then reap a profit later. The competitive market ensures that those who are most able to satisfy the consumers’ desires earn the greatest profits, which means that the most adept entrepreneurs will always be the ones serving the consumers. This selection process benefits everyone.

Part of this structure, maintained by the entrepreneur, goes beyond the actual good produced. In the real world, the entrepreneur/producer assists the sometimes latent consumer by extending the umbrella of alertness. Their selling effort reaches out to potential consumers, trying to activate their alertness by persuasion (attempting to change consumers’ tastes) and by providing them with information about purchase opportunities. Likewise the umbrella of alertness, directly attributed to the entrepreneur, is extended to the resource owners and to the capitalists.

If a monopoly exists in any degree, independent of the artificial forms caused by intervention, it is because of resource ownership control. A monopoly simply cannot exist—because of the powerful dissecting force of competitive entrepreneurship—unless there is restricted access to needed resources which blocks potential entrepreneurs from discovering any of those unexploited opportunities for profit. Nevertheless even the monopoly position of a resource owner is always under intense competition and there is pressure to use the resource in the most efficient manner. A monopoly can only exist in the long run by protective intervention. If a monopoly is said to have a ‘structure’ then competitive entrepreneurship is the antithesis of that type of structure.

ENTREPRENEURSHIP AND THE FIRM

A detailed analysis of the firm is beyond the scope of this book but the survival of the firm, assuming there is no artificial support of the firm by way of intervention, depends on the nurturing of the spirit of entrepreneurship. The starting point is recognition that a firm is a complex entity.

Firms emerge. Owners of productive resources sell their services to the firm, to be used to satisfy the 'cries' of the consumer. It is those who are entrepreneurial, hearing the cries and seeing the opportunities and bearing the uncertainty, who originate the firm and who keep it viable.

Inside the firm there is a structure within which reward and punishment operates in all of its subtleties. Unlike with an individual the firm may have internal layers that move the productive efforts of the individuals away from direct interaction with market prices. Within the firm the incentive and disincentive strategy may or may not be reflective of the real world market. The further away the incentive/disincentive strategy of the firm is from the real world market the more likely there will be errors that will ultimately affect the viability of the firm.

And so it is necessary for the firm to create a culture of entrepreneurship in such a way that there are ties to the market process ideally at every locus of decision/action. Alertness must include detecting the closeness to market prices and discovering ways to stay close. If a firm has this as its goal it will inherently be innovative and a source of bounty for those within the firm. At the same time this kind of firm will be able to render service optimally to those people who desire what the firm has to offer.

If for legal reasons the firm takes on a corporate form, its goal—compatible with competitive entrepreneurship—is to put the resources to work “in the most lucrative way known to the relevant decision-makers.”[47, p. 63] Regardless of what the form happens to be this entrepreneurial selection of the business form is also a part upon which the viability of the firm rests.

Corporate decision-makers, managers, act as true entrepreneurs only to the extent that the entrepreneurial opportunities detected translate into personal benefit. Without this type of arrangement the full potential of the market process is wasted, untapped because the entrepreneurial potential is limited.

How could it not be limited? It is the incentivized entrepreneur who will seek to know who to hire and it is the incentivized entrepreneur who will seek to know where to find the market information that reveals profit opportunities. Also, it is the entrepreneur who will leave if the firm undervalues his or her services.

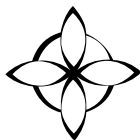
If the management is entrepreneurial it experiences the same forces of competitive entrepreneurship as everyone else, which necessarily leads to accountability. When a corporation moves away from this ideal then a different structure appears. If the stockholders lack the effective power to fire management the corporation takes on a degree of monopoly structure due to the incumbency of the manager. The management lacks accountability and is sheltering itself from the competitive entrepreneurship inherent in the divine economy.

Implied in the divine economy is the existence of pure entrepreneurial activity where price discrepancies throughout are detected and acted upon and where there are no obstacles to freedom of entry. Eventually these forces of competitive entrepreneurship will dissect and dismantle all firms that ignore what it is that drives the economy forward; and that is competitive entrepreneurship.



Selected Exercises

1. How does your understanding of prosperity change when you realize that pure entrepreneurship is the discovery of something for nothing at all?
2. How does entrepreneurship serve the consumers and how does it serve everyone in the production process?
3. What are some ways that strategies used internally within the firm can be made to be entrepreneurial?



Chapter 7

The Beauty of the Tapestry

Entrepreneurship and Human Virtues

PREFACE

Almost forgotten is the artistic panorama which unfolds as the beautiful tapestry is laid out completely. Apart from all of the intricacies of the tapestry as a piece of art that has practical uses, it is also a very real expression of human creativity and action. It incorporates and represents knowledge, volition, and action—within itself—which is the pinnacle of human existence. It symbolizes the goodness of human action.

DISCOVERY OF THE VALUE AND PURPOSE OF ENTREPRENEURSHIP

In the introduction to this book on page 105 I wrote the following: “This inherent drive is all about being *alert*. Seen in this way it is evident that even entrepreneurship is essentially an exercise of a part of our *spiritual reality*. Those who exhibit praiseworthy characteristics will be found. And it is the desirability of *human virtues* that will continually move human civilization towards *prosperity*.”

It is from this statement that the structure of this chapter is mirrored. Alertness, being an essence of our spiritual reality, makes us keenly aware of the human virtues which civilize us and make us prosperous. Although never perfected the changes and advancements along these lines lead to our refinement as individuals which then translates into an ever-advancing civilization with an ethical foundation. This is a classic example of cause and effect.

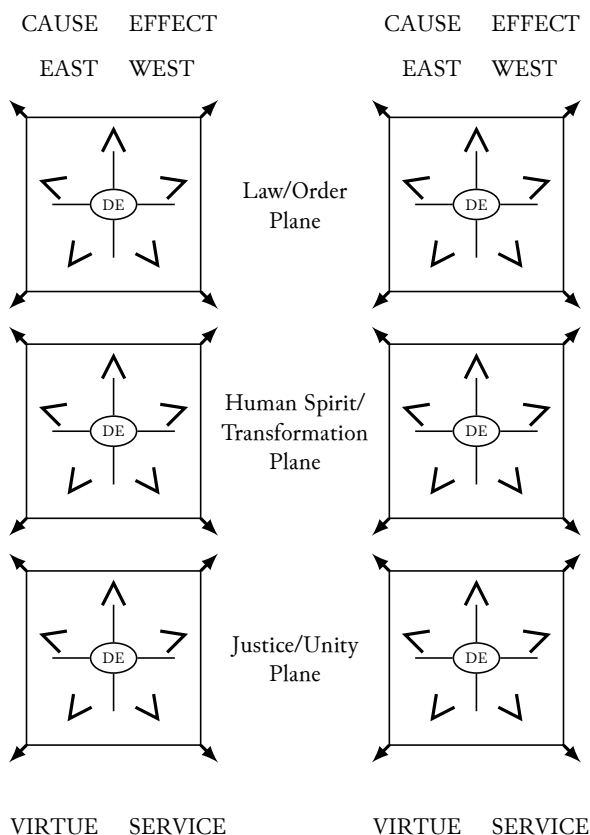


Diagram 7a: Classic example of cause and effect: entrepreneurial spark throughout the Divine Microeconomy Tapestry

ALERTNESS AND THE HUMAN SPIRIT AND TRANSFORMATION

Looking from an entrepreneurial vantage point it is obvious that the expression of wants is not only natural but it is also communicative. Perpetual changes are always a feature of the economy, a part of the mix, and those who are alert and active are energized, spreading knowledge to others.

Since imperfect knowledge is the normal state of affairs, the ones acting as discoverers across the time horizon forge themselves and others into new and transformed individuals. There is a new balance

that is brought about by the information about reality that is sought after, and this new equilibrium tendency influences everyone.

This dynamic is happening in countless loci, from unique individuals all striving for betterment, which then affects everything in the surroundings. Many of the opportunities that present themselves do not go unnoticed since our propensity for alertness is inherent.

So, from this constant flow of information in the real world matrix of imperfect knowledge and uncertainty gems are noticed. Patterns of discovery are learned and all of this is used to inspire and transform ones' selves and others.

LAW AND ORDER OF SPIRITUAL REALITY

It is the wonder of discovery that stimulates the potent and sometimes latent act of perception. What is especially enticing about the discovery is the possibility—that from what appears to be nothing something emerges. This is the quest 'to become' and this urge is part of the human operating system.

Inseparable is this quest from the desire for betterment. These combine to enhance the level of awareness and these operate within an individual and then overflow, affecting others. It is not something that ever comes to an end since we are finite in a world of infinite scope. Yet each discovery is a coordinating step that facilitates progress.

The search, high and low, culminates in action that indicates that a discovery is made. Then a new equilibrium tendency comes into existence with new transformation potentials which then gives new meaning to any subsequent human action.

The process is obviously evolutionary and stimulative. This is a process that releases our potential, changing our entrepreneurship from relatively latent to relatively active and the end result is relative prosperity. It is not something that can be helped—it is simply part of the human reality. In the worldly condition of radical uncertainty the urge to act is irrepressible. The motive hidden deep within the human reality is advancement.

If the learning process is successful then right decisions are made along the way. In other words, the alertness characteristic of the entrepreneurial spirit is the guide used to discover which ends to pursue and which means are available.

UNITY OF HUMAN VIRTUES

That is what is so unifying about human virtues. They are both an ends and a means. And not only that, the source of all value is traced back to them! This potency—having supreme distinction as a means, as an ends, and as the source of all value—is unique and it merits further consideration of yet another ‘unity’ distinction.

Human virtues ‘bring together as a whole’ the means, the ends, and economic value. Wow! And since there is nothing else that accomplishes this, another remarkable ‘unity’ distinction applies: *single and alone* it pulls together the ends (ethics), value, and the means (economics). Ethics and economics are brought together by human virtues!

Consequently, when the entrepreneurial spirit focuses its alertness on the appearance and the acquisition of human virtues there is a completeness that is unparalleled by any other act. Those who are truly entrepreneurial will recognize the importance of this and put it into practice which will then begin to transform and spiritualize the whole process.

PROSPERITY AND JUSTICE

And that entrepreneurial recognition and subsequent practice is what puts into effect the virtues-to-service cycles that are better known as prosperity! In this microeconomic matrix called the divine microeconomy, we are exploring a new twist on how economic life works. Regardless of any of the points of power and any of the essential realities, it is the entrepreneur who activates the powers in the economy like a spark ignites a flame.

Out of latency the alert ones connect the human desires and aspirations with those things that are needed to satisfy those needs and this is the source of prosperity. In other words, prosperity itself is latent and the entrepreneur is the one who is active in raising and creating an awareness that then propels the process forward.

As ends and means, the virtues permeate all things in the present and the future and it is the entrepreneur who helps to show how virtues are imputed throughout the economy and across the time horizon. This newly awakened awareness makes it possible for the individual actors in the economy to discern that the marginal value product of each factor

is a function of how much it has contributed to the infusion into the final good or service the attributes of God, the virtues. It is this which makes it a 'good.'

Prosperity is our birthright. It is latent in us. That is where pure entrepreneurship comes in since it represents the discovery of something for nothing. Discovery of true value all around us requires only awareness!

It is the ends and the more roundabout means that are not at the immediate fingertips of the entrepreneur. But these are highly valued and so capital will be readily applied ordinarily as soon as it is available for all the heterogeneous endeavors that are needed to meet the temporal needs of all of the diverse and subjective individuals in the world.

The entrepreneur is the principal catalyst that facilitates all of the cooperation that needs to happen in the economy across the time horizon. This is the glorious station of the entrepreneur! The increase in virtues and in services that translates into prosperity is brought about by alertness and is a wonderful expression and manifestation of justice.

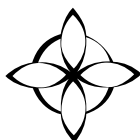
To better understand what I mean by justice I refer you to what I said on page 172 about entrepreneurship and freedom:

"A key to understanding entrepreneurship is that the entrepreneur does not generate opportunities, but rather, responds to opportunities. This process is a competitive process which exists when there is freedom; freedom for those with better ideas to pursue their ideas, and freedom for those with a greater willingness to serve to then go ahead and serve the needs conveyed, via the market process."



Selected Exercises

1. Based on what you read in this chapter what would you say is the significance of 'seeing' from an entrepreneurial vantage point?
2. What is the relationship between entrepreneurship and prosperity?



Epilogue: Enriched by the Gift!

Adornment

PREFACE

Is there any reason to fragment the gift, or was the intention to confer as a whole both the potent essence and the tapestry? No doubt the gift was (and is) indivisible, intricate, exquisite, and purposeful. And it is the cause of great contentment!

ECONOMIC LIBERTY

Consider this shocking statement: one of the greatest tragedies of modern times is the association of economics with profit maximization and with efficiency! It is not that the concepts of profit maximization or efficiency cannot be simply understood in a different way, in a broader manner, but that is not what has happened. Instead, profit maximization and efficiency were defined narrowly and literally by empirical economists for the purpose of rationalizing their methodology.

I do not follow them down their road—a road that leaves behind the subjective nature of human beings—and I am not alone. Instead I take the path that honors the human reality—the path of subjectivism. This is a path with the rich heritage of classical liberalism which extends back centuries and which promises to extend well into the future. This classical liberalism tradition is rich with contributions from many different people over a long period of time. And it is also a very great tradition, with some exceedingly brilliant contributors to this valuable and notable heritage.

In a nutshell, classical liberalism provides an easy transition from the subjective nature of human beings to the economy and back again. What comes to the surface from using this classical liberalism approach, and its application of the subjective methodology, is a wealth of universal laws that pertain to human action. These laws then serve as the foundation for economics. 'Just like that' humans—not some imaginary creatures that fit equations—are the most important and yet still the most elusive part of the economy.

In subjectivism the economic world that the human faces is 'permitted' to be the actual real world, and the fact that it is always in disequilibrium is 'allowed.' Rather than trying to force everything into a *ceteris paribus* box to remove the real world conditions, subjectivism explores the real world as it 'operates' which leads to an understanding of the human processes of thought and action.

But not all thought and action pertain to material things. The 'ideal' and perhaps physically invisible things sought after, and applied, are nevertheless real to us—we who are the wonderful and great creatures known as human beings. Only the subjectivist methodology can penetrate into these largely unexplored, qualitative realms. That is what science is supposed to do, to penetrate the unknown, discovering new things.

I started this epilogue speaking about a modern tragedy. It is an exercise of ignorance to blame the economy for the ills facing mankind. The economy is a divine institution that brings the grace and bounty of God if we do not work against it. It is the vehicle for the expression of every person on the planet and a way for their unique talents and faculties to become known and to develop.

And at its most personal level—the microeconomy—this is where the attributes inherent in human beings can charge the world with goodness. The virtues and services that are the expressions of the motive force to act have been passed over and left out as economic realities, left out there somewhere in the oblivion of neglect, until now. Now they are tied tightly to the economic realities with the strong cord of economic science.

A new day is here and the horizon of subjectivism shines very bright indeed. Simply put, there is a spiritual solution to the economic problems. Subjectivism provides the bridge for understanding the

economics of the solutions, thus bringing economic science and religion into harmony.

Finally, since the flow of knowledge is the great force affecting the market process it follows that anything that interferes with the flow of knowledge slows the process. This retarding of prosperity affects the divine economy at the macro level and also at the very personal micro level. Acts of intervention distort and disrupt the flow of knowledge. At the level of the individual the intervention-induced distortions may cause a person to act greedily instead of with moderation or it may cause a person to impatiently spend rather than wisely save.

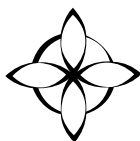
Do you see what I am saying? The ills that we easily recognize as ills and which have been incorrectly attributed to the economy (I just mentioned greed and excessive consumption) can now be correctly attributed to their true source—the distortions that come from the acts of ego-driven interventionists. Intervention (acts imposed from outside the market process and that prevent the free flow of accurate information); it is this intervention that distorts and corrupts the microeconomy and the macroeconomy.

Intervention is like a veil that prevents us from recognizing that the economy is divine. With this book I have attempted and hopefully succeeded in lifting that veil! Even better, together let's work to tear asunder the veil of intervention by vehemently objecting to intervention at all levels and in all forms so that the countenance of the divine economy can beam its glory.

Finally, do not relinquish the responsibility of your own self—your human essence—to another, to someone else. The human *essence* of economics *essentially* is for each person to find their *essence*, and to polish it as a gem, and in this way attain wealth and bring about prosperity.

III

ETHICAL ECONOMICS FOR TODAY AND TOMORROW



Introduction

People desire things! At first reckoning this statement sounds like nothing but materialism. Words convey information but the manifold meanings of words can be deep like the sea if contemplated thoroughly or shallow as a puddle if barely given a glancing thought.

Materialism is very real in our world. And not coincidentally it is so very real because the mystic reality of ethics has been lost. Materialism eats into the vitals of an unsuspecting humanity; unsuspecting because of their economic ignorance. And it does no good to turn to the economic doctors. They have long ago cast aside the healing powers of ethics and are surreptitiously content to administer their addictive drugs of intervention. The stupor caused by this prescription creates a shallowness that keeps the economic doctors in charge since it numbs the human faculties from being able to see the deep meanings of life.

First let's look at the 'people' part of 'People desire things!' As if it is a 'Secret'[27] the wonderful potentials of human beings are written about contemporarily (and are all the craze!) without also balancing that knowledge with an understanding of the dualism of human beings. Thought and action are not the same. An ego out of control can hardly be seen as more desirable than a person of unrealized potential.

The essence of human potential is alertness and deep and thoughtful perception followed by purposeful action. There are, however, restraints to liberty such as the requirement of discipline. Unless one diligently studies piano and practices piano music, for example, the liberty of a free and harmonious expression on the piano will not come to pass.

Humans, like you and I, are both imperfect and perfect in a relative sense. Our 'deep' nature is described in the Holy Books¹ as a condition that I refer to as 'created in His Image.' This 'people' condition can be described as a dualism. Our free will is always in operation, meaning that our choice can be ego-driven or it can be one that aspires towards reflecting the names and attributes of God.

This brings us to consider the 'desire' part of 'People desire things!' Our choice is always made and directed towards a means or an ends. At the point of decision we have either decided on a means (economics) or on an ends (ethics) or sometimes both together. If I desire happiness then that is an ends. If I desire water to quench my thirst then that is a means. If I desire peace then that may not only be my ends, but also, the means to that end.

Since we humans conceptualize; our desires extend beyond those desires which are merely physical and take on the characteristics of our spirituality. The interchangeability and overlapping tendency of means and ends becomes even more evident as this occurs. Evidently, then, it is the inseparability of ethics and economics that is the true reality. Without this foundation of understanding as its basis no system of learning can truly be called education. These lesser systems of learning I refer to paradoxically as 'ignorant education.'

And finally we examine the 'things' part of 'People desire things!' Even though people know that everything is made up of atoms and even more minute components no one actually thinks about 'things' in that way. Likewise, all of the things that we desire attract us because of the attributes that they possess. Our attraction is regarded as sufficient knowledge for us to take action to satisfy our desire.

Now we are going to leave the shallow puddle of meanings behind and seek the deep meaning of 'things.' There is one law and it operates throughout both the physical world and the spiritual world. It turns out that the physical world is an objectification of the spiritual world.

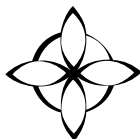
Necessarily then, the spiritual world precedes the physical and the physical is a manifestation of the spiritual world. Things are manifestations of the names and attributes of God (eg., beauty and radiance)

1. "So God created man in his own image, in the image of God created he him; male and female created he them." (King James Bible, Genesis 1:27)

and we are irresistibly attracted to them and value them since we are ‘created in His Image.’ Once again it becomes evident that ethics and economics are inseparable.

In conclusion: There is no longer any reason to be shackled by an inadequate economic theory. This is our world that we live in and which we can shape. We are confident that freedom, justice, unity, and prosperity are all possible once there is the discovery of an ethical economic theory.

An ethical economic theory is what this book explores and discovers. This book demonstrates that economics extends further than previously thought and it finds that the values originating in the virtues inherent in all things have been revealed most splendidly in the Word of God. Such a discovery makes it clear that science and religion are compatible tools for us to use to make the world a better place.



Chapter 1

Contemplating a Journey

History of the Ethics of the Divine Economy

PREAMBLE

Is it restlessness or rather is it our seeking nature? What stirs us deeply and makes us want to see what is over the next hill or around the bend? This curiosity and wonder about that which is a mystery to us is very compelling.

It is not unlike the circumstance we presently find ourselves in (reading this book) since that is how we arrived at where we are now. What's next? Some trips are longer and more arduous than others but each one has a destination. Each destination is the result of a combination of exercising our will and having a starting point.

Some journeys are played out wholly in the mind and it is our power of reason that enables us to do exactly that. No matter; we can stop our journey at any point, whether we are actually in transit or whether we simply find a reason to do so in our mental enactment. Is the journey too risky? Are we willing to make the necessary sacrifices?

Whether it is a struggling match between our inertia and our exploring mind, or whether we have moved on to the next prospective mystery, in the simplest terms, we are who we are. We are seekers and our joy and our powers come from seeking. That is what vitalizes us.

A. THE WOMB

There are glimpses of the early, early days of ethics and they can be validated by human knowledge that has been acquired over time. So

as not to bog down at the beginning it is necessary to just lay out, in simple terms, the powerful storyline of the creation of humankind.

God gave to humankind dominion over all the earth as an expression of being ‘created in His Image’ since God, Himself, has dominion over all the earth. Another attribute of God characteristic of this special creation—the human being—is ‘Singleness.’

What are the implications of these and the other blessings conferred upon human beings? One is that it is extraordinary to be a human being. An aspect of being human has to do with both expression and protection. As a human being thinks and acts the world changes and the changes become a part of the surroundings, ad infinitum. Protection takes the form of human rights being intimately interwoven with property rights. Together, then, expression and protection become manifestations of the dominion and the singleness that is divinely ordained to be a part of the human creation.

Relatively—then and now—the thinking and acting human being can make judgments (judgment being another attribute of God conferred and mirrored) about what is good and what is bad. Being wet and cold is bad. Being warm and dry is good. Being clean is good, being unclean is bad.

Rising above the state of instincts and that of the animals, humans perceived laughing as good and crying as bad, creativity as good and slothfulness as bad, etc. Humans discovered that they were able to carve out an ethic and that an ethic was necessary.

This happened everywhere where humans resided. There was a universal appearance of ethics but there was no system of universal ethics. Some centers, scattered around Earth, had a more developed system of ethics. Not coincidentally these were the places that had been influenced by great ethicists.

For a system of ethics to develop the mind has to have the opportunity to acquire that skill. Much of the early periods of history were full of struggles for basic subsistence, meaning that ethics advanced only when a great ethicist appeared, for example, ethics advanced as a result of the appearance of the Prophet Moses. A revelation such as this led to the emergence of sciences and arts. It was the curious attraction to this advanced civilization that caused the Greek philosophers to travel to Jerusalem to sit at the feet of the Hebrew sages to learn the basis of Israelitish law.

After returning from the Holy Land Socrates ‘formulated his philosophical teachings on divine unity.’[2, p. 272] Both natural and spiritual phenomena were investigated. This knowledge was then the basis of ethics and morality which the Greeks began to systematize. In Greek society, since slaves did the tedious work, the philosophers had the luxury to contemplate and systematize their pursuit of knowledge even though life for most people at that point in the history of human civilization was still just basic subsistence.

Democritus (460–370 BC), a contemporary of Socrates, postulated that ‘moral values, ethics were absolute,’ and that ‘economic values were necessarily subjective.’[79, p. 10] This was one of the first descriptions of the association between ethics and economics.

Basically the Greeks were the first to pursue knowledge for its own sake. This philosophy extended to all areas of speculative thought. They used reason to examine the arts, the sciences, and religion.

A framework of human understanding emerged—cause and effect. Observing and learning from observation led to the development of logic. Aristotle (384–322 BC) has been acclaimed as a ‘magnificent and creative systematizer’[79, p. 3] and it was from his contributed philosophy and logic that both ethics and economics continued to unfold.

First, reality was studied and then it was critically examined. Natural law was the fruit of that endeavor. Natural law identifies the characteristics of each type of thing—an apple is an apple, a stone is a stone, an animal (each species can be specifically categorized) is an animal and a human is a human. In other words, humans have a unique nature and that is part of natural law.

‘Human beings must also have a specific nature with specific properties that can be studied, and from which we can obtain knowledge.’[79, p. 4] The never-ending search for knowledge is part of that nature. It is the act of pursuing knowledge which inextricably links human action to human thought by logical necessity.

Since thought and action are linked as part of the natural law of human beings, the right to take action and the study of natural rights carry the knowledge process into the realm of ethics. It follows, then, that certain vital things are inalienable. A person cannot alienate his or her own will. He is subjective!

Greek philosophy—this love for wisdom—arrived at a system of natural laws; truths about the world and truths about human life that are absolute and universal. This was the groundwork for the study of human action which linked ethics and economics once again. The ‘reasoning of philosophy and economics is both empirical, being derived from the world, and true.’[79, p. 19]

Ethics revolves around the concept of human happiness and a complete life for the individual. Aristotle, and others later, assumed that the acquisition of virtue was the proper goal of human conduct. Stating it as the ‘goal’ implies ‘an ends.’ This may have been the beginning of the separation between economics and ethics. Yet the eudemonists did believe that whenever you are acting you are always promoting some ultimate good of yours, some ultimate end or aim.

What developed over time was a deductive system with axioms. Axioms refer to the principles basic to the deduction process. They represent statements or ideas that are self-evidently true, such as ‘No sentence can be true and false at the same time,’ and ‘The whole is greater than its parts.’ This logic—practiced by the philosophers—was also regarded by them as a part of natural law, pertaining to human beings.

B. BITS AND PIECES

It was by the use of reason that the natural laws (of the way things are) led to an extension further and further into the human realm. Learning about the nature of the human being necessarily leads to the discovery of the “fusion of ‘spirit’ and matter.”[76, p. 31]

The individual is lord over his or her own self. This does not mean omnipotence. Power is limited by the natural laws but not by the freedom of will. The individual is free to choose his action, and therefore the course of his or her life, within the constraints that are characteristic of that particular scientific and social era.

Value, the worth of something, was noticed to vary depending on the time, place and circumstance. A thirsty man values water more than one who is already satisfied. Determinedly, value was recognized as subjective and specific to the individual.

This connection between the individual and the things he values constituted natural rights and ownership. This connection could be

tested using reason. First, acquisition of virtues constitutes private property. Extension to the physical world of this logical sequence leads to the conclusion that production, the bringing together of human will and resources, is also a part of human creation and therefore is a part of natural rights and ownership.

The unfolding of natural law and natural rights laid the foundations for economics and the social sciences. This is a tradition that runs through the Greek philosophers, the Stoics, the medieval philosophers, and the Scholastics. It bound all of us together according to the Stoic, Marcus Tullius Cicero (106–193 BC): ‘but the same law, unchanging and eternal, binds all races of man and all times, and there is one common, as it were, master and ruler—God, the author, the promulgator and mover of this law.’[79, p. 22]

My objective in recounting history in this manner is to show the parallel development of ethics and economics without being diverted by the multiplicity of directions that have been taken throughout history. It is also my objective to report the dominant factors that moved the sciences of ethics and economics in one direction or another, and to do so in an unbiased manner.

Saint Augustine (354–430 AD) lived at the time of the collapse of the Roman empire. ‘Augustine’s economic views were scattered throughout *The City of God* and his other highly influential writings.’[79, p. 34] Deposited within his writings were early intimations about subjective valuation, arbitrage, and a positive attitude towards merchants. In his writings he moved away from the Greek ‘polis’ and towards the role of individuals.

The individualism, at the core, fit the precepts of Christianity which began to emerge as a civilizing influence after the fall of Rome in 410 AD. It is the dominant ethical tradition of the first 2000 years of Western philosophy.

The relatively high level of advancement of the Western civilization of Europe compared to other places in the world had to do with conditions; conditions that also inspired classical liberalism. Of course geography also played a role.

The east (meaning the civilizations of India, China and later, Islam) lacked the primordial thing—according to Ludwig von Mises—the idea of freedom from the State and a legal framework to protect the

wealth of private citizens. After the fall of Rome, up until the 16th century, there was never a completely unconstrained State in Europe. Rather, Europe was composed of a mosaic of kingdoms, of ecclesiastical domains, of principalities, and of city states.

There were two major moderating influences restricting the State from expanding its power—the possibility of exit to another kingdom or city state, which would then cause a shift in the balance of power; and a universal Catholic church. Its adversarial role towards the State put limits on the State's action. In other words, the prince was under the 'law,' referring to the law of God.

Limits on the confiscatory actions of the State protected property rights which ultimately led to the accumulation of capital. Property rights and capital accumulation were the catalysts for the advancement of western civilization.

Hence, it is certain and is obvious that leaving religion out of history would be unrepresentative of the historical truth and would severely limit the analysis. This is true at the macro level—the level of opposition to the State; but it is also true at the micro level—the level of thoughts and ideas.

It is absurd to not talk about the values and the ideals that motivated the philosophers. These values and ideals are extremely important for understanding ethics (defined as the accepted rules of conduct), that is, the principles of honor and morality. After all, to these philosophers a good was that which was in accord with the Will of God.

Notwithstanding, one of the distinguishing characteristics of the Dark Ages was the influence of the Church on the operation of economic laws. Erroneous interpretations of the Scriptures led to a misunderstanding of 'just price' and subsequently of usury, and led to a long history of slow advancement of economic theory. This dogmatic thought limited scientific discovery and deprived civilization of the full benefits of exchange and of capital.

An infusion of new ideas and the emergence of Scholasticism brought about the Middle Ages. Scholasticism was a philosophic and theological movement that attempted to use human reason, in particular the philosophy and science of Aristotle, to understand the supernatural content of the Christian revelation. Its purpose was to integrate the knowledge already acquired by Greek reasoning with the Christian revelation.

This raised theology to the station of a science. Theology was the queen of the sciences in the Middle Ages. Theology is a deductive system. All of the other deductive systems had their own specific axioms and offered truth and conferred wisdom, but to the Scholastics all systems yielded to the overarching deductive system of theology.

Once again ethics joined hand in hand with economics but not perfectly. For example, the Canonists and the Romanists came to agree on: 'the common price of a good as the just one.' [79, p. 42] However, usury as a licit service would not be allowed for another 300 years!

One of the great contributors during this period was Thomas Aquinas (1225–74). He brought together philosophy, theology and the sciences of man in a mighty synthesis. An example of his thought is: 'Man's function is to take the materials provided by nature and, by discerning natural law, to mold that reality to achieve his purposes.' [79, p. 57]

Aquinas brought back natural law. As it pertained to the human being, natural law acknowledged that the power of human reason enabled mastery of the basic truths of the universe. Thus ethics became decipherable by reason. Ethics and laws, and truths tested by reason, and faith in revelation, made God's Will discernable.

Thomism advanced Aristotlean thought by incorporating theology. From this tradition arose contributions to economics and ethics that demonstrated the intimate ties between the two. Pierre de Jean Olivi (1248–98) first conceptualized capital. San Bernardino of Siena (1380–1444) used logic to justify private property, the system and ethics of trade, and to discuss the determination of price. Sant' Antonino of Florence (1389–1459) applied the principles of ethics and theology to the details of everyday life—an early divine microeconomy theorist!

Transition into the next period marked a very significant change. The Late Scholastics were Thomists. For them reason and empiricism were allied and interwoven. 'Truth is built up by reason on a solid groundwork in empirically known reality. The rational and empirical were integrated into one coherent whole.' [79, p. 129]

This period of the late Scholastics was a great culminating period and it deserves to be regarded as the radical of divine economy theory. Metaphorically the seed may have been planted earlier but during the period of the Late Scholastics it took root. It had all of the necessary

elements to weather the storms to come. It could not be uprooted and washed away.

During this period the last of the economic fallacies were removed by the sharp scalpel of reason and ethics. The ancient contempt for trade and economic gain was changed into a new appreciation.

An interesting side note: these ‘scientists’ had no vested interest in the outcome. They simply sought the truth. These Scholastics were monks living very austere lives, removed from the material world. Their discoveries were for the good of humankind; that was their sole and humble motivation.

Cardinal Cajetan (1468–1534) justified the business lending of money. Francisco de Victoria (1485–1546), the founder of the School of Salamanca, wrote about the morality of commerce. Dominican Domingo de Soto (1494–1560) declared that ‘Christ most definitely did not declare usury as sinful.’[79, p. 105] He proved that—theologically and also according to natural law—usury was perfectly licit.

Luis de Molina (1535–1601) revived natural rights and advanced property rights theory using the sciences of economics, ethics, theology and philosophy. Leonard Lessius (1554–1623) advanced the concept of psychic income.

What a momentous period—minimal State power, all the sciences in harmony with the divine nature of the human being, and all of the economic fallacies removed! Could it be that a divine economy would then propel Western Europe into an unprecedented age of prosperity? No!

C. ABANDONING SHIP

Conditions were right for a reversal of direction. There was a rise in nationalism. Rulers did not like being constrained by the international Church. As the powers of these nationalistic rulers grew, they stirred discontent of ordinary folk towards papal authority. And seemingly unrelated 16th century events—the advancement of printing techniques and of paper making techniques—played a major role. These made it possible for rapid dissemination of new ideas.

Mix together all of these 16th century conditions with the religious movements like the one started by Martin Luther, from which he attacked the Roman Catholic doctrine, and all of a sudden there were

protests for reformation—hence the name Protestant Reformation. ‘All of a sudden’ is not an exaggeration. Never before could new ideas spread so far and wide and so fast.

The rulers offered no resistance to these movements. Conversion to Protestantism served their ends also—to undermine the universal character of the Catholic Church and to confiscate its property.

The great dividing point in Christianity had to do with the interpretation of ‘justification,’ that is, being right with God. St. Augustine, the great 4th century theologian, interpreted Paul’s teachings on justification to mean a process in which a person became more just, a sanctifying process, that combined with contrition begot the grace of God. Whereas Martin Luther interpreted Romans 1 : 17¹ to mean that justification was obtained by faith alone.

The ramifications for the science of ethics were significant. Medieval Scholasticism rested upon the belief that salvation required active cooperation of human will and the active use of reason. Whereas the reformation view of salvation of ‘by faith alone’ dismissed the need for practicing the science of ethics.

All of the scientific discoveries that stemmed from natural law: the branches of philosophy that dealt with the investigation of reality (metaphysics); and that dealt with the origins, validity and limits of knowledge (epistemology); and that dealt with morality and judgment (ethics); and also the logic of cause and effect, lost relevance in this new mental construct of ‘by faith alone.’ From this Protestant view reason could not be trusted to form a social ethics, which could only come from the divine Will through Biblical revelation.

Now realize the impact of this annihilation of science at the time when the rulers (the State) had their long-awaited opportunity to undermine their number one enemy. Whatever the consequences, the rulers wanted unrestrained power.

The cumulative science that had acknowledged the inviolability of property rights had no chance to be selected as the new scientific methodology. Predictably, any methodology where events were merely reported with no cause and effect analysis, and where there was no

1. For therein is the righteousness of God revealed from faith to faith: as it is written, “The just shall live by faith.”

ethical judgment about the action of the State, fit the confiscatory plans of the rulers. These were the types of scientific methodologies that became the dominant methodologies—to fill the void left when classical liberalism was minimalized.

Inevitably this caused the basis of education to change. Educational materials in the new printed paper era became available to the masses but the Protestants and the ‘new scientists’ did not include Aristotlean or Thomist thoughts. Without a solid grasp of logic—purposefully left out—the chance that the generations to come might adopt an erroneous methodology increased greatly (and became an inevitability)!

With the increased power of the State, and the parallel weakening of philosophy, logic and ethics there came into existence a new direction in law too. Instead of law being conceived as something pre-existing and to be discovered it was given over to government to make law. Of course scientific philosophy, logic and ethics would all have seen this as a great error.

Moral relativism replaced ethics which made it easy for atheism to become a cornerstone of the ‘new’ sciences. The minds trained by this ‘science’ created a world preoccupied with and dominated by materialism. Out of this cauldron came empiricism; the complete opposite of the deductive, a priori system of classical liberalism.

D. REVIVAL

Classical liberalism as a school of thought, although minimalized, never did go away. This was providential because it came out of dormancy during the surge of new ideas and discoveries that characterized the mid-1800’s which revived and revolutionized all arts and sciences—including economics and ethics. Classical liberalism experienced a resurgence also.

In classical liberalism natural rights were seen as the fulfillment of natural laws. Reason was seen as a way to ascertain natural law. It was human nature to act rationally and to seek knowledge and to seek improvements. Because it was part of human nature to act, and to act rationally, aspects of human action could be grasped a priori.

This was the intellectual climate within classical liberalism. Once again ethical theory and economics developed in parallel. Conduct in

accord with right reason—that is, that combined righteousness and reason—was moral by definition.

Conduct that preserved peaceful social cooperation and improved inter-human relations was considered the aim of moral law. Religious teachings that strengthened these moral precepts were accepted as constituting a pool of meaningful and powerful knowledge.

Reappearing as a dominant concept was the dualism inherent in human nature. Active seeking after knowledge yielded a greater understanding of nature and of human consciousness. These studies of reality naturally led to an awareness of ‘what you are doing.’ Applying this type of test and being aware of the integrated harmony of all things led to many advancements.

Within the order of natural laws the concept of morality itself implied that there was a spectrum along which what was moral and what was immoral had to be discovered. Reason, free from hostility towards religion, is necessary to arrive at ethical laws. Ethical laws are those that foster cooperation and association.

Within the ideal environment of cooperation and association it was found that human choices are made and valuations are formed at the margin. This realization initiated the dawn of the marginal revolution. To demonstrate how universal was the impact of this growing body of mid-1800 scientific knowledge: the discovery of marginal utility occurred simultaneously by William Jevons in Britain, Leon Walras in France, and Carl Menger in Austria.

Of these three Carl Menger alone understood that the choices made at the margin were subjective. Not only the choices but also the valuations behind the choices were made at the margin and both the choices and the valuations were made subjectively. Only this conclusion—that humans make decisions subjectively and at the margin—was and is compatible with natural law.

This revival of subjectivism (and away from empiricism) was in the right direction. It was the pursuit along these lines that kept philosophy, ethics, and economics together in harmony.

Menger stated succinctly: ‘All things are subject to the law of cause and effect. This great principle knows no exception.’[56, p. 51] True to the classical liberalism tradition, Menger’s analysis is causal-realistic. Using reason it was possible to prove that peaceful cooperation within the framework of society serves everyone best.

Here is where one aspect of ethics comes in: ethical theory must be true for everyone wherever they are and no matter what period of time in which they live. Freedom always implies the absence of an invasion of a person's property (including their virtues) by another. So, even the acquisition of virtues, those qualities which help define an individual, constitutes private property.

Within this tradition, property rights refer to those things attributed to an individual resulting from the exercise of their will within the constraints of freedom. If it is possible to make a 'contract' regarding its 'use' then it qualifies as property. Property rights are foundational. 'The free market is a society of voluntary and consequently mutually beneficial exchanges of ownership titles between specialized producers.' [76, p. 40]

No surprise however; this period is similar to other periods of history. Even within the classical liberalism tradition there were partial understandings. For example, economics was separated from ethics in an attempt to make it 'value-free.' This supposedly made the distinctions between 'means' and 'ends' crystal clear. But in the real world the distinctions between means and ends may not always be an either/or proposition.

Let's consider a few concepts that straddle both means and ends. Ponder A) and ponder B).

- A) Production consists of changing a product from one state into another more useful or valuable state. Division of labor is one of the means of accomplishing this and it yields a multiplicity of goods which are then more readily available. It was thought that the fruits of division of labor—more goods and services—were motivated by noble sympathy for others as the ends. Yet division of labor can be attributed more directly to a more subjectively selfish motive, that is, division of labor is one of the best means to be productive and thereby to benefit from that higher degree of productivity. It 'just' so happens (not coincidentally it does represent a type of justice) that everyone else also benefits and it just so happens that the justice that is manifest from the division of labor can be seen as both a means and an ends.
- B) Respect for and appreciation of diversity is an ends that honors human dignity. Yet this diversity finds economic expression as division of labor. By the means of division of labor all of the diversity of efforts lead to an increase in prosperity and wealth and a

subsequent elevation of human dignity. Hence, it can be seen that diversity is both a means and an ends.

In *The Foundations of Morality* Henry Hazlitt explains the interweaving of means and ends:

Most things or values that are the objects of human pursuit are both means and ends; that one thing may be a means to a proximate end which in turn is a means to some further end, which in turn may be a means to still some further end; that these 'means-ends' come to be valued not only as means but as ends-in-themselves—in other words, acquire not only a derivative or 'instrumental' value but a quasi-'intrinsic' value.[36, p. 25]

Without knowledge of the interweaving of means and ends, value and wealth are seen almost exclusively in material terms. For these to be understood in 'ideal' terms there has to be a intermingling of means and ends, in other words, a merging of economics and ethics.

Now back to property rights. Take notice, there are only two ways to acquire property and wealth: through production (economic means) or through coercive expropriation (political means). In classical liberalism in the 19th and 20th century, ethics was developing in parallel to economics, however, it had not yet gained the moral authority necessary to outlaw the political means of acquiring wealth.

Nevertheless it is not possible to overestimate the importance of Austrian economics in reviving classical liberalism. Likewise it is not possible to overestimate the contributions of Ludwig von Mises, Murray Rothbard or Henry Hazlitt to these rational and scientific theories of social cooperation. 'Thinking and acting are specific human features of man,' and Mises continues, 'This human action which is inextricably linked with human thought is conditioned by logical necessity.'[65, p. 25]

Step by step, interrelated single actions taken in sequence characterize the essence of action. From simple tasks to complex tasks—this is how it begins and this is how it proceeds. The study of human action can focus on each step or it can examine the outcome of a sequence of steps. Natural law, as it pertains to the human being, is advanced by this study. Close examination of the process undergone to move from one step to the next opens the door for ethics to enter in.

The defining point for each of the human sciences using natural law is the point of action. That is what makes economics such a powerful tool since it is often these points of action—or steps—that are considered as the means to an end. The application of reason to decipher the meaning at each step advances the science of human action.

What we know is that humans are human! 'Praxeological reality is not the physical universe, but man's conscious reaction to the given state of the universe. Economics is not about things and tangible material objects; it is about men, their meanings and actions.' [65, p. 92] It is clear that philosophy and religion (of the past, present and future) cannot be left out without leaving out most of the stuff of history and action.

Not coincidentally the history of ethical theory and of economics developed side by side. Record of this parallel development is described by Mises: 'Action is will put into operation and transformed into an agency, is aiming at ends and goals, is the ego's meaningful response to stimuli and to the condition of its environment, is a person's conscious adjustment to the state of the universe that determines his life.' [65, p. 11]

From this quote it can be maintained that the sciences of human action are those subsets of philosophy that have formed bodies of work: economics, ethics, and logic. What has been shown by examining the history of ethics is that religion and ethics are interconnected, which creates a potential problem within praxeology, the science of human action. However, the tools needed to solve this philosophical problem are potent and already present in the science of human action.

Upon reflection, it was in the mid-1800's when science exploded with discovery and refinement and systemization and also when the various disciplines were separated and their boundaries were defined. This differentiation was thought to be the pinnacle for the scientific approaches, and so, independent of each other these scientific disciplines advanced. The question now, at this point in history is: Were the boundaries artificial, and continuing the query, do the boundaries now need re-adjusting?

All of the threads of the science of human action were developed. Are these threads a part of a fabric, a tapestry? All of these questions fall within a larger spectrum, the spectrum of the harmony of science and religion.

The most recent advancement in classical liberalism that pushes against these artificial boundaries that were placed between these disci-

plines is the divine economy theory. Using the logic of a model (Divine Economy Model©[48, ch. 2]) and by using economic concepts, the equilibrating force in the economy was identified as the divine economy. The equilibrating force in the economy is a power of God similar to magnetism and gravity except that it is also an essential part of the human operating system. Human beings are divine ('created in His Image') and so their actions are divine and subject to the forces of equilibrium, the divine economy.

The equilibrium forces of the divine economy operate best in an unhampered, uncorrupted condition. According to the divine economy theory human intervention into the economy is a source of corruption. What is most significant about this economic truth is that human intervention no longer has any moral authority.

Following a deductive path, the divine economy theory takes us to the seat of action—the individual. But the individual examined is new—it is the divine being, the one 'created in His Image.' Human action in the divine economy theory is seen as the purposeful action of a spiritual being.

Ethics is no longer regarded as merely a mental thought process. The ethical values, the virtues, are no longer separated from their true essence and reality. Here is the truth—the virtues are the names and attributes of God.

Simply stated, the virtues are the names and attributes of God and they appear in some form in everything. For example, I find joy and peace and ecstasy and certitude in a certain musical recording and so I buy it. Humans are irresistibly attracted to the names and attributes of God!

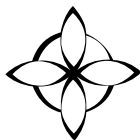
Two great discoveries came from extending the divine economy theory to the realm of the individual—the microeconomy. One, all value ultimately comes from the appearance of the attributes of God when they are expressed in some form and then appear as human action. Two, the interface demonstrated in the Divine Microeconomy Model©[49, ch. 2] bridges economic science and religion.

Such is the history of the ethics of the divine economy. This book will be another contribution to that legacy.



Selected Exercises

1. Discuss “everywhere where humans resided there was a universal appearance of ethics but there was no system of universal ethics.”
2. What were the conditions just prior to the Protestant Reformation that made the potential of classical liberalism so great, but ultimately unrealized?
3. Empiricism came out of what cauldron?
4. Compare economic equilibrium to gravity and magnetism.



Chapter 2

Preparation for the Journey

Ethical Principles of the Divine Economy

PREAMBLE

We know that we will journey. We do it all of the time. The more arduous or challenging the journey the more preparation we undertake. We also know that we cannot take everything with us. Leaving things behind is an act of cleansing, of sacrifice, and therefore it is purifying.

There is a reason for our endeavor and we have a purpose more or less worked out ahead of time. There is something either that we need or that we need to know, and that is what we are seeking. To make discoveries which fortify our knowledge and confirm us in the truth, even if it is relative truth; that is the expected fruit of our endeavor.

There is no disconnect between us before and us now, nor is there a disconnection between where we are now and where we will be when we arrive at our 'destination.' It is all a part of the journey and the more that all things are brought into unity the greater the discovery of meaning.

So it is, movement along our path brings us satisfaction and peace. If peacefully done our journey will not generate opposing forces. And discoveries will abound most plentifully in this highly sought after milieu of peace.

A. ABLUTIONS

I chose the metaphor of ablutions for a couple of reasons. Working out the ethical principles of the divine economy requires preparation and also reverence toward the human reality. Proceeding with our

exploration of the ethical principles first requires that I create the proper atmosphere since we, together, are approaching the unknown.

To start we have to free ourselves from biases, prejudices and ignorance. The most obvious of these are: the ignorance of atheism; all religious prejudices; the biases of partisan politics; and the biases of economic fallacies. That is my objective; from the beginning of this chapter. It is very much like starting from scratch, while at the same time trying diligently to seek a pure vision and intention.

This is a formidable task, one that requires introspection. Our search for truth sends us traveling along a path where we can be absolutely free from things that lie outside our humanness, our reality. Our divine nature reflects itself in the ethical principle that states the following: good is that which is in accord with the Will of God.

Our metaphorical ablution may take us to so deep a meaning that we may come to know ourselves as ‘the vessel.’ Is our vessel half empty or is it half full? Can we fill it? If our intent is to study existence to derive a theory of existence then we have to open doors of mysteries and it is in that subjective mood where secrets unfold.

Unfolding, it turns out, is what progressively over time happens to us, to our personality. That consequent empowerment drives us to life and action and drives our ‘craving for a fuller and happier existence.’ [65, p. 882] When we reflect about our action we enter into the realm of praxeology, the study of human action. To proceed further scientifically, we have to choose axioms and we have to choose a method.

Guided by principle and the concepts of the divine economy theory, the ethics of the divine economy needs a simple yet significant amendment to the definition of praxeology. What we are interested in is the study of purposeful action by spiritual beings—an identity in the divine economy theory. I hold to this principle with no compromises to materialistic atheists.

What are the ethical axioms (generally accepted truths) that parallel the praxeological axioms? Mises speaks about praxeology in the following manner: ‘Thinking and acting are the specific human features of man.’ [65, p. 25] Here are two axioms of the ethics of the divine economy that fit well with the concept spoken of by Mises:

1. ‘Thought that belongs to the world of thought alone.’
2. ‘Thought that expresses itself in action.’ [6, p. 18]

These two axioms are really very important. The first one shows that humans contemplate and meditate and that they need to. But to finally attain this reflective state, contemplation must receive all of the attention. 'It is impossible for a man to do two things at one time—he cannot both speak and meditate. It is an axiomatic fact that while you meditate you are speaking with your own spirit.' [6, p. 174]

The second axiom restated: humans then carry their thought into the realm of action. This is where the ethics of the divine economy gains its distinction. What catches the attention in thought and action of the human being is the appearance of the names and attributes of God. For example, I like a certain chair because it is strong and comfortable. Really it is because these characteristics are variations of the irresistible attributes of our Creator; the Powerful, the Comforter, respectively.

Not only is the appearance of the names and attributes of God the cause of our desire to act but it is also the content of our actions! I move towards the chair ('the Mover' attribute of God), sit down and I feel content ('the Self-Subsisting' attribute of God).

In thought or in action we are in essence spiritual beings. As such it is our unique distinction to consciously seek after truth.

B. SEEKING TRUTH

Scientifically our search is called ontology, the study of existence. We are interested in both the science and the art of our existence! 'Since time immemorial men have been eager to know the prime mover, the cause of all being and of all change, the ultimate substance from which everything stems and which is the cause of itself.' [65, p. 17] Since humans are divine, 'created in His Image,' knowledge of our own selves takes us in the right direction.

The major axiom of praxeology is the existence of purposeful human action. This is preceded by the first axiom of praxeology and of the ethics of the divine economy—thought. And it is almost the same as the third ethics axiom (see the list of the sixteen axioms of the ethics of the divine economy at the end of this chapter): purposeful action by spiritual beings. The closeness of these axioms is obvious and noticeably parallel: 'This human action which is inextricably linked with human thought is conditioned by logical necessity.' [65, p. 25]

What we find is that the classical ontological model needs a slight adjustment. The classical model classifies everything into one of four categories proceeding from the lowest to the highest state of existence: mineral, vegetable, sensitive (animal), and intellective (human).

The spiritual power of mirroring the names and attributes of God is not strictly the same as the ability to add, subtract, multiply and divide. It has to do with free will. For example, an atheist has full intellectual powers and is able to discern many things, yet makes the free will choice to see virtues as merely behaviors.

The ontology used in the ethics of the divine economy includes a fifth category. It has to do with the spiritual nature of human beings. Those who are not atheists easily understand how this is an improvement on the classical model.

That is not to say that there are no limitations on the human spirit. 'It cannot comprehend the phenomena of the kingdom transcending the human station, for it is a captive of powers and life forces which have their operation upon its own plane of existence and it cannot go beyond that boundary.' [2, p. 260] Human beings cannot comprehend what is described as the 'alpha and the omega.'

What can be comprehended is then submerged in human reason in an unending search for the basic truths of the universe. Reason, inseparable from human action, is used to discover laws, both physical and ethical, both material and spiritual.

What is the universal logical structure of human beings? The ability to mentally grasp reality fits into one of two constructs. It can happen conceptually by studying the evidences of design in nature or it can happen deductively by finding a cause and effect relationship. This logical structure is part of the operating system of the human being.

The attraction to the names and attributes of God and the mirroring of these same attributes and names in expressions and actions are all a part of the human operating system. Because these 'realities' are hidden to the physical senses (Who among us thinks that a chair satisfies our desire for the Self-Subsisting God?) it is fruitful to use logical and conceptual analysis.

By using conceptual reasoning primarily, it is possible to discover the laws of ethics. It can be said that our rational nature and our power of conscience sharpen our divine faculties and lead to our dis-

covery and application of ethics. 'Action is will put into operation and transformed.'[65, p. 11]

Don't get the wrong idea. Even though divine economy theory needs to be as conceptual as possible that does not preclude the law of cause and effect. There are no exceptions to the great principle of cause and effect.

Since the basic principles of praxeology were discovered by the Greek philosophers, that makes it a good starting point. Praxeology is concerned with conceptual analysis of those aspects of human action that can be grasped from something that is already known (a priori). The branch of philosophy (epistemology) that studies the nature of knowledge, in particular its foundations, scope, and validity; resonates in the a priori method.

Studying humans reveals a methodological dualism. Humans have an animal nature best understood by the use of natural sciences. And humans have a unique consciousness best understood by the human sciences. The study of human consciousness, thymology, is the study of the human mind by human minds in human terms[82]. Ludwig von Mises introduced this new term to designate the traditional humanistic discipline of psychology:

Thymology is ... what everybody learns from intercourse with his fellows. It is what a man knows about the way in which people value different conditions, about their wishes and desires and their plans to realize these wishes and desires. It is the knowledge of the social environment in which a man lives and acts.[41, p. 977]

Humans act and study themselves subjectively. The mind is semi-extrinsic: meaning that things from outside it can be put in—for example, good and/or evil. The dualism of good and evil entering into the mind superimposes itself on the dualism already inherent in human nature.

The question then arises: Can the study of the means to attain the ends (the definition of economics) be value free? Is it separated from ethics? To penetrate this cloud we will begin by comparing explanatory value-subjectivism and normative value-subjectivism.

Explanatory value-subjectivism simply assigns the evaluations of the one acting and no one else's. Normative value-subjectivism assumes that there are no objective moral values, that is, your ultimate desires

are neither right nor wrong; they are simply your choices. There is a difference between these but neither of them confers decipherable value upon the ends.

Another probing insight looks at the difference between instrumental means and constitutive means. Instrumental means are external to the ends chosen. It is simply a case of cause and effect—the means lead to the ends.

Constitutive means are those intermediate steps that are an integral part of the ends, even if only a constituent of the ends chosen. In other words, means and ends are not necessarily wholly distinct. Therefore, logically and conceptually, means and ends overlap which causes the value of the means to be ascribed upon the ends and the value of the ends to be ascribed upon the means.

Basically, ethical behavior is a constitutive means to the ends (living a good human life). Each virtue has value and that is ascribed to the end (living a good human life). Also the value of each virtue extends out to the other virtues since they are very closely interdependent.

Stepping back a little to refresh our vision, we see that examining human action without studying the human mind leads to empty knowledge. It rings hollow. Likewise, if we just study the human mind without considering human action it is a blind exercise since thymology, alone, lacks the ability to discern what the real essence is. The act, human action, is the real manifestation of the thought.

Imagine praxeology as stepping stones (representing human action) surrounded by deep swirling currents of water. These swirling waters represent thymology. It is true that the currents and eddies may appear erratic and even circular, representing aspects of the human mind that seem confusing. The appropriate scientific response would be to apply extremely rational views (conceptualism) to attempt to sort it out.

It is not appropriate to disregard thymology as ‘unlike the stepping stones’ (in other words, to imply that when one is not choosing one is not acting as a human). Nor is it appropriate to weaken the analytical strengths of either praxeology or thymology in such a way that the distinction between them becomes fuzzy.

The solution is to delve into the swirling matrix of thymology and go until the limit is reached. That limit is defined as the point where the higher kingdom, one that is incomprehensible to the lower kingdom, is reached.

The dualism of human nature is complex because of the interaction between the sensitive (animal) and the intellective (human), as given in the classical model of ontology. But is this classical model able to represent what is real? It does not have the ability to take us to the limit for the human kingdom since it does not include the spiritual nature of human beings.

Granted, an approach that doesn't include the 'swirling waters' does allow for a more focused attention on human action. And such a focus does lead to scientific advancement but its limit is far short of the real limit. In the name of 'seeking truth,' the classical model needs a readjustment to be more representative of reality. The ontological model used in the study of the ethics of the divine economy includes a fifth part: the mineral, the vegetable, the sensitive, the intellective, plus the spiritual.

We have knowledge; which gives meaning. 'External objects are as such only phenomena of the physical universe and the subject matter of the natural sciences. It is human meaning and action which transform them into means.'[65, p. 92]

And we have wisdom; which is the uniting of cumulative knowledge with action. 'Praxeological reality is not the physical universe, but man's conscious reaction to the given state of this universe. Economics is not about things and tangible material objects; it is about men, their meanings and actions.'[65, p. 92]

The next step, implied, is spiritual perception. That is our nature! That is where we are going in this book.

C. UNITY

It is not difficult to perceive a connectedness between ethics and economics. There is an underlying unity that can either be explored or left for someone else to explore. Armed with human reason I will continue with this work of finding, essentially, the harmony between economic science and religion.

Natural law as it is developed does not differ much from the more specifically defined praxeology spoken of by Ludwig von Mises. The study of God, theology, has also been a part of this formula of natural law. That is why I make a slight modification in Mises'

definition of praxeology—making it the study of purposeful action by spiritual beings. With this definition in place it allows a clearer understanding of why natural law and theology are so inextricably intertwined.

Both praxeology and theology are deductive systems, although the axioms are different. What connects them is human action because the act reveals what the values and ideals are that motivate the actor—an actor that is ‘created in His Image.’

Values and wants and ideals become known only in the realm of action. This action tells us more about ourselves and it tells us more about others, which is a very powerful and revealing force in our lives because: ‘True loss is for him whose days have been spent in utter ignorance of his self.’[20, p. 156]

Part of natural law is the inherent perceptive structures common to all human beings. Logic is one example. Another example is the means/ends structure of action. Ethics is a ‘universal code’ that becomes part of the human operating system and it extends beyond the individual. It operates in unison with action.

Praxeology is a broader perspective than economics, in other words, the study of human action is broader than the study of the means to attain the ends. But both are interwoven with ethics since the origin of this type of purposeful action is necessarily human and humans are spiritual beings.

It is true that the purpose of the science of economics is not to establish the validity of ethics. But since ends are goals and goals can be framed meaningfully, the closeness and possibility of unity between ethics and economics drives this quest for unity. Metaphorically speaking, if my destination is across the bay I will try to find a way across.

Once praxeology is slightly reframed as purposeful action by spiritual beings, we no longer push beyond the bounds of praxeology to function as ethicists.

The thing is; everything pivots around action. Action in real terms has an outcome and is some type of production or proto-production. The source of purposeful action springs from a spiritual being and the intended result is a flow of knowledge that makes things better. What if the means is this: a union between spirituality and production, for example, service of any and all kinds?

The dual nature of human beings necessitates that happiness takes both a physical and a spiritual form. By reasoning power, by observation, by intuitive faculties, and by the revealing power of faith, humans can believe in God and ‘discover the bounties of His Grace.’[2, p. 341] The encounters of life that we experience day to day register with us and that process of learning from our life experiences is cumulative. It is through our awareness of the interactions and the combinations of these dual (physical and spiritual) realities that leads us to the acquisitions of perfections.

‘Action is will put into operation and transformed into an agency, is aiming at ends and goals, is the ego’s meaningful response to stimuli and to the conditions of its environment, is a person’s conscious adjustment to the state of the universe that determines his life.’[65, p. 11] I added the underlines to amplify the thought and meaning in this statement by Mises. These words are conceptual and do not impose strict limitations on human action.

I now present to you a major ethical principle of the divine economy: human rights are property rights and property rights are human rights. The acquisition of virtues is part of human life and it constitutes private property! The knowledge that you have is yours.

When human rights are understood as property rights, and when the concept of natural rights—as defined in natural rights theory—is understood, it is possible to bridge spirituality and production. Natural rights theory recognizes the full compliment of human characteristics that provide human beings with the ability to attain the ends chosen. The ends, seeking a complete life, is still the original concept of ethics, that is, seeking human happiness or ‘eudemonia’ (in Greek philosophy).

The pursuit of happiness is natural and the catalytic point of pursuit is action. Individuals are the ones acting. A person making a decision—subjectively—is ‘selfish’ but the word selfish has additional meanings in common usage which misrepresent the subjective action. I use the word ‘subjective’ when I describe a person deciding to do what is best for him or her self. One and only one person can make that decision, and that decision is subjective.

People prefer more goods to fewer goods. Division of labor is one of the ways to achieve the production of more goods so it must necessarily be a spiritual practice. Knowing oneself, including the specific things

that you are good at (hence, division of labor) is part of spirituality and it translates into increased production.

Consider for a moment production as a human creation. The inherent desire of the human being is to be ‘in His Image.’ Humans try to emulate God, the Creator, thus making production a spiritual act, the act of being a creator.

The entrepreneur in classical liberalism is the driving force in the economy. This is because the entrepreneur is alert to discrepancies. The ability to perceive, to judge, and to bring things together, makes the entrepreneur vital to production. These are reflections, the mirroring of the All-Perceiving, the All-Seeing and the Unifying—all names of God. A person exercising these skills is bringing together spirituality and production.

Since the motive power behind all action is impossible to separate from the nature of the human being, ethics and economics are nothing if not in unity. Consider this: entrepreneurial alertness cannot be seen in and of itself—it is not a physical thing—nor can we see God. However, the signs and evidence of both are traceable and serve as proofs of their existence.

Part of the problem that we are addressing is the lack of a positive ethical theory derived from axioms of praxeology. We know that ethics and economics originated in theory together so now it is time to bring ethics and economics back into unity.

D. PEACE

We are the species that uses reason to adopt values and ethical principles. After adopting values and purposes then we choose the means to achieve them. There is an interesting overlap here. The choice of ethical principles (ends) by an individual is conscious and it is constituted by the act of choosing, a type of action (means) in and of itself.

Ethics operating at the level of the individual is inseparable from economics since it is proven that it is the appearance of the virtues that is actually the determinant of value. The question is: Is there a seamlessness between ethics at the micro level and the macro level in the same way there is a seamlessness between economics at the micro and macro level?

An economy that is free from intervention at the macro level permits the economy at the micro level to more fully develop. Likewise, a positive ethical theory that is true for all humans (at whatever time or place) would lead to individual conduct (ethical principles underlying action) that is in accord with right reason.

What we recognize at this juncture is that there is a broad ethical theory which is in harmony with the criteria necessary for the economy to function authentically. Knowing that God created humans ‘in His Image’ and knowing that God created the divine institution we call economy; the first and foremost principle of the divine economy is trust in God. The corollary (just as profound) is distrust of human intervention.

From a broad macroeconomic perspective let us look at the ethical principles of honor and morality and see how we can use economic analysis as a test of validity. The example of interventionism and how it starts is illustrative:

A politician promises goods and services which are not part of his or her own property. The lack of honor in such a promise is clear—either it is a lie (a promise with no intention to be fulfilled) or it is promising things that belong to someone else. The lack of morality in such a promise is now very clear also.

Here is the economic analysis. Is acting dishonorably the best means to attain prosperity and justice? Is acting immorally the best means to attain prosperity and justice? The answer is no to both of these questions. Unquestionably honor and morality are the better means for attaining our desired ends—prosperity and justice. It follows logically then that an economy that does not have the intervention of politicians will be less deceitful and will have less immorality. And the economy that does not have intervention operates as intended, that is, if your ethic is trust in God.

What about this idea—that the economy is divine and ethically in potential at the microlevel? Consider this: pure entrepreneurship is the discovery of something from nothing! It does not require any factors of production. It is discovery from alertness. You could say that the discovery is a gift from God. The alertness, the entrepreneurial skill, is a natural part of the process of human search.

A pure entrepreneurial discovery does not infringe on anyone else's ownership since it became known for the first time at the moment of discovery. This is essentially the same as the "finder's keepers ethic" spoken of by Israel Kirzner and Hans Sennholz. There will never be an end to this entrepreneurial possibility, it can never be exhausted because humans are finite, surrounded by the infinite! So there is no reason not to trust in God.

Once value and wealth are looked at in ideal terms the study of the means to attain the ends transforms into an inseparable mixture of ethics and economics. We have all heard it and we all know it: true wealth is not measured by how much money you have!

The ideal, not coincidentally, is none other than the names of God! Not only are they sought, meaning they are what people value, but they are also the measure of true wealth. Examples of true wealth are love, joy, justice, etc. The best means (economics) to attain them (wealth) is to practice them (ethics).

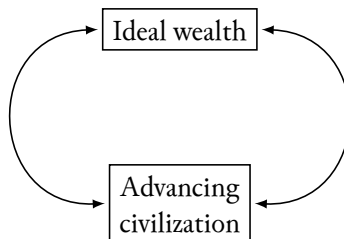


Diagram 2a: Role of Ideal Wealth

Recognition of the exalted character of ideal wealth increases as civilization advances. There is a circular cause and effect between science and civilization and ethics. Each one influences the other.

There is a language in the divine economy that conveys information and enables everyone to communicate about the value of things. That universal language is the price system that emerges during voluntary exchanges that take place as part of the market process. All prices, including inter-temporal prices (interest rates), are part of this universal language.

'People desire things' and some of the things desired are in the future. The inter-temporal prices 'speak' wisely about the relative

importance of the future in comparison to the present. The individual who aspires to wisdom, likewise, becomes a part of the cause and effect circle. Wisdom advances as he or she is influenced by economic science, ethics, and religion; as does civilization.

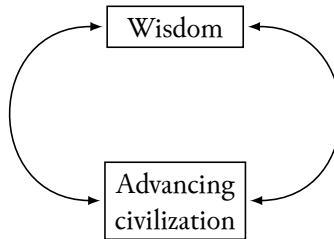


Diagram 2b: Role of Wisdom

The essential unity between ethics and religion is easy to see since ethics is the offspring of religion. The spiritual truths and the names and attributes of God given in religion have inserted themselves into the human sciences from the very beginning.

This impetus energizes the circle of cause and effect at the level of the civilization as a whole and at the level of the individual. In a very real way this impulse was the motive force behind all advancement. That is the nature of religion. That is the nature of the effect of religion on humanity.

Consider what happens when that impetus ceases. The circle is then broken. Once the circle is broken science does not advance as it could have. Civilization atrophies. Wisdom wanes, the desire to learn science and religion lessens.

Wertfrei-neutral or value free economics dares not stretch into the realm of value or ethics. This is not a characteristic of scientific advancement, at least not now when a new theory exists that can traverse the thresholds of both economics and ethics.

Without the understanding given by the Manifestations of God economics halts too soon. Economics as a science has the right and responsibility to test ethics and religion. Testing, of course, is not the same as excluding.

Divine economy theory recognizes that religious truth is revealed by the Manifestations of God, Who educate humankind about the Will

of God. Each time a Manifestation of God comes the cycle of science, religion and civilization is energized.

Even though ethics and religion are in unity they are not exactly the same. For instance, the inherent dignity and nobility of the human being, 'created in His Image,' lays the foundation for the ethic that property rights should be upheld. But the use of one's property may not be moral if a person has not acquired to a sufficient degree the inherent dignity and nobility of being a human. There may be religious laws that address this. If not, or if these laws are not practiced, the ethics of allowing the learning process to occur is the one most compatible with the divine economy theory. Eventually the use that is in accord with God's Will (the moral one) will be chosen because it is ultimately the best means to attain the ends! In other words, the divine economy works at all levels and in all ways!

To culminate and conclude this chapter I list the sixteen axioms of the ethics of the divine economy (a positive ethical theory) that I have identified. Here they are:

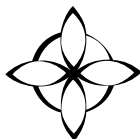
1. Humans carry their thoughts into the realm of action.
2. Being a seeker after truth is part of the human operating system.
3. The definition of praxeology used in the divine economy theory is 'purposeful action by spiritual beings' and it is interwoven with ethics.
4. Every human being decides what is best for himself (herself) and this decision is referred to as 'subjective' rather than as 'selfish' (a term which has too many biases associated with it).
5. What catches the attention of human beings is the appearance of the names and attributes of God.
6. The content of our actions is the conveyance of the names and attributes of God.
7. Humans are interested in the science and the art of existence.
8. Our human limit is the point where a higher kingdom is reached, one that is incomprehensible to the lower kingdom.
9. The Word of God extends our knowledge of spiritual concepts.
10. The first and foremost ethic for the divine economy is trust in God.
11. The ethics between the macro and the micro level is seamless.
12. Acquisition of virtues constitutes private property.
13. Human rights are property rights and property rights are human rights.

14. The price system serves as a language of the market economy and inter-temporal prices (e.g., interest rates) function the same as all of the other prices emerging from voluntary exchange.
15. Production is a human creation, emulating God, the Creator.
16. Pure entrepreneurship is the discovery of something from nothing.



Selected Exercises

1. What is the relationship between seeking after truth and having our thoughts and actions essentially tied together as part of our spiritual nature?
2. Why is the classical ontological model improved by adding a fifth category?
3. Discuss the union between spirituality and production.
4. Discuss why it is so profound that the foremost principle of the divine economy is ‘trust in God’ and its corollary—distrust of human intervention.
5. Comment on the following statement about the virtues: “The best means (economics) to attain them (wealth) is to practice them (ethics).”
6. Which of the sixteen axioms of the ethics of the divine economy do you understand the most and which do you understand the least?



Chapter 3

Building the Ship

Model of the Ethics of the Divine Economy©

PREAMBLE

We have arrived at the point where ideas come to life, where sketches on paper become multi-dimensional, and where glimpses into the hidden realm appear in a palpable form. This changing of form, this transformation, feels real and it serves to bridge the visible and invisible worlds.

At this stage there is a possibility that what appears before us may seem to be unfamiliar, but upon closer examination of the constituent elements we ascertain that only some parts are different, or that maybe the parts are simply arranged differently. This parallelism exists because knowledge is both cumulative and universal and because we are all traversing the same ocean.

That does not mean that new ideas will be immediately or readily accepted, nor should they be. God's gift to us of reason is what enables us to test things. Ideally when we test we do so without prejudices, biases, or other types of ignorance. Potentially, if we reject an idea it is either because the idea is flawed or the integrity of our ability to test is flawed. Now is the time to assess with fairness the model of the ethics of the divine economy.

What are the resources on hand? An assessment of our ability to begin reveals to us the necessary first steps: these first steps are the steps of construction, of building our ship.

Whatever it takes to bring things together becomes the focus of our attention. We have to have a 'ship.' It is the means, the means for us to

reach our goal. And so we must find the means to construct the means!

Our ship is the symbol of what it takes to move us from where we are to where we are going. It has all of the structures necessary to endure the rigors of the journey.

Over time we become master ship builders because we are redoubtable wayfarers; gaining knowledge, tasting victory, learning from defeat, and spurred on by the glory of truth. This cycle of championing the construction of the means is one of the thrills of life.

A. CONCEPT OF THE DIVINE ECONOMY

Many observers over the years have noticed the natural tendency of human beings to associate and cooperate, benefiting (changing) from this interaction. A question arises: What is the nature of the forces that bring about these changes?

Not long ago I began to contemplate and conceptualize about the forces at work. I refused to separate human action from human reality. In my mind I perceived, and then preserved, the divine station of human creation and made it into an inviolable identity in the broad concept of the divine economy.

The station of 'created in His Image' implies that each individual has the potential to be the focal point, the point of action which energizes the surrounding world. And so relative to each human being (whom also has the nature to be social) the economy manifests itself.

I now refer you to the Divine Economy Model© which was published in my first book in 2015.[48, Chapter Two]

This model is an original and significant contribution to economic science. Its significance is growing. The reason is because it is capable of taking economics to new horizons.

One of the most notable outcomes of this model is the identification of the center of the model as the 'divine economy'. The center represents the force behind it all. In economic terms the center is the force behind the tendencies of equilibrium.

Another outcome has to do with the third axis which is called the 'Nature and Role of Knowledge.' Since that axis also goes directly through the center—the divine economy—it serves its purpose best when it is in its pure form. Unfortunately it is subject to disruption and

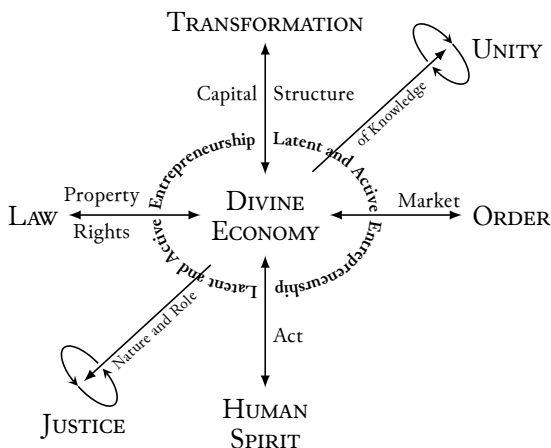


Diagram 3a: The Complete Divine Economy Model

corruption if there is human intervention. Human understanding is, simply stated, finite and not capable of fully comprehending the divine, and so, intervention (imposition of a finite and limited understanding of reality) always creates an injustice.

In summary, the economy is a divine institution that is a part of the human creation as a whole. By way of the divine economy the grace and bounty of God flows with abundance and justice whereas human intervention can hamper and has hampered that flow. Nevertheless it is important to know that the essence of the human creation, each of us individually and also our association as social creatures, is divine in nature.

And so there is now a new definition of economic equilibrium. It is referred to as the divine economy. Upon it is hoisted a new mantle, the mantle of ‘moral authority.’ The unhampered economy allows the will of man to align itself with the Will of God. But is there a way to confirm this assertion? Yes.

I now refer you to the Divine Microeconomy Model © which was introduced in my second book, published in 2015. [49, Chapter Two]

This model did what had never been done before — it built a bridge between economic science and religion! Needless to say this is of great significance to the scientific discipline of ethics.

Clearly there is much overlap between ethics and virtues. To a very large extent they are interchangeable. What I discovered as I extended

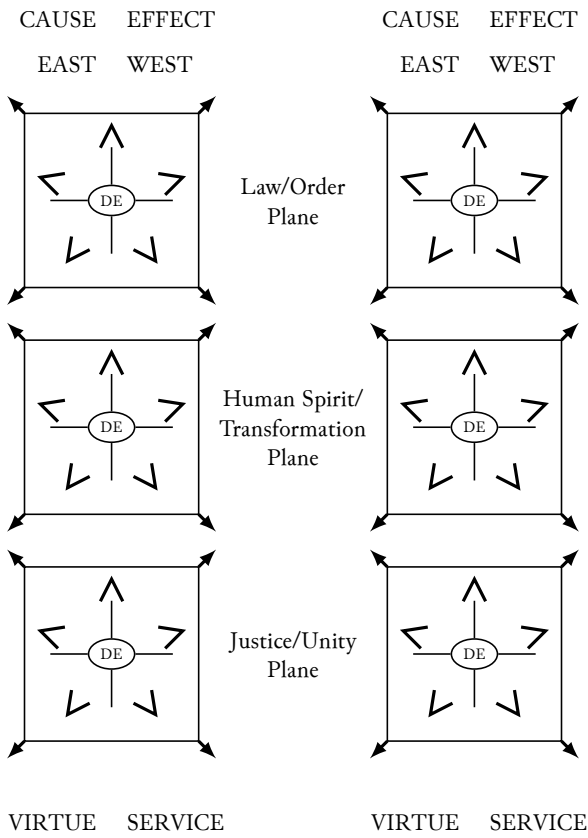


Diagram 3b: Divine Microeconomy Model with the Divine Economy Spark

the divine economy theory to the microlevel was that the appearance of these ‘names of God’ (that is, the virtues embodied in some form) is what attracts human beings.

In economics the things that people want are called goods. We also know with certainty that virtues are goods, not bads. So underlying all economic goods and services, what makes them goods, is the manifestation of virtues in them in some form.

The great discovery made in *The HUMAN ESSENCE of Economics*[49] is that the origin of all value is the appearance of the ‘names of God’—the virtues. This causes a direct link to ethics and so for divine economy theory to advance further a model of the ethics of

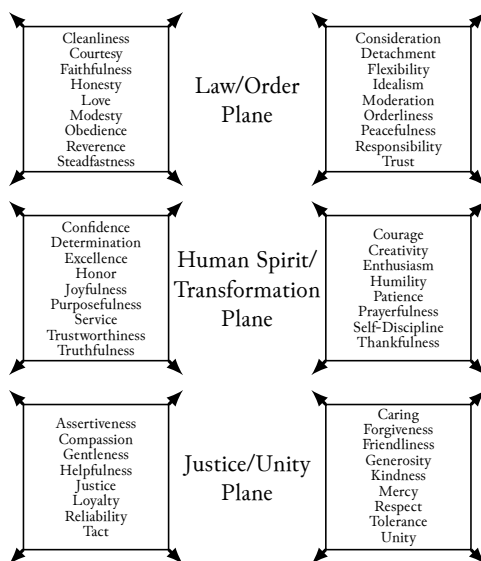


Diagram 3c: Six Planes and Fifty-Two Virtues

the divine economy was necessary. This is why I began this endeavor. And this is how!

B. CONCEPT OF THE MODEL OF THE ETHICS OF THE DIVINE ECONOMY

A model that depicts the ethics of the divine economy has to acknowledge the existence of God! Needless to say, atheism is completely refuted as a silly and destructive notion. Everything, visible and invisible, is proof of the existence of God.

There are relationships and symbols throughout creation that are fully recognized by the human intellect and which make the infinite more approachable by the finite. An example of one such relationship is a covenant. There is power that comes from a covenant, which is a type of contract. A question arises: How can a simple promise or agreement generate such power?

Continuing along these lines, another example of a symbol which makes the infinite more approachable for the finite mind is an axis. An axis represents a force and power far greater than just a pivot round which something rotates. It takes on the possibilities of infinity because

of its design pattern—it extends to infinity in both directions and it is capable of rotating at infinite speeds—and it empowers the human mind to stretch and grasp reality much farther.

To begin the ethics model, I focus attention on the Human Spirit/Transformation axis (vertical) of the Divine Economy Model© (refer back to Diagram 3a). Therefore notice the dimming of the Law/Order (horizontal) axis.

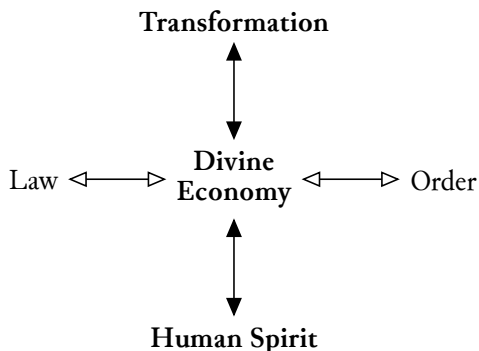


Diagram 3d: Ethics Aspect of the Divine Economy Model

Like the relationships and symbols I just mentioned, this representation is infinitely complex even though it is a simple diagram. Imagine now how and where human virtues fit in.

As the human spirit searches for and acquires virtues; transformation takes place. As the virtues already acquired are refined and perfected; transformation takes place. The divine economy—where the flow of the knowledge of the aspirations of all humans on the planet takes place—is the discovery and testing ground for the virtues.

In search for virtues, in search for an ethic, we use all of the intellectual tools at our disposal. Language, specifically written language, is one of these major tools. There is no doubt that the Scriptures, the Holy Books, serve as a repository of knowledge about virtues. These Holy Books, as far as their origin is concerned, are considered Revelation from God. The content in the Holy Books that is directly attributed to the Voice of God is referred to as the Word of God.

I now return to the concept of a covenant, we find that in the Scriptures, God enters into a covenant with those ‘created in His Image.’

The covenant states that He would never leave them to themselves; He would never deprive them of His love and grace.

This concept allows me to add the second component of the ethics model of the divine economy.

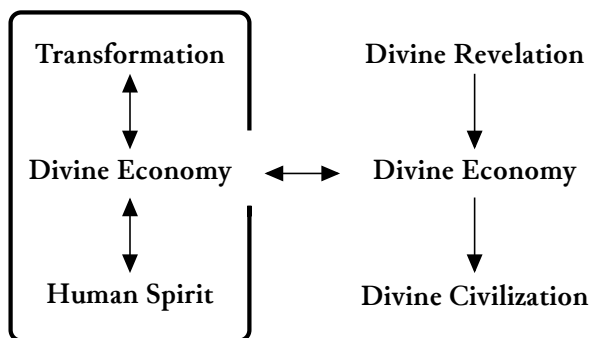


Diagram 3e: Model of the Ethics of the Divine Economy

The potential outcome of each Revelation is the appearance of a divine civilization; of course, relative to the spiritual and social capacity of humankind for that dispensation.

Notice in the diagram the role played by the divine economy. It not only serves as the discovery and testing ground for the virtues but it also is the means for the attainment of the divine civilization!

Attention is needed here. The search after virtues, ethics, is the essence of the divine economy and the divine economy is the means to the ends. It is therefore not possible to advance economic theory without advancing ethical theory.

To conclude this section I introduce to you the shorthand designation for the model of the ethics of the divine economy. It is DR/DE/DC, short for Divine Revelation/Divine Economy/Divine Civilization.

C. SYMBOLISM OF THE MODEL OF THE ETHICS OF THE DIVINE ECONOMY

This model has merit in its simplicity—DR/DE/DC—and in its complexity. It is not an easy task—developing a model that represents historical, scientific and spiritual truths!

We are not finished with the very powerful concept of the Covenant of God. What is the other half, the reciprocal half of that covenant? God promises to guide us; but what is our end of the deal? Reciprocally we are bound together as one human family. Perhaps that is the underlying reason why we are basically social creatures. Nevertheless, the economy is the divine institution that enables us to fulfill our end of the deal.

The Divine Microeconomy Model© (refer back to Diagram 3b) accomplishes the remarkable feat of bridging economic science and religion. One consequence of that model is that the simplicity of the essence of economics is identified as the appearance of virtues in ourselves and others and in what we produce. This is what is valued.

To further develop the ethics model I continue the application of the concept of the covenant. This time the model is placed juxtaposition to a portion of the symbol of the ‘Greatest Name’ which was designed by ‘Abdu’l-Bahá.

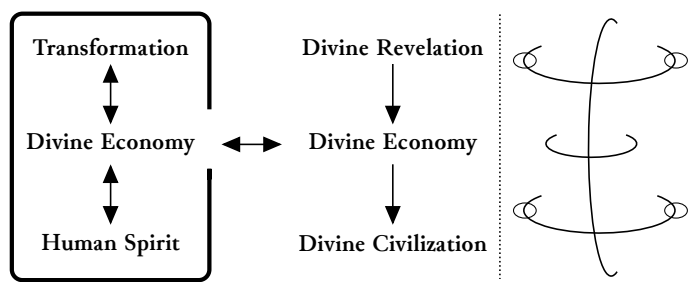


Diagram 3f: Complete Model of the Ethics of the Divine Economy

Although in the original language of Arabic this symbol is actually letters composing a name it also is a symbol of reality. Let me describe the symbol for you. Notice that the top horizontal line and bottom horizontal line look alike. The top represents God and the bottom represents the human being ‘created in His Image.’

The center horizontal line represents the Manifestations of God, sent in every age to guide and educate humanity as promised as part of the Covenant. The center vertical line represents the Holy Spirit, the Word of God, which connects finite humans to the infinite God and teaches us His Will.

The reason I placed the ‘Greatest Name’ symbol in juxtaposition to the model is to make some comparisons and to contrast. This exercise is an example of combining both the art and science of economics. You are about to experience the beauty (the quality of a thought that arouses admiration or approval) of this scientific model.

Pause for a moment in comparison. Notice the horizontal layers across all three representations; and notice the similarities in what they represent. Now compare how in each form there is also a verticality to them which seems to bring together realms that otherwise might be perceived as unconnected.

Changing to a contrasting mode also reveals some very exciting points of beauty. The vertical connecting symbol in the ‘Greatest Name’ is continuous; ever-flowing as promised in the covenant.

Whereas if you notice in the Complete Model of the Ethics of the Divine Economy (Diagram 3f)—in the portion brought over from Diagram 3e—in the leftmost portion the vertical movement needs to ‘enter and exit,’ flowing in both directions and undergoing some kind of processing along the way. And then notice that in the rightmost portion of the model, (DR/DE/DC) brought over from Diagram 3e, the flow is only unidirectional.

The main benefit from juxtaposing the ‘Greatest Name’ with the model in Diagram 3e was to gain a further understanding of the moral authority of the divine economy. There is a sacredness in this covenant between God and each of us. The divine economy is part of the fulfillment of our sacred nature, that is, our ‘created in His Image’ nature.

D. CYCLICAL NATURE OF THE MODEL OF THE ETHICS OF THE DIVINE ECONOMY

What we see as a cycle in the divine microeconomy is this: 1) the discovery of virtue(s) in the divine economy matrix (also referred to as the market process), 2) followed by the acquisition of virtue(s) in some form, 3) and then transformation, which only serves to sharpen the discerning powers. This leads to more discoveries of those things that we inherently value, whether they appear as material goods or as ‘ideal’ goods.

In the ethics model, the unidirectional portion of the DR/DE/DC model (the right half of Diagram 3e) appears to exhibit finality but

that is a ‘short-run’ phenomenon. Within a single dispensation there is a fully completed cycle which comes to an end. In the long run the model would have a more dynamic nature represented by the following diagram.

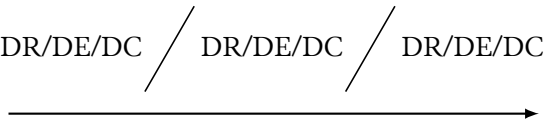


Diagram 3g: Change Over Time

The determining factors of these cycles since the beginning of time have been the condition of the world; that is, the physical, intellectual, and spiritual evolution of humanity.

This is part of what is called the Greater Covenant of God. When human beings are ready to receive the next Revelation then it occurs. This can be represented by the following diagram.

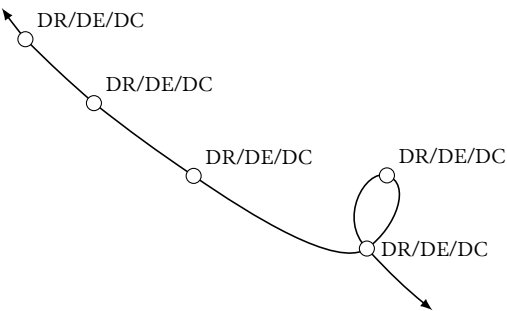


Diagram 3h: Cyclical Nature of the Model of the Ethics of the Divine Economy

It is clear from Diagram 3h that the Model of the Ethics of the Divine Economy© has a cyclical nature. Viewed from this broad perspective it becomes clear and evident that the divine economy is the means to attain the ends over and over again. It is also clear and evident that the divine economy can be viewed in terms of cause and effect. In other words, the divine economy theory is causal-realistic. There is a cause and effect relationship between the divine economy and the divine civilization.

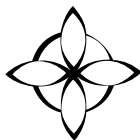
Economics is the study of the means to attain the ends and that is exactly why the divine economy theory is so important. The divine economy is the means! Therefore, it is to be studied.

Equally as monumental a finding is the inseparability of economics and ethics. What is evident beyond question is that the Manifestations of God are the true, real, and original Ethicists. Equally true: the Word of God revealed by the Manifestations of God is the foundation of ethics. Let's give honor to where it is due—God is our Creator and He is the Source of all knowledge.



Selected Exercises

1. Express your amazement at the complexity of the simple DR/DE/DC model.
2. Discuss the implications, with regards to our social nature, of our end of the Covenant: “bound together as one human family.”
3. Examine Diagram 3f and discuss to your heart's content the lateral relationships, the relationships of the horizontal elements, and the relationships of the vertical elements.
4. Keeping DR/DE/DC in mind discuss how the divine economy is part of the history of the evolution of humankind.



Chapter 4

Taking Along a Map

Religious History and the Ethics of the Divine Economy

PREAMBLE

What is our perception of the world? What are the barriers and where are they? We have to know where we are now relative to where we are going next.

Then we have to map out our course. The more accurate the map the better we will be able to avoid pitfalls. Oftentimes a thorough studying of the map will give us the confidence to act.

After studying the map it may become evident that certain routes are more desirable even though they may be more circuitous. These factors, including how others may be affected, contribute to the decision about which way is the best way.

There is a balance in life. Using maps that provide information to us about what is unknown enables us to conduct ourselves more harmoniously with our surroundings. This wholesomeness affects ourselves and others and lessens the chance that our decisions will be driven by our ego.

A. SOURCE

Religion and ethics are like sisters from the same household. They are not exactly the same yet there is a familial resemblance. Many of their features are quite similar. Those who know both sisters of course know that they come from the same source. Those who only know

one—ethics—see the virtues of that one but know only part of the worth of that household.

Leaving that analogy I will continue to draw on the use of other analogies to make comprehensible to us concepts that stretch the limits of our knowledge. It is the illumination from the Manifestations of God that provides us with that type of knowledge—knowledge of realities beyond our comprehension.

Consider how vital the sun is to our existence. Should it cease to release its energy for an instant everything in our world would not only stop developing but would recede into non-existence. A moment of reflection reveals to us how utterly dependent we are on the illumination from the sun.

Carrying that thought further, now imagine the sun as an intermediary, a gift, a bounty of the Will of God. The sun, one tiny speck in the universe, enables us to exist and it provides us with a glimpse into the greatness of our Creator and of the love and power of God. How else, except through the signs of God, can we comprehend the Incomprehensible?

In essence, as recorded in all the various Scriptures, God gave dominion over all of the earth to us beings who are ‘created in His Image.’ The process of recognizing this exalted station and of evolving a responsible and dignified ethic that honors such a distinction is ongoing.

The unfolding of this spiritual evolution resembles the stages of development of the embryo in the womb. Even though it changes shape and form and develops, from the beginning it is always essentially human. The later stages are higher forms with greater perfections. This metaphor does not only apply to physical characteristics but also to intellectual and spiritual capacities.

The degree of refinement and perfection at each stage is greater than that of a previous stage. Why should we think that the platform of the sciences is independent of these cataclysmic developmental periods? Social evolution—the structure of human civilization—is not immune either.

Questions fill us and fulfill us, that is part of our nature. The powerful tool of science enables us to answer questions of ‘what’ and questions of ‘how?’ It is beyond the realm of science to answer the question ‘why?’ Religion is the powerful tool that can answer the question ‘why?’

Therefore combining science and religion helps us to fulfill our seeking nature more fully.

Now posing that question—‘Why?’ Tracking the answer to its source and tracking the source of all sources to its origin leads us to God. ‘No thing have I perceived, except that I perceived God within it, God before it, or God after it.’[22, p. 178]

In the tradition of Kumayl it is written: ‘Behold, a light hath shone forth out of the morn of eternity, and lo, its waves have penetrated the inmost reality of all men.’[22, p. 178] When the sun dawns upon the horizon its rays awaken and revitalize the world. Likewise, when the Day of God dawns upon humanity its rays affect human hearts and minds.

Hearts and minds affected by the rays begin to influence events. The thoughts of philosophers influence the actions of other people even though they themselves are unable or unwilling to exemplify their thoughts in their own lives.

Spiritual Teachers, the Manifestations of God are different. They influence events. They influence the actions of others. They also embody all of the exalted concepts and ideals into Their own actions. In other words, the divine thoughts and the actions of the Manifestations of God are inseparable.

Why? Religion can answer this question, science cannot.

The simplest and purest example of a word of action is ‘BE.’ Consider the popular use of this phrase: ‘To be or not to be that is the question’ and see how it resounds with us!

The letter ‘B’ is brought together with the letter ‘E’ and a word is formed. God brought ‘B’ and ‘E’ together: Be and it is! God is the Creator. The creative force is His Word—Be and it is! The Manifestation of God is the Word of God made flesh. That is why the divine thoughts and the actions of the Manifestations of God are inseparable.

Words are the repositories of meaning for humans. Letters themselves have no meaning. So it is that the Word of God has great significance since that is *how* we know what our Creator is like, and *what* is the Will of God. Notice that science potentially fits into this exploration also since the Word of God addresses the questions of ‘how’ and ‘what.’

One point of interest is that the source of information about God is the Manifestation of God and this is confirmed by the Manifestations of God. Here are two examples:

1. 'The source of all learning is the knowledge of God, exalted be His Glory, and this cannot be attained save through the knowledge of His Divine Manifestation.' [20, p. 156]
2. 'I am the way, the truth, and the life: no man cometh unto the Father, but by me.' [43]

The source of the knowledge which serves as the foundation for ethics is the Word of God—the life and teachings of each of the Manifestations of God. The purpose of the Word of God is to provide us with the knowledge necessary for us to advance and develop until all of our potential is made evident. It is a means for us to truly know ourselves.

So it is that the 'luminous Gems of Holiness' appear in the 'noble form of the human temple' and unveil 'the mysteries of the unchangeable Being.' Their knowledge and power are from God. 'By the revelation of these Gems of Divine virtue all the names and attributes of God, such as knowledge and power, sovereignty and dominion, mercy and wisdom, glory, bounty, and grace, are made manifest.' [22, p. 47]

In accordance with the Covenant of God, 'men at all times and under all conditions stand in need of one to exhort them, guide them and to instruct and teach them' and it is God's Messengers Who educate us about 'the divine purpose underlying the revelation of Books and the raising up of Messengers, and that everyone may become aware of the trust of God which is latent in the reality of every soul.' [20, p. 161]

Another significance of understanding the importance and purpose of the Manifestations of God has to do with maximizing our intellectual powers. If our thoughts are scattered we will not be able to achieve the results we seek. If we can concentrate our thoughts on a single point we can better produce results; and yet I am not talking about narrow-mindedness. The vastness of the Word of God is immense, so the greatness of the human potential deposited in the Word of God will yield abundantly if it is focused upon.

'In the spiritual realm of intelligence and idealism there must be a center of illumination, and that center is the everlasting, ever-shining Sun, the Word of God.' [2, p. 254] Just like what would happen if the sun never rose again on the horizon, the human reality would be extinguished if the Word of God halted. The Covenant of God promises that 'B' and 'E' will come together again and again and again and recreate all 'things' each time.

For the human, the re-creation of all things shakes to its foundation the physical, intellective and the spiritual processes. Now consider the potential impact on us: It is the function of a human being to take the *resources provided by nature* and, by discerning *natural law*, to transform that *reality* in such a way so as to achieve his or her *purposes*. All of the italicized words undergo an upheaval when the foundations of things are shaken.

Religion explores and explains why; science explores and explains what and how. Science that is misaligned with religion does a relatively poor job of exercising its powers. Misaligned science is like a clean and polished mirror in need of light to be reflected in it.

I will now divert slightly to examine subjectivism. I postulate that subjectivism has a type of seamlessness to it but that there is a macro level and a micro level. The intellective part that describes the rational soul and its processes represents the micro level of subjectivism.

At this micro level of subjectivism the individual is aware of its own oneness as an individual. Its decisions are relative to itself as an individual and thus are subjective. At this level the questions sought are ‘what?’ and ‘how?’ What affects me? How does it affect me?

At the macro level of subjectivism the individual is aware of its oneness with God and with all who are ‘created in His Image.’ Its subjectivism reflects the desire for what is best for ‘one soul in many bodies.’ The influences that it directs towards the decisions made pertain to the question ‘why?’ Why are we all affected?

Another human dualism comes to the surface—the dualism of the spirit and the mind. The mind is the perfection of the spirit. If the intellective is the highest level of development achieved by an individual then the rational soul is like a polished mirror in need of light to reflect in it. If the individual attains to the spirit of faith and operates additionally as a spiritual being then the polished mirror reflects the light of the luminous Gems of Holiness—the teachings of the Manifestations of God.

The transitional point is one of volition. The act of exercising the human will brings us face to face with another dualism, another part of the nature of the human being—the free will. A person can turn towards God or turn away from God.

It is true that those who do not believe in God do share in the benefit from ethics. Ethics is decipherable by reason because what is good for humans is also what is desirable for humans. *What* is good and *how* it benefits everyone is the contribution of science to ethics. Religion adds the meaningful aspect of *why*. Religion also contributes to the expansion of the possibilities of ‘what and how,’ however, it exclusively reveals why.

Speaking scientifically and being meticulous about adhering to value-free analysis, Mises recognized that from the beginning humans were eager to know the prime mover and that ‘which is the cause of itself.’ He referred to the id as a force that drives humans towards satisfying their ‘craving for a fuller and happier existence.’[65, p. 882]

The human propensity towards alertness that is exercised at the intellective level makes it possible for the discovery of the virtues and the discovery of the time and place to put them into practice. When alertness is rightly directed towards the source of the virtues—the heavenly Sun—the mysteries of the spirit become known. This is an advanced state of being, higher than the intellective alone, and it is accessible to everyone once certain biases are dismissed.

B. PRACTICE

Discovery is just the first step: just like an embryo begins as a cell. The embryo continues to progress as it moves *involuntarily* through its sequence. Likewise, the highest level of perception within every human being grows in capacity simply because life is like a training ground.

Life in the womb is developmental and the faculties emerging in the womb are for another world, the life after the womb. This sign and symbol holds true for the world we are now in. The faculties that we acquire and refine in preparation for the next world are both involuntary and voluntary which denotes one significant difference between this world and the world of the womb.

The physical nature of the faculties developed by the embryo in the womb bind them to laws of biology, chemistry and physics. Acquisition moves along involuntarily and the nature of the transformation is subject to the laws of the natural sciences.

In this post-womb world free will emerges early in the human developmental stages and it is in the full plenitude of its powers

by young adulthood. Consequently it is clear that not all progress is involuntary in this world.

When an embryo reaches its completion it leaves one physical world and enters into another physical world. When a human being like you and me leaves this world the physical elements return to their mineral state. Our spiritual nature, our soul, continues into the worlds beyond.

The world beyond is not fathomable to us just like the embryo in the womb cannot fathom this world. The Manifestations of God provide us with knowledge about these matters.

What we are concerned with is supplementing the involuntary acquisition of these virtues that happens during the course of association with the body. As the free will is channeled and directed towards acquiring the names and attributes of God—the virtues—life in this world and the life beyond become more glorious. It is a gradual process but nevertheless that is our purpose.

Mises states: ‘Everybody thinks of economics whether he is aware of it or not.’[65, p. 878] The same is true with ethics. Since objectification in the material world is always preceded by the spiritual factors, this means that the spiritual factors of economics and ethics precede their material expression and are embedded in the Word of God. It turns out that the reality of economics and ethics begins sooner than we thought and from a different source than we thought.

Consider both the voluntary and involuntary incorporation of ethics. Life experiences contribute to this accretion. In truth it is the economy that provides us with the practical arena for us to discover and polish these gems, our human virtues, which are a part of our inherent capacity.

The practice of virtues is not some self-deprivation exercise by an ascetic. The true training ground is conscious and purposeful action. Society ‘always involves men acting in cooperation with other men in order to let all participants attain their own ends.’[65, p. 170]

To begin the practice of ethics, the names and attributes of God within and without all things needs to be perceived. ‘Meditation is the key for opening the doors of mysteries. In that state man abstracts himself: in that state man withdraws himself from all outside objects; in that subjective mood he is immersed in the ocean of spiritual life and can unfold the secrets of things-in-themselves.’[6, p. 175]

As experiences grow the practice of ethics begins to influence society. As part of social evolution ethics spreads from the enlightened to the unenlightened. It spreads by rational persuasion.

This is not a foreign concept. Rational persuasion is similar to the cultivation by a gardener which changes wild fruits into finer, sweeter and more delicious fruits. 'The gardeners of the world of humanity are the Prophets of God.' [10, p. 194] Rational persuasion, then, has the Word of God as the transmitter and the seeker after truth (both scientific and religious) as the receiver.

I will briefly present examples of ethics on a grand scale that followed after the appearances of the Manifestations of God. Similar outcomes occurred each and every time the Sun of Truth rose above the horizon but I will only mention the ethics promulgated by the revelations of Moses, Jesus, and Muḥammad.

Consider the foundation of civilization laid by Moses. God's revelation to Moses 'set in stone' a moral code that transformed His people and which has permeated and greatly influenced human civilization ever since.

The revelation received and taught by Jesus was of a different nature. God's gentle love was to be taken to heart and extended to others in an 'other worldly' manner since the divine world was seen as the real world. This personal relationship with God created, paradoxically it seems, an ethic of individualism which later yielded the civilizing insights of classical liberalism.

When Muḥammad began to promulgate the revelation from God that He received as a Prophet of God the inhabitants of Arabia were living as scattered, wild tribes. Lower loyalties were replaced with a higher loyalty to God to Whom every action and word was known. The subsequent building of a nation operating according to the precepts of God was most certainly an advancement in the history of human civilization.

Other Supreme Ethicists Who initiated civilizations centered upon their ethical teachings are: Abraham, Krishna, Zoroaster, Buddha, and Bahá'u'lláh. Since human conditions change over time certain ethical principles may need particular emphasis but all of the virtues are re-emphasized each time a Manifestation of God appears.

C. UNITY OF ETHICS

Ethics is a universal feature of religion and a universal foundation for civilization. ‘These attributes of God are not, and have never been, vouchsafed specially unto certain Prophets, and withheld from others. Nay, all the Prophets of God, His well-favored, His holy and chosen Messengers are, without exception, the bearers of His names, and the embodiments of His attributes.’[22, p. 47]

Since subjectivism operates at both the micro and macro level each of the virtues has the potential to be perceived as a means and as an ends. Due to human nature—where the immediate future is preferred—priority is given to the virtues that function principally as means. What makes religion satisfying to people is that the ends are ultimately attained by exercising the virtues as a means.

In a question and answer format the following example from the Bible expresses what the practice of ethics leads to. ‘Lord, who shall abide in thy tabernacle? who shall dwell in thy holy hill? He that walketh uprightly, and worketh righteousness, and speaketh the truth in his heart. He that backbiteth not with his tongue, nor doeth evil to his neighbour, nor taketh up a reproach against his neighbour.’[71] The destinations—the ‘tabernacle’ and the ‘holy hill’—are full of joy, love, peace, kindness, forgiveness, trust, justice, strength, holiness, mercy, etc. The ends resemble the means!

Our keen alertness, the entrepreneurial spirit, drives us to wonder if there is a master key. Yes, there is. ‘Truthfulness is the foundation of all the virtues of the world of humanity. Without truthfulness, progress and success in all of the worlds of God are impossible for a soul. When this holy attribute is established in man, all the divine qualities will also become realized.’[2, p. 384]

This is the best starting point. As with all of the virtues it is essential that they are applied to ourselves just as we apply them to others. Essentially then, it would not be truthful if one shows kindness to others but neglects to be kind to oneself.

In the *The HUMAN ESSENCE of Economics* I use 52 universal virtues in the Divine Microeconomy Model ©. Although not exhaustive it is plenty challenging enough a list since each one can always be refined further. Nevertheless, here are a few more: audacity, consecration, and tenacity.

The secret to success is to keep focused. If the names and attributes of God receive your attention the fruits of your effort will be wonderful. 'One cannot obtain the full force of the sunlight when it is cast on a flat mirror, but once the sun shineth upon a concave mirror, or on a lens that is convex, all its heat will be concentrated on a single point, and that one point will burn the hottest. Thus is it necessary to focus one's thinking on a single point so that it will become an effective force.' [8, p. 110]

All of us want to receive and to be the beneficiary of a full compliment of virtues from others, as much as possible. When I encounter another human being it would be nice to be respected and loved and trusted, and forgiven and favored, etc. This desired ethic that is universally sought is referred to as the 'Golden Rule.' All religions have a similar exhortation to this one in the Bible: 'In every thing, do to others as you would have them do to you.' [54]

D. WHOLESOMENESS

Wholesomeness is the foundation of ethics from the beginning of recorded history. This is the ethics that had a real impact and that formed the basis of civilization in each epoch. It was from the Chosen Ones of God that this enduring legacy of goodness originated and that is an unassailable fact.

Philosophers dabbled in the science of ethics and made contributions but they were not the originators of any of the spiritual truths. The greatest error and one that robs the science of ethics of its discerning power is to disbelieve in the One true God. Atheism in ethics is like an unlit candle in the darkness. It can be carried around but it sheds no light and it serves no real purpose.

What is the whole picture of ethics apart from just tidbits found here and there and scattered across the time horizon?

Be generous in prosperity, and thankful in adversity. Be worthy of the trust of thy neighbor, and look upon him with a bright and friendly face. Be a treasure to the poor, an admonisher to the rich, an answerer of the cry of the needy, a preserver of the sanctity of thy pledge. Be fair in thy judgment, and guarded in thy speech. Be unjust to no man, and show all meekness to all men. Be as a lamp unto them that walk in

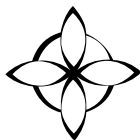
darkness, a joy to the sorrowful, a sea for the thirsty, a haven for the distressed, an upholder and defender of the victim of oppression. Let integrity and uprightness distinguish all thine acts. Be a home for the stranger, a balm to the suffering, a tower of strength for the fugitive. Be eyes to the blind, and a guiding light unto the feet of the erring. Be an ornament to the countenance of truth, a crown to the brow of fidelity, a pillar of the temple of righteousness, a breath of life to the body of mankind, an ensign of the hosts of justice, a luminary above the horizon of virtue, a dew to the soil of the human heart, an ark on the ocean of knowledge, a sun in the heaven of bounty, a gem on the diadem of wisdom, a shining light in the firmament of thy generation, a fruit upon the tree of humility.[22, p. 284]



NOTE: Some readers may want to jump from here to Chapter 7 to see how the model helps us to understand the harm caused by intervention. Later you can come back and read Chapters 5 and 6, which look at an example of how specific ethical teachings can be inserted into the model.

Selected Exercises

1. Describe the great difference in potency between a ‘letter’ and a ‘word.’
2. Comment on the relationship of involuntary development and the natural sciences on the one hand versus the relationship of voluntary development—human free will—and subjectivism on the other.



Chapter 5

Taking Along a Compass

Placement of the “Hidden Words” Into the Model

PREAMBLE

How to proceed? Use a compass to direct the ship from your present coordinates to the new coordinates on the map. By repeating this during the trip and recording it on the map the path of the ship’s journey appears right before your eyes.

Perhaps it is not deemed immediately necessary for yourself but such documentation serves other purposes. To have documentation adds substance. It may even offer validation—a way to prove that the journey occurred.

How would we have fared without a compass? It is almost a certainty that we would have found ourselves lost. Metaphorically speaking, being lost without a compass is not where anyone wants to be.

We need the guiding principle of a compass. We need the consistency and the dependability provided by the standard of the magnetic north pole. There is no doubt that guidance is vital for all of life’s journeys.

A. APPEARANCE

To leave religion out of human evolution in any of the facets of human accomplishment is to leave out tremendously significant content and influence. This is true in the past, as it is true in the present, and as it will be true in the future.

Although far from initially appreciated and although exposed to the cruelty of those with vested interests in obsolete practices, each

of the Bearers of the knowledge of God opened the door to a new epoch. 'Unveiled and unconcealed, this Wronged One hath, at all times, proclaimed before the face of all the peoples of the world that which will serve as the key for unlocking the doors of sciences, of arts, of knowledge, of well-being, of prosperity and wealth.' [20, p. 96]

Let me take you to the time and place where a supreme ethical work was cast upon the shore of religion from the Ocean of Revelation. In 1858, on several occasions, while walking along the banks of the Tigris River in Baghdad, an Exile named Bahá'u'lláh recorded the Verses showered upon Him.

On a sheet of paper folded into quadrants, front and back, His Pen wrote eight of these 153 verses. In a similar manner all were penned either in Persian or Arabic. These verses comprise the book entitled *The Hidden Words*.

Simply stated *The Hidden Words* is the repository of the ethical teachings given to humanity from the beginning of time. 'This is that which hath descended from the realm of glory, uttered by the tongue of power and might, and revealed unto the Prophets of old. We have taken the inner essence thereof and clothed it in the garment of brevity, as a token of grace unto the righteous, that they may stand faithful unto the Covenant of God, may fulfill in their lives His trust, and in the realm of spirit obtain the gem of Divine virtue.' [17, p. 155]

The Hidden Words is a distillation of the ethical content of the Word of God for the whole Prophetic Cycle, from Adam through Muḥammad. All of the Great Lights that have appeared in the past are joined into one Light within this great ethical work of Bahá'u'lláh.

This is how Bahá'u'lláh describes *The Hidden Words*: 'The mystic and wondrous Bride, hidden ere this beneath the veiling of utterance, hath now, by the grace of God and His divine favor, been made manifest even as the resplendent light shed by the beauty of the Beloved. I bear witness, O friends! that the favor is complete, the argument fulfilled, the proof manifest and the evidence established. Let it now be seen what your endeavors in the path of detachment will reveal. In this wise hath the divine favor been fully vouchsafed unto you and unto them that are in heaven and on earth. All praise to God, the Lord of all Worlds.' [18, after #82]

This fountain of ethics will transform humanity, regenerating the human race, activating the divine economy and stimulating the emergence of a divine civilization. ‘Let it now be seen what your endeavors in the path of detachment will reveal’ reverberates in *The Hidden Words* and throughout the minds and hearts of all men and women.

B. VALIDATION

This dynamic spiritual leaven cast into the life of the world will reorient the minds of men, will edify their souls and rectify their conduct. If that is not ethics or the science of ethics then nothing is. The fact that there is a cyclical nature to the ethics of the divine economy, as portrayed in Diagrams 3g and 3h, confers upon us the responsibility to use our powers of discernment to find the wellspring of ethics.

Again returning to the concept of dualism, another way to understand the dual nature of human beings is to realize that this ‘imperfection’ in human constitution, the freedom of will, is what makes him or her worthy. Victory, moral attainment, attainment of those human qualities that earn praise and reward, come as a result of striving against our lower nature.

Through the tests and trials of life we navigate, using our own knowledge, determination and action. Our progress in this world—the acquisition of the names and attributes of God—and our ability to conquer our own ego earns us the well deserved light of justice.

Our search for truth increases our capacity. With the true attainment of virtues we find ‘things’ that are secure, certain, inalienable, and eternal. These human rights are inviolable property rights. Since these attributes are not material they are not subject to dissolution. In other words, they are real and permanent.

When a reader explores *The Hidden Words*, the focus quickly changes from this earthly world to the mystic and divine realms. This is a rich experience for us humans since we have a dual nature, one that houses two seemingly opposite forces—the spiritual and the physical, the soul and the body.

Not coincidentally there is a purpose behind our dual nature. ‘The wisdom of the appearance of the spirit in the body is this: the human spirit is a Divine Trust, and it must traverse all conditions; for

its passage and movement through the conditions of existence will be the means of its acquiring perfections. So, when a man travels and passes through different regions and numerous countries with system and method, it is certainly a means of his acquiring perfection; for he will see places, scenes, and countries, from which he will discover the conditions and states of other nations.' And 'Abdu'l-Bahá further explains: 'It is the same when the human spirit passes through the conditions of existence: it will become the possessor of each degree and station. Even in the condition of the body it will surely acquire perfections.' [2, p. 313]

Let's backtrack for a moment as part of the validation process. The relationship between the soul and the body is 'like that of light to a mirror. The light which appears in the mirror is not inside it. The radiance comes from a source outside. Similarly, the soul is not within the body. It has a special relationship to the body and together they form the human being. But this relationship lasts only for the duration of mortal life. When that ceases, each returns to its origin, the body to the world of dust and the soul to the spiritual worlds of God. Having emanated from the spiritual realms to become an individual being created in the image and likeness of God, and capable of acquiring divine qualities and heavenly attributes, the soul will, after its separation from the body, progress for all eternity.' [83, p. 72]

The wellspring of ethics is the Sun of Reality that dawns upon the horizon each Day, which means every thousand years or so. This sets in motion new thoughts and ideals. 'Minds are developed, hopes brighten, aspirations become spiritual, the virtues of the human world appear with freshened power of growth and the image and likeness of God become visible in man. It is the springtime of the inner world.' [2, p. 255]

Just like our bodies need nourishment to grow and develop so too does our soul. The Word of God is like food for the soul. *The Hidden Words* will nourish humanity for many generations to come.

There are two battles, two obstacles confronting us. Most do not know the source of ethics or if they have found a source they do not know the cyclical nature of the ethics of the divine economy. That is one obstacle.

Then there is the battle of educating ourselves. To do so we have to dethrone our ego, over and over again. Unquestionably it is within our powers to do so and it is our destiny. 'Man is the supreme Talisman. Lack of a proper education hath, however, deprived him of that which he doth inherently possess. Through a word proceeding out of the mouth of God he was called into being; by one word more he was guided to recognize the Source of his education; by yet another word his station and destiny were safeguarded. The Great Being saith: Regard man as a mine rich in gems of inestimable value. Education can, alone, cause it to reveal its treasures, and enable mankind to benefit therefrom.' [22, p. 259]

These realities, the virtues, are not merely words; neither are they merely lofty goals. They are realities that give us glimpses into our nobility as human beings. 'We will now mention unto thee Trustworthiness and the station thereof in the estimation of God, thy Lord, the Lord of the Mighty Throne. One day of days We repaired unto Our Green Island. Upon Our arrival, We beheld its streams flowing, and its trees luxuriant, and the sunlight playing in their midst. Turning Our face to the right, We beheld what the pen is powerless to describe; nor can it set forth that which the eye of the Lord of Mankind witnessed in that most sanctified, that most sublime, that blest, and most exalted Spot. Turning, then, to the left We gazed on one of the Beauties of the Most Sublime Paradise, standing on a pillar of light, and calling aloud saying: 'O inmates of earth and heaven! Behold ye My beauty, and My radiance, and My revelation, and My effulgence. By God, the True One! I am Trustworthiness and the revelation thereof, and the beauty thereof. I will recompense whosoever will cleave unto Me, and recognize My rank and station, and hold fast unto My hem.' And then concluding the divine conversation: 'I am the supreme instrument for the prosperity of the world, and the horizon of assurance unto all beings.' Thus have We sent down for thee that which will draw men nigh unto the Lord of creation.' [21, p. 136]

Measure for yourself the significance of trustworthiness. Consider its relevance in the divine economy and its significance to the unfolding of a divine civilization. Trustworthiness 'is the door of security for all that dwell on earth and a token of glory on the part of the All-Merciful.

He who partaketh thereof hath indeed partaken of the treasures of wealth and prosperity. Trustworthiness is the greatest portal leading unto the tranquillity and security of the people. In truth the stability of every affair hath depended and doth depend upon it. All the domains of power, of grandeur and of wealth are illumined by its light.’[20, p. 37]

C. ETHICAL CONTENT

‘Human life is an unceasing sequence of single actions,’ says Mises, ‘But the single action is by no means isolated.’[65, p. 45] It is true that the point of human action is the most relevant and the most important. And so what are the relationships between ethics, the Word of God, and human action? The teachings of Bahá’u’lláh ‘are universal and **the standard for human action** (emphasis mine). They are not merely theoretical and intended to remain in books. They are the principles of action. Results follow action. Mere theory is fruitless.’[8, p. 155]

The object of our quest is to develop spiritual qualities and to grow in spiritual perception as a part of our sequence of actions; actions that are interconnected not isolated. What are these life-changing, life-fulfilling objects of our quest—what are the virtues? ‘The virtues and attributes pertaining unto God are all evident and manifest, and have been mentioned and described in all the heavenly Books. Among them are trustworthiness, truthfulness, purity of heart while communing with God, forbearance, resignation to whatever the Almighty hath decreed, contentment with the things His Will hath provided, patience, nay, thankfulness in the midst of tribulation, and complete reliance, in all circumstances, upon Him. These rank, according to the estimate of God, among the highest and most laudable of all acts. All other acts are, and will ever remain, secondary and subordinate unto them.’[22, p. 290]

The Hidden Words is truly an appropriate designation since it serves as a repository of the inherent and hidden potential of action. The use of the word ‘hidden’ also implies that the meanings are manifold rather than singular; dynamic rather than static; and personal.

As implied in divine economy theory and demonstrated up to this point in this book, there is no real way to separate ethics and economics. Since human beings are divine in nature there are elements of ethics in all human action.

What is about to happen in this book is the merging of the content of *The Hidden Words* with the model of the ethics of the divine economy. This will have valuable implications for the science of ethics and it will be a thrilling exercise of the divine economy theory.

D. INPUT INTO THE MODEL

This is a brand new scientific exploration and you are at the same point of discovery as I am. However, I do have to make some decisions—which are arbitrary—but which enable me to move forward. Others who come along later may choose other methods or they may use my model but decide to classify the individual ‘Hidden Words’ differently.

It should be apparent that the science of economics and the science of ethics are now at the threshold of new and exciting discoveries. This is what happens when a Manifestation of God appears. Their purpose is to heal the ills afflicting humankind. Practitioners of every field of endeavor begin to align themselves and ‘as they transform their various disciplines by bringing to bear upon them the light of the Divine Teachings, problem after problem now disrupting society will be answered.’[86, p. 369]

As an economist in the classical liberalism tradition, and as a practitioner in this context, there is no doubt that I am transforming the economics discipline. The divine economy theory is the fruit of that endeavor. First was the identification of the universal equilibrating force as the ‘divine economy.’ Second was the discovery that the source of all value in the economy is the manifestation of the names and attributes of God. And now I postulate that ethics and economics are inseparable.

To begin inputting the ‘Hidden Words’ into the model of the ethics of the divine economy I brought back the concept of ‘virtues planes’ that was a part of the construction of the Divine Microeconomy Model©. Refer to Diagrams 2b through 2h (pp. 119–122) in *The HUMAN ESSENCE of Economics* if you need to examine more closely the concept of a virtues plane.

Keeping in mind my purpose, that is, to categorize the individual ‘Hidden Words’—I pondered. For each Hidden Word I asked myself questions about the type of action contained in the verse. What was the nature of the action? Was the action a means to an ends? Was it a constitutive means? Was there an economic element to the ethical guidance?

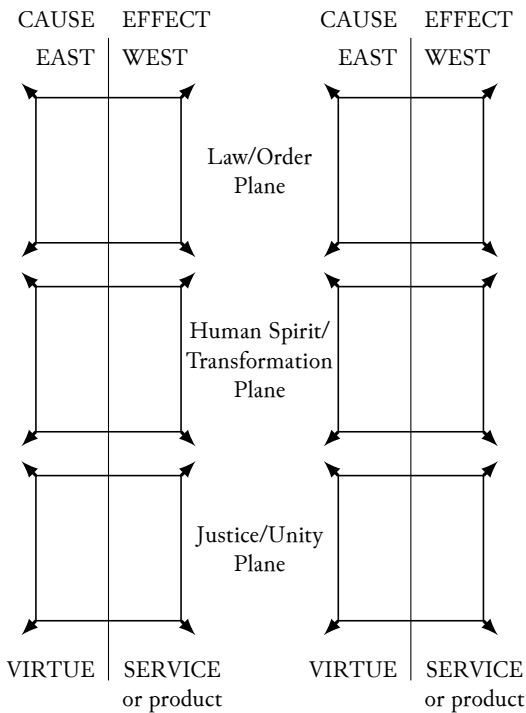


Diagram 5a: The Six Virtue Plane Perspectives

I then combined the virtues plane perspectives and these contemplations about the nature of the action to conclude with an assignment for each ‘Hidden Word,’ or verse. The assignment that I gave was arbitrary but it provided a good stating point for scientific exploration.

Since the virtues planes are a part of an economic model, the placement in the model of the ethical gems of *The Hidden Words* symbolizes the inseparability of economics and ethics. From my experience with trying to classify these ethical gems I found that most of them had an economic dimension, that is, an economic dimension as defined according to the divine economy theory.

As an example of the application of the divine economy theory, if I make praise of God my action and remembrance of God my companion then I see things differently than before. And if I do not impose strictly material limitations on my actions, recognizing that they can be ‘ideal,’ then praxeology—the study of purposeful action by spiritual beings—can advance in a new direction.

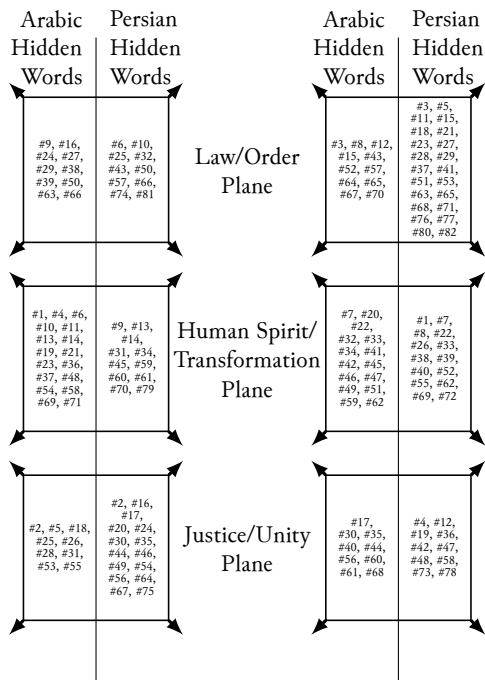


Diagram 5b: Assigned 'Hidden Words' In the Virtues Planes

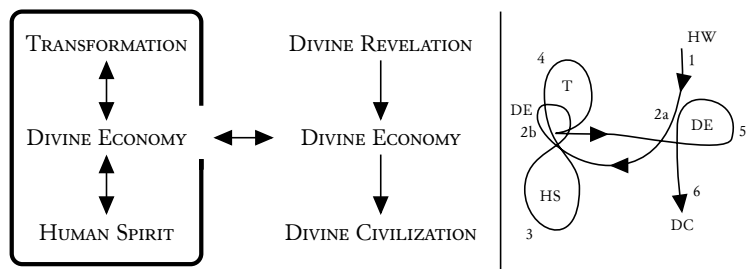


Diagram 5c: The Merging of the Hidden Words with the Model of the Ethics of the Divine Economy: One Possible ‘Hidden Word’ Pathway

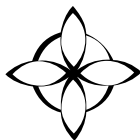
Let me describe for you one possible pathway of a ‘Hidden Word.’ Follow the flow if you will. (1) The ‘Hidden Word’—‘that which hath descended from the realm of glory’—enters the realm of action (2a) which is the divine economy. Since there is a seamlessness between the macro and micro level of the divine economy the ‘Hidden Word’ enters (2b) the realm of purposeful action by a spiritual being. The human spirit (3) imbibes a portion of its grace and begins to change and to fulfill its trust. The resulting transformation (4) is the acquisition of the gem of divine virtue which then re-enters the realm of action—the divine economy (5). This new and spiritually-charged information, which is more aligned with the Will of God, flows to all via the market process of the divine economy and (6) leads to an ever-advancing civilization, a divine civilization.

As you can see the new vista of economic science is glorious. Since this is the first glimmering of its potential we cannot even imagine what economic science will look like in the future.



Selected Exercises

1. Discuss how having free will is a very wonderful ‘imperfection’ that is part of the distinction of being human.
2. How is the battle of educating ourselves helpful in our battle to find the source of ethics?
3. Use the example given, that of trustworthiness, to expound upon a proof that virtues are not merely words.
4. Provide evidence that you understand what is going on in Diagram 5c.



Chapter 6

Sailing the Oceans

Ethics and Economics in the “Hidden Words”

PREAMBLE

Why are we always consciously and unconsciously aspiring towards such an elusive end? We all do it. Hand in hand we all venture into the uncharted waters of our being.

Why are we not fearful of union with the fathomless ocean? It is as if one aspect of the journey is the promise of union. Most certainly the promise of union or reunion with our own self through the discoveries of the journey is a significant part of our motivation.

Why are we not more thoughtful about the deep underlying essence of our search? It is like a fragrance which catches our attention but then we do not trace it back to its source. Why are our spiritual senses not in a receptive state, such that we sail the ocean but are unaware of its deep essence?

Why is realization itself a necessary first condition for realization? We cannot fully reach our potential, the object and quest of our journey, without some kind of realization. The greater our perception and the greater the awareness of our reality the more illuminating are the discoveries.

The Hidden Words of Bahá'u'lláh is like two adjoining seas—like the Aegean and Ionian Seas as a physical example—in the Ocean of His Revelation. In this ocean of ethics one sea is the Arabic Hidden Words and the other is the Persian Hidden Words.

The Arabic Hidden Words is the shorter of the two; seventy-one verses long. It is more simple, direct and ethical. With the exception of verses 66, 68, and 69 all of the other verses are directed to us as individuals. In the Arabic Hidden Words Bahá'u'lláh speaks to us as a loving teacher.

There are eighty-two verses in the Persian Hidden Words. Its content is 'personal, appealing, mystical and poetical.' [85, ii] Introductory designations for the Persian verses vary greatly and capture our attention, for example, 'O EMIGRANTS!' contrasted with 'O WEED THAT SPRINGETH OUT OF DUST!' There are thirty-three verses in the Persian section that give directions to groups. In the Persian Hidden Words Bahá'u'lláh speaks to us as a teaching lover.

Now, from each of the six virtues planes I will pull three of the arbitrarily assigned 'Hidden Words.' From each I then will draw the concepts of the divine economy theory.

A. HAND IN HAND

The meanings of *The Hidden Words*, like the currents and the waves and the swells of the ocean, are manifold. They are active in their meaning and dynamically relevant to those sailing upon them. Their vastness encompasses all of the issues being pondered.

Not coincidentally the ethical content reaches a point of ignition, the divine spark of action, and so there is also both praxeologic and economic content. As we know, in the ocean, both the water (symbolic of the 'material' elements) and the forces that move the water (symbolic of the 'ideal' elements) are real. Similarly, the ends and means gleaned from *The Hidden Words* have the potential to be both, 'material' or 'ideal.'

Grasping all of this, we come to the conclusion that there are concepts of the divine economy within *The Hidden Words*. Just as the ocean is defined by its inseparable elements, so too within the gem-like verses of *The Hidden Words*, ethics and economics (the ends and means) are inseparable.

To sharpen our perception we will look for certain things in *The Hidden Words*. Virtues in highly activated states can be viewed as means. Virtues in more latent states or consolidated into aspects of a divine civilization take on the nature of an ends.

The power and ever-changing nature of the ocean is undeniable. That is the same potential that the Word of God has, and the Word of God includes within its domain ethics and economics. Ends and means pervade the Teachings of the Manifestations of God.

That brings us to the consideration of our sailing vessel. Economically speaking, people desire things. That is why we embark on our trip. We need a vessel, and we need our vessel to stay together to reach our destination.

The oneness of the ethics given by the Supreme Ethicists from the beginning of time is part of the Covenant (God would never deprive us of His love and grace) that binds together all things. It is the strength of the Covenant that keeps us afloat even in times of storm.

Actually it is a deeper concept than that. 'Know this for a certainty that today, the penetrative power in the arteries of the world of humanity is the power of the Covenant. The body of the world will not be moved through any power except through the power of the Covenant. There is no other power like unto this. This Spirit of the Covenant is the real Center of love and is reflecting its rays to all parts of the globe, which are resuscitating and regenerating man and illuminating the path to the Divine Kingdom.' [3, p. 71]

Appropriately we can be thankful for the guidance since we are navigating a vast and fathomless ocean. In the *Hidden Words* it can be discerned that we have our bearings. We can advance, going forward with no reason for hesitation by anyone. It is with reason and guided by principle that we advance. The axioms in *The Hidden Words* are so broad and pervasive that they apply to all human life. Referring to axioms of a system of ethics Murray Rothbard wrote: 'Once articulated and set forth, they impel assent to their truth by a shock of recognition, once articulated, they become evident to the human mind.' [79, p. 19]

Notice there is no compulsion nor is there a need for compulsion. The journey is voluntary, mutually beneficial, and in harmony with the journey of others. All choices are made at the margin, at the threshold of change, at the threshold of transformation. Every acquisition becomes integrated as a property right/human right.

The exercise of will, the spark of alertness and the act of pursuit, brings about all wealth. It is when value and wealth are understood in ideal terms that the power of the Word of God can make the

material world a reflection of the divine reality, bringing about a divine civilization.

What is true wealth? Once we realize that everything has a subjective value we realize that we create our own reality. There is no intrinsic value other than that which is given subjectively!

So when we adopt the ethics and economics of the Manifestation of God, the Supreme Ethicist, a certain orientation of the actions of individuals then serves to create a societal element to the transformation. Identification of a social standard is one outcome. For example it becomes very clear that parasitism is loathsome. 'Economy is the foundation of human prosperity. The spendthrift is always in trouble. Prodigality on the part of any person is an unpardonable sin. We must never live on others like a parasitic plant. Every person must have a profession, whether it be literary or manual, and must live a clean, manly, honest life, an example of purity to be imitated by others. It is more kingly to be satisfied with a crust of stale bread than to enjoy a sumptuous dinner of many courses, the money for which comes out of the pockets of others. The mind of a contented person is always peaceful and his heart at rest. He is like a monarch ruling over the whole world. How happily such a man helps himself to his frugal meals! How joyfully he takes his walks, how peacefully he sleeps!' [1, p. 452]

Therefore, a proper education is one that helps us to mine the gems of inestimable value that are inherent in us. Through education these treasures are revealed and humankind benefits therefrom. Reflect on these fruits of education: 'Commerce is as a heaven, whose sun is trustworthiness and whose moon is truthfulness. The most precious of all things in the estimation of Him Who is the Sovereign Truth is trustworthiness: thus hath it been recorded in the sacred Scroll of God. Entreat ye the one true God to enable all mankind to attain to this most noble and lofty station.' [13, p. 335]

B. UNION

The longing desire to be 'one' has several meanings; therefore, union has several meanings. Drawing nigh to the Creator is a type of oneness. The human aspiration to be a reflection of God, Who is the Self-Subsisting, is another.

These both are representations of union yet they may appear to be opposites. Can the tendency of joining together be reconciled with the characteristic of being self-subsistent? Reconciliation comes from the recognition of the dualism of human beings.

It is this capacity to know and love God—the ability to draw nigh and the ability to try to reflect His Attributes—‘that must needs be regarded as the generating impulse and the primary purpose underlying the whole of creation.’[22, p. 65] It is upon the reality of men and women that God ‘focused the radiance of all of His names and attributes, and made it a mirror of His own Self. Alone of all created things man hath been singled out for so great a favor, so enduring a bounty.’[22, p. 65]

Drawing from the ‘Hidden Words’—first using the ones which I have assigned to the Human Spirit Virtues Plane and the Transformation Virtues Plane—we will examine the economic and ethical content of three from each plane. The Human Spirit Plane conveys the potential of the human reality, one that is ‘created in His Image.’ Whereas the Transformation Plane involves changing, as that which is greater than oneself becomes known. In its purest form, since we are spiritual beings primarily, transformation is aligning oneself with the Word of God, which then reveals more fully to us our true human reality.

Re: Arabic Hidden Word #69 on Human Spirit Plane

Here the action and the means stem from the same word ‘guard.’ The guarded treasury belongs to us as individuals. It is a property right/human right. The means of protecting it is by guarding it from those who do not respect property rights/human rights.

Re: Persian Hidden Word #7 on Transformation Plane

The essence of human action is that it takes place at the margin. It is so close, only a step away, but that distance makes all the difference. Residing at that threshold is the promise of transformation—lying in potential—in both a material and spiritual sense.

What is it that has the regenerative power needed to arouse humanity from its latency? ‘When the Sun of Reality returns to quicken

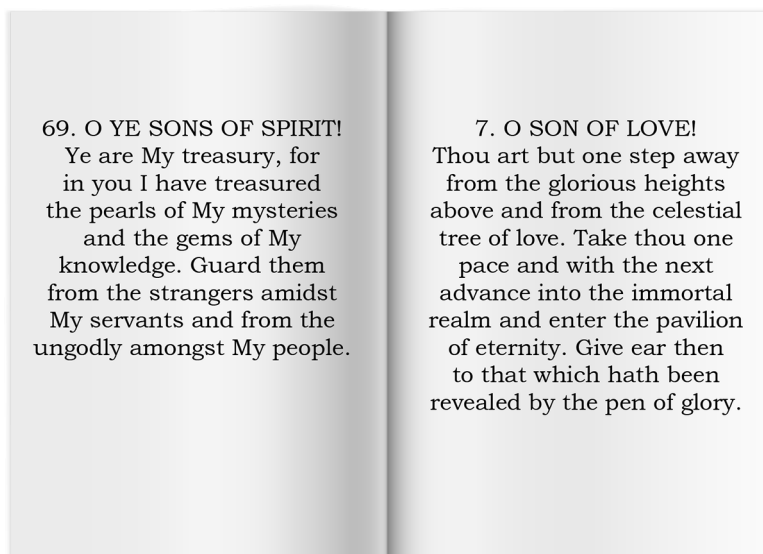


Diagram 6a: The First Set of 'Hidden Words' Examined in the Human Spirit/
Transformation Virtues Plane

the world of mankind a divine bounty descends from the heaven of generosity. The realm of thoughts and ideals is set in motion and blessed with new life.' [2, p. 255]

Charged, human beings exhibit a heightened degree of active entrepreneurship leading to discoveries of 'something from nothing' granted from God's generosity and bounty. By applying natural law to the human and to the other resources of the world, reality is molded to serve the purposes that are inspired by the Word of God.

But the circumstances in the world are not so rosy. 'The vitality of men's belief in God is dying out in every land; nothing short of His wholesome medicine can ever restore it. The corrosion of ungodliness is eating into the vitals of human society; what else but the Elixir of His potent Revelation can cleanse and revive it?' Bahá'u'lláh continues, 'The Force capable of such a transformation transcendeth the potency of the Elixir itself. The Word of God, alone, can claim the distinction of being endowed with the capacity required for so great and far-reaching a change.' [22, p. 199]

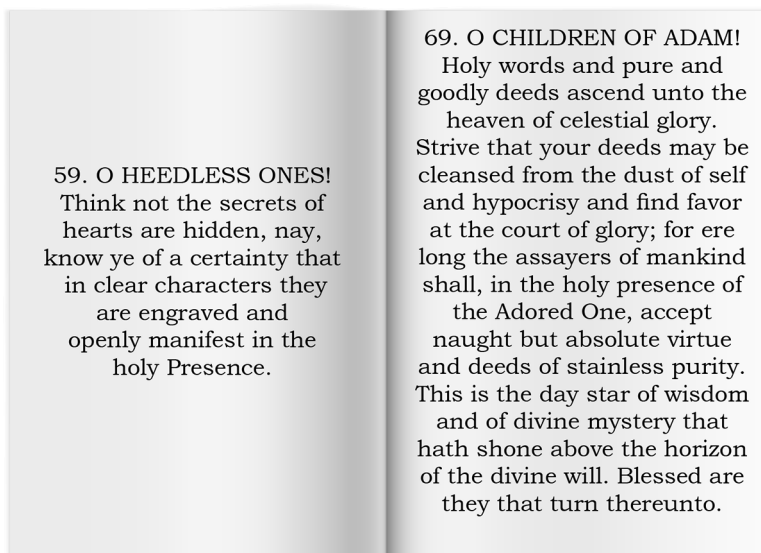


Diagram 6b: The Second Set of 'Hidden Words' Examined in the Human Spirit/Transformation Virtues Plane

So it is that human potential is thwarted by our lack of understanding about who we are and how we function. The challenge is to see ourselves, to see ourselves in others, and to know that the Word of God is our guide.

This is a good point to comment on the meanings that I attribute to these Hidden Words. The Hidden Words are infinitely greater than the single meaning that I identify. Sometimes the introductory designation (e.g., 'O Son of Love') functions as a lead into the rest of the theme whereas at other times it appears as a 'trumpet blast' and serves to heighten the alertness of the one pondering. Please be aware that the meanings are manifold and that I present only one possibility.

Re: Persian Hidden Word #59 on Human Spirit Plane

Actions ultimately reflect our thoughts; however others are also aware and alert to our actions. The exposed nature of our thoughts and actions leads to an improvement in the accuracy of the flow of knowledge in the economy. The divine economy is ever-advancing because those whose services are sincere and meritorious will be discovered and favored.

Re: Persian Hidden Word #69 on Transformation Plane

A subjective choice is not the same as a selfish one. Selfishness is an ego-driven characteristic whereas subjective valuation is simply a human reality. Deeds and actions made subjectively are true to one's self and therefore are cleansed from hypocrisy. As deeds are aligned with goodness and purity, those individuals who put your output to the test—your customers and peers—can assess the true worth of your deeds. The more stainless the deed the greater will be its worth.

The tendency is for humans to cooperate and associate so those thoughts and actions that support association are preferred. 'The advent of the prophets and the revelation of the Holy Books is intended to create love between souls and friendship between the inhabitants of the earth. Real love is impossible unless one turns his face towards God and be attracted to His Beauty.' [2, p. 363]

Association and cooperation among people that are very different from each other happens either directly, because of the love of God—or indirectly, because of the virtues and attributes of God manifested in the goods and services that they produce. Both bring about a union.

Re: Persian Hidden Word #34 on Human Spirit Plane

Here is one of many ways to view this. At some point in life an individual reaches maturity. Consider this in terms of the attainment of wealth, that is, as the attainment of capital that is in a state of potential. If capital is protected from the passion of consumption then all of the tender care and grace that led to this attainment of wealth will yield the fruit of capital (that is, goods for the future) thereby advancing civilization.

Re: Persian Hidden Word #72 on Transformation Plane

Each human being is unique and has something to offer. It is by the means of the division of labor that each person's special contributions become manifest. But it takes conscious action to become distinctive.

By this union with our true reality we become empowered to shed the things that cause us to succumb to our lower nature. In this unity of thought and action we transform our selves and our surroundings in a way that furthers the attainment of our potential.

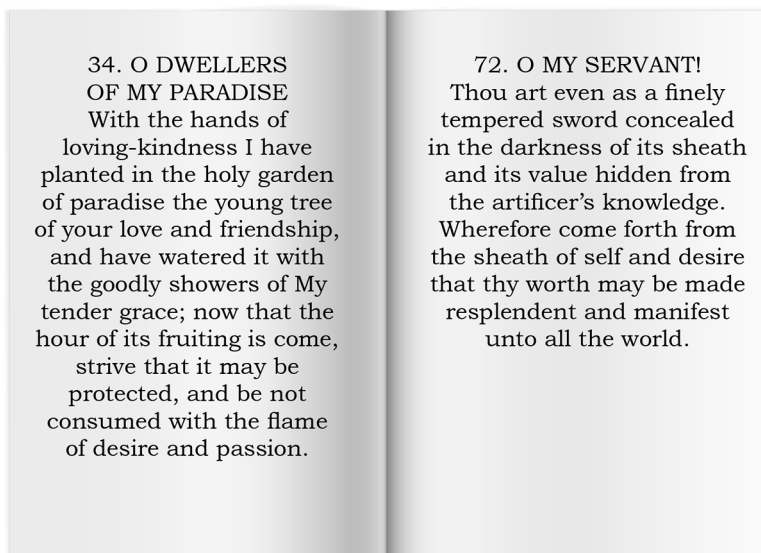


Diagram 6c: The Third Set of 'Hidden Words' Examined in the Human Spirit/
Transformation Virtues Plane

C. THE ESSENCE

In this section I repeat the method of examining three 'Hidden Words' this time choosing from among those that were assigned to the Law Plane and to the Order Plane, respectively.

To find out what it is—to figure out the essence of what it is—we will take a look at the very foundation of the virtues. Probing deeply to find the essence of the virtues is made possible because truthfulness has been identified as the master key. Truthfulness is the foundation and all the other virtues are built upon it.

The challenge for the human being is to accomplish truthfulness and still attain the glorious condition of being absolutely free. In the material world, with its constraints and limitations, truthfulness and only relative freedom is all that is realistically possible.

For instance, no two persons can independently be the owner of the same piece of land. The truthfulness set forth in a contractual society leads to a restraint on absolute freedom since physical resources are limited. Truthfully, the property rights of an individual are also the

human rights of that same individual. Ethically speaking, then, freedom in this material world is relative to human rights/property rights.

However, absolute freedom and truthfulness are compatible and attainable in the spiritual realm. The paradox of liberty can be understood once the laws in operation are understood. This is similar to the episode in economic history when economists overcame their puzzlement over the paradox of the value of diamonds versus bread—once they understood the economic law in operation, the law of supply (scarcity).

Our true essence is most perfectly understood by our Creator and the potential of our reality is most perfectly maximized by our Creator. So it is that absolute freedom is granted most perfectly within this idealization. Here the law in operation is the love of God. We lovingly know that our Creator knows perfectly what opens the doors and enables us to be true to our reality. ‘Say: True liberty consisteth in man’s submission unto My commandments, little as ye know it. Were men to observe that which We have sent down unto them from the Heaven of Revelation, they would, of a certainty, attain unto perfect liberty. Happy is the man that hath apprehended the Purpose of God in whatever He hath revealed from the Heaven of His Will, that pervadeth all created things. Say: The liberty that profiteth you is to be found nowhere except in complete servitude unto God, the Eternal Truth. Whoso hath tasted of its sweetness will refuse to barter it for all the dominion of earth and heaven.’[22, p. 336]

Re: Arabic Hidden Word #24 on Law Plane

In the first sentence after the contemplative greeting, property rights can easily be seen as functioning as a limit. A claim made that does not respect the limits of property rights cannot be truthful. So it is that truthfulness offers protection against dishonor.

Re: Persian Hidden Word #51 on Order Plane

Immediately after the contemplative greeting a clear picture of the nature of an unhampered economy, driven by pure entrepreneurship, is given. Alertness, a simple and inherent human potential, is the only requirement and it can carry someone from poverty to wealth. In an

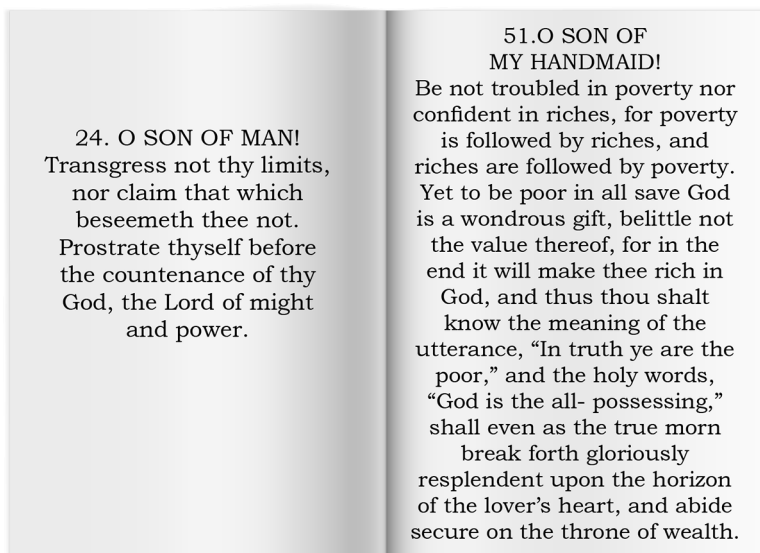


Diagram 6d: The First Set of 'Hidden Words' Examined in the Law/Order Virtues Plane

unhampered economy there are no artificial blockades and so wealth can also be lost.

It all reduces, economically and ethically, to the successful identification of relevant means and ends. Each human being, by simply improving individually, becomes a social being. And just like gold was universally selected as the medium of exchange (the standard) the virtues are universally identified as the standard for human development.

Again we return to the dualism of human beings. Let's say 'Gold is a standard of value.' The worldly side of us pays particular attention to the 'value' part of that statement. Our higher self sees the principle, the ideal aspect—the 'standard.' These are the complexities of our nature.

There is no real separation between the material world and the spiritual world. We live in the material world but it cannot contain us since our spiritual reality is the greater of the two and the lesser cannot contain the greater.

Now consider this: gold is a standard for both worlds! 'O SON OF MAN! Thou dost wish for gold and I desire thy freedom from it. Thou

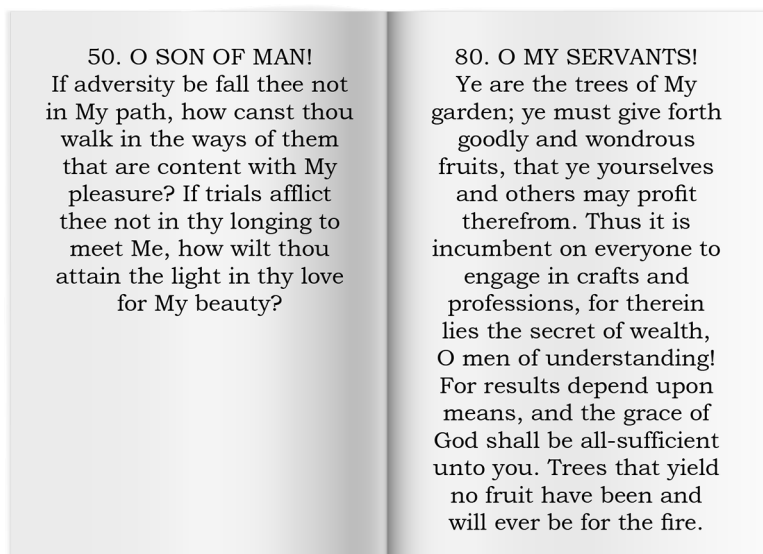


Diagram 6e: The Second Set of 'Hidden Words' Examined in the Law/Order Virtues Plane

thinkest thyself rich in its possession, and I recognize thy wealth in thy sanctity therefrom. By My life! This is My knowledge, and that is thy fancy; how can My way accord with thine?'[17, #56]

Re: Arabic Hidden Word #50 on Law Plane

Uncertainty and risk are unavoidable features in and of this world. The process of learning and of becoming a better servant of humankind may result in loss or it may result in profit, material or psychic. Either way, and in all ways, there is a proper orientation and a proper perspective.

Re: Persian Hidden Word #80 on Order Plane

Engaging in an occupation and producing something that is good confers the treasured secret of wealth. Profit for yourselves from your production is a God-given right and blessing.

The Word of God is not merely contemplative; it is the call to action. It is the means, the generator of aroused action from universal

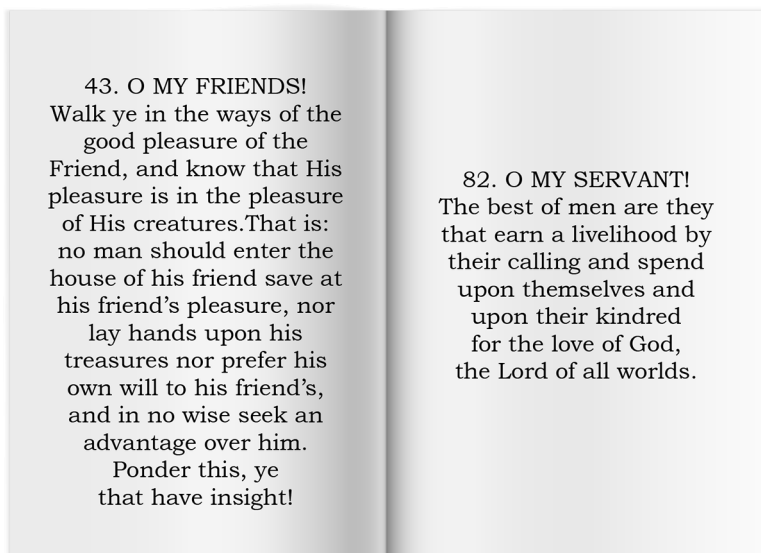


Diagram 6f: The Third Set of 'Hidden Words' Examined in the Law/Order Virtues Plane

principles. And it also is the repository of the ends which is another motivating power arousing action. Within the Word of God are all the 'instrumentalities that promote the peace and well-being and happiness, the knowledge, culture and industry, the dignity, value and station, of the entire human race.' [11, p. 4]

Re: Persian Hidden Word #43 on Law Plane

First, we can see the concept of consumer sovereignty—God's 'pleasure is in the pleasure of His creatures.' Those who are serving in that manner—providing people with the goods and services that they want—are doing God's Will. Secondly, property rights are to be respected.

Re: Persian Hidden Word #82 on Order Plane

What brings distinction to a man or a woman is that they are productive and that they use their earnings in good ways. With love of God in their hearts they should spend their earnings upon themselves and others, and that is praiseworthy.

Things will not always be perfect in our lives but we know that being productive will make ourselves and others better off. The accompanying transformation is all a part of the process.

D. REALIZATION

One last time I use the method of closely examining three 'Hidden Words' from among those that were assigned to the Unity Plane and to the Justice Plane, respectively. Let us ask ourselves a couple of questions. Why are the axioms or principles of praxeology universal? Why is it that virtues are universally held to be the standard?

The answer to both questions is: because of the oneness of humankind. 'Were one to observe with an eye that discovereth the realities of all things, it would become clear that the greatest relationship that bindeth the world of being together lieth in the range of created things themselves, and that co-operation, mutual aid and reciprocity are essential characteristics in the unified body of the world of being, inasmuch as all created things are closely related together and each is influenced by the other or deriveth benefit therefrom, either directly or indirectly.' [12, p. 71]

The realization discovered from delving deeply into ethics and economics as sister disciplines is that all humans have a common nature. That nature is best described as an inherent hidden potential of action. Another realization is that the 'Hidden Words' fully reveal that nature.

Re: Persian Hidden Word #36 on Unity Plane

There is a need for economic calculation before taking action, and so, quietly use wisdom and knowledge to assess things. If the intentions are good there will be a right time and place for action.

Re: Persian Hidden Words #30 on Justice Plane

We lie in potential, in a state of latency. This lack of action deprives us and it deprives humanity as a whole. We are creatures of action which is why the economy is our crucible.

It can be said that until human action is truly understood the whole of human civilization will be in a state of latency. Now is the

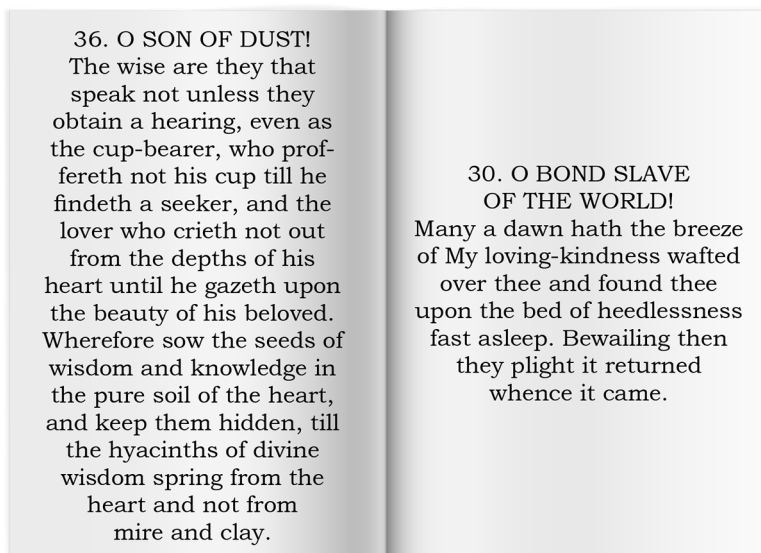


Diagram 6g: The First Set of 'Hidden Words' Examined in the Unity/Justice Virtues Plane

time of realization: 'Lofty is the station of man, were he to hold fast to righteousness and truth and to remain firm and steadfast in the Cause. In the eyes of the All-Merciful a true man appeareth even as a firmament; its sun and moon are his sight and hearing, and his shining and resplendent character its stars. His is the loftiest station, and his influence educateth the world of being.' [20, p. 219]

It appears that individuals will act and will act upon themselves so that they acquire a resplendent character and a lofty station, influencing the education of others. The economy is the crucible where all of this takes place.

The economy is the place of action, action being the metaphorical boiling point, and the principal seasoning that is added to this stew for nourishing humanity is ethics. 'O people of God! I admonish you to observe courtesy, for above all else it is the prince of virtues. Well is it with him who is illumined with the light of courtesy and is attired with the vesture of uprightness. Whoso is endued with courtesy hath indeed attained a sublime station.' [20, p. 88]

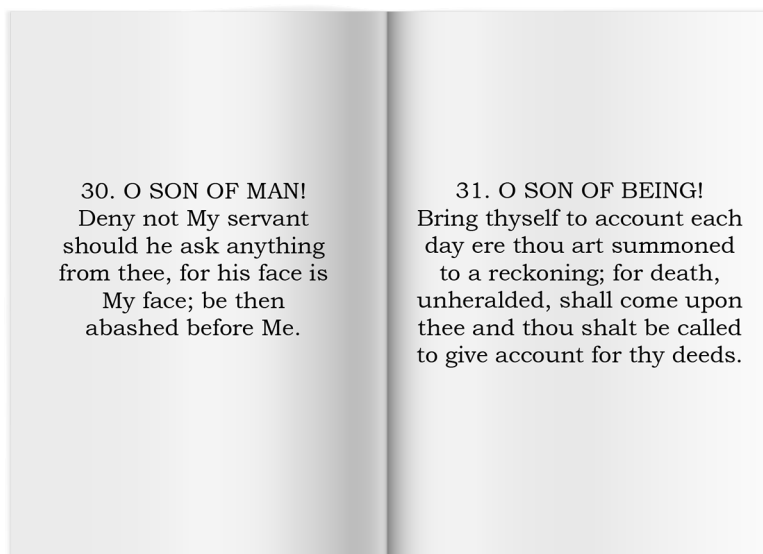


Diagram 6h: The Second Set of 'Hidden Words' Examined in the Unity/Justice Virtues Plane

Re: Arabic Hidden Word #30 on Unity Plane

One of the underlying principles of both entrepreneurship and consumer sovereignty is servitude. Mastering this attitude of servitude makes us better agents of the economy.

Re: Arabic Hidden Word #31 on Justice Plane

How do we improve if not by evaluating ourselves? Evaluation is the means of finding better ways to do things. Since our earthly lifetime is limited this 'Hidden Word' is a call to action.

Another way of understanding universal truths is to switch perspectives about what it means to be educated. Instead of merely accumulating information, what if true education at this point in history has more to do with peeling away veils that conceal the realities of the names and attributes of God in all things. The closer we get to being unveiled, the more evident becomes the sign of God, 'a sign which He, Himself, hath placed within these realities.' [22, p. 140]

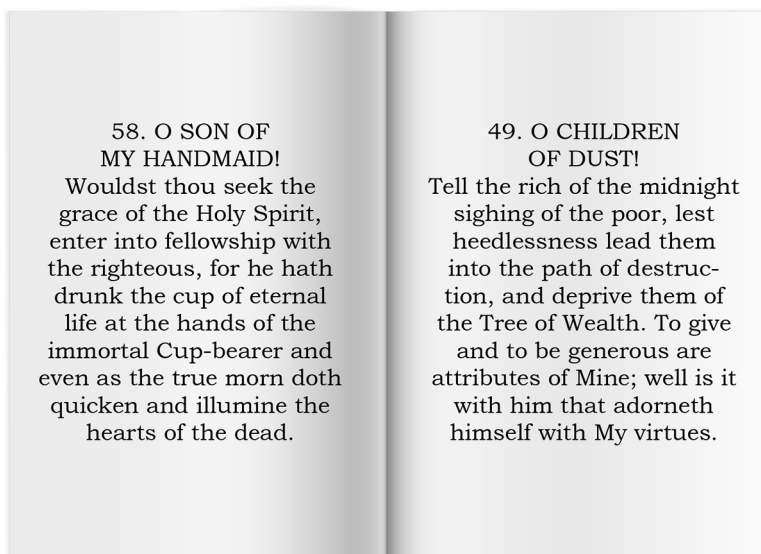


Diagram 6i: The Third Set of 'Hidden Words' Examined in the Unity/Justice Virtues Plane

An unbiased observer would readily admit that finding the sign of God in all things is what the Word of God has always done for those faithful to it. That is why it is referred to as the way and the life. Human beings are inherently attracted to their Creator and the Word of God peels the veils away. Science also peels the veils away.

Re: Persian Hidden Word #58 on Unity Plane

Those who acquire the everlasting virtues and know the worth of them, these are the righteous. These are the ones who will fulfill—by the virtues and by the power within the virtues—what they promise. As much as possible these righteous ones need to be a part of the means of accomplishing anything.

Re: Persian Hidden Word #49 on Justice Plane

The market process is where information flows. If there are people who are sighing and weeping from poverty then they have a strong

desire to remove that condition. This ‘Hidden Word’ seems to be calling out to the entrepreneur to pass along information—about this strong desire of the poor—to those who have capital. If these two are brought together the Tree of Wealth will overshadow them and everyone in between.

Never before has this type of examination been done. One reason is because the Model of the Ethics of the Divine Economy© is new and unique. A second reason why this type of examination has not been done before is because most ethicists and economists do not see ethics and economics as inseparable.

Not only are ethics and economics inseparable but they are intimately connected from the very first instance all the way to the glorious end. We know that meditative thought is the precursor of purposeful action. And we know, as was demonstrated by the Divine Microeconomy Model©, that the value sought through action is subjective and virtues-based.

This basis of value—the ethics which has always originated from the fountainhead of the Word of God—takes a pathway not dissimilar to the one shown in Part One of Diagram 6j. But this part of the diagram is a snapshot of a single discovery by a single person. Now consider Part Two where there are multiple discoveries inspired by the vast Word of God. Then consider that this same type of experience is happening for the billions of people on the planet, with economic and ethical influences dynamically felt from their mutual interactions, *ad infinitum*!

As you can see this process of an ever-advancing civilization is very dynamic, and most importantly, potentially unimpeded. If there is protection and preservation from unauthorized interpretation and from interventionism then the process can proceed rapidly and gloriously.

I have only begun the theoretical work of examining the processes operating in the divine economy. The ocean extends beyond the horizon in all directions and my one sailing vessel appears as a speck. Navigators will be traversing this ocean for centuries to come.



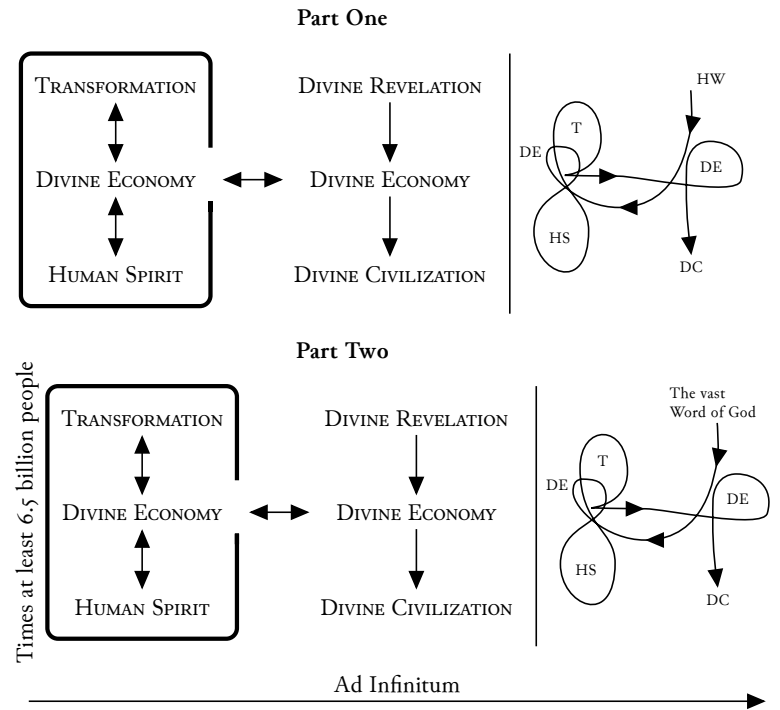
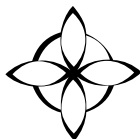


Diagram 6j: The Inseparability of Ethics and Economics in the Divine Economy Theory

Selected Exercises

1. Since values are subjective and wealth is both material and ideal why do you think materialism will fade away in an ethical civilization?
2. Comment on the idea that freedom in this world is relative to human rights/property rights.
3. What makes gold the standard in both the physical world and in the spiritual world?
4. Describe how the economy functions as the crucible for human advancement and the advancement of civilization.
5. Discuss the inseparability of ethics and economics.
6. Using Diagram 6j as your canvas, paint a portrait using words to describe the following three elements: 1) a single dispensation, 2) the ethic that emerges from a single Hidden Word, 3) the dynamism of the vast Word of God stirring the hearts of all humanity and the ethics that emerges.



Chapter 7

Preventing Mutiny

The Issues of Intervention and Interpretation

PREAMBLE

We are ourselves a treasury: a treasury which continues to grow with each and every discovery. What is unique about us is held by us, as a repository of knowledge and wisdom and virtue. It is a trust, and yet, that trust has some vulnerability.

If somehow there are whisperings or scheming by those with unseemly motives, the outcome could end up as a mutiny. And so we must be cautious. The appearance and interference of those who are corrupt and mutinous has done much harm throughout history, as evidenced by ships sunken and treasures plundered.

Other disruptions, lesser in magnitude but perhaps more pervasive, are the hindrances that elevate suspicion and superstition, prejudice and ignorance. Fear replaces faith, tradition trumps search, and if these hindrances are allowed to fester the journey will come to a halt.

Thankfully we are the captains of our own ships so we control our destiny. If we seek the truth and find the standard of guidance and adhere to it, nothing will divert our ship, and the purpose of our mission will be preserved. Then will the journey and its fruits crown our heads.

A. REPOSITORY

The ocean is the means of transport and it is the source of wealth. Yet it has no need for the traveler. The traveler can exist or not exist and the

difference matters not to the ocean. Notwithstanding, it is always there as a source of plenty to the traveler.

‘The one true God, exalted be His glory, hath wished nothing for Himself. The allegiance of mankind profiteth Him not, neither doth its perversity harm Him. The Bird of the Realm of Utterance voiceth continually this call: “All things have I willed for thee, and thee, too, for thine own sake.” If the learned and worldly-wise men of this age were to allow mankind to inhale the fragrance of fellowship and love, every understanding heart would apprehend the meaning of true liberty, and discover the secret of undisturbed peace and absolute composure.’[22, p. 260]

Where is this repository, this metaphysical ocean? Where is this reality? As strange as it may seem, especially to the materialist, the reality of a man (woman) is his thought not his or her material body. Everything brought forward into this world by human action originated in the ‘invisible’ world of thought. In humans the thought force is a partner with the animal force.

It is in a state of meditation that man abstracts himself, withdrawing himself from everything extraneous. It is a condition of subjective reflection and it has the potential to unlock the doors of mysteries.

That is the potential. But since humans have a dual nature some thoughts are vain and idle. ‘If a man’s thought is constantly aspiring towards heavenly subjects then does he become saintly.’[6, p. 17] If thoughts are strictly worldly the outcome is materialism and the result is a human nature little better than that of an animal.

Look at human history and see the progress. Even though human progress is relative—never really achieving its full potential—the advancement of humans as individuals, as producers, and as a progressive series of structures of human civilization, is remarkable. Human thought expressed as action is the reason for the progress.

Laws of human action, discovered over the years by meditation specifically upon the methodological dualism of humans, serve as a repository of knowledge. As an example, the natural rate of interest is a measure of mortal man’s inherent impatience, the more mortal one feels the higher the natural rate of interest.

Division of labor is real and an outcome of the uniqueness of each human being and the geographical distribution of resources. It is also

what allows you and me to become more productive which actually makes it possible for our labors to more greatly benefit others. Consequently it is evident that all of us depend on each other. Our human reality is so perfectly designed that what is good for us individually is good for our fellow human beings.

Not only does meditation/contemplation inform us about affairs of which we knew nothing but it raises our consciousness. Meditation brings from the invisible realm ideas that inspire the sciences and the arts and inventions and the acquisition of virtues. Meditation gives us glimpses of the Kingdom of God.

These glimpses are the reasons for the progress of human civilization. By this means material and social problems are resolved. This is also the foundation for individual development. And so it is, the character and the conduct and the manners of men and women will continually be perfected, thereby advancing civilization.

This is all fine and dandy but who is to say that my thoughts are vain and idle and worldly while your thoughts are heavenly? What is the standard?

The divine Manifestations have been iconoclastic in Their teachings, uprooting error, destroying false religious beliefs and summoning mankind anew to the fundamental oneness of God. All of Them have, likewise, proclaimed the oneness of the world of humanity. The essential teaching of Moses was the law of Sinai, the Ten Commandments. Christ renewed and again revealed the commands of the one God and precepts of human action. In Muḥammad, although the circle was wider, the intention of His teaching was likewise to uplift and unify humanity in the knowledge of the one God. In the Báb the circle was again very much enlarged, but the essential teaching was the same. The Books of Bahá'u'lláh number more than one hundred. Each one is an evident proof sufficient for mankind; each one from foundation to apex proclaims the essential unity of God and humanity, the love of God, the abolition of war and the divine standard of peace. Each one also inculcates divine morality, the manifestation of lordly graces—in every word a book of meanings. For the Word of God is collective wisdom, absolute knowledge and eternal truth.[9, p. 154]

How can there be a measure of and a protection of the veracity of any of the thoughts that we draw from the invisible plane? This

is very important. Without a way to preserve the repository of true understanding from corruption all of the potential wonders of the human creation are jeopardized. But there is and always has been a way to protect us from the promptings of the ego and that is the Covenant of God.

The power of the Covenant of God is the axis around which revolves the oneness of the world of humanity. Nothing else can bind us together and nothing else can fully release human potential, in all of its diversity, and at the same time guarantee unity and justice.

Our understanding of the Covenant of God at this point in the history of humankind is one of the reasons why we are entering a new cycle. The ocean is no longer viewed as different seas. The same water fills them all.

B. CORRUPTION

We are about to examine what many regard as very precious (that is, both religion and science) and even off limits to critical inspection. Religion has always been important in human affairs but every fair-minded person has seen that, not always, has it lived up to its name.

The starting point is, again, our dual nature. We have free will which means that we have the freedom to choose our actions and the course of our lives. We have limitations since we are not omnipotent, nor omnipresent; nor are we omniscient, and so we make mistakes.

Errors caused by our lower nature, our ego, corrupt the process of exercising our free will. It can be very subtle and may even have the appearance of being well intentioned.

The science of economics can serve as a test: a means for determining whether corruptions have entered into religion via interpretation. Murray Rothbard made the following observation: 'Economic matters were of course scarcely central to either the Old or New Testament, and scattered economic pronouncements are contradictory or subject to ambivalent interpretation.' [79, p. 32] In other words, deviation from economic truths can help us identify examples of 'ambivalent interpretation.'

If interpretation of Scripture goes contrary to economic science it is not an error in the religion, it is an error in the interpretation of the

religion. Those who claim the right to interpret but who do not have the authority to interpret are ego-driven, by definition.

For centuries the charging of interest on a loan was condemned. Even today there are still some who adhere to interpretations that condemn usury. To human beings a present good is more valuable than a good in the future and so unless a premium is added the repaid loan is an unfair price, an injustice. Institutionalizing this injustice by religious doctrine deprived humanity of a significant portion of its promised prosperity.

To begin our analysis we will start by reintroducing the Model of the Ethics of the Divine Economy©:

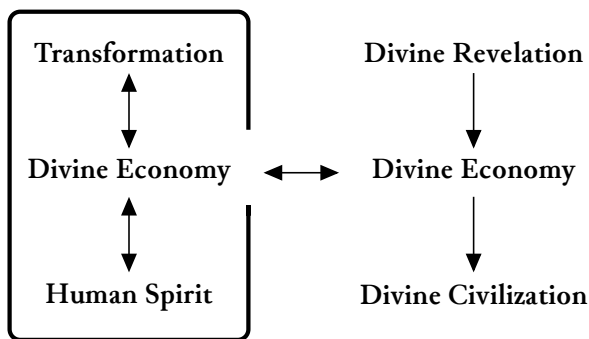


Diagram 7a: Model of the Ethics of the Divine Economy

In the Model of the Ethics of the Divine Economy© an unauthorized and erroneous interpretation blocks the flow of the revelation from God from reaching humankind as shown in Diagram 7b. It cannot annihilate the divine economy since the divine economy is a divine reality, a divine identity, and a divine institution. It can, however, keep the divine economy from functioning properly. Notice that its boldness is diminished from Diagram 7a to Diagram 7b.

Diagram 7c shows the cascading effect resulting from misinterpretations. Notice the smaller and less bold appearance of the divine economy and its building blocks, that is, human spirit and transformation. Notice the atrophying of the divine civilization compared to Diagram 7a.

If the divine economy does not function properly the other processes of self-realization and transformation are impeded as well. This

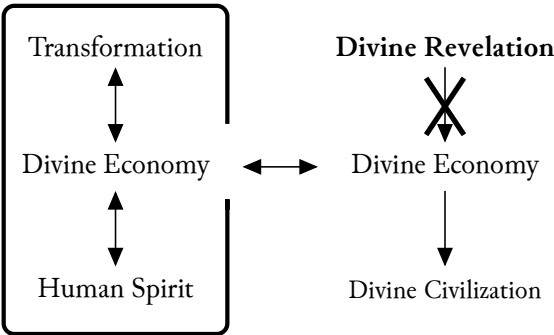


Diagram 7b: Effect of an Unauthorized and Erroneous Interpretation, Shown in the Model of the Ethics of the Divine Economy

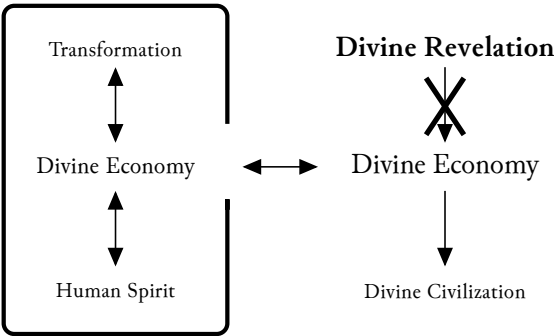


Diagram 7c: Cascading Effect of Misinterpretation, for example, the Period was Known as the Dark Ages as a Result of Misinterpretations of the Bible Regarding Commerce and Usury

impediment further weakens the potential of the divine economy. The outcome is a weaker appearance or a greatly diminished appearance of the divine civilization that was to be the fruit of that dispensation, of that specific revelation from God.

Since theology is a deductive system, if the axioms are incorrectly defined as a result of ego-driven misinterpretation then the consequence is a religion that appears hypocritical. Then what happens is that those who exercise human reason reject the religion even though it would have been very enlightening and pleasing to them had it not been altered. In other words, misinterpretations destroy people's faith.

In many religious traditions the destroyer of the faith in God is called Satan. It is the ego-driven, unauthorized interpretations of the revelation of God that ultimately has done this—destroyed the Faith of God—throughout religious history.

Now it would be naïve to think that science is above such corruption. The instant or the nanosecond that scientific results need to be interpreted the door is open and an ego-driven interpreter may enter. It is the dual nature, the free will that is always in operation, which either subdues the ego or is driven by it.

For example, within economic science there is a branch known as hermeneutics which emphasizes interpretation. Since there will never be a way to establish within hermeneutics an authority to interpret, it is a branch that plays with words for their own sake. It shelters itself within the science of economics but it has no scientific validity.

Continuing with our examination of economics, can contemporary economics withstand critical examination, can it stand up to a test? We are now going to apply the verities of religion, the virtues, to current economic practices. Is the practice of contemporary economics ego-driven?

There are only two pathways towards acquiring property and wealth: production, which is the economic means; and coercive expropriation, which is the political means.

In terms of ethics, the freedom of individual action does not violate the condition or terms of social freedom in a contractual society as long as there are well defined property rights. Property rights serve as the foundation of a liberty and justice criterion. Private production meets the conditions of this criterion. Coercive appropriation, however, is

either predatory or parasitic which means that it is not ethical according to this criterion.

According to the ethics of the divine economy all of nature is subject to the transformative human powers but no power is ever to be wielded over another person. Diagram 7d demonstrates what happens when the divine economy is corrupted by ego-driven interventionists. Intervention blocks the flow of information.

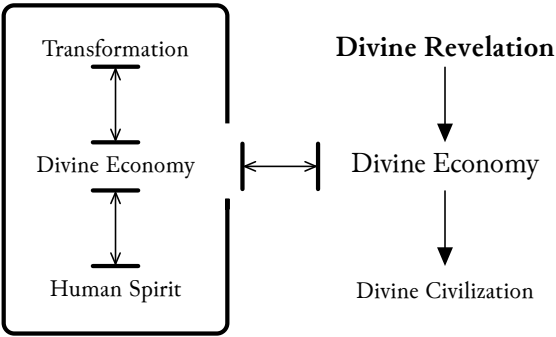


Diagram 7d: Effect of Interventionism Shown in the Model of the Ethics of the Divine Economy

Interventionism, as it is defined in the divine economy theory, is any human action that disrupts the inherent processes of purposeful action and transformation, or the processes of law (property rights) and order (market). Since these encompass all of the processes in the economy—thereby making acts of intervention distinct, if not obvious—what can explain the fact that interventionism has been able to gain a foothold?

The answer is twofold—the dominance 1) of atheism and 2) of empirical methodology in economics. Atheism is the opposite of trust in God. Under atheism in the economic sciences the fallback position becomes reliance on human ingenuity, in other words, interventionism.

The empirical methodology when applied to economics treats the world like an experiment to be conducted. Hence someone has to conduct the experiment—in enters the interventionist. Combined, they—atheism and empiricism—become a tool for social engineering by ego-driven interventionists.

Whether we regard atheism and empiricism as misinterpretations or as fallacies it does not matter. They fail the ethics test since they violate property rights and therefore human rights. They are the outcome of our lower nature since they are ego-driven. They corrupt the process of an ever-advancing civilization.

All economic intervention into the divine economy is ego-driven and since it is a result of economic ignorance it becomes chronic and therefore cumulative and even exponential to some extent. Thus one intervention leads to an endless piling on of more and more ridiculous intervention to try to solve the problems created by the first and subsequent interventions.

Similar to the regression theorem of money postulated by Ludwig von Mises, what we have here is the regression theorem of intervention. The regression theorem of intervention tracks the distortions back to the origin of the deviation from the ethical solution that would naturally come about in a divine economy—all the way back to the first act of ego-driven interventionism.

There was no moral authority for the first act of intervention, nor for any of the other acts of intervention that followed. The regression theorem of intervention shows the perniciousness of ego-driven interventionism from the beginning onward.

C. HINDRANCES

Individuals may not be able to reach their potential for many reasons but in terms of ethics there are two major hindrances. Anything that prevents the independent investigation of truth is one, and the other is one of its variants—the separation of science and religion.

It is true that we all have free will. It is also true that we are seekers—seekers after knowledge, happiness, truth, and all of the other irresistible attributes of God. In essence we seek what it is that we are, and verily, we are ‘created in His Image.’ This nature of seeking drives forward the human spirit, and it drives forward the transformation, and it drives forward the divine economy.

When science and/or religion have been corrupted by misinterpretation it opposes faith, or logic, respectively. People are then affected by hindrances either directly or indirectly. Consider this statement by

Murray Rothbard: ‘If a man is not free to choose, if he is compelled by force to do the moral thing, then, on the contrary, he is being deprived of the opportunity of being moral.’[75, p. 209]

If we look at the model of the ethics of the divine economy and imagine those things, anything, that would put a box around the human spirit (e.g., taking away free choices); those hindrances would then interfere with the dynamic potentials of the transformation element and the other divine economy elements as shown in Diagram 7e.

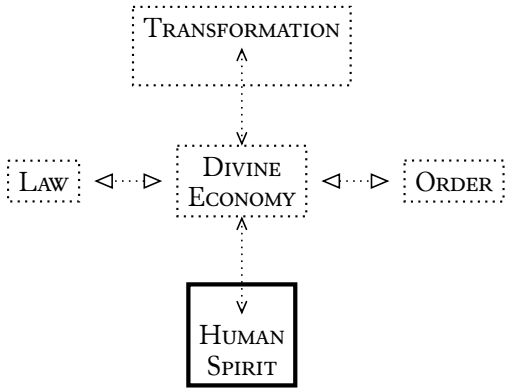


Diagram 7e: Hindrances of the Human Spirit Shown in the Model of the Ethics of the Divine Economy

Continuing to examine hindrances, notice that there is an absence of the State in all of the divine economy models. Only by superimposing a ‘State’ does it appear in the model and that reveals its true character. It has to be imposed, it is an imposition. It is a hindrance and a perversion of the divine economy.

Since people inherently cooperate there is no need for the State, necessarily. It is possible that an institution like the State (a coercive non-market-structured solution) may be chosen experimentally and voluntarily by a society as a specific means to attain a certain ends but never will it be given broad powers to be coercive. Only if it is truly a competitive means will it function well enough to exist naturally in the divine economy.

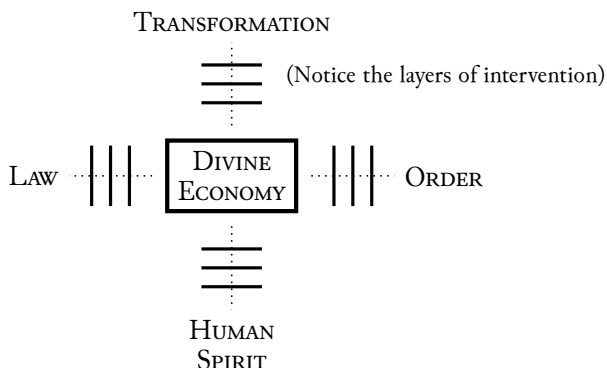


Diagram 7f: Hindrances by the State in the Model of the Ethics of the Divine Economy

Diagram 7f shows the most basic representation of the hindrances of the State in a model of the ethics of the divine economy. The burdening of the divine economy by the imposition of layer after layer of intervention by the State stifles the flow of information and hinders prosperity and liberty.

Diagram 7g is the complete model of the ethics of the divine economy in an uncorrupted and unhindered condition. Use this ‘blank slate’ to see how you would alter the model if a religion that is corrupted by misinterpretation combines its forces with a government that has already imposed itself on the economy. See for yourself how the model works!

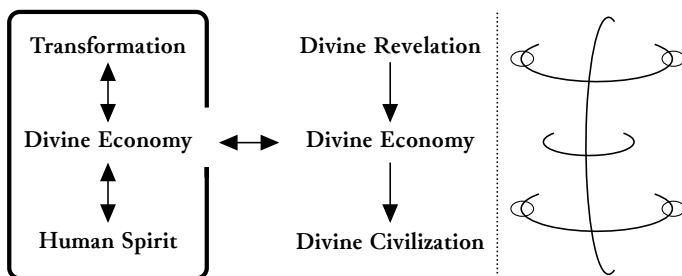


Diagram 7g: A Blank of the Complete Model of the Ethics of the Divine Economy For Your Use!

Now what do you expect would be the response of that conglomerate of misinterpretation and intervention to the appearance of a new Revelation? You might be tempted, after such an exercise, to conclude that religion and the State need to be kept separate.

But let's not lose track of two significant aspects of the model of the ethics of the divine economy. First, the State has no economic role and should not even appear in the model. If it does appear in the model—shown simply because the model needs to represent what the actual world looks like—then there is a problem. Likewise there is a problem if religion that is corrupted by misinterpretation appears in the model (again because the model simply needs to represent 'actual real world conditions.'). And second, each time a Manifestation of God appears these are the degenerated real conditions extant in human society. Not coincidentally, reorienting human minds and hearts is Their Mission.

Now back to the next hindrance: the separation of religion and science. The fact is that religion and science are so intertwined, integrated, intermingled, and intimate that all realism fades into oblivion when humans pretend in this manner, that is, pretend that religion and science are separate.

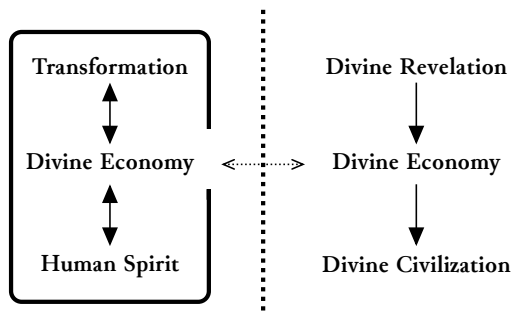
For example, there is only one person who knows you best and that is yourself. 'Know thyself' is the commandment of religion and so subjectivism is, necessarily, the appropriate methodology of the human sciences.

Despite the adoption of the appropriate methodology, that alone does not automatically preserve the scientific potential of subjectivism. Humans manifest and are attracted to the attributes of God—which ends up being the origin of all value. To deny this as the ethical basis of the subjective valuations causes the appearance of two symptoms of the hindrance ailment.

The two symptoms are atheism and moral relativism. I classify them as the symptoms of the ailment rather than as the cause. Even though most people learn atheism and moral relativism, they are first taught to separate religion and science—which is the cause of the hindrance ailment.

Look at Diagram 7h to see how the separation of religion and science is represented in the Model of the Ethics of the Divine Economy©. In the first part (Part I), the two 'worlds' of science and religion

Part One



Part Two

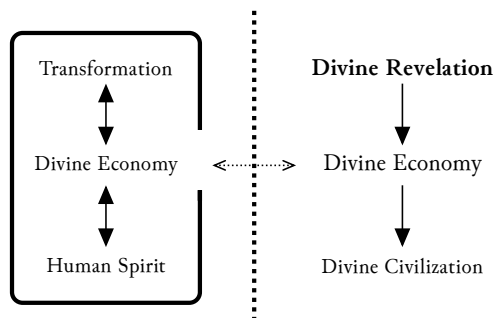


Diagram 7h: The Model of the Ethics of the Divine Economy Showing One Possible Description of the State of Affairs in 2005

are dissected. Notice the vertical perforated line representing the separation of science and religion and the diminished flow of information through that blockage. In the second part (Part II), the graphic shows that over time the signs of the divine economy become less and less perceptible.

Combine that with the hindrance of ‘ignorant education’ (an oxymoron) and then—voila!—we arrive at the state of affairs like those that existed in 2005!

Education is considered ‘ignorant’ as long as it promulgates and propagates partial truths and inappropriate methodologies. Examples abound of such promulgations: religious prejudices, economic fallacies, portrayal of a disharmony between science and religion, not understanding the difference between a subjective decision and a selfish one, and applying empirical methods to the human sciences; to name a few.

Why 2005? The divine economy theory entered into the literature and began to emerge as a viable economic theory in 2005. Starting in 2005 the divine economy theory began to facilitate the reversal of separating science and religion (separating science and religion is what I refer to as ‘ignorant education’) and it launched the unequivocal proof that there is no authorization for intervention—that there is no moral authority for intervention. The year 2005, therefore, marks a transition point and the beginning of a reversal of trends.

There are other hindrances which are not malignant. Since humans are imperfect and can always refine themselves, the ethics of the divine economy and the divine economy itself are always in a relative state.

These imperfections are the hindrances inherent in the divine economy; however, the fact that the economy is not perfect does not mean it is not divine. Its potential is divine because human beings are divine. The fact that you and I have flaws does not mean that we were not ‘created in His Image.’ We, like the economy, are both divine and imperfect.

D. PRESERVATION

The good news is that there is a protection and preservation for both the economy and for religion. I say ‘news’ because the dawning of this potential and the knowledge of this potential is just beginning to be realized.

An unhampered market process is the most perfect and most efficient means of conveying all of the information of purposeful human action. The conveyance of information in an unhampered economy is not perfect in an absolute sense but it is as perfect as it can be in a relative sense.

Similarly the content of the information is not perfect in an absolute sense. Ethically, humans will always have the potential of becoming more refined. At any particular point in time human values are what they are—and then it is certain that the most perfect way of conveying those values and that information is via an unhampered economic system.

The divine economy is the only uncorrupted economic system. It releases the full potential of every human being and it provides the best possible environment for ethical development.

The divine economy is based on sound economic theory and sound ethical theory. Its economic proofs stem from the subjectivist methodology of classical liberalism. The scientific proofs of the ethical theory underlying the divine economy comes from the Divine Microeconomy Model© whereas the ethical foundation of the divine economy comes from the Manifestations of God.

With a divine economy in operation an act of economic intervention will be instantly detected which is what makes the divine economy so effective as a protection against those who are ego-driven. Those who suggest intervention simply misinterpret the economic ‘data’ and have an ego bold enough to assert—by implication—that they are more just, more beneficent, more merciful and more all-knowing than God. Holding fast to the divine economy is a preservation against these short-sighted, self-serving individuals.

Let’s see how the divine economy theory resolves complex issues such as the paradox of liberty. All that is needed is one constraint to liberty to establish complete liberty! Property rights (which are human rights) that are well defined and protected serve as the foundation. With that foundation in place all other affairs can happen freely and the outcome is liberty. Undeniably property rights constitute the foundation of a free market economy.

In religion the protector and preserver is the Covenant. Before we can go into depth about the Covenant it is essential to give our

attention to the Word of God. The Word of God is a body of work—the utterances of the Manifestations of God. It is a creative power for the minds and hearts of humans. It represents collective wisdom but also absolute knowledge and eternal truth. That does not mean that there is not a relativity to the Word of God. It still pertains to a time and place, a dispensation. The Word of God has the power to be both relative and absolute.

The next challenging concept is the command: ‘Weigh not the Book of God.’[21, p. 128] For example, to look at a Holy Book from long ago and to critically assess it in terms of the knowledge of today, without finding the divine precepts, is unfaithful.

Likewise, to use contemporary standards to pick and choose which divine exhortations you want to follow misses the point of religion—complete transformation! Logic and reason are for testing the validity of the Revelation, not for dissecting it.

How can we relate to this concept—that the Word of God is eternal truth—when there has never existed in the history of humankind a Covenant that was not violated? There is now a new light shed on this question. Thankfully the Word of God itself powerfully addresses this question. ‘The Hand of Omnipotence hath established His Revelation upon an enduring foundation. Storms of human strife are powerless to undermine its basis, nor will men’s fanciful theories succeed in damaging its structure.’[12, p. 123] The unassailable and enduring foundation is the Covenant.

Before going on further about the Covenant we have to see things in the proper light: Who are the Prophets, the Manifestations of God? ‘The source of all learning is the knowledge of God, exalted be His Glory, and this cannot be attained save through the knowledge of His Divine Manifestation.’[20, p. 156] And part of what They bring are laws.

Again we will look at the paradox of liberty. Just like true liberty is possible only after property rights are protected, once the laws of the Manifestations of God are adopted the true and highest potential for individuals and for society can be attained.

Now returning to the topic of the Covenant; consider its connectedness with the oneness of the world of humanity. The Covenant connects all of us in an analogous way to the way things revolve around

an axis. God's promise that we are all 'created in His Image' and that He will guide us is a point of unity the reality of which comes from the power of the Covenant. It binds us together.

It is not something external. 'Know this for a certainty that today, the penetrative power in the arteries of the world of humanity is the power of the Covenant. The body of the world will not be moved through any power except through the power of the Covenant. There is no other power like unto this. This Spirit of the Covenant is the real Center of love and is reflecting its rays to all parts of the globe, which are resuscitating and regenerating man and illuminating the path to the Divine Kingdom.' [3, p. 71]

We know there is the promise but what we are most keenly hoping for is the fulfillment of the promise. Each cycle partially fulfills the promise. 'God leaves not His children comfortless, but, when the darkness of winter overshadows them, then again He sends His Messengers, the Prophets, with a renewal of the blessed spring. The Sun of Truth appears again on the horizon of the world shining into the eyes of those who sleep, awaking them to behold the glory of a new dawn. Then again will the tree of humanity blossom and bring forth the fruit of righteousness for the healing of the nations. Because man has stopped his ears to the Voice of Truth and shut his eyes to the Sacred Light, neglecting the Law of God, for this reason has the darkness of war and tumult, unrest and misery, desolated the earth. I pray that you will all strive to bring each child of God into the radiance of the Sun of Truth, that the darkness may be dissipated by the penetrating rays of its glory, and the winter's hardness and cold may be melted away by the merciful warmth of its shining.' [6, p. 32]

For its complete fulfillment the Covenant must be made inviolable by the Manifestation of God. That is the reason we are now protected from those who are ego-driven. 'Today, the Lord of Hosts is the defender of the Covenant, the forces of the Kingdom protect it, heavenly souls tender their services, and heavenly angels promulgate and spread it broadcast. If it is considered with insight, it will be seen that all the forces of the universe, in the last analysis serve the Covenant.' [8, p. 228]

Not coincidentally all the forces of the universe—which includes these economic forces which were previously veiled—serve the Covenant. This power of the Covenant is what unveiled the theory of the divine

economy in this age of scientific advancement, thus preventing from happening in the future the disunity and injustices perpetrated by the ego-driven interventionists.

To be able to witness the transition from arbitrary, flawed systems of thought and action to a divine system exalted above and freed from human ego is quite difficult to fully appreciate. Who would have imagined that we would be the ones to be alive during the time when the Covenant of God became fully operational?

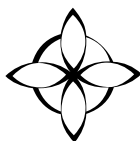
The protection and preservation granted at this special time in the history of humankind establishes true liberty. ‘Therefore, thank God that Bahá’u’lláh has made the pathway straight. He has clearly explained all things and opened every door for advancing souls. There is no reason for hesitation by anyone. The purpose of the Covenant was simply to ward off disunion and differences so that no one might say, “My opinion is the true and valid one.” [9, p. 386]

Now with confidence we can sail the ocean. No one can try to steer us away from our destiny—the acquisition of the names and attributes of God. All such attempts by the ego-driven will become feebler and feebler and less frequent from now on because their motives are clear and evident and to be shunned.



Selected Exercises

1. Discuss how the division of labor ultimately benefits the individual and society.
2. How does the ego interfere with free will?
3. Describe how ego-driven interpretation can destroy people’s faith in God.
4. What underlies the ability of interventionism to gain a foothold?
5. Describe the regression theorem of intervention.
6. Describe the preserving qualities of the divine economy theory and of the Covenant of God.



Epilogue

Reminiscing about the Journey

How closely wed is the science of ethics and the science of economics? They are like the waves of the same sea. Sometimes they roll or unroll together, sometimes they crash together, but always they are filled with the same ocean water.

After submerging ourselves in the depths of this ocean we discovered lost treasures and we brought them to the surface and revived them. Lost was the tool of logic and lost were the gems of the early contributors to the ethics of the divine economy.

Readying ourselves to embark on this journey of revival required a key step of preparation. The first step was to use axioms as guiding principles in the formulation of a positive ethical theory. Such a thorough blending of ethics and economics as a positive ethical system had never been done before.

The ship constructed for all of our journeys is bound together by a contractual arrangement. That all-pervasive contract is the Covenant of God and it has a reciprocal nature. God will guide us is one half and we will draw closer is the other half.

Proceeding, we directed our vision towards the object of our quest and tried to discern the big picture. We became awestruck by an illumination! What came to light was the realization that the material world is an objectification of the spiritual world which means that the spiritual factors of ethics and economics precede their material expression.

Our guideposts along the way, the buoys that helped us to find our bearings, were the names and attributes of God. These virtues, which

are reflected in some form in all things, are real and permanent and not subject to dissolution. True wealth therefore is eternal.

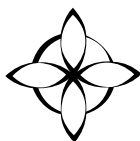
With the directing influence of the Breath of God, the sails of our vessel were filled and we embarked on our quest. The utterance associated with this Breath was the Word of God which was deposited by the Manifestations of God. In truth, once the laws of the Manifestations of God are adopted the true and highest potential of individuals and of society can be attained.

For our ship to avoid the doldrums it had to steer clear of the finite minds that tried to impose their limited understanding. For instance, all economic intervention is ego-driven and a source of corruption. In splendid contrast, the divine economy is the only uncorrupted economic system.

At the turn of the tide, all of the little streams are weak and mud banks are everywhere until the whole area becomes nothing but the sea. Likewise, little glimpses into the Kingdom of God begin to become manifest as the Kingdom of God on Earth and in a parallel fashion the recognition of the spiritual reality of human beings begins to permeate hearts and minds. The inseparability of ethics and economics is part of that process. Knowledge of the inseparability of ethics and economics is one of the very important means to the ends—an ever-advancing, a divine civilization.

IV

LIBERTY AND JUSTICE OF ECONOMIC EQUILIBRIUM



Introduction

INCUBATION

Who are you? Who am I? We are products of our culture. But we are more than that and to this I will return. Culture influences us, all the way from the past and most definitely in the present while at the same time culture is influenced by us, laying the groundwork for the culture of the future. This reciprocity inherently exists, demonstrating the inseparability of the actions of individuals and the fruits of those actions. The fruits then go on to nourish and energize more action.

What we are talking about is human culture, that is, the nest created and originating from the logical structure of human thought, a structure which is universally shared by all people. To quote Ludwig von Mises: “The logical structure of human thought is immutable throughout the whole course of time and is the same for all races, nations, and classes.”[67, p. 217] Despite our diversity we are essentially in unity as humans—one species—who are, gradually over time, discovering the richness of our potential as contributors to this very beautiful and unfolding culture.

We’ve come a long way: “The life of primitive man was an unceasing struggle against the scantiness of the nature-given means for sustenance. In this desperate effort to secure bare survival, many individuals and whole families, tribes, and races succumbed. Primitive man was always haunted by the specter of death from starvation. Civilization has freed us from these perils.”[66, p. 602] One of the reasons that

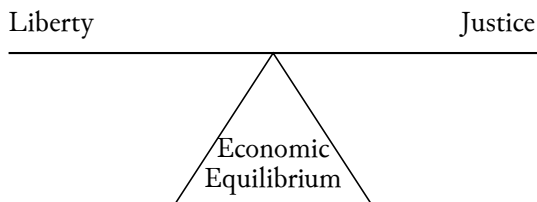


Diagram 11: The Liberty and Justice of Economic Equilibrium

humankind is no longer primitive is because of the increased flow of knowledge due to the development of language, which facilitated the search for truth, and it is this keenness of vision that enhances the keenness of understanding. Consequently, “Men always strive for an improvement in their conditions and always will. This is man’s inescapable destiny.”[63, p. 190]

As a testimony of the aforementioned logical structure of thought I have chosen a pattern to use as I unfold the storyline in this book on liberty and justice. It follows a sequence that will be present in each chapter and throughout this book. And so, early on, each theme will show evidence of a process of incubation highlighting its development but at some transition point it matures enough to offer shelter as a tabernacle and even to move around and become a mobile factor in society. Its culmination comes about when it can either be critically examined and tested itself, or when it can be the instrument used for testing by the assayer.

With regards testing, “What makes natural science possible is the power to experiment; what makes social science possible is the power to grasp or to comprehend the meaning of human action.”[64, p. 9] Using the deductive or a priori method to bridge the gaps between the world of things and the world of thoughts and emotions—and reasoning from previous experience or from established principles to particular facts—we proceed, confirming observation and experimental data as a well as replacing them. Such is life on the cutting edge!

TABERNACLE

We are more than our cultural influences. We are each unique, and mostly unpolished gems, yet the degree and type of polishing is strongly

determined by the influence of culture. If our inherent dual nature is kept a secret from us by these cultural influences then we are more likely to fall victim to the promoters of half-truths. Or if the side of our gem that is attached to the earth is the side that is polished our ego makes it appear to us that we need to be victors over others. Ideally though; our potentials will shine as a result of cultural influences that polish the heaven-facing side of the gem so that: our love of self is justly a recognition of our subjective nature, and we understand that social cooperation is what benefits each and all of us the most.

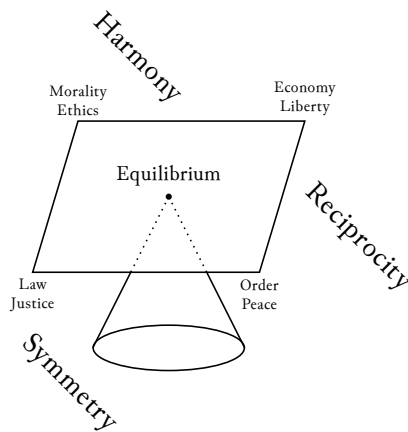


Diagram I2: Human Civilization Equilibrium

This inseparability between the individual and the surrounding culture is part of the symmetry and harmony and reciprocity exhibited throughout all of what we think to be reality. For instance, there is inseparability between micro and macro economics (likewise between atoms and the universe) and between economics and ethics. There is inseparability between liberty and justice and likewise between law and order.

If connected—then by what force—and how does this force operate? Gravity causes a pendulum to swing from a high point to the lowest point until it comes to rest. Similarly the force of equilibrium brings all things towards harmony. It can be symbolized by a circle as in Diagram I3, where this force of harmony is seen as all-pervading. And since

the circle is used to symbolize equilibrium it can be said to represent potentials known as omniscience, omnipresence, and omnipotence. It is this circle, then, that is given the designation ‘divine economy’[49, p. 115] because it represents a new definition of equilibrium, the definition of equilibrium used in the divine economy theory.

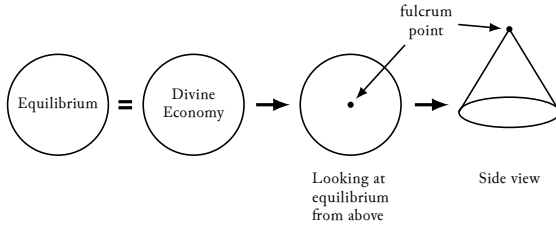


Diagram I3: Equilibrium Perspectives

ASSAY

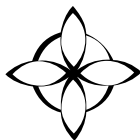
It may be that some will misunderstand divine economy theory from their very first introduction to it simply because the word ‘divine’ causes certain incorrect associations to come to mind. The all-pervasive, all-compelling force of harmony that is behind all equilibrating tendencies is divine; simply because it is beyond human comprehension.

Consider an analogy with yogurt. If active starter is added to some milk then universal fermentation begins and culture forms. For the substrate of human civilization the natural starters are economics, ethics, liberty (order), and justice (law). These are what create the culture of an ever-advancing civilization. Contamination by any agent that creates disharmony pollutes the culture, rendering it putrid.

Look around and see if there is evidence that the human culture has been contaminated. It is easy to see that we are at a critical point in history. Left alone—without the benefits of state-of-the-art knowledge of economics, ethics, liberty and justice—the culture will continue to spoil. But that is not what we are going to do. Instead our objective is to explore the error-plagued systems, to raise everyone’s awareness of state-of-the-art science, and thereby provide the necessary tools to evaluate and correct the errors. “It is vain to object that life and reality

are not logical. Life and reality are neither logical nor illogical; they are simply given. But logic is the only tool available to man for the comprehension of both.”[66, p. 67]

What seems to have escaped analysts in the past is the power of economic equilibrium as the fulcrum that brings into perfect balance law and order and ultimately liberty and justice. Perhaps Mises puts his finger on it best: “The economist must never be a specialist. In dealing with any problem he must always fix his glance upon the whole system.”[34, p. 157] In this book we are about to embark on a training to be an assayer with the ability to detect impurities and corruption, to intimately understand the substrate of human civilization, to identify those elements that add value, and to ultimately declare what it is that brings about wealth.



Chapter 1

In Need Of Healing

Economics and Ethics
& Law and Order—To Date

PREAMBLE

It is an eye opening experience, even if entered upon reluctantly, to be thrust into a world that is locked in its ways—hypocritical to its core. This is the perspective of adolescents when they find themselves at the threshold of adulthood. How ridiculous; to blindly adhere to practices that are obviously unjust. Exasperated, they exclaim: “These people know absolutely nothing!”

INCUBATION

It is a formidable task to describe the status of human civilization to date with mere words and in a single chapter, nevertheless that is my task. I have chosen as a starting point and as a reference point a ‘modern city’ in the period of history known as the High Middle Ages (between the 11th century and the end of the 13th century). What is significant about this city is that it was located in Europe which means that it was under the cultural influence of Christianity. The principal underlying ethic that set social boundaries was “Render therefore unto Caesar the things which be Caesar’s, and unto God the things which be God’s.” [53]

Such a ‘modern city’ in those days was a place of peace and commerce. People were guided in their relationships with each other by the teachings of Christianity and property rights were protected from unwarranted confiscation, which led to the accumulation of capital, and

it was property rights and capital accumulation and unobtrusive law that were the catalysts for the advancement of Western civilization.

There was no manmade law. "Law was conceived of, not as something enacted (legislated), but as something existing, which it was necessary to discover." [52, p. 141] When necessary, nobles were assigned the task of determining what was right in the context of eternal law.

Of course not all cities, even in the culture of what can be called Western civilization, were equally enlightened nor did these modern cities with a higher degree of righteousness remain uncorrupted over time. Asymmetry crept in and reciprocity waned.

Power-to-be-had was enticing. The dual nature of human beings cannot be forgotten as a factor in history since there can be no doubt that it played a significant role in the history of human civilization. Let us assume that one person becomes ego-driven and lusts after power. That affects history. But it is not just one person lusting after power, it is many. And because humans are all connected within society and within civilization, all are affected by this.

How is civilization affected? All things associated with human thought and activity feel the effects. This means that economics and ethics, and justice and liberty, and law and order, and peace and prosperity are all changed in a negative way. Also, consequently, what is considered as education is altered. The disconnection caused by the exercising of the lower human nature reverberates and is amplified and compounded. It is not necessarily a condition of chaos but it is disorder, and it is destructive.

One of the first wounds inflicted, always, is the loss of property rights (which are essentially human rights). Arbitrariness takes the place of mutuality. The system of mutual gain from social cooperation morphs into a system where some people benefit at the expense of others, all of which is the outcome of the arbitrariness of ego-driven interventionism. In other words, no longer does everyone have equal freedom to make choices. "No doubt there is no liberty when people cannot do all that the laws allow them to do; but laws could forbid so many things as to abolish liberty altogether." [52, p. 152] The deprivation of freedom then also weakens the moral fiber of the people in society, the fiber that is necessary to repel the furtherance of injustice.

TABERNACLE

What we are then witnessing is the seed of the destruction of civilization. This is the trend towards no ethics, no justice, and no liberty. It can be traced back to the use of power to take advantage of others. It starts with an individual but it expands. This is the beginning of State formation! There are only two ways to acquire property and wealth: through production (economic means) or through coercive expropriation (political means).

As it expands it creates a political class. The incentives within such an environment stimulates even more ego-driven ambition to intervene in more and more ways, expanding in all directions with the far-off ultimate goal to gain complete monopoly control, with the power to confiscate and distribute without restraint.

As the State becomes a pervasive influence in the culture it begins to control the information about itself and begins to weave myths about its merits. It finds ways to bring within the confines of its tabernacle the representatives of science and religion and uses these 'tools' to do two things: 1) to reduce opposition from people who depend on these authority figures for their judgments, 2) to create a culture of relative morality, weakening both science and religion in everyone's eyes, thereby weakening any opposition by leaders of science and religion as the potential rivals to the absolute State.

Also brought within its tabernacle are the other social institutions for the purpose of increasing its power. What we have are economics professionals and legal professionals including legislators and politicians all serving to promote the goals of the State. This is the point where the political class that benefits from the wealth transfer theory of government becomes the new aristocracy with separate, special 'legal' interests. "Whoever wields law has power over everyone else." [39, pp. 68–69]

At this point the State has succeeded in altering the perception of law: as something that is made by the government. The morphing of common law into authoritarian law creates with it authoritarian rights which imply restrictions on private property and individual rights and subsequent involuntary transfers. The State and self-interested lawyers benefit from this non-codified, authoritarian law.

Law decreed by legislation is at variance with the market process. Rather than free exchanges the exchange process is coerced. In a free market all coercive extraction of wealth is considered to be robbery and the perpetrator is considered a thief.

Monopoly powers in law and in judicial services necessarily leads to overproduction of these services and overcharging for them. For example, "once a judicial monopoly has been established, its agents—the government—also become and will naturally strive to expand their role as judge and arbitrator of last resort in all family matters." [70, pp. 1–8, 110–117] Unlike a private insurance company, if the State fails to prevent crime there is no indemnity. And since there is no indemnity the State has no more incentive to solve the crime than to just file it away as a recorded event. The incentive, as a monopolist with coercive power, is simply to demand more resources. If a criminal is found there is no restitution but rather the cost of caring for the criminal is passed along to the victim as a tax. "The adversarial nature of authoritarian law pits group against group in the taking/transfer process and promotes disorder rather than order." [24, p. 77]

What recourse is there? The State is a monopolistic judicial system at the various and different levels but never are these independent—rather—there always is a vested interest in expanding the power and dominion of the State. For instance, "Judges are appointed or elected for long terms, up to life, and they are accorded a monopoly of decision-making in their particular area." [78, p. 240] The incentive for public judges is to choose easy cases, not the ones that produce precedents. Therefore there is little or no refinement of property rights.

As a result there is nothing to prevent the State from penetrating deeper and deeper into the economy. For example, "There is no tenable economic, legal, moral, or spiritual rationale that could be adduced in justification of paper money and fractional-reserve banking. The prevailing ways of money production, relying as they do on a panoply of legal privileges, are alien elements in the capitalist [i.e., true free market] economy. They provide illicit incomes, encourage irresponsibility and dependence, stimulate the artificial centralization of political and economic decision-making, and constantly create fundamental disequilibria that threaten the life and welfare of millions of people." [42, pp. 238–239]

The aspiring for power by the State is eliminative. Lesser entities are gobbled up and centralization increases even despite the so-called 'checks and balances.' Take for an example the States rights conferred in the United States Constitution. The expansive U.S. federal government has almost completely usurped all of the States rights. Almost gone is that check and balance at the time of this writing. The order, or more accurately, the disorder that will in the end come from this eliminative centralization is totalitarianism and tyrannical rule.

Let us again consider the monopoly power of the State. Those things that for an individual are deemed as crimes are deemed as legal for the State. To coercively take the property of another is acceptable if the State is the aggressor. To fraudulently multiply the money stock as a way to extract wealth from people in the community is called counterfeiting and it is a crime unless it is done by the State. Now consider the regulations and laws that are touted to offer protection against the evils of monopoly power. Yet the State is a gigantic conglomeration of a growing number of monopolies. Where is the 'anti-trust' fervor against these monopolies? The monopoly control of the legal system rules that out!

ASSAY

To further understand the pervasive disorder let us take a look at the status of the fulcrum. The equilibrium force is being assaulted from all directions, causing disharmony, asymmetry, and imbalance. With the equilibrium force undermined by human intervention into and against the economy we also find that the ethics and law of the natural order are corrupted, and liberty and justice are trampled upon, and peace and prosperity are assaulted. To those who talk about a 'mixed economy' there is no such thing that is sustainable in the long run simply because interventionism is unnatural, immoral, and unjust.

There are only two reasons why the State is able to sustain itself. It has the power of coercion which indirectly includes the power of the belief of those who are being ruled; that State power is needed for law and order to exist. The second reason is the inefficiency of the State agents! "But for the inefficiency of the law-givers and the laxity, carelessness, and corruption of many of the functionaries, the last vestiges of the market economy would have long since disappeared." [66, p. 859] If the State agencies or the State agents could overcome their inherently and

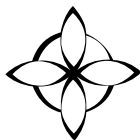
characteristically lethargic and inept bureaucratic quagmire then people would more quickly see the emergence of the totalitarian State—and alarmed—they would revolt against it.

Rest assured, the State is not a natural order and this can be easily proven by the divine economy theory. All ego-driven intervention disrupts equilibrium. The State is the best means only if the ends desired is despotism. “The main political problem is how to prevent the rulers from becoming despots and enslaving the citizenry.”[57, p. 454] Without the State the natural order of social cooperation would prevail. “The State is the only institution entitled to apply coercion and compulsion and to inflict harm upon individuals. This tremendous power cannot be abandoned to the discretion of some men, however competent and clever they may deem themselves. It is necessary to restrict its application. This is the task of the laws.”[61, p. 76] Summarily it is these laws that are compatible with liberty and justice and these are the laws that we are interested in exploring.



Selected Exercises

1. What were the catalysts for the advancement of Western Civilization??
2. Describe the beginning of State formation.
3. What process moves the State towards totalitarianism?



Chapter 2

But Left Dangling

Unfolding Law and Order

PREAMBLE

But really, deep down inside, there is very little confidence in adolescence. How could there be? Experience is limited, knowledge is barely acquired with little or no time for contemplation; and so wisdom is in short supply. Are the surrounding hypocrisies readily witnessed just a way of life? Maybe what appears ridiculous is really all the best we can do or expect to do. Wondering and pondering: “Am I stuck in the mud, doomed to slowly sink into it?”

INCUBATION

What we have is a need to translate that which is subjective into something that is objective. Justice is the step taken to objectify the ethics that protects the subjective qualities of human action. The challenge is to have the origin of this step come from a realm that is itself wholly objective or ‘blind’ of all vested interests.

Justice is a known concept because it is either present or absent and therefore it is able to be perceived. It exists in the context of human relationships and human civilization. That which promotes social cooperation among everyone in the long run is just. Immediately we see the difficulty of discovering the forever elusive absolute justice and realize that we must fall back to a lesser position of relative justice, that is, justice that is appropriate for the epoch of human history we are living in. But no matter which epoch, “Conduct suited to preserve

social cooperation is just, conduct detrimental to the preservation of society is unjust.”[62, p. 54]

Because justice is natural and part of human society it is perceivable. The reason it is natural is simply because social cooperation is the normal pattern within human society. Very early on human beings discovered the value of cooperation and chose it instead of isolation. This choice led to advancement and yet at the same time it created a system of social values that constituted a more complex and more satisfying practice. Through these voluntary interactions, which included service to others, society came into existence, not as an entity in itself but as a product of social cooperation.

It turned out that this cooperation was a way to optimize productive non-violent human energy. “It is obvious that social cooperation would not have evolved and could not be preserved if the immense majority were not to consider it as the means for the attainment of all their ends.”[62, p. 51] There has always been a tremendous amount of empirical data in the form of historical records documenting the success of economic cooperation. The choices available with cooperation were greater. People cooperating were able to make gains (profits) psychically and in material well-being. Agreements were part of this voluntary process and they naturally became contractual¹, in a real sense.

Balance among all of these interactions was recognized and it was also discovered that the present and the future of society were brought into balance by savings and the use of capital. This tendency towards some kind of equilibrium over time began to be understood.

This discernment and alertness that is characteristic of human beings is the first step in the truth-seeking process: “Truth-seeking is a means to an end, as ethics is a means to an end. And the end is to substitute a more satisfactory state of affairs for a less satisfactory state.”[36, p. 239] What then kicks in is logic and the use of reason to devise a method to gain greater understanding. “One method applicable to almost all problems is what we may call either the *deductive* or the *a priori* method. This method reaches a conclusion without observation or experiment. It consists in reasoning from previous experience or from

1. “Contract law as the ‘law’ that parties themselves bring into existence by their agreement—the transition from customary law to contract law becomes a very easy one indeed.” See reference [31, p. 224].

established principles to particular facts. It may, however, be used to confirm observation and experiment as well as to take their place.”[37, p. 20]

But don't forget that the signs of prosperity can and do attract the attention of the ego-driven. To interpose oneself without consequent penalties would be the most preferred situation for the ego-driven, hence we can see why attempts to structure laws in an artificial way can come under the influence of anti-social (someone who weakens or destroys the natural processes in society) individuals.

Concurrently, as part of the natural processes taking place in society, the practice of good manners facilitates social cooperation and so these manners become the norms that constitute the morality of the society. Those who practice this morality are supportive of the society, recognize the wisdom of ethics, and are likely to succeed. “There is hardly an ethical problem, in fact, without its economic aspect. Our daily ethical decisions are in the main economic decisions, and nearly all our daily economic decisions have, in turn, an ethical aspect.”[36, p. 301]

To go against the norms, to act immorally, and to run counter to the wisdom of ethics requires two things: an ego-driven motivation, and an economic incentive. Law can either eliminate that incentive or enable it. “Law tended to become secular and independent of theology sooner than did ethics. It also became more definite and explicit.”[36, p. 64] The misunderstanding of the source of law and the misuse of law, thus, has negative consequences.

Laws exist all around us. The natural world throughout the expansive universe operates according to laws. As long as humans sought greater understanding of things the approach has always been to discover the laws. The same attitude was adopted for millennia in order to try to grasp how individuals are to behave in society. “Furthermore, classical jurists never entertained pretensions of being ‘original’ or ‘clever,’ but rather were ‘the servants of certain fundamental principles, and as Savigny pointed out, herein lies their greatness.’ Their fundamental objective was to discover the universal principles of law, which are unchanging and inherent in the logic of human relationships. It is true, however, that social evolution itself often necessitates the application of these unchanging universal principles to new situations and problems arising continually from this evolutionary process.”[40,

pp. 24–25] Of course religion played a prominent role in the development of law in the Western civilization.

It was through this objectifying process that norms were formalized into laws and it was through this process that formalized procedures of how to deal with new circumstances were deduced. This formalization is itself natural: there is a definite advantage to society when uncertainty decreases and certainty increases. Laws in this sense do just that, especially when they are discovered (rather than created arbitrarily). Properly formalized, with the discovery process kept intact, laws define rights.

From the religious point of view—half-baked in the oven of Western civilization—moral values and ethics were viewed as absolute. Yet at the same time economic values attributed to things by people were and are necessarily subjective. It is the purpose of law to objectify these in a harmonious way. “Moral judgments do have objective binding force on the individual. And moral rules are objective not only in the sense that they call for objective actions but that they call for objective adherence by everybody.”[36, p. 168] “As voluntary economic cooperation makes us more interdependent, the consequences of breaches of cooperation or a breakdown of the system become more serious for all of us; and to the extent that we recognize this we will become less indifferent to failure or violation of cooperation in ourselves or in others. Therefore the tendency will be for the moral level of the whole community to be kept high or to be raised.”[36, p. 323]

Rights, that is rights formalized by law, describe what ‘belongs’ to a human being. Considering that God created human beings ‘in His Image’ the rights belonging to him and her are sacred. Since these are natural it should be evident exactly what it is that laws protect. In accordance with the ethics of social cooperation and the exalted station bestowed on humans by God, liberty is a principal right. Humans love freedom. Property rights are human rights and once these are granted the economy has the foundation it needs to perpetuate social cooperation. “Social cooperation, however, can be based only on the foundation of private ownership of the means of production.”[67, p. 40]

It is law that protects property rights that are so essential to freedom. “All production, all civilization, rests on recognition of and respect for property rights. A free enterprise system is impossible without security of property as well as security of life. Free enterprise is possible only

within a framework of law and order and morality. This means that free enterprise presupposes morality; but, as we shall later see, it also helps to preserve and promote it.”[36, p. 303] Freedom from the State is what made the political anarchy of Western civilization, which operated according to the principles of classical liberalism, so prosperous relatively speaking. “If history could teach us anything, it would be that private property is inextricably linked with civilization.”[69, p. 58]

TABERNACLE

How does all of this fit together within a perfectly balanced and harmonized and symmetrical plane of existence? I know it is not realistic to assume that all these phenomena of such immense complexity could fit into a single plane. But it is exactly because of the complexity that a simple model can be useful and can assist us in gaining a greater understanding.

First of all, and this is a moot point, the model I am about to use is not two dimensional like a plane but rather it is three dimensional. Imagine a fulcrum that is positioned under a two dimensional plane. The tip of the fulcrum is at the center so that the plane is balanced perfectly. It is this balanced state of affairs that we will call equilibrium.

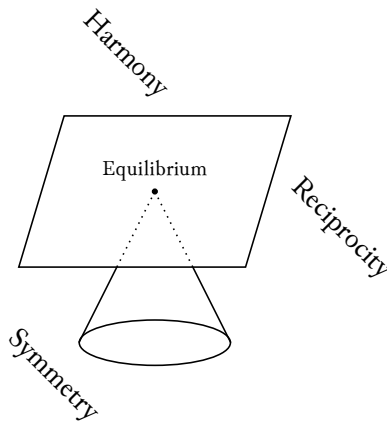


Diagram 2a: Economic Equilibrium and the Forces at Work

In its simplest representation, shown in Diagram 2a, we see the plane at rest in its equilibrium position. We also see the forces that help to maintain the equilibrium: harmony, reciprocity and symmetry. In Diagram 2b the immense complexities that come into play in human culture are added to provide a picture of the interconnectedness of all facets of human civilization.

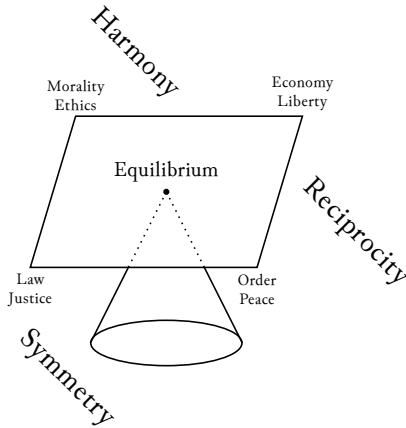


Diagram 2b: Human Civilization Equilibrium

Ponder: “In ethics a common ground for the choice of rules of conduct is given so far as people agree in considering the preservation of social cooperation the foremost means for attaining all their ends.’ Now if we adopt this explanation, we recognize that Justice is not the ultimate ethical end, existing purely for its own sake, but is primarily a means, and even a means to a means. Justice and Freedom are the great means to the promotion of Social Cooperation, which in turn is the great means to the realization of each individual’s ends and therefore to the realization of the ends of ‘society.’ The subordination of Justice to a ‘mere’ means, however important that means is regarded to be, may come as a shock to many moral philosophers, who have been accustomed to regard it as the supreme ethical end... Justice was made for man, not man for justice.”[36, pp. 255–256] And ponder: “That justice is primarily a means to social cooperation, that social cooperation is primarily a means to promote the maximum happiness

and well-being of each and all, does not reduce the importance of either justice or social cooperation. For both are the necessary means, the indispensable means to the desired goal. And therefore both of them are to be valued and cherished as ends-in-themselves. For a means can also be an end, if not the ultimate end. It can even seem to form an integral part of the ultimate end. The happiness and well being of men simply cannot be achieved, and hardly imagined, without Justice and Social Cooperation.”[36, pp. 259–260]

Now with this in mind try to imagine what the effect would be if something would come into the picture and distort the natural reciprocity that occurs as a part of social cooperation. For example, if the mutually agreed upon terms of a contract were altered by an act of intervention then not only is the agreed upon reciprocity altered but it causes disharmony and other kinds of asymmetries. It's funny. It is popular knowledge that there are consequences resulting from disruptions of the ecological system even to the extent that the flapping of a butterfly wing is felt all around the world, and yet there is little thought given to the consequences of the major and continuous human disruptions to the equilibrium that is operative in human civilization!

Another interesting feature of the Human Civilization Equilibrium diagram is the listing of eight means/ends arranged at the corners of the plane. As addressed by many authors and as addressed by me in *Ethical Economics for Today and Tomorrow...*, part of the reason ethics and economics are inseparable is because of the interchangeability of the ends and means depending on the particular circumstances. Even this fogginess is cleared up considerably, although not completely, by this diagram. According to the diagram, the strongest of ‘ends’ is equilibrium. The next strongest ‘ends’ are harmony and reciprocity and symmetry even though they also have strong ‘means’ characteristics.

It is true that equilibrium is highly regarded as an ends but it is more accurate to regard it as the force that always drives society towards the ultimate end. The ultimate end for humans, since we are social beings in addition to our reality as spiritual beings, is social cooperation. “As social cooperation is the great means of achieving nearly all our individual ends, this means can be thought of as itself the moral goal to be achieved.”[36, p. xi] With this in mind re-examine the Human Civilization Equilibrium diagram and notice how all of

the means: Harmony/Reciprocity/Symmetry; plus Morality/Ethics, Economy/Liberty, Law/Justice, and Order/Peace, serve to bring about and fortify social cooperation as driven by the force of equilibrium.

“Though liberty is beyond doubt an end-in-itself, it is also of the highest value, to repeat, as a means to most of our other ends. We can pursue not only our economic but our intellectual and spiritual goals only if we are free to do so. Only when we are free do we have the power to choose. And only when we have the power to choose can our choice be called right or moral.”[36, pp. 267–268] Remember the title of this book and how it is portrayed as a simple two dimensional figure balancing liberty and justice on either end of a fulcrum. (Diagram 1i on Page 304) That is a simpler representation, a shorthand version, of the Human Civilization Equilibrium diagram. As food for thought ponder this: that just like liberty and justice can be imagined as being in equilibrium so can we imagine, balanced across a fulcrum, their counterparts—Economy and Law (Diagram 2c).

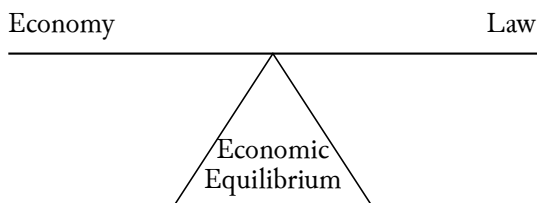


Diagram 2c: Economy and Law in Equilibrium

Surely the economy is intimately connected to law. Now consider the implications of law and justice being harmonious and symmetrical, and emanating reciprocity optimally in a natural equilibrium environment as shown in Diagram 2d. Justice is present or injustice is present, depending on whether law is natural or whether its derivation is ego-driven.

Here is an additional point of contemplation. Equilibrium is not instantaneous, it is a tendency and if it is achieved it happens in the future. In other words, the Human Civilization Equilibrium diagram has another dimension that is implied. The time element is necessarily a part of the long-run nature of equilibrium. “We have seen that there tends to be a *coincidence* between the actions or rules of action that best

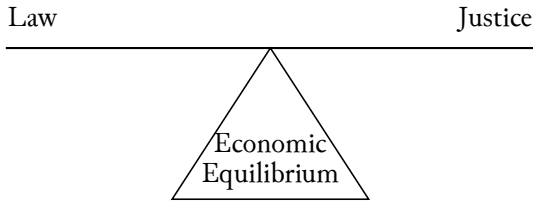


Diagram 2d: Law and Justice in Equilibrium

promote the interests of the individual in the long run and the rules of action that best promote the interests of society as a whole in the long run. We have seen that this coincidence tends to be greater the longer the period we take into consideration.”[36, p. 108]

ASSAY

In Chapter 1 we saw why human civilization has its current pattern. However it would be mistaken to think that the impetus behind the changes that have historically taken place is a negative one. It is still the force of equilibrium at work but sadly it kept getting altered and distorted along the way. “For example, the entire law merchant was developed, not by the State or in State courts, but by private merchant courts. It was only much later that government took over mercantile law from its development in merchants’ courts. The same occurred with admiralty law, the entire structure of the law of the sea, shipping, salvages, etc. Here again, the State was not interested, and its jurisdiction did not apply to the high seas; so the shippers themselves took on the task of not only applying, but working out the whole structure of admiralty law in their own private courts. Again, it was only later that the government appropriated admiralty law into its own courts.”[78, p. 283]

What this suggests is that some of the cultural changes and some of the elements of civilization across the spectrum of history can be regarded as natural. It is the classical liberalism perspective that serves as a guide to find these elements. “Customary law reflects the norms of those who choose to function in the particular social order ‘governed’ by those laws. In a very real sense, then, such customary law is a unanimously adopted ‘social contract’ or ‘constitution.’ It establishes the rules that

are the basis for spontaneous social order. This social contract evolves and adapts to changing social conditions.”[24, p. 322] “Because the source of recognition of customary law is reciprocity, private property rights and the rights of individual are likely to constitute the most important primary rules of conduct in such legal systems.”[24, p. 13]

Human intelligence was behind the recognition that laws were in operation all around. As part of the search for a greater understanding of the laws certain individuals were seen as possessing more wisdom than others. Since humans are social beings it was understood that social cooperation was always the best environment and so the wise were sought out to help resolve disputes.

These were the nobles and the judges who served voluntarily in this capacity for the betterment of all. As circumstances changed over time these chosen wise ones studied how resolution was achieved in the past—and then within the context of eternal laws—strove to refine the law accordingly.

A major deterrent to breaking the law was avoidance of the consequence of social isolation resulting from ostracism. It was exactly because everyone recognized the noble or judge as wise and uncorrupt that the laws were abided by with unanimity. Another major deterrent has always been reward and punishment. “Justice hath a mighty force at its command. It is none other than reward and punishment for the deeds of men. By the power of this force the tabernacle of order is established throughout the world, causing the wicked to restrain their natures for fear of punishment.”[20, p. 164]

Since laws were discovered within the context of the morality and unfolding ethics of the culture they were a part of the customs. A significant part of these customary laws pertained to exchanges between people within and also outside of their particular society and so the laws had the tendency towards being universally practiced. The best example is the Merchant’s Law² which still is the foundation of international commerce today.

Part of the modernization of law was its formalization. Broadly speaking the legal code evolved into two basic forms: as codified

2. “By the end of the eleventh century, the Law Merchant had developed to such a degree that it governed virtually every aspect of commercial transactions in all of Europe.” See reference [24, p. 31].

customary law and as common law. Codified law spelled it all out and it was therefore accessible to anyone who was interested. With common law “judges both made law and applied it. But common law had the defect of a wide margin of uncertainty.”[36, p. 65] Common law eventually became the privileged arena of judges and lawyers. Obviously, restricted access and specialized jargon and legalistic methods created an enhanced opportunity for intervention. “Customary law and its institutions facilitate voluntary interactions; government law and its institutions facilitate involuntary transfers.”[24, p. 101]

We have what appears to be two alternative scenarios. Diagram 2e shows the tabernacle of liberty and justice in place but it is barely able to protect the freedom of spirit from the burden of oppression from man-made laws. “Freedom in the moral sense does not mean freedom from causation, but freedom from compulsion.”[36, p. 277] “Thus we may define freedom as that state of affairs in which the individual’s discretion to choose is not constrained by governmental violence beyond the margin within which the praxeological law restricts it anyway.”[41, p. 1023]

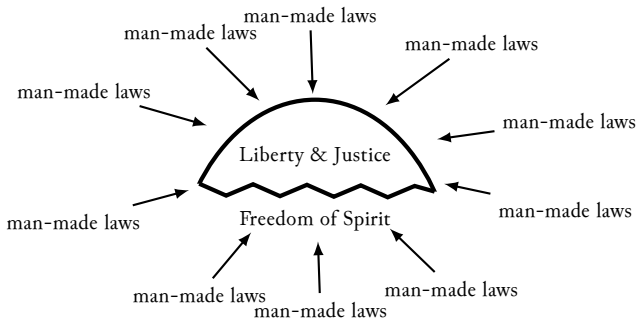


Diagram 2e: The Tabernacle of Liberty and Justice Bombarded by the Oppressiveness of Man-Made Laws

Diagram 2f is more hopeful. It shows justice and liberty as a strong and generous tabernacle sheltering the freedom of spirit from the precipitation from limited government. As we stated, laws are natural and can be discovered—rendering justice—and thereby optimizing social cooperation. “Justice is not purely as an end in itself. It is not

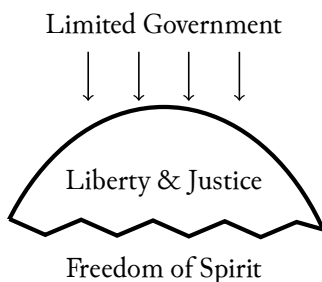


Diagram 2f: The Tabernacle of Liberty and Justice Protects the Freedom of Spirit from Limited Government

an ideal that can be isolated from its consequences. Though admittedly an intermediate end, it is primarily a means. Justice, in brief, consists of the social arrangements and rules that are most conducive to social cooperation—which means, in the economic field, most conducive to maximizing production. And the justice of these arrangements and rules, in turn, is not to be judged purely by their effect in this or that isolated instance, but (in accordance with the principle first pointed out by Hume) by their over-all effect in the long run.”[36, p. 317]

That is why understanding equilibrium as a divine force is so important. The resulting confidence will assure vigilant protection from the misdirected efforts of the ego-driven. The best and most effective way to apply this knowledge is to implement it at the correct scale—locally for instance—where the wisdom of certain individuals merits the confidence of others. Part of the trust in human civilization equilibrium is confidence that humans are truly one species, with the same logical structure of thought. What we will find is that these smaller scale societies will basically discover and practice laws which are perfectly compatible within human civilization as a whole. Although this societal diversity is nothing but political anarchy it has none of the negative biases associated with that term.

We seem to forget that we are traversing time and that ethical progress is a part of that journey. At this point in time we know some things with certainty. The natural and ethical basis of the economy is property rights and one of its corollaries—sound money. Another natural progression, known, that can function properly in a human civilization is federalism and its reciprocal—subsidiarity.

Practical law is no different than any other good or service. It is sought and it is provided. Those who provide it in a trustworthy way as an arbiter, or as a judge, or as a lawyer will be chosen and those who do not will not be chosen. Natural competition in a free market provides the necessary and real checks and balances against those who are ego-driven.

Can we visualize an alternative to the status quo of Statist law? “It is often difficult to see the important role customary law plays in determining the social order, since so much of custom has been codified or co-opted by common law courts and claimed as state law.”[24, p. 228] The remnants of customary law still do exist and need to be strengthened. “Privatization in law and order involves two separate processes: 1) Increases in the privately owned and allocated resources devoted to the protection of persons and property, including the establishment and clarification of property rights through rule-making and adjudication; and 2) decreases in publicly controlled resources devoted to the same purposes.”[24, p. 331]

The best way to get a feel for a modern set-up of a society based on private property is to refer to the writings and the audio and video recordings of Hans-Hermann Hoppe, a great economic scholar of the Austrian school of thought. Such a society is composed of three institutional devices, all of which currently exist. These three are: commercial insurance, freely financed judging agencies, and freely financed police forces. These can exist independently with a contractual alignment or they can exist as part of vertically integrated firms.

The “Rule of law, in the classical sense of the expression, cannot be maintained without actually securing the certainty of law, conceived as the possibility of long-run planning on the part of individuals in regards to their behavior in private life and business.”[52, p. 95] It will be competing insurance companies that provide the major impetus for the development of a unified standard of law. Non-uniform standards would be culled because of their immeasurability, and arbitrary rules would be eliminated. As a result, uncertainty will be progressively removed and that new-found assurance and stability will attract clientele. The very real pressure to practice a defensible behavioral code—to not be an aggressor against the social norms—in order to be able to get and to be able to afford insurance will moderate people’s behavior. Yet,

diversified interests and risk profiles can still easily be provided for by insurance companies, simply by them designing specialized contracts.

Without doubt everyone in society has an interest in the development of a set of laws regarded as acceptable to everyone. Mutually agreed upon arbiters will settle disputes most easily. If the parties involved use different arbiters then an independent 3rd party arbiter will need to be chosen. And since all of the independent arbitration agencies are competing for clientele they have a very real incentive to gain a reputation for justice. It is then through this process of competition that a refined and unified law structure develops, one that increasingly—by its merits—becomes valid throughout the world. This is a part of the great process of economic and social integration which binds societies together despite the minor variations occurring within their internal law structures. This is the natural order of the modern world which is based on the property rights of individuals but which has been knocked off its path by the State.

Natural competition in a free market provides the necessary and real checks and balances for protection services and also for rehabilitation services for criminals. Certainly insurance companies will protect themselves and their clients by providing effective and productive protective services. Those that do it well will get more clients.

In a natural order mechanisms will develop that defend us from asocial individuals. Without a doubt laws are necessary for a society to survive. From day one the origin of human conflict resulted from some kind of a violation of property rights/human rights. “The purpose of law is to facilitate interaction and minimize conflict, three functions or branches of law are important: 1) determining individuals’ property holdings (property law); 2) governing cooperative exchanges of property (contract law, including conveyancing); and 3) protecting persons and their property, including methods of property transfer, from third-party aggression (tort law).”[24, p. 351] The “private security market will be organized much like a mutual insurance market.”[24, p. 359] Under these arrangements a firm or cooperative surety group organization insures individuals and their property against violations. The firm or organization, therefore, would have strong incentives to prevent offences by supplying police services with an emphasis on patrolling, watching, and other deterrents.

Rehabilitation of criminals due to their asocial behavior begins and ends with restitution to the victim. Victims of crimes will be fully compensated by criminals who will learn skills while they are producing marketable goods and services under a condition of restricted liberty. "Punishment will typically take the form of a 'fine' payable to the victim of at least sufficient magnitude to compensate the victim for all losses and cover the full cost of bringing the offender to justice. Although primary, fines may not be the only type of punishment." [24, p. 352] The opprobrium of the entire community may be a necessary additional step.

A convicted criminal can protect himself or herself from the most obvious abuses by having the choice of accepting bids for his services. "Because a prisoner's effort is directly rewarded, he can predict and partially determine the length of his prison term. Prisoner morale would improve, making eventual rehabilitation easier. There are a number of reasons to expect rehabilitation to be far more effective under such a system than it is with current efforts." [24, p. 369]

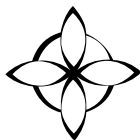
Obviously it can be said that we are not there yet. Some of the progress made to date has been camouflaged by the disarray caused by those who have disrupted the force of equilibrium. Stepping back and looking at human history we can see the tendency toward an ever-advancing civilization. If allowed to operate unhampered the equilibrium force that works by all of the various means within human civilization will bring peace and order. Besides, there is no moral authority for interference with the equilibrium force that is wholly and organically inherent and that operates naturally as a divine force.

We are at a threshold in human history. That threshold is the transition from interventionism—which lacks moral authority—to trust in the equilibrium force that exists as a divine institution (for lack of a better term) as part of God's creation of human beings 'in His Image.' We are at the threshold of understanding how to establish a divine civilization in its fullness. We are at a threshold that was not achievable in the past.



Selected Exercises

1. Explain why society is not an entity in and of itself.
2. What two things are required to go against the norms of society?
3. Describe the process of norms becoming laws.
4. Describe social cooperation as the 'ultimate end' accomplished by achieving the consciousness of the oneness of mankind.
5. Discuss law and justice in contrast to ego-driven law and injustice.
6. What is the difference between codified customary law and common law?
7. Describe political anarchy in a positive way.



Chapter 3

A New Perspective

The Model

PREAMBLE

“Hell no!” If life is worth living then life is about living energetically and with passion. Forget all of the nonsense. It simply cannot get in the way—because there is too much at stake. And so, throw aside the dogmas and pooh-pooh the orthodoxy. There is no future in living in the past and there is no future like the here and now: “Go for it!”

INCUBATION

“Each individual is the only and final arbiter in matters concerning his own satisfaction and happiness.”[62, p. 13] This quote by Ludwig von Mises summarizes very well the concept of liberty and justice. My job in this chapter is to further elucidate upon this theme in a cohesive way such that the literature of classical liberalism and the work that I have done on the macroeconomics, microeconomics, and ethical economics of the divine economy are all brought together. “No science can avoid abstract concepts, and he who abhors them should stay away from science and see whether and how he can go through life without them.”[60, p. 57] And so it is this theoretical exposé, that is about to be unfolded, that will carry us past the critical threshold mentioned at the end of Chapter 2.

We start with the perfectly proportioned concept of a circle to represent economic equilibrium which is also referred to as the divine economy (Diagram 3a).

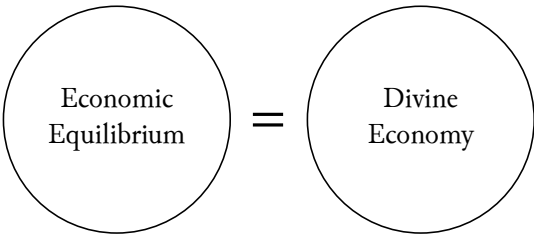


Diagram 3a: Divine Economy Theory Identity

How does this circle come in contact with other elements of human civilization in a two dimensional graphic representation? It is either intersected or it comes in contact at the tangent (Diagram 3b).

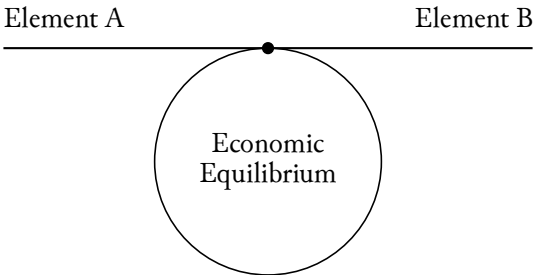


Diagram 3b: Interface of Divine Economy with the Elements of Human Civilization

Tangency represents the single and therefore pure relationship between the circle (equilibrium) and the element.

In a sense there is a balance at that single point. Another way to represent the idea of balance would be to show the elements of human civilization teetering on a fulcrum as shown in Diagram 3c.

This is the starting point for our analysis of the liberty and justice of economic equilibrium (Diagram 3d).

We will return to this progression of steps at the end of this chapter.

The model being developed in this chapter is the fourth in a sequence of four. The first model, laid out in detail in *MORE THAN LAISSEZ-FAIRE*[48], was the macroeconomic model (Diagram 3e):

Implied in the model is my redefinition of praxeology as the study of purposeful action by spiritual beings. Since this redefinition is of

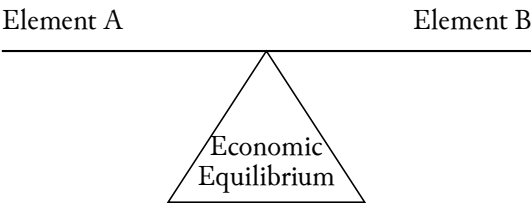


Diagram 3c: The Divine Economy Fulcrum

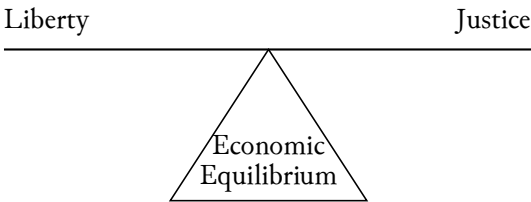


Diagram 3d: The Liberty and Justice of the Divine Economy

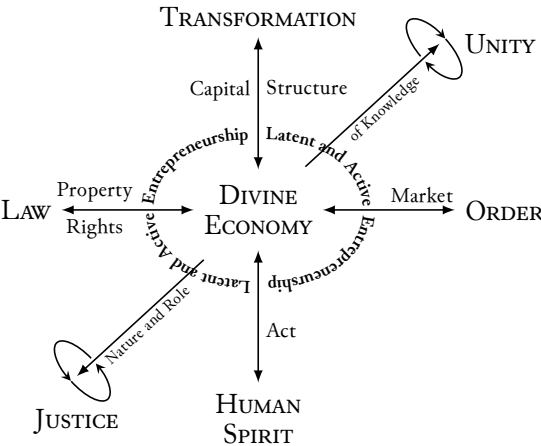


Diagram 3e: The Complete Divine Economy Model

major significance I altered the model to highlight the importance of this redefinition (Diagram 3f).

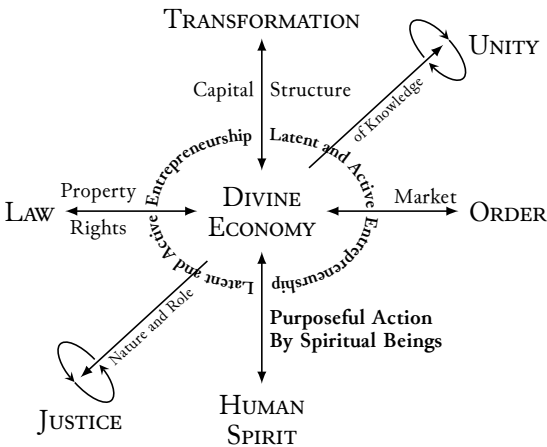


Diagram 3f: The Model with New Definition of Praxeology

The implication, then, is that the act itself is divine (in other words, performed by a spiritual being) which adds great meaning to the simple, central, vertical, Human Spirit/Transformation portion of the model (Diagram 3g). In a sense, it simply and profoundly represents the human reality.

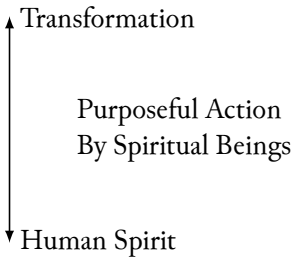


Diagram 3g: We'll Call It the Human Reality

The macro model is dynamic, not static, and so to represent changes over time we have Diagram 3h.

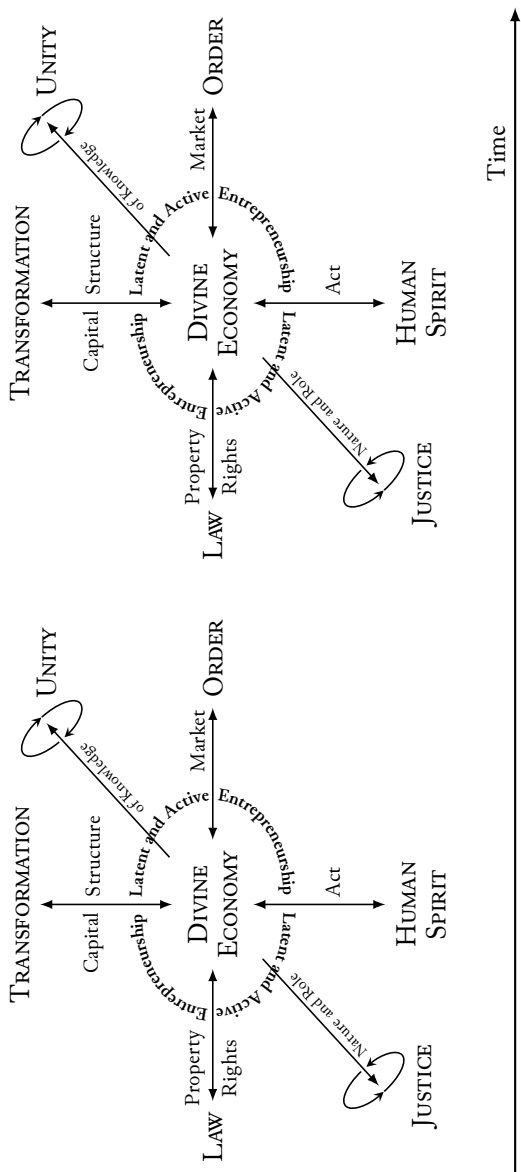


Diagram 3h: The Complete Divine Economy Model Over Time

As a shorthand method of representing this movement we just show the movement of the Nature and Role of Knowledge axis (Diagram 3i), which importantly gives emphasis to the nature and role of knowledge in a human civilization.

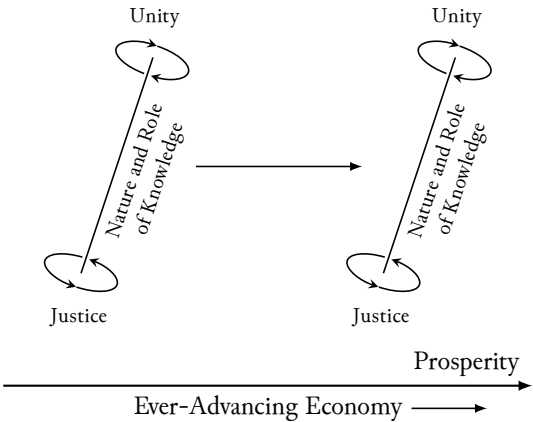


Diagram 3i: Shorthand Version of the Divine Economy Model Over Time

Here is an interesting quote of Ludwig von Mises: “Metaphysics and theology are not, as the positivists pretend, products of an activity unworthy of Homo sapiens, remnants of mankind’s primitive age that civilized people ought to discard. They are a manifestation of man’s unappeasable craving for knowledge.”[58, p. 120] Especially important for us to consider now is this movement of the Justice/Unity axis, which is another name for this axis. It can also be regarded as the axis of the oneness of the world of humanity.

Let’s step back. Economics is the science of the study of the means to attain the ends. Along these lines I am now going to suggest that we take a slightly different perspective when looking at the complete model given in Diagram 3e. Further developing the ideas given in Diagram 3f and in Diagram 3g and applying this new definition of praxeology, I found another gem in the model. With all of this in mind, while looking at Diagram 3f imagine that the Human Spirit/Transformation (vertical) axis represents the human reality; in other words, it captures the essence of what we are and what we are doing. The Law/Order (horizontal) axis represents the means, that is, what we have to have

for us to get where we are going (law and order, respectively). And finally the Justice/Unity axis represents the ends, what it is that we want (justice and unity, respectively).

As soon as we talk about ends we enter into the realm of ethics but since ethics and economics are inseparable they can both be explored and examined at the same time scientifically. Ends and means are not discretely or absolutely distinct, nor are they independent, so we need to use logic and curiosity to advance our understanding. Means and ends can and do morph into each other to some extent.

TABERNACLE

Continuing along these lines let's consider another perspective. Humans use means to attain ends. In other words Human Spirit/Transformation (human reality) uses Law (means) to bring about Order (ends). And Human Spirit/Transformation (human reality) uses Justice (means) to bring about Unity (ends). The ultimate end which is composed of Order and Unity is social cooperation, which is also a means, as identified by Henry Hazlitt in *The Foundations of Morality*[36, p. 356].

Freeing ourselves up to investigate at the same time both ethics (ends) and economics (means) makes sense since they are intertwined in the real world. Unless unshackled from the restrictions mandated by orthodoxy—noticeably so prior to the emergence of divine economy theory—then many fruits will be left undiscovered.

The Nature and Role of Knowledge axis is quite fascinating. It is a vector that extends to infinity in both directions indicating that there is not and never will be a scarcity of knowledge. Once placed in the model it intersects and interacts with the innumerable means of the real world (Diagram 3j)!

Imagine this axis spinning at phenomenal rates so as to accommodate the transference of information at lightning speed (the internet, for example). “The nature of a scarce resource is that use by one person excludes use by another; but you don't need to own the information that guides your action in order to have successful action. For example, two people can make a cake at the same time. They each have to have their own ingredients, but they can use the same recipe at the same time. Material progress is made over time in human society because

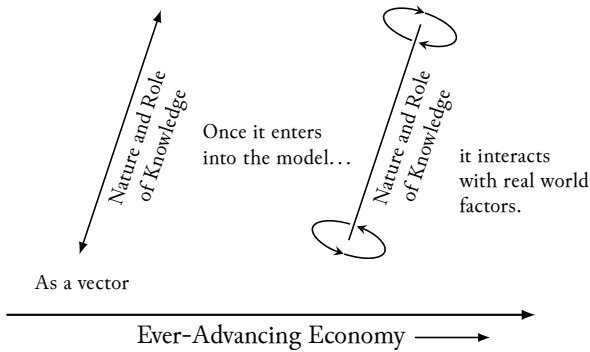


Diagram 3j: The Spinning Knowledge Vector

information is not scarce. It can be infinitely multiplied, learned, taught, and built on. The more patterns, recipes, causal laws that are known add to the stock of knowledge available to all actors and act as a greater and greater wealth multiplier by allowing actors to engage in ever-more efficient and productive actions. It is a good thing that ideas are infinitely reproducible, not a bad thing. There is no need to impose artificial scarcity on these things to make them more like scarce resources, which, unfortunately, are scarce. Knowledge is power because it guides action. It opens up a wider, richer universe of possibilities: it allows human actors to choose from a wider array of ends, and from a wider, richer set of means to achieve one's preferred ends.”[46]

In the context of the means/ends conversation what we have is: knowledge + means potentially leads to the attainment of ends. This is the ever-present economic problem! The solution to the problem is inherently a part of the divine economy—purposeful human action. How can I best describe the catalyst of the process—the driving force that is hidden underneath the solution? Entrepreneurship! Entrepreneurs are visionaries that cause the Justice/Unity axis to move to the right (Diagram 3k).

Whoosh! Now we have entered into the divine microeconomy. The entrepreneur is the one who is alert. He or she is alert to the new (mingled with the old) knowledge and is alert to the scarcity of resources. As I described in *The Human Essence of Economics*[49,

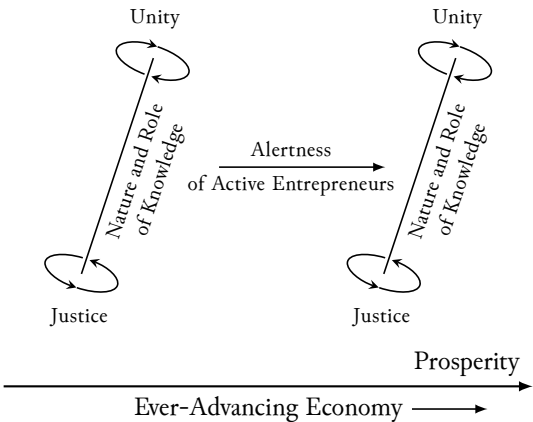


Diagram 3k: Entrepreneurs as the Driving Force

p. 169] all humans are entrepreneurs, either latent or active, and those that are active have ignited the divine spark as shown in Diagram 3l.

Then I introduced the shorthand version of the divine spark which displayed a radial symmetry and then, next, the divine spark was fully incorporated into (the second model of the sequence of four) the Complete Divine Microeconomy Model (Diagram 3m).

Alertness is another way of saying ‘seeking after truth.’ It certainly has an intellectual component but it also has a spiritual component which has been unnecessarily neglected by those scientists that are still shackled to some extent by orthodoxy. The seat of all value is the

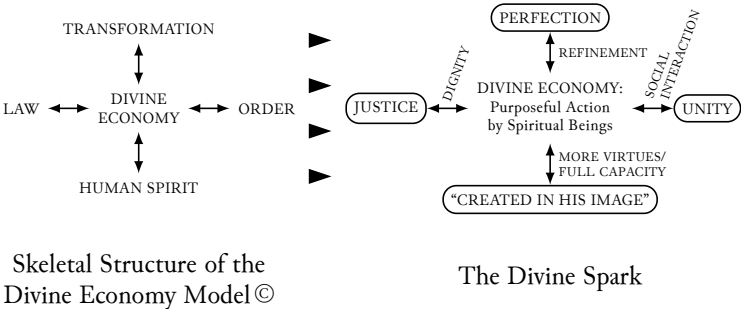


Diagram 3l: The Divine Spark and Its Derivation

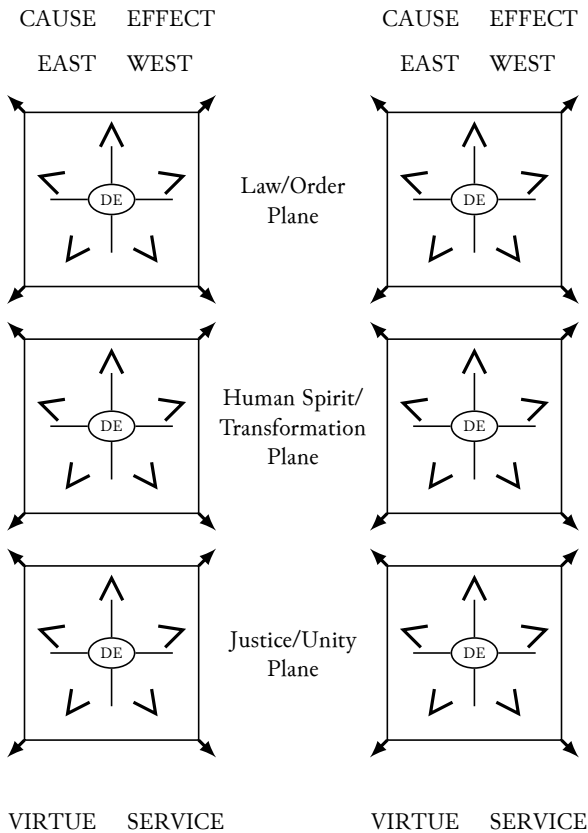


Diagram 3m: The Complete Divine Microeconomy Model

appearance of the virtues or attributes of God in all material things and as the essential component of all human action. It is the appearance of these virtues, and the attraction that they create, that brings about both justice and unity.

First of all, since we are investigating justice let's go ahead and consider justice at the point of the ignition of the divine spark. Alertness of the entrepreneur is the exercising of the most basic human right, the independent investigation of truth. Equally as significant is the fact that it is because of this entrepreneurship (alertness) that transformation takes place, not only at the level of the individual but also within the economy and within the society. To clarify the importance of justice,

it is justice that inextricably links the interests of the individual with those of society. It is, therefore, extremely important for the light of justice to reach and to surround the entire arena of entrepreneurship.

Whoosh! This is now the transition from microeconomics into the realm of ethical economics. The infinite nature of the Nature and Role of Knowledge vector is immutably tied to the Covenant of God. It can be said that God’s covenant to humankind is that God would always guide and provide for humankind. That flow (of knowledge and bounty) is essentially infinite (and eternal). Yet it is constrained by the world as we know it. It is this world as we know it and our ability to change it over time that is captured in the Complete Model of the Ethics of the Divine Economy[50, p. 234], the third of the series of four models.

To understand the Complete Model of the Ethics of the Divine Economy we first focus our attention on the central, **vertical** axis of the divine economy model (Diagram 3n).

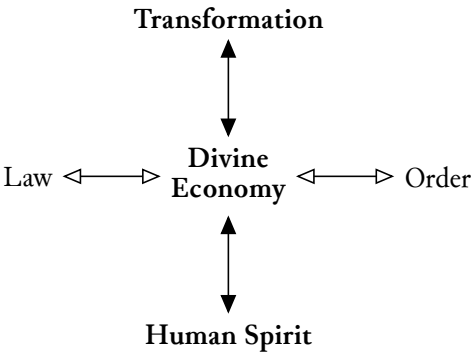


Diagram 3n: The Ethical Strand of the Divine Economy Model

Next, as was developed in detail in *ETHICAL ECONOMICS for Today and Tomorrow*... [50], the model of the ethical economy—confined by its constraints—is shown as it comes in contact with the ethical knowledge delivered as part of the Covenant of God. Diagram 3o shows how the divine economy is the conduit (divine economy ↔ divine economy) for the influence of the ethical teachings of the Manifestations of God, to bring about changes at the micro and macro level.

The outcome of divine revelation—which inherently contains knowledge about the divine economy—is a divine civilization.

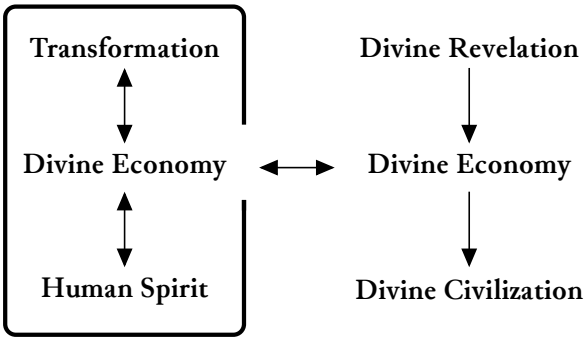


Diagram 30: Model of the Ethics of the Divine Economy

If not the appearance of a dynamic divine civilization, at least an ever-advancing civilization appears—all depending upon the strength of the Covenant of God in that Day. Diagram 3p shows the Complete Model of the Ethics of the Divine Economy by adding and incorporating the concept of the Covenant of God which is accomplished by incorporating a portion of the symbol of the ‘Greatest Name.’

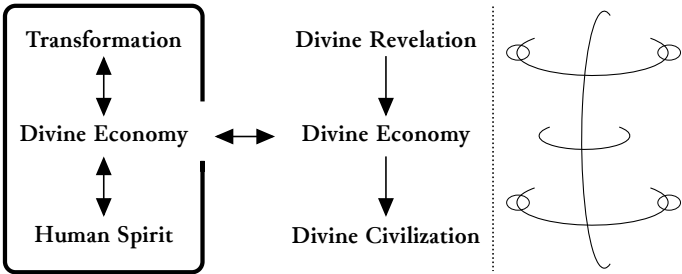


Diagram 3p: Complete Model of the Ethics of the Divine Economy

The primary source of ethics required for an ever-advancing civilization comes from the Manifestations of God and it is the impact of Their Teachings that leads to and spiritualizes social cooperation. Again we see the importance of the Covenant when we consider its ability or inability to withstand the assault of the ego-driven. If it is strong and inviolable we get a divine civilization, whereas if it is violated the best we can hope for is an ever-advancing civilization that is constantly being whittled away under the attack of the ego-driven.

ASSAY

As we move through the sequence of models I think it can be said that we are now feeling a sense of appreciation for and a mounting desire for justice. The divine spark has ignited our alertness to discover and discern justice. It is my job in this chapter and at this point to bring to the forefront the justice aspect of the divine economy model.

If we go back to the skeletal structure of the divine economy model and this time place our focus and emphasis on the central, **horizontal**, Law/Order axis we can begin the process (Diagram 3q).

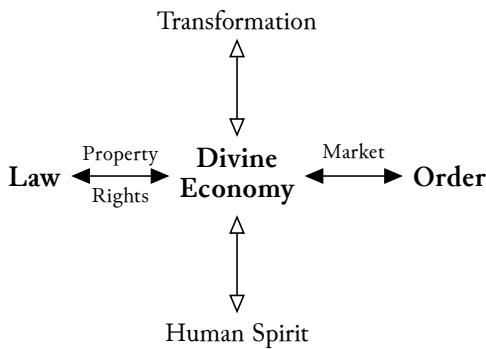


Diagram 3q: The Justice Aspect of the Divine Economy Model

“The connection between economics and the law is implied, but it is rarely regarded by economists as a special object worthy of their research.”[52, p. 50] Keeping in mind the concept of reciprocity, the immediate implication is that laws bring about order. The source of the laws determines the type of order. Rotten law/order brings about rotten order/law, whereas good law brings about a good order, and whereas divine law brings about divine order (Diagram 3r).

Already clearly identified in the divine economy model is the starting point for laws—property rights. The essence of property rights is this identity: property rights are human rights and human rights are property rights. In other words, the human reality is the most precious of all considerations.

The principal provider of order and of social cooperation—operating and expressed through the language of exchange activities—that fills

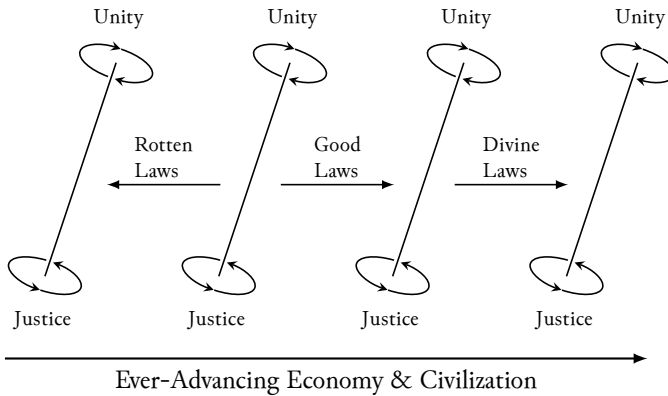


Diagram 3r: Ego-Driven Versus Divine Laws

the lives of everyone everywhere as part of the market process, is the ‘market’ itself.

Justice implies protective respect for both the human reality and for the healthy freedom of expression of the human reality. To get a better grasp of all of these things—honoring the human reality and its expression—we need to acknowledge the inseparability of liberty and justice. Balancing liberty and justice is the essential key.

And so, necessarily, there is a very meaningful relationship between law and the inseparability of liberty and justice. Developed law, over time, resulting from search and discovery (only if it has been uninfluenced by the ego-driven) is compatible with both liberty and justice. Probably you or I do not believe that is what we have. But let’s assume that is what has occurred and then have fun with that assumption. Liberty and justice create order and having order leads to the refinement of liberty and justice. This cycle is circular just like the letter O in the word ‘Order’ and according to the divine economy theory the circle is the symbol of economic equilibrium (Diagram 3s).

Although this ideal equilibrium process just described is valid, the starting point is not. In fact, laws have been influenced by the ego-driven and the whole structure of society is the rotten fruit of those laws. The laws need erased, and understandably, the structures built upon those laws are of no value.

Of course replacing the laws and its structures with nothing or

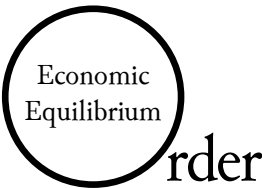


Diagram 3s: The Order of Economic Equilibrium

just replacing the laws and its structures with a different set of ego-driven laws and structures makes no sense. Only if the Covenant of God provides us with a divine alternative can we be better off than we are now. It is this rational insight that is the foundation of a true human society.

In the Complete Model of the Ethics of the Divine Economy (Diagram 3p) we saw the incorporation of the Covenant of God. At that point only a portion of the ‘Greatest Name’ was used. What happens if we add the divine microeconomy concept of the divine spark? Remember the radial symmetry of the divine spark? It represents the radial symmetry of the human temple (the head, two arms, and two legs [Diagram 3t]).

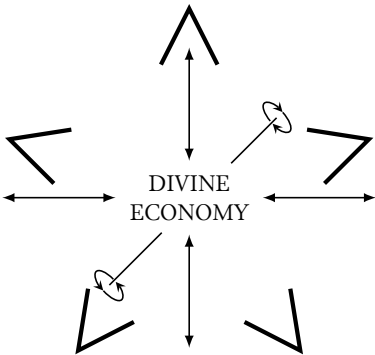


Diagram 3t: The Symmetry of the Divine Spark

Symbolically, it is the divine spark that ignites the human spirit.

Before completing the Model of the Justice of the Divine Economy I want to show you the rest of the ‘Greatest Name’, and describe how it fits into the model (Diagram 3u).

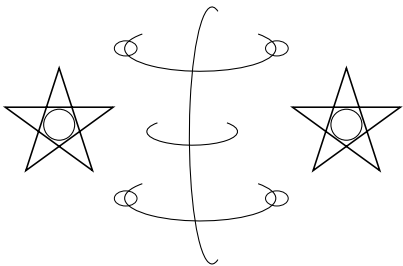


Diagram 3u: The Greatest Name

Notice the two stars. Initially think of them as fulfilling the central, horizontal, Law/Order axis of the divine economy model; the left one representing Law and the right one representing Order. But actually these stars historically represent the Twin Manifestations of God in this Day and so they do indeed connect us very specifically to the Covenant of God. Now we can return to continue with the Law/Order analogy. The Laws that They brought will bring the Order of a divine civilization because the Covenant is strong and inviolable, unlike in the past.

With all of this in mind I now present to you the Model of the Justice of the Divine Economy, the fourth of the series of four models.

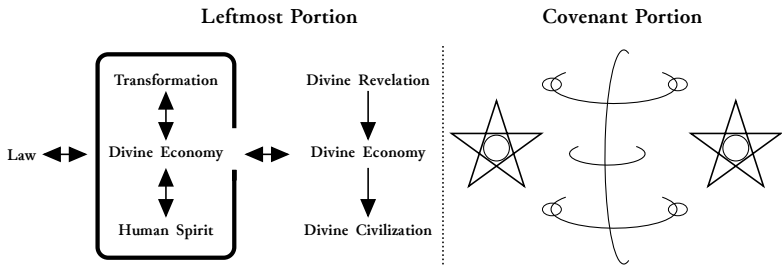


Diagram 3v: The Complete Model of the Justice of the Divine Economy

In contrast to the Complete Model of the Ethics of the Divine Economy (Diagram 3p) notice that Law appears in the leftmost portion of the model and as the leftmost star in the ‘Greatest Name’ (Covenant) portion. Also because Law and Order are both a part of the rightmost Covenant portion of the model (the left and right stars, respectively) take notice that the other appearance of Order is in the leftmost portion

as part of the divine civilization process ($DR \rightarrow DE \leftrightarrow DC$). It turns out that justice is the key ingredient opening a pathway of reciprocity between the divine economy and the divine civilization and vice versa.

The ‘Greatest Name’ emblem by itself can easily be imagined as a seal to be pressed into wax to seal the deal. This conceptualization fits well with the concept of a covenant (agreement) and it also fits well with the concept of a contractual society. In other words, the economy operates properly when it is contractual.

To close this chapter we bring back the sequence of Diagrams 3a to 3d but complete it using all of the knowledge thus far contained in this chapter.

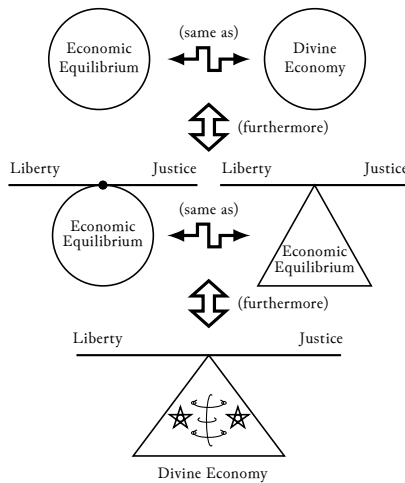


Diagram 3w: The Liberty and Justice of the Divine Economy Sequence

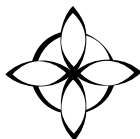
Diagram 3w shows the progression of thought from the initial concept of the divine economy as a synonym for economic equilibrium to its coming in contact with the human civilization elements of liberty and justice. It becomes clear that liberty and justice are maintained in relative balance by the forces of economic equilibrium, and are contemporarily forced to work against the ego-driven forces. The perfect balance of liberty and justice in the divine economy is the result of the removal of ego-driven intervention, replaced providentially with the divine laws and order provided by the strong and inviolable Covenant given to us in this Day.

With regards the divine economy theory I refer you to a quote from Ludwig von Mises, “What matters is not whether a doctrine is new, but whether it is sound.” [59, p. 53] Imagine the benefits to the economy and to human civilization that will ultimately result from a healthy injection of both certitude and certainty!



Selected Exercises

1. Give another example where a circle is used as a significant symbol.
2. Describe the conceptual progression that occurs from Diagram 3e through Diagram 3g.
3. Give an example of a “fruit” that will be “left undiscovered” if the inseparability and intertwining of economics and ethics is not understood.
4. Use Diagram 3j to discuss intellectual property.
5. Describe how “entrepreneurship” is a window that permits the bridging of economic science and spirituality.
6. How relieved are you to now have a clear connection between economics and law?
7. Describe the importance of recognizing the human reality with its connection to property rights, and the market as the principal provider of order and social cooperation.
8. Use Diagram 3v to describe, as thoroughly as you can, law and order.
9. Comment on the quote of Ludwig von Mises [ref. 59, p. 53] with regards the divine economy theory.



Chapter 4

Classical Liberalism

The Groundwork of Liberty and Justice

PREAMBLE

With powers of the intellect growing stronger every day and with a prowess to imbibe the knowledge that is coming from all directions in the rapidly evolving civilization, it is time to gain mastery over the sphere of knowledge. Today access to knowledge is almost instantaneous and universal and so the process is one of sifting, using a critical eye and a keen mind. To accomplish this task the essential ingredient is perception: “What knowledge is useful knowledge?”

INCUBATION

We find ourselves at an elevated theoretical position where not only are ethics and economics inseparable but also law and justice are tightly woven into the economic fabric of life. Just like when examining the natural world, the deeper we go into the inner workings the more we need to understand the big picture. Probing deeply into liberty and justice opens a broad vista of human civilization over its entire time horizon. Cause and effect is still the theoretical basis of our understanding but our ability to apply science at a very high level—pushing the envelop—is being tested by this theoretical position.

A perfect example is the earth itself and all of its differentiated resources and climates. Add to this mix the rich and nearly infinite diversity of human personalities. And yet the direction that all this is

going is towards unity! Sure, it is a relatively slow process, but then again, look how fast it is occurring relative to geological change.

Certainly unity could just appear without the painstaking process if it were pre-ordained to be so but there would be no semblance of human reality in that shallow figment of imagination. Not much different are the vain imaginings of those who are ego-driven, whose intervention disregards the way the human reality expresses itself voluntarily in the world. Sure, there may be 'unity' under totalitarianism but it is oppressive and soulless.

It is not a mere coincidence that the earth's resources are differential or that humans are diverse. It is no mere coincidence that humans have an affinity for social cooperation. Unity is a reality but it only has meaning because it is understood and it is only understood because it can be and is learned. Yet the best means to learn what it is that we are supposed to learn is through the liberty and justice emanations originating from the divine equilibrium force.

Divine economy theory is broad enough to permit us to consider all of these things. To begin we can never lose sight of the ever-present and omnipotent equilibrium force. Impatience and/or arrogance must be purged from our minds. In other words, all of the cherished human identities and principles and aspirations have an inherent balance. They are in harmony. There is symmetry among them and also reciprocity. It is equilibrium that allows their full expression and power and it is equilibrium that is the natural force that is both hidden and manifest.

All of existence has meaning because existence is recognized by human beings. How incredibly significant human life is, therefore! This is the first principle of the "Ten Principles of Classical Liberalism" as stated by G. Stolyarov II: "The life of each individual is an absolute and universal moral value. No non-aggressive individual's life, liberty, or property may be legitimately sacrificed for any goal." [81] To this add the powerful insight of Ludwig von Mises, "Eternal law regulates everything. In this sense determinism is the epistemological basis of the human search for knowledge. Man cannot even conceive the image of an undetermined universe. In such a world there could not be any awareness of material things and their changes. It would appear a senseless chaos. Nothing could be identified and distinguished from anything else. Nothing could be expected and predicted. In the midst of such an environment man

would be as helpless as if spoken to in an unknown language. No action could be designed, still less put into execution. Man is what he is because he lives in a world of regularity and has the mental power to conceive the relation of cause and effect.”[62, p. 74]

Because each human being is an entity that dwells on Earth part of his or her identity consists of property ownership. The second principle is that “Every individual owns his body, his mind, and the labor thereof, including the physical objects legitimately obtained through such labor.” The other part of this identity is that property rights are human rights and human rights are property rights. To this add these words of wisdom, “The continued existence of society depends upon private property, and since men have need of society, they must hold fast to the institution of private property to avoid injuring their own interests as well as the interests of everyone else. For society can continue to exist only on the foundation of private property. Whoever champions the latter champions by the same token the preservation of the social bond that unites mankind, the preservation of culture and civilization. He is an apologist and defender of society, culture, and civilization, and because he desires them as ends, he must also desire and defend the one means that leads to them, namely, private property.”[63, p. 87]

Notice the progression from the identity of an individual to the rights of the individual and their interconnectedness. Implied is the establishing and granting of rights and these can be best described as God-given rights. Principle Three (I interchanged Principle Three and Principle Four) is as follows: “The rights of an individual to life, liberty, and property are inherent to that individual’s nature. They are not *granted* by other human beings, and they cannot be taken away by any entity.”

It was necessary to spell out the details in these first three principles but they can easily be regarded as a single foundational definition of an independent, unique, and fully-endowed individual. Principle One (L for life) and Principle Two (PR = HR for property rights=human rights) and Principle Three (GGR for God-given rights) can be given a shorthand symbol of $L : PR = HR : GGR$, essentially representing a fully-endowed individual.

In search for happiness he or she embarks on life’s endeavors and the essence of this is captured in Principle Four: “Every individual has

the right to pursue activities for the betterment of his life—including its material, intellectual, and emotional aspects—by using his own body and property, as well as the property of consenting others.” This pursuance of means to attain ends is optimized when there is economic liberty (given the symbol **EL**). In other words, we exercise purposeful action in the surrounding world that has been created for our use, in cooperation with others.

TABERNACLE

It is at this point where the companion of liberty takes its place as a great counterbalance. Equilibrium forces tend to bring about a balance between liberty and justice. And so the natural restraint to unbounded liberty, that protects life (**L**), property rights (**PR** = **HR**), God-given rights (**GGR**) and economic liberty is non-aggressive self defense as stated in Principle Five: “The initiation of physical force, the threat of such force, or fraud against any individual is never permissible—irrespective of the position and character of the initiator. However, proportionate force may be used to retaliate and defend against aggression.”

There is a naturalness to the protective shelter of justice which can either be enhanced by or undermined and corrupted by government. For enhancement it is essential that life (**L**), property rights (**PR** = **HR**), God-given rights (**GGR**), economic liberty (**EL**), and non-aggressive self-defense (**SD**) become incorporated into the structure of a limited government and strictly adhered to. These principles serve as a litmus test to be continually used to detect corruption of the government and by the government. Limited government (**LG**) is the only way there can be justice if government is made a part of society. This is Principle Six: “The sole fundamental purpose of government is to protect the rights of individuals by engaging in actions specifically delegated to the government by its constituents. Government is not the same as society, nor is the government entitled to sacrifice some non-aggressive individuals to advance the well-being of others.” Commenting on government and liberty Mises proclaims: “Government is a guarantor of liberty and is compatible with liberty only if its range is adequately restricted to the preservation of what is called economic freedom.”[66, p. 283]

No matter how universally accepted the pattern of society there will always be those who are alert to injustices and there will always be those whose beliefs are not perfectly compatible with the social pattern. A significant test of liberty and justice—permitting the force of equilibrium to be the ultimate arbiter of reciprocity and harmony—is the respect given within a society to the rights of the freedom of speech and the freedom of religious belief (**FSFF**). Is the water clean and pure or is it tainted? Apply the test of Principle Seven: “Every individual has the absolute right to think and express any ideas. Thought and speech are never equivalent to force or violence and ought never to be restricted or to be subject to coercive penalties. Specifically, coercion and censorship on the basis of religious or political ideas are not acceptable under any circumstances.” This is the attitude of peaceful prosperity: “Liberalism limits its concern entirely and exclusively to earthly life and earthly endeavor. The kingdom of religion, on the other hand, is not of this world. Thus, liberalism and religion could both exist side by side without their spheres’ touching. . . . Liberalism proclaims tolerance for every religious faith and every metaphysical belief, not out of indifference for these ‘higher’ things, but from the conviction that the assurance of peace within society must take precedence over everything and everyone.”[63, pp. 55–56]

We have built up a series of principles that can be symbolized and juxtaposed next to each other to heighten our understanding. For example we modeled a fully-endowed individual as **L : PR = HR : GGR**. We said that the individual (**L : PR = HR : GGR**) freely and faithfully (**FSFF**) pursues his or her endeavors naturally as **EL** (economic liberty). At this point in our exposition we benefit from diagrammatic representations. As soon as we consider economic liberty we also must bring a degree of justice into the picture as shown in Diagram 4a by adding **SD** (self-defense).

$$\frac{\text{EL}}{\text{L : PR=HR : GGR/FSFF} + \text{SD}}$$

Diagram 4a: Economic Liberty with a Degree of Justice

A fully-endowed individual that functions freely and voluntarily in society can be represented by Diagram 4b.

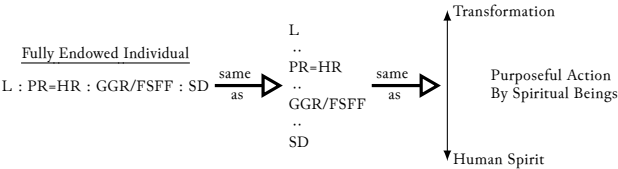


Diagram 4b: The Human Reality Potential within Economic Liberty

In Diagram 4c limited government (LG) is added which makes the distinction of the balancing of liberty and justice more obvious to see in the diagram, mirroring the real world need for clarity in a limited government society, and as societies evolve. Notice that societal liberty is associated with economic liberty (EL) which is both ethical (L : PR = HR : GGR) and just (+SD).

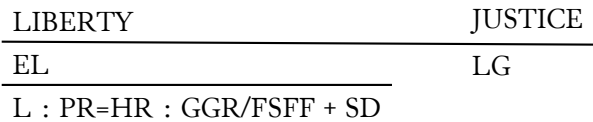


Diagram 4c: Liberty and Justice Is a Protection from Government

The next principle, Principle Eight, pertains to the free market and it is pivotal since the free market is the very essence and embodiment of both liberty and justice in an ethical society. Stated: “Commerce, technology, and science are desirable, liberating forces that are capable of alleviating historic ills, improving the quality of human life, and morally elevating human beings. The complete freedom of trade, innovation, and thought should be preserved and supported for all human beings in the world.” With this in mind, “The market steers the capitalistic economy. It directs each individual’s activities into those channels in which he best serves the wants of his fellow-men. The market alone puts the whole social system of private ownership of the means of production and free enterprise in order and provides it with sense and meaning.”[59, p. 72]

Diagram 4d emphasizes the justice aspect of the free market (FM). Depending on the needs of a particular society the free market is wholly sufficient to provide complete justice; but some societies may include limited government as part of the means to attain justice. All of these elements of human civilization are brought into harmony, reciprocity, and symmetry by the omnipresent, omnipotent, and omniscient equilibrating force.

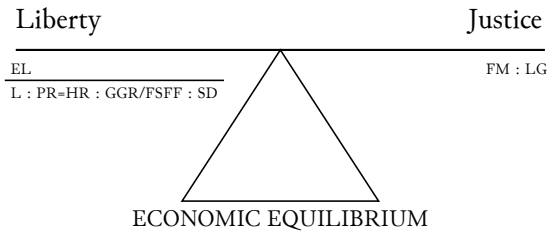


Diagram 4d: Liberty and Justice of Economic Equilibrium

Here is another internal observation about these eight principles. There is a very strong reciprocity between **L** (Principle One – Life) and **SD** (Principle Five – self-defense). Notice the symmetry and reciprocity between **GGR** (Principle Three – God-given rights) and **FSFF** (Principle Seven – freedom of speech and faith). Likewise there is a necessary reciprocity between **PR = HR** (Principle Two – property rights) and **LG** (Principle Six – limited government). And very powerful indeed is the harmony, reciprocity and symmetry between **EL** (Principle Four – economic liberty) and **FM** (Principle Eight – free market).

ASSAY

“By their fruits ye shall know them”[55] applies to individuals and can also be used to evaluate societies. What are the fruits of a civilization that tries to balance liberty and justice? What are the fruits of a society that applies these first eight principles?

We are not quite finished since there are ten principles, but these last two emphasize the fruits of the philosophy of classical liberalism just like the first three embodied the essence of a fully-endowed individual.

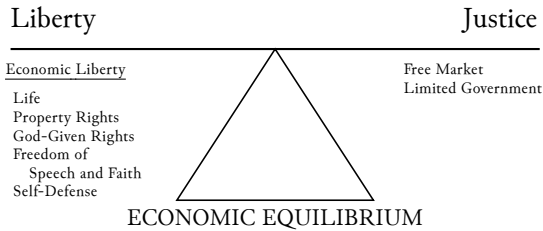


Diagram 4e: Description of the First Eight Principles of Classical Liberalism

Since human life and human expression and human rights are to be respected and appreciated in classical liberalism it is the unhampered flow of God’s grace that is allowed to operate. No ego-driven human intervention, distorting the force of equilibrium, is permitted. Freed from the shackles of prejudices and manmade restrictions everyone enjoys the fruits of Principle Nine: “Accidents of birth, geography, or ancestry do not define an individual and should not result in manmade restrictions of that individual’s rights or opportunities. Every individual should be judged purely on his or her personal qualities, including accomplishments, character, and knowledge.” Liberty and justice unites all human beings.

The culmination of this highly evolved civilization that perfectly balances liberty and justice is at the same time a gift to and a responsibility of all those who are a part of it. Theirs and ours is the privilege and duty to carry forward an ever-advancing civilization. Such a wonderful challenge is at our fingertips, nay rather, it turns out that it is closer than our life vein!

Unknown to us is the true potential of this unfathomably great being (our own selves), created ‘in His Image’. “A technological invention is not something material. It is the product of a mental process, of reasoning and conceiving new ideas. The tools and machines may be called material, but the operation of the mind which created them is certainly spiritual.”[62, p. 109] The problems that we face are ephemeral just like the problems of the past and the problems of the future were and will be ephemeral. “That which was applicable to human needs during the early history of the race can neither meet nor satisfy the demands of this day, this period of newness and consummation. Humanity has emerged

from its former state of limitation and preliminary training. Man must now become imbued with new virtues and powers, new moral standards, new capacities.”[4, p. 9] Notably and nobly, men and women are the supremely talismanic creatures. Only when burdened by the artificial, narrow-minded, and short-sighted vain imaginings of the ego-driven will our unending progress be impeded. Successfully counteracting ego-driven interpretation and intervention will yield the superbly luscious fruits of a classical liberalism society which can be discerned from reading Principle Ten: “There are no ‘natural’ or desirable limits to human potential for good, and there is no substantive problem that is necessarily unsolvable by present or future human knowledge, effort, and technology. It is a moral imperative for humans to expand their mastery of the universe indefinitely and in such a manner as will reinforce the survival and flourishing of all non-aggressive individuals.”

“When social cooperation is intensified by enlarging the field in which there is division of labor or when legal protection and the safeguarding of peace are strengthened, the incentive is the desire of all those concerned to improve their own conditions. In striving after his own—rightly understood—interests the individual works toward an intensification of social cooperation and peaceful intercourse.”[36, p. 312]

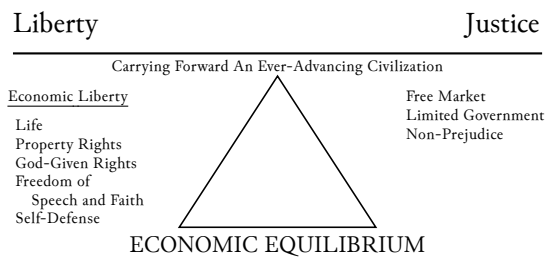


Diagram 4f: Complete Description of the Ten Principles of Classical Liberalism

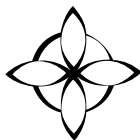
“If these things can be accomplished and if the philosophy of economic liberalism can take hold across the world and further intensify in the areas in which it already has taken hold, then for the first time in human history a truly global economic system will be achieved, bringing unprecedented prosperity and economic progress everywhere.”[73]

As you can see, stripping away all of the burdensome laws and regulations that plague our society does not leave a void. There exists an enduring subtle underlying culture of classical liberalism; so there is no need to fear the removal of interventionism. The perfect balance and unerring and all-powerful force of equilibrium is guaranteed. It is when ego-driven interventionism is removed that we will find that we are but one step away from a divine civilization.



Selected Exercises

1. Is $L : PR = HR : GGR : SD$ a good model of a fully-endowed individual?
2. Which principles serve as a litmus test to detect government corruption? Give an example.
3. Is the free market wholly sufficient to bring about justice? Explain.
4. What is the relationship between Principle One and Principle Five; between Principle Two and Principle Six; between Principle Three and Principle Seven; and between Principle Four and Principle Eight? Give at least one specific example of this relationship.
5. According to divine economy theory, what is hampered by ego-driven human intervention?
6. If interventionism is removed what will be left?



Chapter 5

Harmony In 3D: The Covenant

The Model and Liberty & Justice of the Divine Economy

PREAMBLE

Call it intuition or call it an “inner voice” but do not leave out of the equation the vision-enhancing powers of the spiritual eye. What else can lead to the discovery of the illumination referred to as the “truth?” When that light dawns on the intellect or on the spirit all efforts are rewarded with the much sought-after prize. That prize is discovery. It fires the desire for more knowledge and more discoveries, inspiring: “I want to know the essential verities of life!”

INCUBATION

How strange the world is! How bewildering is our ability to perceive or not to perceive. To some extent it is like standing at the edge of a precipice reaching out with uncertainty towards a branch that would give us access to a whole new realm. Why should we cross when there is still much that is unknown and unexplored on this side? But crossing back and forth offers so much more. “The actual world is a world of permanent change.”[61, p. 28]

The natural order and the divine order surround us, intrigue us, nourish us and dwarf us. Yet we are like the catalyst. “There is within the infinite expanse of what is called the universe or nature a small field in which man’s conscious conduct can influence the course of events.”[58, p. 11]

We already know that conscientiously we all choose liberty and justice and that we can find them to be in balance the closer the natural order mirrors the divine order. From one perspective justice (J) can be seen (Diagram 5a) as the tip of the fulcrum against which all things are weighed.

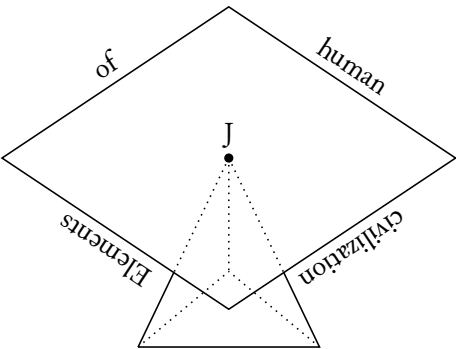


Diagram 5a: Justice and the Elements of Human Civilization

Justice ultimately serves to protect the human reality. Protected, the human spirit acts purposefully and undergoes transformation. Anything that interferes with this process is unjust. Consider another perspective as shown in Diagram 5b.

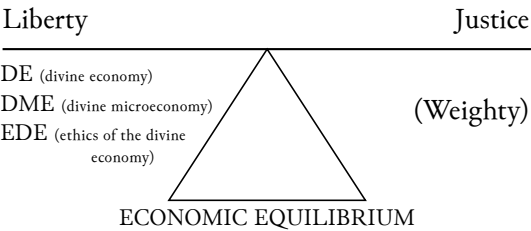


Diagram 5b: The Weightiness of Justice

Notice that there are three symbols on the left which must be offset on the right to keep things in balance. Justice must be ‘weighty’ to permit the divine economy (DE), the divine microeconomy (DME), and the ethics of the divine economy (EDE) to operate in human

civilization. In other words, justice must reign supreme in the period of human history when the human reality is fully protected.

Reciprocity and symmetry are words that contain within them the concept of justice. Just like words function as symbols, so too do diagrams. Consider Diagram 5c.

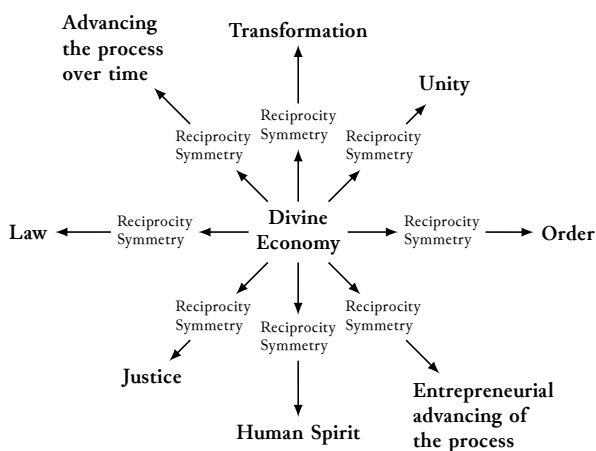


Diagram 5c: Reciprocity and Symmetry Permeate the Divine Economy

The process that is being advanced is the carrying forward of an ever-advancing civilization and as you can see the justice of reciprocity and symmetry is essential and necessary throughout.

Out of the complexity of reality I will pick out one infinitely complex piece: The material world is an objectification of the spiritual world. For instance, we can depend on the appearance each and every year of the springtime, which renews our surroundings because of the impact of the radiant energy of the Sun, and thus each time we enter a new cycle. Also, the entrepreneur discovers that his or her clients prefer clearly written contracts because they are binding and they eliminate or at least minimize uncertainty. The Covenant of God is the spiritual counterpart of both of these objective realities.

With that thought cradled in our mind; for each epoch of human history there is a springtime caused by a renewal generated from the appearance of a Manifestation of God. The appearance is part of the

Covenant of God and in its nature it is contractual. I venture to say that humans deeply value contracts because it emulates this most basic and inherent relationship with their Creator. It turns out that the Covenant binds all things together. In fact, “the axis of the oneness of the world of humanity is the power of the Covenant and nothing else”[2, p. 425] as can be seen in Diagram 5d. The knowledge of unity and the knowledge of justice and the role that unity and justice play in civilization is made much more powerful by the strength and inviolability of the Covenant.

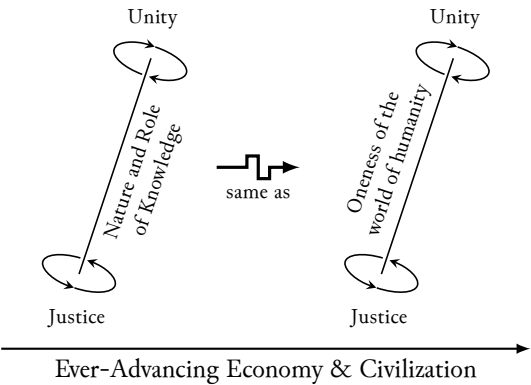


Diagram 5d: The Justice/Unity Axis of the Oneness of the World of Humanity

Diagram 5e is a modification of the Covenant portion of the Model of the Ethics of the Divine Economy (Diagram 3p), achieved by combining it with the information presented in the “Change Over Time” diagram and the “Cyclical Nature of the Model of the Ethics of the Divine Economy” diagram from *Ethical Economics for Today and Tomorrow...* [50, p. 236] The inviolable Covenant symbolized by the Greatest Name is the difference in the DR/DE/DC cycle this time around.

One odd importance of this diagram is that it can be used to explain the formation of communism and the State and nationalism! The epoch of human civilization that received the Dispensation of Jesus the Christ had within it the inherent characteristics of city-states. ‘Abdu’l-Bahá is quoted as saying: “Christ renewed and again revealed the commands of the one God and precepts of human action.”[9, p. 154] Had the Covenant of that Dispensation been inviolable a divine civilization with a city-state nature would have developed and history would have been

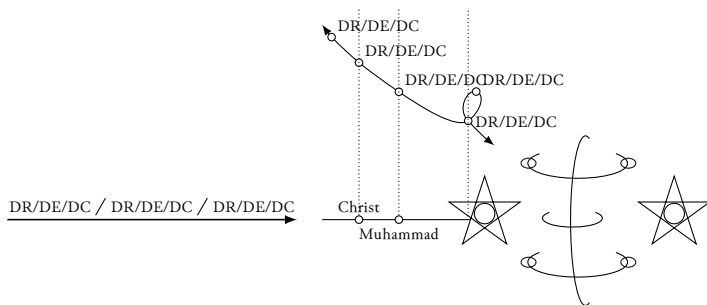


Diagram 5e: A Deeper Examination of the Covenant Portion of the Model

different. Yet since human action was sanctified within the precepts of Christianity the city-state was able to manifest itself in certain ways that resembled the divine civilization when it spread into Western Europe and left a positive and lasting imprint.

One of the deviations during this particular epoch: The origin of communism stems from heretical Christianity. [79, p. 159] Several early clerics succumbed to their own ego-driven interpretations which led them to conclude that property within the city-states should be common and these clerics embarked on social experiments of communism. It was from these origins that sprung other ego-driven interpreters, trying to replicate these heretical experiments. Later on other ego-driven interpreters came along and to them the need for a religious foundation dropped out, yet their avid pursuance of the perverse ideals of communism continued.

The epoch of human civilization that received the Dispensation of Muḥammad cradled within itself the inherent characteristics of nationhood. Not only that, but the Covenant of the Muhammadian Dispensation was considerably stronger—Muḥammad verbally appointed ‘Alī as His Successor. Just because the Covenant was stronger does not mean that it was inviolable. The stronger the Covenant the greater the tests and the more serious the consequences if the Covenant is violated.

Once the Covenant was violated the means to carry out the true nature of the nation disappeared precisely during this epoch of fundamental nation-building. Instead of having a divine civilization characteristic of the time of nation-building what emerged was an ego-driven alternative. The energies released for the betterment of human civilization produced

some marvelous fruits but the inherent potentialities of nation-building were used instead to gain power and led to the formation of the State. Thus we entered into a period of history where, instead of a divine civilization, the alternative attainment was the darkness of nationalism.

But nobody can halt the reappearance of spring! In 1844 it happened again. The First of the Twin Manifestations appeared. And so now we will focus our attention on the emblem of the ‘Greatest Name’ (Diagram 5f). The star on the left is the Báb. The Báb fulfilled Islam and Heralded the coming of Bahá’u’lláh.

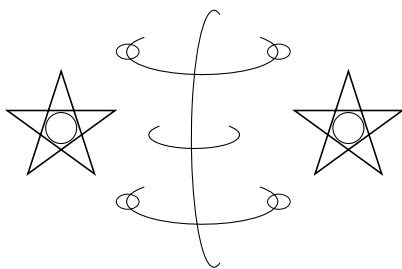


Diagram 5f: The Greatest Name

Regarding how far human civilization had evolved, during the Dispensation of Christ it evolved up to the stage of the city-state. The next leap that was to happen—which was the potential of the divine civilization for that next epoch—was nation-building, but it did not come about properly. However when Islam was fulfilled by the Báb He brought not only the potency that was lost but also the rest of what was needed for the next epoch of human civilization—world order.

The star on the right represents Bahá’u’lláh. He is the Promised One for this Age and it is His inviolable Covenant that will enable humanity to succeed in forming the divine civilization this time around. In other words, the Covenant of Bahá’u’lláh has gotten rid of all ego-driven interpretation of the religion of God!

Science does have a role to play. “The flowering of human society depends on two factors: the intellectual power of outstanding men to conceive sound social and economic theories, and the ability of these or other men to make these ideologies palatable to the majority.”[66, p. 864] Mises again wisely puts things into perspective: “Science does

not give us absolute and final certainty. It only gives us assurance within the limits of our mental abilities and the prevailing state of scientific thought. A scientific system is but one station in an endlessly progressing search for knowledge. It is necessarily affected by the insufficiency inherent in every human effort. But to acknowledge these facts does not mean that present-day economics is backward. It merely means that economics is a living thing—and to live implies both imperfection and change.”[66, p. 7] Divine economy theory is part of this necessary scientific process.

Divine economy theory is a product of the combination of economic science built upon the tradition of classical liberalism and the inspiration of the Covenant of Bahá'u'lláh. “As the Bahá'í community continues to grow it will acquire experts in numerous fields—both by Bahá'is becoming experts and by experts becoming Bahá'is. As these experts bring their knowledge and skill to the service of the community and, even more, as they transform their various disciplines by bringing to bear upon them the light of the Divine Teachings, problem after problem now disrupting society will be answered.”[86, p. 369] What you find in the divine economy theory is the recognition of the errors in economic science and political science caused by ego-driven interpretation and ego-driven intervention. These errors are completely unnecessary and are completely avoidable. Besides, there is no moral authority for either ego-driven interpretation or ego-driven intervention.

TABERNACLE

Of course I almost always agree with Ludwig von Mises (“economics is a living thing”) and now I am going to continue to explore the organic ‘living’ nature of the economy. Diagram 5g shows a close-up view—from-above of the economic equilibrium force. It starts with justice as the fulcrum as depicted in Diagram 5a. Similar to Diagram 5b the base has three components: the divine economy (DE), the divine microeconomy (DME), and the ethics of the divine economy (EDE). Justice of the divine economy (JDE) is the bearer of the weight.

This implantation of the ‘Greatest Name’ is very similar to the technique that I used on page 161 in *The HUMAN ESSENCE of Economics*[49] when I implanted the divine spark into the Complete Model of the Divine Microeconomy.

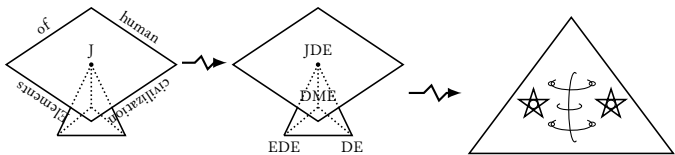


Diagram 5g: Implantation of the Greatest Name

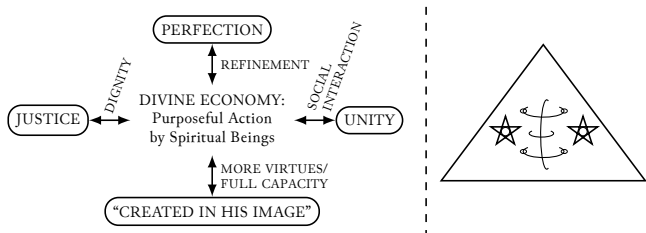


Diagram 5h: Different Divine Economy Perspectives

Let’s look at these side by side (Diagram 5h).
Remember that another way to refer to the force of economic equilibrium is to say ‘divine economy.’ It is clear from Diagram 5g that the triangle with the emblem of the ‘Greatest Name’ inside is the base of the equilibrium fulcrum. And so you could combine it with the divine spark (Diagram 5i). This is one of the fascinating observations at the microlevel.

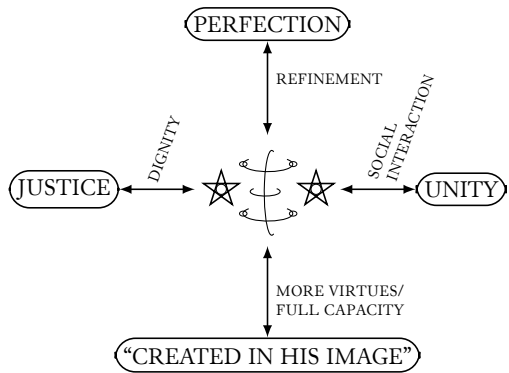


Diagram 5i: Another Divine Spark Perspective

To further this exploration we combine Diagram 4b from Chapter 4 and Diagram 3n from Chapter 3 with the ‘Greatest Name’ to discover (Diagram 5j) both the scientific and the spiritual power of the Holy Spirit!

The human reality—the human spirit that acts purposefully and transforms itself and its surroundings—is represented by the central vertical portion of the divine economy model. There is transformation; and humans are spiritual beings in addition to being physical and intellectual beings. The central vertical line in the ‘Greatest Name’ symbolizes the Holy Spirit which connects God to mankind via the Manifestations of God. The power of the Holy Spirit is captured scientifically in the divine economy theory by simply redefining praxeology as the study of purposeful action of humans as spiritual beings.

Another way to scientifically capture the spiritual power of the Holy Spirit is to recognize that the essence of the entrepreneurial spirit is alertness. This is synonymous with the search for truth which is an inherent characteristic of human beings. It is the cause of purposeful action. The divine spark is simply a manifestation of the Holy Spirit in the lives of human beings.

Looking down at the base of the force of economic equilibrium from the fulcrum tip (Diagram 5k) we see how the divine economy theory operates as an economic equilibrium theory.

The first thing we notice is that looking from the very specific perspective of the fulcrum tip—which represents the Justice of the Divine Economy—it lines up perfectly with the point where the Holy Spirit intersects with the Manifestation of God. This is not a coincidence. After all, the Manifestations of God are and have always been the Source of justice.

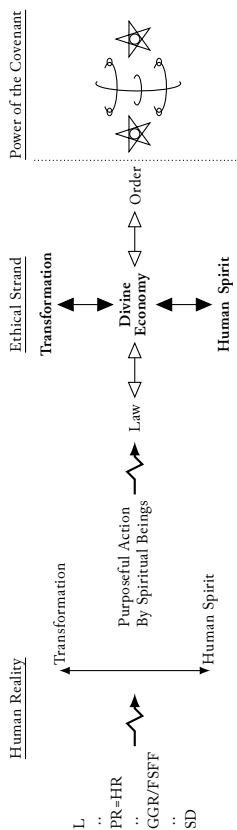


Diagram 5j: Using Science to Explore the Holy Spirit

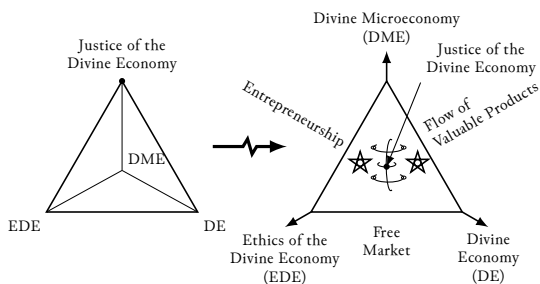


Diagram 5k: The Fulcrum Point / Intersection Point

Now let us look at some examples of how the divine economy works. Comparative advantage is an economic law which explains how it is that even if someone (or a nation) is relatively less productive in all productive activities there will be a comparative advantage in at least one productive activity. In other words, every single human being can contribute to the advancement of civilization and because they contribute productively they earn income to provide for their needs. How this economic law is possible is somewhat mind-boggling but it is true and it is undoubtedly part of God's providence.

Another supreme economic law is the disutility of labor. It drives entrepreneurship and the formation of capital. And yet humans are subjective. As you can see in Appendix A there are numerous deviations from the law of the disutility of labor due to the power of thought. [66, pp. 587–588] And so it is readily conceivable that a culture can evolve into one that regards work done to one's highest ability as equivalent to the worship of God. In other words, it is an expression of love and so humans can conquer the law of the disutility of labor if they choose to do so in a way that happens to be voluntary, thus making it perfectly compatible with the forces of equilibrium.

The entrepreneurial spirit that is in an active state is alert and ready for the transformation process. It connects itself to the flow of knowledge in an effort to seek the truth. It needs to operate in an environment of justice to function optimally; and it perceives justice within the surroundings and across time; and it renders justice by ameliorating skewed circumstances! In other words, the Holy Spirit is closely associated with the entrepreneurial spirit.

It is not coincidental that certain worldly things which are very much admired by humans are not within the realm of generation by humans. I am referring here to gold! It is true that we could allow the lower half of our dual nature to debase us, and quickly we would become a loathsome creature. The same is true with regards gold. It is not that we haven't tried to generate gold through alchemy, and in these—the Dark Ages of economics—our debasement comes as a result of our counterfeit systems of fiat currencies. If you take a step back and look at the wars and the corruptions that are caused by the violation of the economic law of a gold standard you get a glimpse of the degradation of humanity that burdens us; resulting from the violation of the gold standard. Gold can be tested for its purity, likewise, the purity of human civilization is tested by how it practices the gold standard.

Individuals are subjective which seems to make it difficult, theoretically and ethically, to give any validity to the concept of an entity at the societal level. That is not to say that there aren't countless unsubstantiated and theoretically and ethically invalid doctrines that give society a life in and of itself. Discarding these and searching for the possibility of a social expression of subjective individuals, a real possibility comes to light. The conditions are as follows: the group—that cares deeply about the affairs of the community and the concerns of the individuals in the community—consults about an issue frankly and lovingly and comes to a unanimous or a majority decision. Knowing full well that the decision may be right or it may be wrong they inform everyone about the decision. The community and the members of the elected consultative body share the conviction that only if everyone wholeheartedly supports the decision will the rightness or wrongness of the decision ever be known. If it turns out to be wrong on its own merit, not because of disruptive opposition, then the consultative process is repeated until the right decision is confirmed by real experience. If society is arranged in this manner then a group can function as a decision-maker in a manner that is compatible with the subjective nature of individuals. "A group decision, when unanimously agreed upon, may be considered as consistent as any other taken by the individual chooser in the market." [52, p. 226]

As you can tell we have been moving along the path of the divine economy into the realm of culture and order. To go further we have to

look again at where we are coming from before we can decide where we want to go.

Over the ages subjective decisions were made concerning how best to achieve social cooperation. Early on these decisions were incorporated into the customs and formed the basis for the customary laws. Part of the social advancement and evolution along these lines was the codifying of the laws which facilitated the flow of knowledge. Common law was a variant of this process and actually it was a deviant, where law came under the control of the ego-driven. It is this corrupted system that is now in place.

To truly resolve this age-old problem there seems to be two primary options. Both options call for the return to codified law. In a society that rebuilds itself so that the force of economic equilibrium operates with liberty and justice there will always be a continuous refinement of the laws as a natural process. Part of the steps of refinement will be the necessity of codifying this customary law. I have two concerns about this type of codification process. First, it could succumb to corruption like it did before when it morphed into common law. And second, this continual refinement is quite a slow process which increases its vulnerability to the attacks of corruption by the ego-driven.

The other option of establishing codified law is ideal in many ways. The laws given to us by the Manifestation of God specific for the Day in which we live are codified. They are tailored especially for the needs, exigencies, and requirements of that particular Day and Age. They come from the true Source of justice and from the Law-Giver. Although implementing these laws may take time and although there will still be an ongoing discovery process for the entire Dispensation, the foundation exists immediately. If the Covenant is strong, and if it is inviolable, then there cannot be any corrupting of the codified law.

We are talking about economics, that is, the best means to attain the ends. If a Manifestation of God has given us the Laws of the Age then the best means to attain the ever-advancing civilization is to adopt these codified laws.

ASSAY

What we are looking for is “a system that prevents among others the gradual control of wealth in the hands of a few and the resulting state

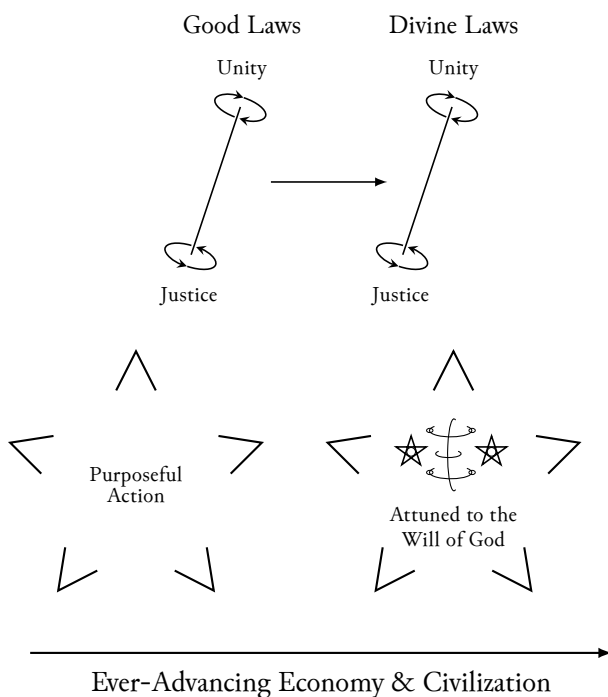


Diagram 51: Laws and the Divine Spark

of both extremes, wealth and poverty”[14, p. 548]. In other words we want a system of liberty and justice. Science is one way to assay the true nature and value of things. Science can even be used to assay the nature and value of ‘science’ —as we have seen— economic science has shown that much of economics is riddled with errors and fallacies. The divine economy theory upholds and proves that the correct scientific method for economics is subjectivism. It verifies the scientific validity of classical liberalism and it verifies it as a proven system of liberty and justice.

Let’s flip the coin and look at the other side! Science cannot be true science if it ignores the existence of God. In this way religion is one way to assay science. This is exactly why I developed the divine economy theory. Contemporary economics was unable to meet this test! Look at all of the discoveries that I have made this time around using the divine economy theory. More discoveries will be made in the future by future economists who use the divine economy theory. The

intent of this point is to emphasize that true science and true religion go hand in hand.

Now think about how drastic the changes have to be to get from where we are to where we are going as a human civilization—to a contractual civilization made up of consultative communities. What would cause the ego-driven to change their ways? And what could possibly cause the abandonment of the ubiquitous common law? There are three major forces that can and will motivate the change. Of course there is the equilibrium force. Then there is the force of change emanating from education about the equilibrium force itself, in other words, the divine economy theory will play an important role. And then there is the fear of God. Once the Will of God for this Day is generally known there will be only a rare few, high or low alike, who will deliberately undermine their very own existence by acting in contrarian ways.

There are two dimensions to the emergence of the divine civilization embodied in the Writings of Bahá'u'lláh. The first is that the laws are clear and the Covenant is strong and inviolable. The next chapter, Chapter 6, will go on to exemplify the theoretical exposition hinted at in this chapter in the models of the Justice of the Divine Economy. It is this theoretical exposition that sets the contractual “Seal of Bahá'u'lláh” on the force that changes hearts and changes civilization. The justice in the divine economy theory relieves people of archaic religious practices that are an anathema to the ameliorating principles of classical liberalism.

The second dimension of the emergence happens to have been mentioned by Henry Hazlitt when he was envisioning the unfolding of a classical liberalism civilization: “New rules and standards must be tested by a minority before they are adopted by or enforced on everyone.” [36, p. 182] Currently there is a worldwide community of individuals who are voluntarily aligning their lives according to the Laws and Teachings of Bahá'u'lláh and undergoing transformation. This minority operates completely within the Covenant and so all of the great powers described by the divine economy theory are fully available.

Two levels of testing are taking place. The Bahá'í community is facing the test of abiding by the Will of God as revealed by Bahá'u'lláh. It is through this transformative testing process that the signs of prosperity and justice will be evident for all to see. The Bahá'í community

welcomes any and all critical examination of how it all works. In that way they are serving humanity—which needs to see proof before adopting change.

The second level of testing is more tragic. The equilibrium force is infinitely more powerful than any manmade ideology. Most of the institutional components and structures existing in the world today are built upon economic fallacies and other errors of human thought. The equilibrium pendulum has been pushed to its limit and will return to its point of entropy with great and cataclysmic force. The economic equilibrium and the broader equilibrium concept within the divine economy theory will be tested against the events and the trends over time. Also, the maintenance of liberty and justice—despite the world upheavals—within the stronghold of the Covenant of Bahá'u'lláh will be tested. At both levels of testing the divine economy theory and the Covenant of Bahá'u'lláh will be as a guiding light to a searching humanity.

Logical thinking and real life are not two separate orbits. Logic is for man the only means to master the problems of reality. What is contradictory in theory, is no less contradictory in reality. No ideological inconsistency can provide a satisfactory, i.e., working, solution for the problems offered by the facts of the world. The only effect of contradictory ideologies is to conceal the real problems and thus to prevent people from finding in time an appropriate policy for solving them. Inconsistent ideologies may sometimes postpone the emergence of a manifest conflict. But they certainly aggravate the evils which they mask and render a final solution more difficult. They multiply the agonies, they intensify the hatreds, and make peaceful settlement impossible. It is a serious blunder to consider ideological contradictions harmless or even beneficial.

The main objective of praxeology and economics is to substitute consistent correct ideologies for the contradictory tenets of popular eclecticism. There is no other means of preventing social disintegration and of safeguarding the steady improvement of human conditions than those provided by reason. Men must try to think through all the problems involved up to the point beyond which a human mind cannot proceed farther. They must never acquiesce in any solutions conveyed by older generations, they must always question

anew every theory and every theorem, they must never relax in their endeavors to brush away fallacies and to find the best possible cognition. They must fight error by unmasking spurious doctrines and by expounding truth. [66, p. 185]

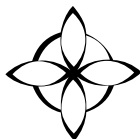
What is being sought? Justice and liberty are being sought. Law and order are being sought. It is no longer difficult to understand that justice is, in essence, divine. Likewise law is divine and order is divine! Of course that means that it is beyond the conceptualization power of human minds. It is within the domain of the Manifestations of God. How fascinating it is to be able to see for yourself the justice and liberty, the law and order, given to us by the Manifestation of God known as Bahá'u'lláh!



Selected Exercises

1. When is liberty and justice closely balanced?
2. What happens to the human reality under justice?
3. Describe how reciprocity and symmetry imply justice.
4. According to divine economy theory, what is the reason that humans deeply value a contractual relationship?
5. Where did the ego-driven State come from?
6. What does Ludwig von Mises mean by “economics is a living thing?”
7. Use Diagram 5i to describe the influence of the Covenant of God on human action.
8. Discuss how the science of economics can now explore how the Holy Spirit influences human action.
9. What is underlying the remarkability of comparative advantage?
10. Is an economic law like the disutility of labor able to be circumvented?
11. What is the relationship between entrepreneurship and justice?
12. If the best means to attain the ends is recognizing and applying the Laws of Bahá'u'lláh what is the economic thing to do?
13. Is a contractual civilization made up of consultative communities the direction we are going? Give an example in the affirmative.

14. What is the merit of having “new rules and standards” tested by a minority before their adoption by the majority?
15. Comment on the quote of Ludwig von Mises [ref. 66, p. 185] on Pages 373 to 374 with regards the divine economy theory.



Chapter 6

Just A Step Away From Those Glorious Heights

Divine Justice and Divine Order

“Were men to strictly observe that which the Pen of the Most High hath revealed in the Crimson Book, they could then well afford to dispense with the regulations which prevail in the world. Certain exhortations have repeatedly streamed forth from the Pen of the Most High that perchance the manifestations of power and the dawning-places of might may, sometime, be enabled to enforce them.”[20, p. 90]

PREAMBLE

With a foot planted firmly on the ground, the world and all of the worlds seem less daunting. Confident in the beneficence of certitude the journey embarked upon by these now fully mature individuals is like a vast ocean—constant, powerful, expansive, awesome, deep, and full of potency. On the beach where the waves continually spread themselves outwards, these exalted aspirations can be heard: “Give me more, give me more, I want more!”

INCUBATION

Immediately, to begin we have to recognize a few things. Humans are subjective and since we are all different justice is the greatest law of God for this Day. Also, there is a difference between philosophers and those who are Spiritual Teachers (the Manifestations of God). “The Spiritual Teacher is the first to follow His own teaching; He brings

down into the world of action His spiritual conceptions and ideals. His Divine thoughts are made manifest to the world. His thought is Himself, from which He is inseparable.”[6, p. 18] Liberty and justice is the reality of the Manifestation of God. “The Ancient Beauty hath consented to be bound with chains that mankind may be released from its bondage, and hath accepted to be made a prisoner within this most mighty Stronghold that the whole world may attain unto true liberty. He hath drained to its dregs the cup of sorrow, that all the peoples of the earth may attain unto abiding joy, and be filled with gladness.”[22, p. 99] “The essence of all that We have revealed for thee is Justice, is for man to free himself from idle fancy and imitation, discern with the eye of oneness His glorious handiwork, and look into all things with a searching eye.”[20, p. 156]

It is this searching eye that both high and low can use to find the foundations of life that pertain to us as individuals and to the whole of human civilization. Consider paragraph 85 in the *Kitáb-i-Aqdas* (Most Holy Book), the Book of Laws, which makes reference to Francis Joseph, the Emperor of Austria and King of Hungary. Bahá'u'lláh reproaches him for his failure to ‘take the opportunity to inquire about Bahá'u'lláh Who was at that time a prisoner in ‘Akká (Acre).’[23, p. 216] “O Emperor of Austria! He Who is the Dayspring of God’s Light dwelt in the prison of ‘Akká at the time when thou didst set forth to visit the Aqsa Mosque. Thou passed Him by, and inquired not about Him by Whom every house is exalted and every lofty gate unlocked. We, verily, made it a place whereunto the world should turn, that they might remember Me, and yet thou hast rejected Him Who is the Object of this remembrance, when He appeared with the Kingdom of God, thy Lord and the Lord of the worlds. We have been with thee at all times, and found thee clinging unto the Branch and heedless of the Root. Thy Lord, verily, is a witness unto what I say. We grieved to see thee circle round Our Name, whilst unaware of Us, though We were before thy face. Open thine eyes, that thou mayest behold this glorious Vision, and recognize Him Whom thou invokest in the daytime and in the night season, and gaze on the Light that shineth above this luminous Horizon.”[23, p. 50]

“He Who is the Eternal Truth—exalted be His glory—hath made the fulfilment of every undertaking on earth dependent on material means.”[19, #34] We are subjective beings interested in our own well-

being and so the potential to acquire wealth motivates us to act simply out of self interest and yet wealth is of great benefit to everyone. Bahá'u'lláh then goes on to say: "Hence it is enjoined upon every individual to offer that which is the Right of God." The Right of God helps the Bahá'ís to see wealth also as a means for acting in the interest of others. Here is paragraph 97 in the *Kitáb-i-Aqdas*: "Should anyone acquire one hundred mithqáls of gold, nineteen mithqáls thereof are God's and to be rendered unto Him, the Fashioner of earth and heaven. Take heed, O people, lest ye deprive yourselves of so great a bounty. This We have commanded you, though We are well able to dispense with you and with all who are in the heavens and on earth; in it there are benefits and wisdoms beyond the ken of anyone but God, the Omniscient, the All-Informed. Say: By this means He hath desired to purify what ye possess and to enable you to draw nigh unto such stations as none can comprehend save those whom God hath willed. He, in truth, is the Beneficent, the Gracious, the Bountiful. O people! Deal not faithlessly with the Right of God, nor, without His leave, make free with its disposal. Thus hath His commandment been established in the holy Tablets, and in this exalted Book. He who dealeth faithlessly with God shall in justice meet with faithlessness himself; he, however, who acteth in accordance with God's bidding shall receive a blessing from the heaven of the bounty of his Lord, the Gracious, the Bestower, the Generous, the Ancient of Days. He, verily, hath willed for you that which is yet beyond your knowledge, but which shall be known to you when, after this fleeting life, your souls soar heavenwards and the trappings of your earthly joys are folded up. Thus admonisheth you He in Whose possession is the Guarded Tablet." [23, p. 55] Note #125 describes it further: "This verse establishes Ḥuqúqu'lláh, the Right of God, the offering of a fixed portion of the value of the believer's possessions. This offering was made to Bahá'u'lláh as the Manifestation of God and then, following His Ascension, to 'Abdu'l-Bahá as the Centre of the Covenant. In His *Will and Testament*, 'Abdu'l-Bahá provided that the Ḥuqúqu'lláh was to be offered "through the Guardian of the Cause of God". There now being no Guardian, it is offered through the Universal House of Justice as the Head of the Faith. This fund is used for the promotion of the Faith of God and its interests as well as for various philanthropic purposes." [23, p. 218]

Unlike in the past, in the *Kitáb-i-Aqdas* there are no negative assessments assigned to profit or interest. For example, “Many people stand in need of this. Because if there were no prospect for gaining interest, the affairs of men would suffer collapse or dislocation. One can seldom find a person who would manifest such consideration towards his fellow-man, his countryman or towards his own brother and would show such tender solicitude for him as to be well-disposed to grant him a loan on benevolent terms. Therefore as a token of favour towards men We have prescribed that interest on money should be treated like other business transactions that are current amongst men. Thus, now that this lucid commandment hath descended from the heaven of the Will of God, it is lawful and proper to charge interest on money, that the people of the world may, in a spirit of amity and fellowship and with joy and gladness, devotedly engage themselves in magnifying the Name of Him Who is the Well-Beloved of all mankind. Verily He ordaineth according to His Own choosing. He hath now made interest on money lawful, even as He had made it unlawful in the past.”[20, p. 132] As an economist in the classical liberalism tradition I see this as an indication that free banking is a very important component of a divine economy since it has the merits of self-regulation, and since it serves the people by providing the storehouses for capital. This is in contrast to the corrupt current banking practices which mask the insolvencies of banks and promulgate a system of capital consumption and wealth redistribution.

Wealth is supposed to be protected so it can serve as capital to do the work of the world and so it can be bestowed on one's loved ones. Paragraph 109 begins with this sentence: “Unto everyone hath been enjoined the writing of a will.”[23, p. 59] Note #136 further explains this: “According to the Teachings of Bahá'u'lláh, the individual has a duty to write a will and testament, and is free to dispose of his estate in whatever manner he chooses.” “Bahá'u'lláh affirms that in drawing up his will ‘a person hath full jurisdiction over his property’, since God has permitted the individual ‘to deal with that which He hath bestowed upon him in whatever manner he may desire.’”[23, p. 223]

If an individual does not have a will at the time of passing then the law of Bahá'u'lláh apportions the inheritance in a way that is beneficial to the family members, the teachers and possibly to the Houses of Justice. The first of many laws pertaining to inheritance and the will

is paragraph 20: “We have divided inheritance into seven categories: to the children, We have allotted nine parts comprising five hundred and forty shares; to the wife, eight parts comprising four hundred and eighty shares; to the father, seven parts comprising four hundred and twenty shares; to the mother, six parts comprising three hundred and sixty shares; to the brothers, five parts or three hundred shares; to the sisters, four parts or two hundred and forty shares; and to the teachers, three parts or one hundred and eighty shares. Such was the ordinance of My Forerunner, He Who extolleth My Name in the night season and at the break of day. When We heard the clamour of the children as yet unborn, We doubled their share and decreased those of the rest. He, of a truth, hath power to ordain whatsoever He desireth, and He doeth as He pleaseth by virtue of His sovereign might.”[23, p. 26]

It is the right of the individual property owner to do what he or she pleases with that property. In paragraph 61 Bahá’u’lláh says: “God hath bidden you to show forth kindness towards My kindred, but He hath granted them no right to the property of others. He, verily, is self-sufficient, above any need of His creatures.”[23, p. 41] In other words, an important feature of the new divine economy ethic is the traditional classical liberalism property rights ethic plus the fear of God.

Although I will come back to this later in the chapter it is time to describe the Houses of Justice since the Right of God is given to the Universal House of Justice and since inheritance sometimes is allocated to the Houses of Justice. Bahá’u’lláh makes first mention in the *Kitáb-i-Aqdas* of the Houses of Justice in paragraph 21: “Should the deceased leave no offspring, their share shall revert to the House of Justice, to be expended by the Trustees of the All-Merciful on the orphaned and widowed, and on whatsoever will bring benefit to the generality of the people, that all may give thanks unto their Lord, the All-Gracious, the Pardoners.”[23, pp. 26–27] There is no welfare State in this divine system but those who are in need will be provided for. No individual will be lost because there will be a House of Justice in every city and village as described in paragraph 30: “The Lord hath ordained that in every city a House of Justice be established wherein shall gather counselors to the number of Bahá’í, and should it exceed this number it doth not matter. They should consider themselves as entering the Court of the presence of God, the Exalted, the Most High, and as beholding Him Who is

the Unseen. It behoveth them to be the trusted ones of the Merciful among men and to regard themselves as the guardians appointed of God for all that dwell on earth. It is incumbent upon them to take counsel together and to have regard for the interests of the servants of God, for His sake, even as they regard their own interests, and to choose that which is meet and seemly. Thus hath the Lord your God commanded you. Beware lest ye put away that which is clearly revealed in His Tablet. Fear God, O ye that perceive.”[23, p. 29]

From Note #56 we find: “In one of His Tablets, ‘Abdu’l-Bahá states that ‘if a person is incapable of earning a living, is stricken by dire poverty or becometh helpless, then it is incumbent on the wealthy or the Deputies to provide him with a monthly allowance for his subsistence’ . . . By ‘Deputies’ is meant the representatives of the people, that is to say the members of the House of Justice.”[23, p. 192] This note is a supplement to the law given by Bahá’u’lláh in paragraph 33: “O people of Bahá’! It is incumbent upon each one of you to engage in some occupation—such as a craft, a trade or the like. We have exalted your engagement in such work to the rank of worship of the one true God. Reflect, O people, on the grace and blessings of your Lord, and yield Him thanks at eventide and dawn. Waste not your hours in idleness and sloth, but occupy yourselves with what will profit you and others. Thus hath it been decreed in this Tablet from whose horizon hath shone the day-star of wisdom and utterance. The most despised of men in the sight of God are they who sit and beg. Hold ye fast unto the cord of means and place your trust in God, the Provider of all means.”[23, p. 30] Shoghi Effendi goes on to further explain this law: “In response to a question concerning whether Bahá’u’lláh’s injunction requires a wife and mother, as well as her husband, to work for a livelihood, the Universal House of Justice has explained that Bahá’u’lláh’s directive is for the friends to be engaged in an occupation which will profit themselves and others, and that homemaking is a highly honourable and responsible work of fundamental importance to society.”[23, p. 193]

Societal transformation is part of the change and two of the most dramatic changes are intimately connected to economic behavior. Benefits from cooperation will come to be very much understood. For instance, as a result of the sum total of positive societal transformations the time preference for everyone will lower, which is especially good

news for people along the margin of criminal behavior. A generally lower time preference and an affinity for social cooperation will significantly decrease the desire to commit a crime.

Those who are beyond the margin are in need of greater measures to train them, if trainable. Levying fines to compensate the victims is one measure, as in paragraph 188: “Should anyone unintentionally take another’s life, it is incumbent upon him to render to the family of the deceased an indemnity of one hundred mithqāls of gold. Observe ye that which hath been enjoined upon you in this Tablet, and be not of those who overstep its limits.”[23, p. 87] Whereas a deliberate murder is so uncivilized that it may require the harshest of punishment as is demonstrated in paragraph 62: “Should anyone intentionally destroy a house by fire, him also shall ye burn; should anyone deliberately take another’s life, him also shall ye put to death. Take ye hold of the precepts of God with all your strength and power, and abandon the ways of the ignorant. Should ye condemn the arsonist and the murderer to life imprisonment, it would be permissible according to the provisions of the Book. He, verily, hath power to ordain whatsoever He pleaseth.”[23, p. 40]

Criminals beyond the margin who violate property rights may or may not be able to reform but only the most heinous will feel the full effects of the law in paragraph 45: “Exile and imprisonment are decreed for the thief, and, on the third offence, place ye a mark upon his brow so that, thus identified, he may not be accepted in the cities of God and His countries. Beware lest, through compassion, ye neglect to carry out the statutes of the religion of God; do that which hath been bidden you by Him Who is compassionate and merciful. We school you with the rod of wisdom and laws, like unto the father who educateth his son, and this for naught but the protection of your own selves and the elevation of your stations. By My life, were ye to discover what We have desired for you in revealing Our holy laws, ye would offer up your very souls for this sacred, this mighty, and most exalted Faith.”[23, pp. 35–36] Note #70 explains the degree of penalty: “Bahá’u’lláh states that the determination of the degree of penalty, in accordance with the seriousness of the offence, rests with the House of Justice. The punishments for theft are intended for a future condition of society, when they will be supplemented and applied by the Universal House

of Justice.”[23, p. 198] Note #71 describes the mark on the forehead: “The mark to be placed on the thief’s forehead serves the purpose of warning people of his proclivities. All details concerning the nature of the mark, how the mark is to be applied, how long it must be worn, on what conditions it may be removed, as well as the seriousness of various degrees of theft have been left by Bahá’u’lláh for the Universal House of Justice to determine when the law is applied.”[23, p. 198]

It is obvious to most people that there are significant social costs and harm done by acts of crime but there are also social costs and harm done by acts of immorality. Fines serve as a deterrent which may be necessary for a person with a weak character to change their behavior. The fines may be less of a deterrent than the shame. Both the fines and the shame increase as described in paragraph 49: “God hath imposed a fine on every adulterer and adulteress, to be paid to the House of Justice: nine mithqáls of gold, to be doubled if they should repeat the offence. Such is the penalty which He Who is the Lord of Names hath assigned them in this world; and in the world to come He hath ordained for them a humiliating torment. Should anyone be afflicted by a sin, it behoveth him to repent thereof and return unto his Lord. He, verily, granteth forgiveness unto whomsoever He willeth, and none may question that which it pleaseth Him to ordain. He is, in truth, the Ever-Forgiving, the Almighty, the All-Praised.”[23, p. 37] In Note #77 the House of Justice referred to is the Local House of Justice: “In one of His Tablets, ‘Abdu’l-Bahá refers to some of the spiritual and social implications of the violation of the laws of morality and, concerning the penalty here described, He indicates that the aim of this law is to make clear to all that such an action is shameful in the eyes of God and that, in the event that the offence can be established and the fine imposed, the principal purpose is the exposure of the offenders—that they are shamed and disgraced in the eyes of society. He affirms that such exposure is in itself the greatest punishment.”[23, p. 200] And in Note #78 it states: “The weight of nine of these mithqáls equals 32.775 grammes or 1.05374 troy ounces.”[23, p. 201]

Other resources, too, will be available to the Houses of Justice—voluntarily—contributions and Zakat (tithe). “Full development of the institution of Zakat has fallen to the Universal House of Justice which will in the future legislate upon the details necessary for the assessment

of Zakat and the operation of this institution within the guidelines provided by Bahá'u'lláh and 'Abdu'l-Bahá." [23, p. 169] The point being that a system is in the world for all to see. "Anticipating the System which the irresistible power of His Law was destined to unfold in a later age, He (Bahá'u'lláh) writes: 'The world's equilibrium hath been upset through the vibrating influence of this most great, this new World Order. Mankind's ordered life hath been revolutionized through the agency of this unique, this wondrous System—the like of which mortal eyes have never witnessed.' 'The Hand of Omnipotence hath established His Revelation upon an unassailable, an enduring foundation. Storms of human strife are powerless to undermine its basis, nor will men's fanciful theories succeed in damaging its structure.'" [29, p. 109]

The following counsel of justice is given by Bahá'u'lláh in paragraph 189: "O members of parliaments throughout the world! Select ye a single language for the use of all on earth, and adopt ye likewise a common script. God, verily, maketh plain for you that which shall profit you and enable you to be independent of others. He, of a truth, is the Most Bountiful, the All-Knowing, the All-Informed. This will be the cause of unity, could ye but comprehend it, and the greatest instrument for promoting harmony and civilization, would that ye might understand! We have appointed two signs for the coming of age of the human race: the first, which is the most firm foundation, We have set down in other of Our Tablets, while the second hath been revealed in this wondrous Book." [23, p. 88] If we go to the first $\frac{1}{3}$ of Note #194 we find further clarification: "The first sign of the coming of age of humanity referred to in the Writings of Bahá'u'lláh is the **emergence of a science** which is described as that '**divine philosophy**' which will include the discovery of a radical approach to the **transmutation of elements**. This is an indication of the splendours of **the future stupendous expansion of knowledge**." [23, p. 250]

I find in these words given in Note #194 a remarkable parallel with the divine economy theory. First of all '**emergence of a science**' is exactly what has happened—the divine economy theory—similar to the science that emerged from Thomas Aquinas and the Spanish Scholastics during the early years of classical liberalism. Just like the philosophy of science back then, the divine economy theory can now be described as a '**divine philosophy**.' One of the features of this book that

you are reading right now is the expansion of the concept of economic equilibrium to the realm of law. The concept expanded from economics to ethics to law and ultimately to what is referred to as the human civilization equilibrium which encompasses all of the sciences, each of which in some way embodies the concept of equilibrium. With this in place the ‘**transmutation of elements**’ (all of the sciences) and the ‘**future stupendous expansion of knowledge**’ is assured. In other words, God is the heart and soul of all knowledge.

We can now re-examine the Justice/Unity axis of the divine economy model. Remember that this is a shorthand version of the divine economy theory which contains within it the divine microeconomy theory and the divine spark. Also implied is the interconnectedness of the economy with ethics, and its transformative process towards a divine civilization, that unfolds under the influence of the elements of human civilization and the Covenant.

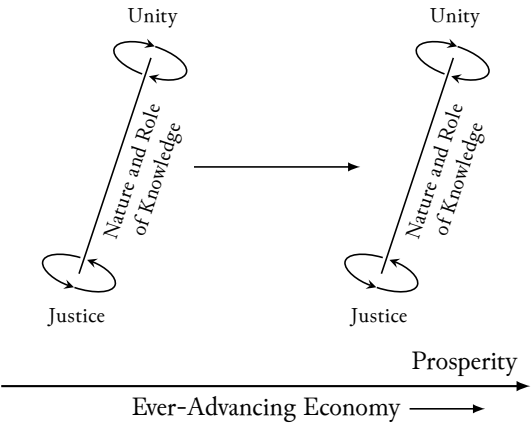


Diagram 6a: The Future Stupendous Expansion of Knowledge

Now think about this diagram in terms of paragraph 189 in the *Kitáb-i-Aqdas*. The divine justice of the counsel given by Bahá'u'lláh ‘will be the cause of unity’ and ‘the greatest instrument for promoting harmony and civilization.’ Notice the ‘Nature and Role of Knowledge’ axis and how it links justice to unity and how it advances as it moves to the right. According to Note #194: “This is an indication of the splendours of the future **stupendous expansion of knowledge**.”

To some degree, I feel certain that the divine economy theory contributes to the emergence of a science which is described as a 'divine philosophy.'

The second $\frac{1}{3}$ (not yet examined) of Note #194 goes on to describe the 'signs for the coming of age of the human race.' "Concerning the 'second' sign which Bahá'u'lláh indicates to have been revealed in the *Kitáb-i-Aqdas*, Shoghi Effendi states that Bahá'u'lláh, "... in His Most Holy Book, has enjoined the selection of a single language and the adoption of a common script for all on earth to use, an injunction which, when carried out, would, as He Himself affirms in that Book, be one of the signs of the 'coming of age of the human race.'"

Further insight into this process of mankind's coming of age and proceeding to maturity is provided by the following statement of Bahá'u'lláh: "One of the signs of the maturity of the world is that no one will accept to bear the weight of kingship. Kingship will remain with none willing to bear alone its weight. That day will be the day whereon wisdom will be manifested among mankind." [23, p. 251]

This shows the high sense of justice in the future. Kings will find that the need for consultation with their subjects is so great and that the need for exceptional nobility is so great that it is not possible to be a king under such a high standard of justice.

Again refer to Diagram 6a. The movement of the 'Nature and Role of Knowledge' axis when the human race comes of age visually complements what is the final $\frac{1}{3}$ of Note #194: "The coming of age of the human race has been associated by Shoghi Effendi with the unification of the whole of mankind, the establishment of a world commonwealth, and an unprecedented stimulus to 'the intellectual, the moral and spiritual life of the entire human race.'"

As you can see we have gotten to the point where it is time to examine the divine order brought by Bahá'u'lláh. The laws of Bahá'u'lláh establishes and limits the Administrative Order which allows for the ethics of humankind to evolve from one stage to the next—like the ecological concept of the succession of communities—as the process of the ever-advancing civilization proceeds organically and naturally as part of the omnipresent and omniscient equilibrium force of God.

TABERNACLE

Yet, undeniably, we must go from chaos to order. Is this not what is promised in the Covenant of God? "Verily, the mission of all the prophets, the relation of all the scriptures, the diffusion of the instructions of God and the descent of His law, were all in order to establish agreement and union and to strengthen love and harmony among nations of different customs and thoughts, of diverse beliefs, doctrines, rites and habits; of various classes, tribes and races." [7, p. 596] It is through the revealed observances and laws provided via the Manifestations of God that the world is set in order. The *Kitáb-i-Aqdas* is "the chief depository wherein are enshrined those priceless elements of that Divine Civilization, the establishment of which is the primary mission of the Bahá'í Faith." [29, p. 3]

The embryonic Administrative Order, as it expands and consolidates itself within the shelter of an inviolable Covenant, will stimulate individual action within a pattern designed by Bahá'u'lláh. This is providential because: "For man's knowledge of God cannot develop fully and adequately save by observing whatsoever hath been ordained by Him and is set forth in His heavenly Book." [20, p. 267] After all, "The supreme cause for creating the world and all that is therein is for man to know God." [20, p. 267]

Human development and consequently the development of human civilization is contingent upon at least some of the people on Earth putting into effect the guidance provided by Bahá'u'lláh. "For Bahá'u'lláh, we should readily recognize, has not only imbued mankind with a new and regenerating Spirit. He has not merely enunciated certain universal principles, or propounded a particular philosophy, however potent, sound and universal these may be. In addition to these He, as well as 'Abdu'l-Bahá after Him, has, unlike the Dispensations of the past, clearly and specifically laid down a set of Laws, established definite institutions, and provided for the essentials of a Divine Economy. These are destined to be a pattern for future society, a supreme instrument for the establishment of the Most Great Peace, and the one agency for the unification of the world, and the proclamation of the reign of righteousness and justice upon the earth. Not only have they revealed all the directions required for the practical realization of those ideals

which the Prophets of God have visualized, and which from time immemorial have inflamed the imagination of seers and poets in every age. They have also, in unequivocal and emphatic language, appointed those twin institutions of the House of Justice and of the Guardianship as their chosen Successors, destined to apply the principles, promulgate the laws, protect the institutions, adapt loyally and intelligently the Faith to the requirements of progressive society, and consummate the incorruptible inheritance which the Founders of the Faith have bequeathed to the world.”[29, p. 19]

Of course this divine order finds its origin in the *Kitáb-i-Aqdas*. There are twin pillars that support the mighty administrative structure of this divine order—“the institutions of the Guardianship and of the Universal House of Justice.”[29, p. 147] With regards the Guardianship it is “In the verses of the *Kitáb-i-Aqdas* the implications of which clearly anticipate the institution of the Guardianship; in the explanation which ‘Abdu’l-Bahá, in one of His Tablets, has given to, and the emphasis He has placed upon, the hereditary principle and the law of primogeniture as having been upheld by the Prophets of the past—in these we can discern the faint glimmerings and discover the earliest intimation of the nature and working of the Administrative Order which the Will of ‘Abdu’l-Bahá was at a later time destined to proclaim and formally establish.”[29, p. 147] And so now we know what constitutes the basis of the divine order—the *Kitáb-i-Aqdas* and the *Will and Testament of ‘Abdu’l-Bahá*.

“These twin institutions of the Administrative Order of Bahá’u’lláh should be regarded as divine in origin, essential in their functions and complementary in their aim and purpose. Their common, their fundamental object is to insure the continuity of that divinely-appointed authority which flows from the Source of our Faith, to safeguard the unity of its followers and to maintain the integrity and flexibility of its teachings.”[29, p. 148] “Divorced from the institution of the Guardianship the World Order of Bahá’u’lláh would be mutilated and permanently deprived of that hereditary principle which, as ‘Abdu’l-Bahá has written, has been invariably upheld by the Law of God.”[29, p. 148] “Severed from the no less essential institution of the Universal House of Justice this same System of the Will of ‘Abdu’l-Bahá would be paralyzed in its action and would be powerless to fill in those gaps

which the Author of the *Kitáb-i-Aqdas* has deliberately left in the body of His legislative and administrative ordinances.”[29, p. 148]

From the *Will and Testament of ‘Abdu’l-Bahá* we read these emphatic words; “The sacred and youthful branch, the Guardian of the Cause of God, as well as the Universal House of Justice to be universally elected and established, are both under the care and protection of the Abha Beauty, under the shelter and unerring guidance of the Exalted One (may my life be offered up for them both). Whatsoever they decide is of God.”[5, p. 11] Shoghi Effendi goes on to explain: “From these statements it is made indubitably clear and evident that the Guardian of the Faith has been made the Interpreter of the Word and that the Universal House of Justice has been invested with the function of legislating on matters not expressly revealed in the teachings. The interpretation of the Guardian, functioning within his own sphere, is as authoritative and binding as the enactments of the International House of Justice, whose exclusive right and prerogative is to pronounce upon and deliver the final judgment on such laws and ordinances as Bahá’u’lláh has not expressly revealed. Neither can, nor will ever, infringe upon the sacred and prescribed domain of the other. Neither will seek to curtail the specific and undoubted authority with which both have been divinely invested.”[29, p. 149]

It may be a little difficult for a disinterested observer, so early on, to appreciate the importance or the scope of the Administrative Order that is being practiced by the worldwide Bahá’í community. “Let no one, while this System is still in its infancy, misconceive its character, belittle its significance or misrepresent its purpose. The bedrock on which this Administrative Order is founded is God’s immutable Purpose for mankind in this day. The Source from which it derives its inspiration is no one less than Bahá’u’lláh Himself.”[29, p. 156]

If you visualize (Diagram 6b) a rotating axis similar to the Justice/Unity axis in the divine economy model then ponder the following analogy: “The axis round which its institutions revolve are the authentic provisions of the *Will and Testament of ‘Abdu’l-Bahá*. Its guiding principles are the truths which He Who is the unerring Interpreter of the teachings of our Faith has so clearly enunciated in His public addresses throughout the West. The laws that govern its operation and limit its functions are those which have been expressly ordained in the *Kitáb-i-Aqdas*.”[29, p. 156]

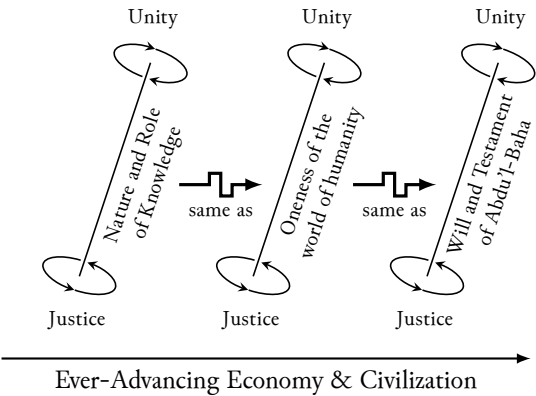


Diagram 6b: The Axis of Oneness of the World of Humanity is the Power of the Covenant

The structure of this divine order culminates in a divine civilization with a divine economy. “The pillars that sustain its authority and buttress its structure are the twin institutions of the Guardianship and of the Universal House of Justice. The central, the underlying aim which animates it is the establishment of the New World Order as adumbrated by Bahá’u’lláh.”[29, p. 156] This culmination is what was first portrayed in the Complete Model of the Divine Economy Over Time (Diagram 3h) and further illustrated in the Complete Model of the Justice of the Divine Economy (Diagram 3v).

Put into the context of classical liberalism with an appreciation of Aristotelian philosophy Shoghi Effendi captures the essence of these twin institutions: “The hereditary authority which the Guardian is called upon to exercise, the vital and essential functions which the Universal House of Justice discharges, the specific provisions requiring its democratic election by the representatives of the faithful—these combine to demonstrate the truth that this divinely revealed Order, which can never be identified with any of the standard types of government referred to by Aristotle in his works, embodies and blends with the spiritual verities on which it is based the beneficent elements which are to be found in each one of them.”[29, p. 154]

The House of Justice is really like one institution at three levels. “The House of Justice is an institution created by Bahá’u’lláh. He

refers to two levels of this institution: the Local Houses of Justice, responsible for each town or village, and the Universal House of Justice. ‘Abdu’l-Bahá, in His *Will and Testament*, added an intermediate level, the Secondary Houses of Justice. It is only on the Universal House of Justice that infallibility has been conferred. At the present time, to stress their purely spiritual functions, the Local and Secondary Houses of Justice are designated Local and National Spiritual Assemblies.”[10, p. 172] “The importance, nay the absolute necessity of these local Assemblies is manifest when we realize that in the days to come they will evolve into the local Houses of Justice, and at present provide the firm foundation on which the structure of the Master’s Will is to be reared in future.”[28, p. 37] “They will be empowered, in such matters as marriage, divorce, and inheritance, to execute and apply, within their respective jurisdictions, and with the sanction of civil authorities, such laws and ordinances as have been expressly provided in their Most Holy Book.”[29, p. 200]

Also in every city a Local Spiritual Assembly (which will in due time evolve into a local House of Justice) is prayerfully elected every year and that body of nine individuals takes counsel together “to choose that which is meet and seemly.”[23, p. 29] The measure of that which is meet and seemly is the principle of divine justice which is “the crowning distinction of all Local and National Assemblies, in their capacity as forerunners of the Universal House of Justice.”[30, p. 27] “The purpose of justice is the appearance of unity among men. . . . The organization of the world and the tranquillity of mankind depend upon it.”[30, p. 28]

One of the primary skills needed, developed, and used in the Houses of Justice and throughout the whole of the Bahá’í community life is consultation. “Bahá’u’lláh has established consultation as one of the fundamental principles of His Faith and has exhorted the believers to ‘take counsel together in all matters. He describes consultation as ‘the lamp of guidance which leadeth the way’ and as ‘the bestower of understanding.’”[23, p. 190] This is a sound method for combining wisdom and discovery. “The unfettered freedom of the individual should be tempered with mutual consultation and sacrifice, and the spirit of initiative and enterprise should be reinforced by a deeper realization of the supreme necessity for concerted action and a fuller devotion to the common weal.”[28, p. 87]

And now we will consider the most democratic system (without the evils inherent in manmade democratic systems) ever known or expressed by humankind—that is—besides the market. It is called the Nineteen Day Feast. Once every Bahá'í month (there are nineteen days in each month in a Bahá'í calendar) the community gathers together for prayers, consultation and fellowship. At the Feast the individuals consult among themselves and also with the institution of the local Spiritual Assembly, offering suggestions and recommendations to the Assembly for further consultation by them. “‘Abdu'l-Bahá and Shoghi Effendi after Him have gradually unfolded the institutional significance of this injunction. ‘Abdu'l-Bahá emphasized the importance of the spiritual and devotional character of these gatherings. Shoghi Effendi, besides further elaborating the devotional and social aspects of the Feast, has developed the administrative element of such gatherings and, in systematically instituting the Feast, has provided for a period of consultation on the affairs of the Bahá'í community, including the sharing of news and messages.”[23, p. 202]

The beauty of such an organic and divine system is its flexibility combined with its rock-solid stability. The system of Bahá'u'lláh “will, as its component parts, its organic institutions, begin to function with efficiency and vigor, assert its claim and demonstrate its capacity to be regarded not only as the nucleus but the very pattern of the New World Order destined to embrace in the fullness of time the whole of mankind.”[29, p. 144]

Who can deny what all of us see? “As we view the world around us, we are compelled to observe the manifold evidences of that universal fermentation which, in every continent of the globe and in every department of human life, be it religious, social, economic or political, is purging and reshaping humanity in anticipation of the Day when the wholeness of the human race will have been recognized and its unity established. A twofold process, however, can be distinguished, each tending, in its own way and with an accelerated momentum, to bring to a climax the forces that are transforming the face of our planet. The first is essentially an integrating process, while the second is fundamentally disruptive. The former, as it steadily evolves, unfolds a System which may well serve as a pattern for that world polity towards which a strangely-disordered world is continually advancing; while the latter, as

its disintegrating influence deepens, tends to tear down, with increasing violence, the antiquated barriers that seek to block humanity's progress towards its destined goal. The constructive process stands associated with the nascent Faith of Bahá'u'lláh, and is the harbinger of the New World Order that Faith must ere long establish. The destructive forces that characterize the other should be identified with a civilization that has refused to answer to the expectation of a new age, and is consequently falling into chaos and decline." [29, p. 169]

And the process is ongoing and ever-changing and it requires flexibility "inasmuch as for each day there is a new problem and for every problem an expedient solution, such affairs should be referred to the Ministers of the House of Justice that they may act according to the needs and requirements of the time." [20, p. 27]

Both the Covenant and the loving counsel of Shoghi Effendi will make sure that its rock-solid stability never becomes an earthly anchor. "It is surely for those to whose hands so priceless a heritage has been committed to prayerfully watch lest the tool should supersede the Faith itself," [29, p. 9] Shoghi Effendi goes on, "I need not dwell upon what I have already reiterated and emphasized that the administration of the Cause is to be conceived as an instrument and not a substitute for the Faith of Bahá'u'lláh, that it should be regarded as a channel through which His promised blessings may flow, that it should guard against such rigidity as would clog and fetter the liberating forces released by His Revelation." [29, p. 8]

Nothing could be more perfect than to have Shoghi Effendi, the Guardian of the Cause of God and a magnificent contributor to the classical liberalism tradition, describe the divine order that embodies the divine laws given to us by Bahá'u'lláh:

The Bahá'í Commonwealth of the future, of which this vast Administrative Order is the sole framework, is, both in theory and practice, not only unique in the entire history of political institutions, but can find no parallel in the annals of any of the world's recognized religious systems. No form of democratic government; no system of autocracy or of dictatorship, whether monarchical or republican; no intermediary scheme of a purely aristocratic order; nor even any of the recognized types of theocracy, whether it be the Hebrew Commonwealth, or the various Christian ecclesiastical organizations, or the Imamate

or the Caliphate in Islam—none of these can be identified or be said to conform with the Administrative Order which the master-hand of its perfect Architect has fashioned.

This new-born Administrative Order incorporates within its structure certain elements which are to be found in each of the three recognized forms of secular government, without being in any sense a mere replica of any one of them, and without introducing within its machinery any of the objectionable features which they inherently possess. It blends and harmonizes, as no government fashioned by mortal hands has as yet accomplished, the salutary truths which each of these systems undoubtedly contains without vitiating the integrity of those God-given verities on which it is ultimately founded.

The Administrative Order of the Faith of Bahá'ú'lláh must in no wise be regarded as purely democratic in character inasmuch as the basic assumption which requires all democracies to depend fundamentally upon getting their mandate from the people is altogether lacking in this Dispensation. In the conduct of the administrative affairs of the Faith, in the enactment of the legislation necessary to supplement the laws of the *Kitáb-i-Aqdas*, the members of the Universal House of Justice, it should be borne in mind, are not, as Bahá'ú'lláh's utterances clearly imply, responsible to those whom they represent, nor are they allowed to be governed by the feelings, the general opinion, and even the convictions of the mass of the faithful, or of those who directly elect them. They are to follow, in a prayerful attitude, the dictates and promptings of their conscience. They may, indeed they must, acquaint themselves with the conditions prevailing among the community, must weigh dispassionately in their minds the merits of any case presented for their consideration, but must reserve for themselves the right of an unfettered decision. "God will verily inspire them with whatsoever He willeth," is Bahá'ú'lláh's incontrovertible assurance. They, and not the body of those who either directly or indirectly elect them, have thus been made the recipients of the divine guidance which is at once the life-blood and ultimate safeguard of this Revelation. Moreover, he who symbolizes the hereditary principle in this Dispensation has been made the interpreter of the words of its Author, and ceases consequently, by virtue of the actual authority vested in him, to be the figurehead invariably associated with the prevailing systems of constitutional monarchies.

Nor can the Bahá'í Administrative Order be dismissed as a hard and rigid system of unmitigated autocracy or as an idle imitation of any form of absolutistic ecclesiastical government, whether it be the Papacy, the Imamate or any other similar institution, for the obvious reason that upon the international elected representatives of the followers of Bahá'u'lláh has been conferred the exclusive right of legislating on matters not expressly revealed in the Bahá'í writings. Neither the Guardian of the Faith nor any institution apart from the International House of Justice can ever usurp this vital and essential power or encroach upon that sacred right. The abolition of professional priesthood with its accompanying sacraments of baptism, of communion and of confession of sins, the laws requiring the election by universal suffrage of all local, national, and international Houses of Justice, the total absence of episcopal authority with its attendant privileges, corruptions and bureaucratic tendencies, are further evidences of the non-autocratic character of the Bahá'í Administrative Order and of its inclination to democratic methods in the administration of its affairs.

Nor is this Order identified with the name of Bahá'u'lláh to be confused with any system of purely aristocratic government in view of the fact that it upholds, on the one hand, the hereditary principle and entrusts the Guardian of the Faith with the obligation of interpreting its teachings, and provides, on the other, for the free and direct election from among the mass of the faithful of the body that constitutes its highest legislative organ.

Whereas this Administrative Order cannot be said to have been modeled after any of these recognized systems of government, it nevertheless embodies, reconciles and assimilates within its framework such wholesome elements as are to be found in each one of them. The hereditary authority which the Guardian is called upon to exercise, the vital and essential functions which the Universal House of Justice discharges, the specific provisions requiring its democratic election by the representatives of the faithful—these combine to demonstrate the truth that this divinely revealed Order, which can never be identified with any of the standard types of government referred to by Aristotle in his works, embodies and blends with the spiritual verities on which it is based the beneficent elements which are to be found in each one of them. The admitted evils inherent in each of these systems being rigidly and

permanently excluded, this unique Order, however long it may endure and however extensive its ramifications, cannot ever degenerate into any form of despotism, of oligarchy, or of demagoguery which must sooner or later corrupt the machinery of all man-made and essentially defective political institutions.[29, p. 154]

ASSAY

In all frankness, nationalism is childish! Evidence of change and decay is all around us but for some reason we expect that the existing manmade, human institutions and legal standards and political theories are sacrosanct. How foolish.

Is such foolishness good for humanity? The oneness of the logical structure of all of us binds us together and our conclusion—worldwide—is that there is and there needs to be an organic change in the structure of present-day society. This knowledge is deeper than it has ever been before and it is precisely from this kind of heartfelt experience and thought that a new civilization begins.

Let's forget childishness, what is longed for are the exalted concepts of maturity. The ideals of liberty, freedom and liberalism have spread around the world. The desire to know oneself and those things that lead to honor or abasement are permeating every society. It is essential to know "What is man?" before we can think about human government. Ultimately—and we are the fortunate ones to be alive in this Day—theocracy was the reason for creation, the purpose of God and for the creation of the human being.

But it is in our nature to say "No" and that is our right as part of our free will; which happens to be the reason why we necessarily can conclude that what the future holds can be called a voluntary theocracy! God does not want to be loved by compulsion. Those who realize that there is a source of all of the powers that are greater than themselves will investigate the existence of God, using the sciences and religion.

It has been over 1300 years since Muḥammad and over 2000 years since Jesus and so the great Mystery of a Manifestation of God is not something that is familiar to us. What probably is familiar, however, is the historical occurrence of the associated destruction of the old 'world' order (characteristic of that particular period of human history) and the

consequent expanding confederations (tribe – city/state – nation, etc.) that followed Their Appearance.

Characteristic of a theocracy is the appearance of two Names of God, the “All-Pervading” (everyone benefits) and the “Educator” (people learn how to solve exigent problems). For example, mankind did not have a concept of, nor the means of, world unity until the coming of Bahá’u’lláh in this wondrous Age. And how could that possibly be accomplished in a way that combines the best of the systems of monarchy, and elected institutions, and liberal political freedom, and additionally, without it ever degenerating?

The Word of God is the bringing together of “B” and “E” and it is! Uniquely in this Day Bahá’u’lláh Wrote with His Own Pen and the originals are protected and incorruptible so the Word of God remains pure. Then as part of His Texts Bahá’u’lláh appointed ‘Abdu’l-Bahá as the Center of His Covenant and as the Perfect Exemplar of the Word of God. Never in history has such a human being ever been known and so that legacy exists and it serves as a strong and enduring bedrock. And Bahá’u’lláh Himself created the institutions of perfection, relative to the needs and exigencies (as time passes)—the Guardianship and the Universal House of Justice. Consequently there is uniquely the rock solid text; a perfect example; and flexibility in its application to the secondary affairs that change over time. The force released by the Word of God is canalized, the authority to interpret is clear, and the foundation of a divine civilization laid. Effectively, “When the love of God is established, everything else will be realized.” [9, p. 238]

In the hearts the force released by the Word of God stirs the desire to know and love the lowly and suffering Manifestation of God. Despite Their power They endured cruelties so that we could bask in the Sun of God’s beneficence. Institutions, relationships, peace, the establishment of unity, and human refinement—all by and through the Word of God—plus under the contractual guarantee of the Covenant that is unique to this Day; such is voluntary theocracy.

Emerging as spiritual beings from our animal roots, more constantly aware of God, and removing the barriers that prevent unity by making the Word of God the foundation of education, we approach the essential basis of theocracy: this is to know “What is being human?” Humankind is now mature enough for that reality to be made manifest;

for fulfilling God's purpose for creating the universe, and to mold our wisdom and understanding using consultation and compassion. This is what the Bahá'í community brings to the table: specifically, living within the Covenant.

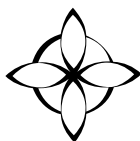
Evidence shows that people are moving all around the world such that 'one human race' is becoming a priori knowledge—not requiring a second thought—setting the stage for this next development in the evolution of the principle of the oneness of humankind. The fragmented and parochial laws cannot suffice. Appropriately, law is what God delivers to us through His Manifestation. "The Laws of God are not imposition of will, or of power, or pleasure, but the resolutions of truth, reason and justice." [6, p. 154] Impelled by the spirit of the age and the needs of the times we voluntarily choose theocracy. "Does not the very operation of the world-unifying forces that are at work in this age necessitate that He Who is the Bearer of the Message of God in this day should not only reaffirm that self-same exalted standard of individual conduct inculcated by the Prophets gone before Him, but embody in His appeal, to all governments and peoples, the essentials of that social code, that Divine Economy, which must guide humanity's concerted efforts in establishing that all-embracing federation which is to signalize the advent of the Kingdom of God on this earth?" [29, p. 60] Yes indeed!



Selected Exercises

1. How favorable to economic advancement is prescribing that interest on money be "treated like other business transactions?"
2. Does acknowledging that "a person has full jurisdiction over his property" match with the philosophy of classical liberalism?
3. Will the orphaned and widowed and those in need find relief even though there is no welfare State, and what role does the House of Justice play?
4. Does the injunction to engage in some kind of occupation include homemaking?
5. How do the laws of God protect property rights, even from those who refuse to reform themselves?

6. Describe how laws serve as a disincentive to criminality and immorality and at the same time provide resources for those who are in need of assistance.
7. Who would have thought it possible to have voluntary taxation! Explain as best you can how Zakat is a form of voluntary taxation that increases the resources to be used to bring benefit to the generality of the people.
8. To you, is the divine economy theory an example of an “emergence of a science” and why?
9. Compare the divine economy theory as a divine philosophy with the philosophy of classical liberalism.
10. Describe how all sciences have the concept of equilibrium and that the identification of God as the force behind the equilibrium brings to the surface the idea of the “transmutation of elements.”
11. Referring to Diagram 6a describe the unprecedented stimulus to “the intellectual, the moral and spiritual life of the entire human race.”
12. Is there any reason not to consider the pattern for future society given by Bahá'u'lláh?
13. What constitutes the basis of the divine order of Bahá'u'lláh?
14. What are the twin institutions that serve as pillars?
15. Describe the relationship between consultation and justice.
16. Considering social cooperation as an ultimate end, comment on quote [ref. 28, p. 87] on Page 392.
17. Why is the Nineteen Day Feast one of the most democratic systems ever known?
18. What features make the Administrative Order of Bahá'u'lláh flexible over time?
19. Find at least one of the “Ten Principles of Classical Liberalism” from Chapter 4 in quote [ref. 29, p. 154] on Pages 394 to 397.



Epilogue

“The body of economic knowledge is an essential element in the structure of human civilization; it is the foundation upon which modern industrialism and all the moral, intellectual, technological, and therapeutical achievements of the last centuries have been built. It rests with men whether they will make the proper use of the rich treasure with which this knowledge provides them or whether they will leave it unused. But if they fail to take the best advantage of it and disregard its teachings and warnings, they will not annul economics; they will stamp out society and the human race.”[66, p. 881] —Ludwig von Mises

Maturation is the process which led us through the tumultuous adolescence of not knowing who we are. It is assumed that we now understand and appreciate human action. Without doubt **human action** is a much deeper concept than just the meaning of these two combined words!

Human action is uniquely human! Ontologically speaking, no thing above it or below it has such a compositional asset and essence. It is exalted above the mineral, the vegetable, and the animal. It has time and free will as its parameters, and so, that which is above it are also of a different nature. Only us and those who are like us have the honor of fulfilling this great station in the world of creation.

With a special power behind the joining of ‘B’ and ‘E’ together to make the word ‘Be’ as in ‘Be and it is,’ action is the very essence of what is human and so is language. The descriptive function of language releases our ability to pursue the concept of truth which leads us to

discover the oneness of humankind and the seamlessness between all of the sciences and between science and religion.

Yet it would be a mistake to think that religion or these sciences are complete—because knowledge is infinite. Ours is the honor to pursue it. Divine economy theory found weaknesses in macroeconomics and microeconomics and in the link between ethics and economics and it found a very weak theoretical connection between law and economics.

Justice protects the human reality and liberty allows for the expression of the human reality. In an environment of liberty and justice the ultimate end of social cooperation is attained again and again as part of the process of an ever-advancing civilization (Diagrams E1 to E3).

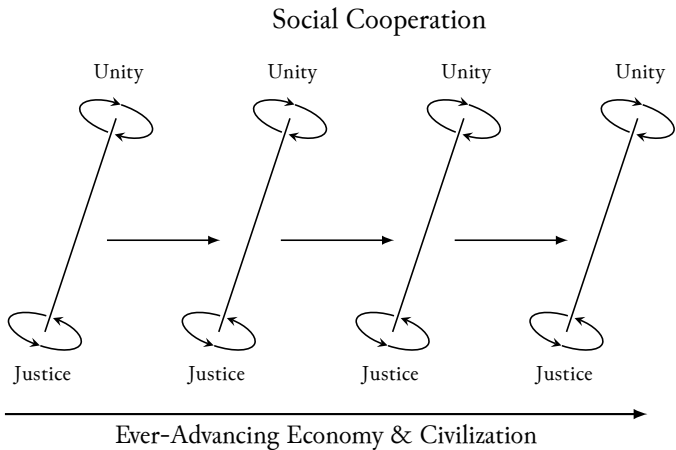


Diagram E1: Ever-Evolving Social Cooperation

The spiritualization of this process cannot be disregarded because love is an exponential contributor to true human cooperation. In fact it is the essential ingredient in the inner workings of unity (Diagram E2).

At some point unity comes to fruition as a new stage of social cooperation which then initiates a new degree of maturation within the domain of justice (Diagram E3). The unity consequently shining from this whole dynamic is a fundamental and foundational element in the process of the ever-advancing civilization.

Peace and prosperity are imminent. “A higher standard of living also brings about a higher standard of culture and civilization.”[68, pp. 89–90]

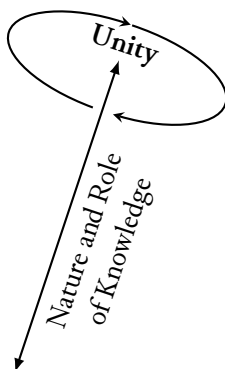


Diagram E2: Inner Workings of Unity

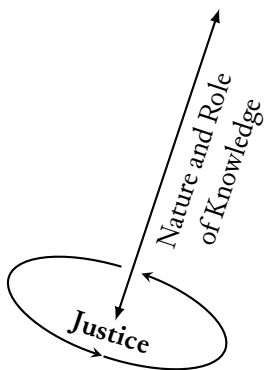


Diagram E3: Initiating the Domain of Justice

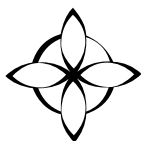
Each step along the way raises the capacity of the population to take charge of its own spiritual, social, and intellectual development.

Divine economy theory has a role to play in the spiritual, social, and intellectual development of individuals for many reasons. First of all, it is comprehensive of all disciplines from its very beginning to its end. It is all about creating an environment of liberty and justice so that the flow of knowledge is always at its maximum. “It is essential that scholars and the spiritually learned should undertake in all sincerity and purity of intent and for the sake of God alone, to counsel and exhort the masses and clarify their vision with that collyrium which is knowledge.”[11, p. 39]

But human knowledge cannot ever ascend past the concept of time. It is bound to time. To gain knowledge beyond this realm requires an Alpha and an Omega! The knowledge given to the Manifestations of God transcends time. Using the divine economy theory it is possible to appreciate Their contributions to the story of human evolution.

At this stage of maturity the Bahá'ís are “learning to apply the Teachings to achieve progress,” and this “could be taken as the very definition of Bahá'í social and economic development.”[51, p. 128] The Revelation of Bahá'u'lláh can also be used to test the divine economy theory. In the human sciences this is one of the great values of the Manifestation of God for each Day—to test the sciences and to inspire the sciences.

The Word of God given to us by Bahá'u'lláh is pure and vast. The Covenant of God given to us by Bahá'u'lláh is inviolable. These may seem like they are only important to religion, but—lest we forget the seamlessness between science and religion—that would not be correct. What this purity and inviolability means is that all ego-driven interpretation and all ego-driven intervention are now abolished. Gone with them will be the social diseases that they cause. Over time societies will vie with each other to eliminate the State, fully confident in the divine law and the divine order of Bahá'u'lláh.



Epilogue to *Voluntary Theocracy*

Our ship is headed for the port of Truth. Our mind is the engine, the science of thinking the propeller, and logic the rudder. All three are needed to reach our goal.

In contrast to *laissez-faire*—which implies a natural order—the divine economy implies a reality that expresses God’s Will. It takes form in each age in accordance with the laws and teachings given by the Manifestation of God. It operates at all times in human civilization with an almost irresistible power through human choices and aspirations. Most certainly the divine economy does not need intervention, which merely serves to diminish the effective communication of the divine economy and its justice.

In other words, the equilibrium process tending toward ‘rest’ naturally is manifest as a voluntary theocracy. It is these voluntary and ideal conditions that lead to “the development of each individual by the organization of natural things, of human affairs, of education, the pursuit of knowledge, and the domination of spiritual principles over lesser instincts of humanity and the purveyance of justice throughout the world.”[38]

We mustn’t forget God’s love for humanity. “It consists of inexhaustible graces, the Divine effulgence and heavenly illumination.”[6, p. 180]

“In our solar system, the center of illumination is the sun itself. Through the will of God this central luminary is the one source of the existence and development of all phenomenal things. When we observe

the organisms of the material kingdoms we find that their growth and training are dependent upon the heat and light of the sun. . . . Likewise in the spiritual realm of intelligence and idealism there must be a center of illumination, and that center is the everlasting, ever-shining Sun, the Word of God. Its lights are the lights of reality which have shone upon humanity, illumining the realm of thought and morals, conferring the bounties of the divine world upon man. These lights are the cause of the education of souls and the source of the enlightenment of hearts, sending forth in effulgent radiance the message of the glad-tidings of the kingdom of God. In brief, the moral and ethical world and the world of spiritual regeneration are dependent for their progressive being upon that heavenly center of illumination. It gives forth the light of religion and bestows the life of the spirit, imbues humanity with archetypal virtues and confers eternal splendors. This Sun of Reality, this center of effulgences is the prophet or Manifestation of God. Just as the phenomenal sun shines upon the material world producing life and growth, likewise the spiritual or prophetic Sun confers illumination upon the human world of thought and intelligence, and unless it rose upon the horizon of human existence the kingdom of man would become dark and extinguished.”[4, p. 11]

The narrative of the divine economy theory unfolds with several overlapping themes or perspectives. Its natural and organic qualities can be seen as paralleling the life cycle of a plant; starting with a seed that grows into a plant with leaves, that produces fruits and ultimately seeds for future prosperity. The second storyline is all about a sacred gift that is made sacred by all of the preparation that went into making it; revealing and reflective of the sacredness of the giver and the receiver. The wholesomeness of the gift satisfies the human spirit.

The narrative of the divine economy continues, this time embarking upon a journey; after gathering the courage, the knowledge, and the resources needed. With the aid of guidance, using the tools available, the travelers are awestruck by the unfathomable vastness of the ocean. Cognizant of all of the treasures at stake the faithful and steadfast captains stay the courses, fulfilling their destiny.

And finally the narrative hints at the period of time in which we are now living as the predominant feature of the divine economy theory storyline. The realization of entering into this new age has all of the

difficulties associated with transitional periods; but this is the most tumultuous, yet the most important. Possessing all of the wondrous potencies and powers of maturity but thrown into the surrounding world—full of hypocrisy—and expected to make it work; these are the challenges experienced in the transitional move out of adolescence. But the good news is: we are then in the age of maturity, the age of fulfillment.

From within the series of four epilogues the divine economy theory builds into a great crescendo. Its germ turns out to be and transforms into a gem, ancient, yet newly polished and multifaceted, which adds to its value and luster. This precious gem is the source of wealth and it is intimately bound to the human heart. Knowledge is the polish. The optimal culture is one where knowledge reaches all the way to the epochal cusp, bridging in all directions the unknown. The ever-advancing social cooperation that can only come from unity is dependent upon justice—a justice that protects the human reality and a liberty that allows for the expression of the human reality.

The discovery of the divine economy theory was and is deductive. Infinitely exquisite interactions of the whole draws the mind to explore the intricacies inherent in the human spirit. Along this path of search are traces of the past and guideposts which lead us to a peaceful civilization.

All this contained in a simple vessel! “How resplendent the luminaries of knowledge that shine in an atom, and how vast the oceans of wisdom that surge within a drop! To a supreme degree is this true of man, who, among all created things, hath been invested with the robe of such gifts, and hath been singled out for the glory of such distinction. For in him are potentially revealed all the attributes and names of God to a degree that no other created being hath excelled or surpassed. All these names and attributes are applicable to him. Even as He hath said: ‘Man is My mystery, and I am his mystery.’ Manifold are the verses that have been repeatedly revealed in all the Heavenly Books and the Holy Scriptures, expressive of this most subtle and lofty theme. Even as He hath revealed: ‘We will surely show them Our signs in the world and within themselves.’ Again He saith: ‘And also in your own selves: will ye not, then, behold the signs of God?’ And yet again He revealeth: ‘And be ye not like those who forget God, and whom He

hath therefore caused to forget their own selves.’ In this connection, He Who is the eternal King—may the souls of all that dwell within the mystic Tabernacle be a sacrifice unto Him—hath spoken: ‘He hath known God who hath known himself.’”[22, p. 177]

Using the divine economy theory model I try to capture a speck of this mystery in Diagram E4 which represents a magnification of the equilibrium point, the fulcrum tip of Diagram E5.

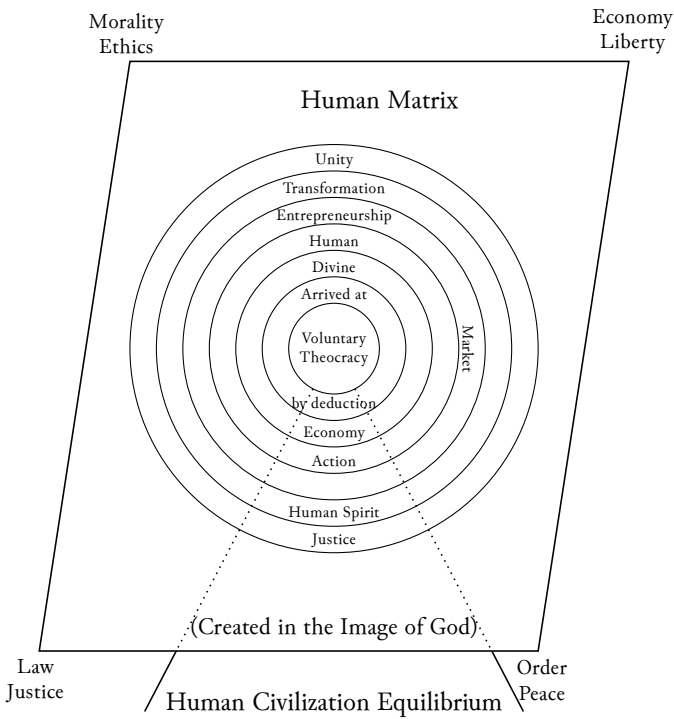


Diagram E4: Magnification of the Equilibrium Point

The equilibrium point is voluntary theocracy and is like the center of concentric ripples emanating as a result of its impact with the human matrix. Adding the concept of the human matrix and the concept of voluntary theocracy is what elevates Diagram E4 above and beyond earlier “Human Civilization Equilibrium” diagrams. This simple model of reality can then be used scientifically.

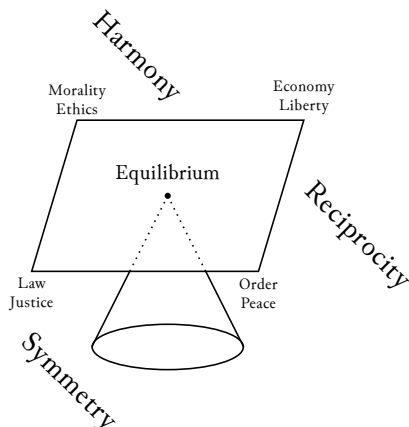


Diagram E5: Human Civilization Equilibrium

With this new perspective we can return to Diagram E₅, aware of the unfathomably complex beauty only dispensed via the grace of God. However, a wise observer can assess the condition of the divine economy and the effects of changes to morality, ethics, economy, liberty, law, justice, order, and peace by contemplating the operations of harmony, reciprocity and symmetry. The wise observer is simply that—an observer of the divine economy who is studying the purposeful action of human beings.

What we find is that there are now tools available that permit us to explore the divine economy and to understand and therefore promulgate voluntary theocracy. These tools are laid out in the divine economy theory and are summarized by looking at the fulcrum tip from above, as shown in Diagram E₆.

“The light of men is Justice. Quench it not with the contrary winds of oppression and tyranny. The purpose of justice is the appearance of unity among men. The ocean of divine wisdom surgeth within this exalted word, while the books of the world cannot contain its inner significance. Were mankind to be adorned with this raiment, they would behold the day-star of the utterance, ‘On that day God will satisfy everyone out of His abundance,’ [*Qur’án* 4:129] shining resplendent above the horizon of the world. Appreciate ye the value of this utterance; it is a noble fruit that the Tree of the Pen of Glory hath yielded. Happy

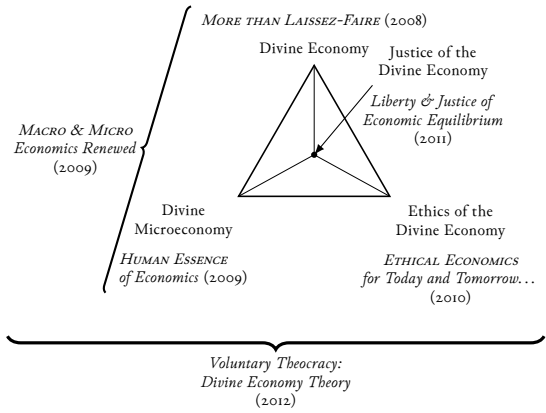
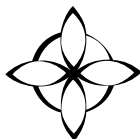


Diagram E6: Divine Economy Theory Tools

is the man that giveth ear unto it and observeth its precepts. Verily I say, whatever is sent down from the heaven of the Will of God is the means for the establishment of order in the world and the instrument for promoting unity and fellowship among its peoples.”[20, p. 66]

The harmony of science and religion now achieved is similar to the realization in an earlier period of the classical liberalism tradition where theology was considered the queen of the sciences.

“This is the time for man to strive and put forth his greatest efforts in spiritual directions. Material civilization has reached an advanced plane, but now there is need of spiritual civilization. Material civilization alone will not satisfy; it cannot meet the conditions and requirements of the present age; its benefits are limited to the world of matter. There is no limitation to the spirit of man, for spirit in itself is progressive, and if the divine civilization be established, the spirit of man will advance. Every developed susceptibility will increase the effectiveness of man. Discoveries of the real will become more and more possible, and the influence of divine guidance will be increasingly recognized. All this is conducive to the divine form of civilization. This is what is meant in the Bible by the descent of the New Jerusalem. The heavenly Jerusalem is none other than divine civilization, and it is now ready.”[9, p. 101]



XXI. WORK AND WAGES

From Ludwig von Mises, *Human Action*, The Fourth Edition, (Irvington-on-Hudson, NY: Foundation for Economic Education, 1996), p. 587–8.

1. Introversive Labor and Extroversive Labor

A man may overcome the disutility of labor (forego the enjoyment of leisure) for various reasons.

1. He may work in order to make his mind and body strong, vigorous, and agile. The disutility of labor is not a price expended for the attainment of these goals; overcoming it is inseparable from the contentment sought. The most conspicuous examples are genuine sport, practiced without any design for reward and social success, and the search for truth and knowledge pursued for its own sake and not as a means of improving one's own efficiency and skill in the performance of other kinds of labor aiming at other ends.¹

2. He may submit to the disutility of labor in order to serve God. He sacrifices leisure to please God and to be rewarded in the beyond by eternal bliss and in the earthly pilgrimage by the supreme delight which the certainty of having complied with all religious duties affords. (If, however, he serves God in order to attain worldly ends—his daily

1. Cognition does not aim at a goal beyond the act of knowing. What satisfies the thinker is thinking as such, not obtaining perfect knowledge, a goal inaccessible to man.

bread and success in his secular affairs—his conduct does not differ substantially from other endeavors to attain mundane advantages by expending labor. Whether the theory guiding his conduct is correct and whether his expectations will materialize are irrelevant to the catallactic qualification of his mode of acting.)²

3. He may toil in order to avoid greater mischief. He submits to the disutility of labor in order to forget, to escape from depressing thoughts and to banish annoying moods; work for him is, as it were, a perfected refinement of play. This refined playing must not be confused with the simple games of children which are merely pleasure-producing. (However, there are also other children's games. Children too are sophisticated enough to indulge in refined play.)

4. He may work because he prefers the proceeds he can earn by working to the disutility of labor and the pleasures of leisure.

The labor of the classes 1, 2, 3 is expended because the disutility of labor in itself—and not its product—satisfies. One toils and troubles not in order to reach a goal at the termination of the march, but for the very sake of marching. The mountain-climber does not want simply to reach the peak, he wants to reach it by climbing. He disdains the rack railway which would bring him to the summit more quickly and without trouble even though the fare is cheaper than the costs incurred by climbing (e.g., the guide's fee). The toil of climbing does not gratify him immediately; it involves disutility of labor. But it is precisely overcoming the disutility of labor that satisfies him. A less exerting ascent would please him not better, but less.

We may call the labor of classes 1, 2, and 3 introversive labor and distinguish it from the extroversive labor of class 4. In some cases introversive labor may bring about—as a by-product as it were—results for the attainment of which other people would submit to the disutility of labor. The devout may nurse sick people for a heavenly reward; the truth seeker, exclusively devoted to the search for knowledge, may discover a practically useful device. To this extent introversive labor may influence the supply on the market. But as a rule catallactics is concerned only with extroversive labor.

2. It is hardly necessary to remark that comparing the craving for knowledge and the conduct of a pious life with sport and play does not imply any disparagement of either.

The psychological problems raised by introversive labor are catallactically irrelevant. Seen from the point of view of economics introversive labor is to be qualified as consumption. Its performance as a rule requires not only the personal efforts of the individuals concerned, but also the expenditure of material factors of production and the produce of other peoples' extroversive, not immediately gratifying labor that must be bought by the payment of wages. The practice of religion requires places of worship and their equipment, sport requires diverse utensils and apparatus, trainers and coaches. All these things belong in the orbit of consumption.

Glossary

A posteriori: reasoning from observed facts or events back to their causes

A priori: working from something that is already known or self-evident to arrive at a conclusion

Ablution: the act of washing before prayer

Active entrepreneurship: a state of alertness where opportunities are easily discerned to be acted upon

Ad hoc: done or set up solely in response to a specific situation or problem, without considering wider or longer-term issues

Arbiter: somebody who can settle a dispute or decide an issue

Arbitrage: buying and selling to take advantage of discrepancies in the price of a good

Atheism: disbelief in the existence of God

Austrian economics: the school of economic thought that uses subjectivism as its methodology and which has theoretical and methodological ties to its founder, Carl Menger

Austrian school of thought: refers to the Mengerian line of economics championed by Ludwig von Mises

Authoritarian law: law imposed by authority, accepted because of the domination by that authority

Axiom: a statement or idea that people accept as self-evidently true

Canonists: those religious authorities that lived in the High Middle Ages and who expounded upon canon law

Capital: the financial resources which are necessary for the production of most current goods and all future goods. It is the use of accumulated wealth for the purpose of earning profit or interest; an intricate, delicate and interweaving structure of goods and resources that must be combined further with other factors to provide consumer's goods

Catallactic: those actions which are conducted on the basis of monetary calculations

Catallactics: the analysis of those actions which are conducted on the basis of monetary calculations

Catalyst: somebody or something that makes a change happen or brings about an event

Causal-realistic: a focus on causal relations to explain realistic behavior that occurs throughout the market process

Classical liberalism: the idea that an unhampered market society is optimal

Coercive: using force or threats to make somebody do something against his or her will

Collyrium: eye cleanser

Common Law: laws set by precedence rather than by the principle of justice

Competitive entrepreneurship: the inherent alertness that fascinates and motivates human action in the real world condition of scarcity of time and means

Conscientiously: doing something according to the person's sense of right and wrong

Constitutive: essential to the particular nature or character of something

Consumer demand theory of value: value and demand ultimately come from the consumer

Contemporary price theory: economic analysis based on the assumption of equilibrium

Covenant: a solemn agreement that is binding on all parties

Covenant of God: the promise in all Scriptures that God would always guide humankind

Conveyancing: the branch of law practice consisting of examining titles, giving opinions as to their validity, and drawing of deeds for the conveyance of property from one person to another

Customary laws: laws that appeared in society to facilitate social cooperation

Deductive: based on logic or reason

Demand: the expression of wants using income from production

Derived demand: demand for all factors of production is derived from the demand for the final good

Determinism: the doctrine or belief that everything, including every human act, is caused by something and that there is no real free will

Disequilibrium: the real economic condition that exists in the world because of uncertainty and imperfect knowledge

Dispensation: a religious epoch associated with a specific Manifestation of God

Disutility of labor: regarding the three qualities of the human reality—physical, intellectual, and spiritual—humans least prefer the strenuous pathways; humans prefer ease over hardship

Divine civilization: the potential appearance of the Kingdom of God on Earth associated with the dispensation of each Manifestation of God

Divine economy: the equilibrium force that is at the center of the divine institution—the economy—that has been bestowed upon humankind by God; the equilibrium forces of the economy that irresistibly operate according to the laws and ordinances of the Manifestations of God; God is the power behind the equilibrium force, which cannot be comprehended by the limited understanding of human minds, therefore all human intervention into the economy corrupts rather than improves the economy

Divine economy model: a subjectivist model that describes the economy in the following terms: human spirit, transformation, law, order, purposeful action, capital structure, market, property rights, justice, and unity

Divine economy theory: the theory that uses the subjectivist methodology to explore how the human identity of being created in the ‘image of God’ helps us to understand how the economy works

Divine microeconomy: the attraction to and conveyance of the names and attributes of God by individuals

Divine microeconomy model: a model that uses the subjectivist methodology to trace value back to its source and then opens new vistas for microeconomic exploration

Divine revelation: the appearance of the Manifestation of God and the accompanying Word of God

Divine spark: the irresistible tendency for humans to search for the truth that manifests itself as competitive entrepreneurship; the alertness that triggers transformation

Division of labor: since every human being is unique, as they pursue their goals there is the potential that they will make a unique contribution to production

Dualism: a philosophical theory based on the idea of opposing concepts, especially the theory that human beings are made up of two independent constituents, the body and the mind or soul

Ecclesiastical: belonging to or involving the Christian Church or clergy

Economics: the study of the means to attain the ends

Ego: the self that uses its free will to turn away from the Will of God

Ego-driven: the delusion created by the lower nature of a human being who haughtily refuses to acknowledge the things beyond his or her comprehension

Empirical: based on observation and experiment instead of theory

Empiricism: the use of data rather than theory to explain things

Ends: what is sought, a goal or purpose

Entrepreneur: the agent that is the driving force in the economy because of the exercising of alertness and the bearing of uncertainty; The one who is alert to the opportunities that exist in a dynamic economy and who finds ways to respond to these opportunities

Entrepreneurship: the station of being alert, of being a seeker

Episcopal: involving or recognizing church government by bishops

Epistemological: pertaining to the nature of knowledge, in particular its foundations, scope, and validity

Epistemology: the branch of philosophy that studies the nature of knowledge, in particular its foundations, scope, and validity

Equilibrium: the tendency towards balance and harmony; the potential force in the economy that creates the tendency to align the will of all of humanity with the Will of God

Ethical economics: recognition that ethics and economics are inseparable and that subjectivism is the proper scientific methodology for further study

Ethics: the study of moral standards and how they affect conduct

Eudemonists: advocates of the early Greek ethical doctrine that characterized the value of life in terms of happiness

Ever-advancing civilization: humans, individually and as a whole, always aspire towards and potentially achieve greater perfections

Ex ante: before the event

Ex post: after the fact

Exchange: an act of mutual benefit where both sides agree to give something and receive something

Federalism: a political system in which several states or regions defer some powers to a central government while retaining a certain measure of self-government

Fractional-reserve banking: violating the contractual relationship by lending more money than has been deposited

Free enterprise: no artificial barriers, no deterrents facing any of the participants in the economy

Hampered economy: this is an economy where acts of intervention interfere with the equilibrium forces

Hermeneutics: the ‘science’ and methodology of interpreting texts

***Homo agens*:** he or she who exercises human action

Human civilization equilibrium: the balancing force of harmony and symmetry and reciprocity underlying all things in the human sciences

Human operating system: all of the inherent human faculties that serve as the means to fulfill our human purpose, which ultimately is to know and love God

Human rights: God-given rights as defined by the Manifestations of God

Ḥuqúqu’lláh: the Right of God

Iconoclastic: somebody who challenges or overturns traditional beliefs, customs, and values

Id: the part of the psyche that is unconscious and the source of primitive instinctive impulses and drives

Ignorant education: education that separates science and religion

Income: purchasing power that results from production

Indemnity: protection or insurance against possible loss, damage, or liability

Inflation: artificial expansion of the money supply

Intervention: imposition of finite human acts of control onto an infinite and divine system; Acts imposed from outside the market process and that prevent the free flow of accurate information; The substitution of coercion for voluntary actions

Israelitish: that which originated from the ancient kingdom of Israel

Laissez-faire: an economic philosophy based on the insight that the economy works best when there is no intervention

Latent entrepreneurship: a state of potential unachieved due to discernment dormancy

Laxity: the condition or fact of being not strict or careful enough

Legislation: the process of writing and passing laws

Leisure: the desire to satisfy one's highest valued physical, intellectual, or spiritual aspiration instead of working

Logic: any system of reasoning and inference; the branch of philosophy that deals with the theory of deductive and inductive arguments to distinguish good from bad reasoning

Loss: occurs when marginal costs are greater than marginal revenues

Macro: the view that encompasses more than one individual

Macroeconomics: the study of the economy from a perspective of generality, as a starting point for deduction

Macroeconomy: a term used to indicate that aggregate indicators in the economy are being looked at

Manifestations of God: the Messengers of God, the Prophets of God

Marginal utility: for all human actions, the change in the utility or value to an individual associated with an additional unit of a good or service

Market: the place and process where information flows between and among participants

Market clearing price: the price where the quantity demanded of a good will match what is supplied during that production cycle

Market process: a natural and universal process that functions like language does to facilitate, in this case, in the making of exchanges; the matrix where the divine economy operates

Materialism: the philosophical theory that physical matter is the only reality

Means: something that is available and makes it possible for somebody to do something

Medieval: relating to, involving, belonging to, or typical of the Middle Ages in Europe

Meditation: concentration of the mind on one thing, in order to aid mental or spiritual development, contemplation, or relaxation

Metaphysics: the branch of philosophy concerned with the study of the nature of being and beings, existence, time and space, and causality

Methodological dualism: for humans, no bridge connects the external world of physical, chemical, and physiological phenomena and the internal world of thought, feeling, valuation and purposeful action

Micro: the view from the perspective of an individual

Microeconomics: the study of the economy immediately surrounding individuals

Mixed economy: the same as a hampered economy, an economy burdened by interventionism

Monopoly: long-run restricted access, protected by intervention, which negatively affects production and prices

Morality: conduct that is in accord with the laws of God

Moral relativism: ‘morality’ without a divine standard

Natural law: each thing has its own particular set of properties or attributes, its own nature, which distinguishes it from other kinds of things

Natural rights: rights that appear once property of any kind comes into existence from a non-coercive exercising of human action

NTA (Next Time Around): production for the next planned sales period based on information and knowledge gained from the previous planned sales period

Objective: existing independently of the individual mind or perception.

Ontology: the most general branch of metaphysics, concerned with the nature of being

Opprobrium: scorn, contempt, or severe criticism

Oxymoron: a phrase in which two words of contradictory meaning are used together for special effect

Panoply: an impressive and magnificent display or array of something

Parochial: concerned only with narrow local concerns without any regard for more general or wider issues

Partisan: a bias caused by connection to a particular group

Philanthropic: devoted to helping other people

Philosophy: the branch of knowledge devoted to the systematic examination of basic concepts such as truth, existence, reality, causality, and freedom

Philosophy of classical liberalism: the philosophical foundation underlying Austrian economics which places great value on liberty and justice

Polis: the city-state form of government

Positive ethical theory: an irrefutable theory of ethics

Positivism: the theory that knowledge can be acquired only through direct observation and experimentation, and not through metaphysics or theology

Praxeology: general theory of human action; human action logic over time

Praxeology redefined: general theory of purposeful action by spiritual beings

Precipice: a high, vertical, or very steep rock face: or a very dangerous situation

Price: information conveyed during the market process about the exchange value of a good

Price elasticity: the degree of change in the quantity demanded if the price changes

Primordial: essential or basic to something

Production: the creation of useful goods and services

Production possibilities frontier: a macroeconomic tool using two opposing aggregates to explain the limits of production

Profit: the motivation that stimulates producers to increasingly meet the needs of the consumer thereby serving as an agent of continuous economic progress

Profit margin: it is marginal revenue minus marginal costs

Property rights: the ownership rights of individuals in their persons and in their material possessions

PSP (Planned Sales Period): that period of time by the end of which the firm expects to sell out of the quantity supplied to the market

Purchasing power: a measure of the value of the medium of exchange in terms of the goods that can be purchased per unit of money

Reason: the ability to think logically, regarded as a basis for knowledge

Reciprocity: a relationship involving mutual exchange; a relationship between people involving the exchange of goods, services, favors, or obligations

Relative morality: once severed from the ethics brought by the Manifestations of God a degenerate form of morality becomes 'normal.'

Restitution: compensation for a loss, damage, or injury

Risk: due to uncertainty and imperfect knowledge there is a possibility of a loss

Romanists: those religious authorities that lived in the High Middle Ages and who expounded upon Roman law

Savings: the portion of income set aside for future consumption

Scarcity: available resources at any given moment are insufficient or inadequate relative to wants

Scholastics: the scholars of the Middle Ages that combined theology, philosophy, logic and natural law

Secession: the right to leave a jurisdictional arrangement in a contractual society

Shortage: this occurs when demand exceeds supply

Speculating: it involves sophisticated guesswork about future changes that are shrouded in uncertainty; it is alertness in a risk environment

Standard of Living: an aggregate reference point assessing the degree of well-being and prosperity in relative terms

State: a state is a territorial monopolist of compulsion, an agency which may engage in continual, institutionalized property rights violations and the exploitation of private property owners through expropriation, taxation and regulation (Hoppe)

Stoics: an ancient Greek school of philosophy that asserted that happiness can only be achieved by accepting life's ups and downs as the products of unalterable destiny

Subjective: each person has a unique perspective and therein lies its value

Subjective valuation: each person values things according to his or her own unique system of valuation

Subjectivism: the scientific approach that recognizes that humans act subjectively, and this then leads to realistic and relevant scientific discoveries; The scientific methodology that recognizes that humans make decisions subjectively

Subjectivist methodology: using the science of human action to identify both laws and how they operate

Subsidiarity: the principle that political power should be exercised by the smallest or least central unit of government

Supply: the outcome of production

Surplus: this occurs when supply exceeds demand

Surreptitiously: done in a concealed or underhand way to escape notice, especially disapproval

Symmetry: when things are balanced and proportional

Talismanic: something believed to have magical properties

Tautologies: these are propositions that are, in themselves, logically true

Taxation: coercive extraction of wealth by government

Theology: the study of God and religion

Thymology: the study of the human mind by human minds in human terms (Sunwall)

Time preference: the universal law of human action that states that people prefer to have a good now rather than that same good sometime in the future

Tort law: in civil law, a wrongful act for which damages can be sought by the injured party

Totalitarianism: relating to or operating a centralized government system in which a single party without opposition rules over political, economic, social, and cultural life

Unhampered economy: a synonym for a laissez-faire economy and a free market economy. It is also the condition that exists in a divine economy

Usury: the lending of money with an interest charge for its use

Value-free economics: the attempt to separate from economics the value attributed to the ends

Vantage point planes: the two dimensional surface, like a painter's canvas, seen from the perspective that is perpendicular to the plane

Vestiges: a trace or sign of something that is no longer present

Virtues: the names and attributes of God; the human essence that is the origin of value, the source of wealth

Volition: the act of exercising the human will

Wealth Transfer Theory of Government: the practice of governments, out of ignorance of the destructiveness of interventionism, leading to the creation of two classes: the politically connected and the politically unconnected

Wertfrei-neutral: value-free economics

Western Civilization: the emergence of a highly productive civilization, due to the protection of capital and of property rights, that occurred prior to the emergence of the State

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About the Author

Bruce Koerber—the originator of the divine economy theory and the divine economy models.

The whole theory and the associated models developed as part of a deductive process. The simple model appeared to be organic and easily took on the characteristics inherent in the philosophy of classical liberalism. The first stage of its development ended with a dynamic macroeconomic model. Pursuing further the deductive process the model fit perfectly into a structural analysis that penetrated into the very heart of economic activity all the way to the origin of where value comes from. This discovery process yielded the microeconomic model.

Two major realms of the divine economy model remained unexplored. The first was the ethical strand which had to do with the connection between the human spirit expressed as purposeful human action, and transformation which is manifest in the capital structure. The perspective of the divine economy theory renewed macro and micro economics, granted, but the melding together of ethics and economics in theory and in a model had never been achieved before.

The last component of the divine economy model is just as earthshaking. This time the relationship between law and order brought to light the role of the equilibrium forces of the economy in the advancement of civilization by balancing all aspects of social cooperation, most notably liberty and justice.